

Breakout Group 1 (Programs) - Compiled Notes

Natural Gas Fact Finding, Docket no. UM 2178

Workshop #4b, October 12, 2021

Questions

- What programmatic tools would you recommend that the Commission implement immediately, near-term, and long-term to facilitate meeting climate goals with least risk to customers?
- Why would you prioritize these tools over others?

Participant Responses

- Energy Trust of Oregon incentivization of cost-effective electrification – update cost effectiveness calculation. Something we can do immediately, with near term benefits to decarbonize, aligns with clean electricity policies. Need data on what programs should be supported because they are cost effective solutions.
 - Customers get incentives for cost effective actions
 - Define cost effective to include health, climate, and equity impacts
 - Use consistent CE to both gas and electric
 - Open options for some technologies solutions (AC example)
 - Make strategies additive (how they are sequenced)
 - Review SB 98 rules – useful prerequisites for moving forward
 - Implementing Social Cost of Carbon (SCC) in calculations
 - Comprehensive energy planning gas/electric – adequacy/stability what are the challenges and limitation in higher electrification scenarios.
 - Focus on tools that help us decarbonize, not just electrification
 - Why – because decarbonization is the goal
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- Leverage Integrated Resource Planning (IRP) joint planning. Bring forward low-income rates and energy burdened communities relative to HB 2475. Revisit

decarbonization study to inform reg tools to inform recommendations. For immediate impacts, renewable natural gas and hydrogen brought on system

- Center ways to solve problem rather than – should be focused on decarbonization as central. Pursue energy efficiency as aggressively as possible, highest and best use of tools rather than electricity/gas switching. Revisit energy efficiency valuation methodologies to achieve decarb goals including Hydrogen and biogas side to look at avoided costs of greenhouse gases (GHGs). Look at CCI costs for avoided costs, or DEQ.
- Partner with Energy Trust of Oregon for aggressive energy efficiency as much as possible. Rural service providers hired Guidehouse to review best cost pathways modeling scenarios, reviewing DEQ scenarios including use of gas-based fuels, decarbonized over time, to reduce GHGs.
- Industrial end-users not only residential customers. What does this mean for work force (steel, cement for example): result in leaving due to costs/production. How can PUC provide decarb tools for industrial sector? Also, aviation sector: how can clean fuels provide pathways for jet fuels, marine sectors
- Utilize what's in place SB 98, Renewable Natural Gas (RNG) and hydrogen now in place, encourage utilities to aggressively pursue those projects. Important step for gas for energy efficiency and decarbonization,
- Endorses IRP joint planning. Wholeheartedly endorses pursuing energy efficiency. Supports decarb as “driving force.” If customer, moving away from natural gas best way to decarbonize. As payee as electric and gas customer, wanted to go to electric heat pump: should be able to fuel switch. Thinks current fuel-switching policy works against decarbonization.
- For gas customer, using less and cleaner gas is best way to decarb. Renewable natural gas, hydrogen: Needs to find highest and best use – direct to industrial customers that experience challenges. Overall gas company profile/business model may need to change.

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- Incentivizing appliances that don't emit greenhouse gases and weatherization. Priority: market signals to tell people what to do. People aren't going to know what the right thing is
 - and health effects
 - Including other benefits in cost-effectiveness including health, climate change, others, more than just money
 - Time-of-use (TOU) incentives, flexible demand, appliances, customer behaviors

- Focus on best bang-for-your-buck efficiency. Priority: low hanging fruit
 - Including transport-only gas customers
 - Revisit fuel switching policy. Priority: Goes hand in hand with the right market signals (idea #1)
 - Line extension policies: new gas users responsible for paying for the hook-up to discourage expansion of the gas system. Priority: give people market signals to help them make decisions to keep gas infrastructure where it is.
 - Energy efficient options for every type of equipment, how to finance deep energy retrofits/more challenging efficiency installations (Seattle MEETS)
 - Using the new rate class to protect low-income ratepayers
 - If the way their rates are calculated are different, consider how they interact with programs including energy efficiency
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- Energy efficiency – exploring pilots in partnerships with Energy Trust of Oregon, there is a bottleneck with the agencies they work with so we need to find efficiencies, another is energy efficiency for interruptible customers. They don't contribute to the public purpose charge so they don't contribute.
 - Why prioritize this? Provides more access to customers is a win for environment and cost – so it's low hanging fruit.
 - Wants to agree with energy efficiency, innovation requires pilots, but rather say pilots at scale – fix the definition of cost effectiveness so that you are able to do everything that needs to be done. The need is climate policy not avoided cost. While doubling down on energy efficiency change fuel switching rules. And putting underserved communities first should be a priority.
 - Why prioritize these? It means going out into the field and doing the working, doing the best job we can while we're there, the why is urgency.
 - Agree with energy efficiency, investigate low-income rates, they are hurting right now. And can we get more renewable natural gas in the system for immediate impact? Do joint planning with IRPs.
 - Very important that we not count on efficient because it is not fast enough. We need to change the sources of energy.
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- Low-income protections/rate classes

- Point of replacement - lift ETO fuel switching preemption, have ETO preference electric replacements as most energy efficiency and cost effective, or weatherization upgrades, but no gas incentives of any kind
- Line extension policies:
 - Eliminate these for gas
 - Increase LEAs for electrification - prioritize behind the meter upgrades that are currently out of scope (panel and circuitry upgrades to existing that are needed to electrify existing buildings)
 - Additional fees for voluntary connections to the gas system. Any new infrastructure will add to the cost of decarbonizing the entire system, so customers who choose to connect should pay a CPP type fee in addition to the cost of connection - must shift cost and risk of new gas hook ups onto new customers rather than saddle existing low- and moderate-income (LMI) customers
- 10-year depreciation schedules for any new gas investments going forward - especially for any investments that are related to heating buildings of any kind. Investments for transportation solutions could have longer depreciation schedules.
- Options 1-4 are all low cost, and don't preclude other options in future. Can and should be done immediately. Must do these in addition to decarbonizing gas. OK to encourage lower emission gas while also shrinking the gas system to serve only the best uses.
- Equity is not a tool, but rather an underlying principle to be applied to all options.
- First priority: Address barriers to fuel switching. Necessary to address existing buildings. Immediate opportunity, do it now.
- Next priority: Line extension allowance conversation.
- Open line extension proceeding--let's stop adding/subsidizing customers on the gas system; open a proceeding in OR on this issue (current policy is just funding a stranded asset.) Use WUTC as example.
- Get appliances electrified now. Cut gas appliance subsidies AND implement new policies/subsidies to encourage electrification of home appliances (with priority for highly impacted, low-income communities).
- Revisit fuel switching policy/barriers. Invest in enabling fuel switching (i.e. providing funding for electric panel upgrades for low income customers.)
- RNG is limited technology. Put less time/energy toward that. Right now Oregon is unique by acting like RNG and electrification are both equally viable long term options. They aren't.

- Energy efficiency first! Like the examples of evaluating CE and piloting new technologies. Explore where we may be able to shift the boundaries to accelerate energy efficiency programs using existing and near-term technologies.
- Avoided cost for CE calculation needs be based on renewable energy and hydrogen. CE of gas heat pump (near future) challenged by low cost of gas as avoided resource.
- Would be good if more of the market (i.e. manufacturers) could be involved in this dialogue. They are looking for indicators so they can plan their product mix for the next 10-20+ years, and also have a wealth of knowledge about what may be possible.
- Focus of this group should not be electrification. Electric Cos need to figure out how to support 100% RE for existing load, much less new load.
- I would appreciate hearing from the electric utilities directly about whether they have concerns on how to meet their load. To be frank, I have heard those concerns here a lot from gas companies, but had not heard electric raise that concern. They know their system best.
- Line extension policy is drop in bucket.
- Need to include customer choice in conversation.
- Accelerated depreciation has near term cost to customers.
- Fuel switching is least accessible to lowest income customers. Need to enable it for them.

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- Low-price of electricity prevents retrofits from happening- equity is of tantamount importance- raise the price of electricity and then give people who electrify rebates
 - If looking at price of natural gas, does not include the risks of natural gas to health and safety- should include methane leaks of natural gas- should be required to be fixed; reason picked that is because methane has a greater global warming potential over 20-year time period
 - Prioritize tools to get the greatest immediate impacts- expand target DSM, energy affordability and resiliency, cost-effectiveness for energy efficiency programs, then exploring other types of pilots
 - Focus on electrifying, focus on low-income communities being able to afford new equipment and electricity bill- don't want to have low-income customers having super high electricity bills- want to address methane and move away from NG- not to focus on hydrogen and RNG- should move

- Didn't get a lot of guidance in DEQ rules about looking at low-income- but not really in CPP, leaving with the PUC to figure out the best way to do that- excited to do that, but will need to figure that out- would like to figure that out sooner rather than later
 - Compliance- joint resiliency, finding the place in the venn diagram where there is the flexibility in both systems to take advantage of that
- Target areas where can look at affordability, energy efficiency, comprehensive look at gas and electric utilities are combined- look at costs before electrification- see how that looks for groups, compliance, transport and industrial customers, also
- Risk management is a good way to get a perspective and figure out what needs first attention- other suggestion is that lifecycle analysis has been brought up but generally done by PhDs and can be not transparent and hard to explain- PUC could offer a lifecycle tutorial that doesn't involve the complex tools (unlike the GREET tool, which takes too long to explain)
 - False solutions are lurking everywhere- will eat up precious time and budget
 - The Risk Management Process has been around for a couple decades. It lists agreed-upon hazards, then rates each one for likelihood of occurring and consequences if it happens. This tool is employed by investors, military, industry, public health agencies, etc.
 - Lifecycle Analysis is important, but a drawback is that it relies on skilled and knowledgeable experts to take it on and indeed to understand and accept the results. So I really like the idea of a Lifecycle 101 tutorial that the marginalized justice and equity communities can engage in the technical narrative. With any false and ineffective climate actions, justice goes begging. This puts a premium on having everyone engaged in technical issues. False solutions eat up budget resources and precious time.
- Glad for this question because there are a lot of people- energy affordable rate for LMI, aligning replacement with carbon goals, EnergyTrust of OR has a fuel switching preemption- that should be lifted- beyond that, should be rally subsidizing and incentivizing heat pumps- shouldn't be subsidized in the name of energy savings but also carbon savings- take a sweep at programs that are subsidizing gas appliances as new EnergyStar appliances are electric- want to shield costs of ratepayers- target programs, depreciation schedules, don't want to be locking people in- 10 year- want to shift those costs and risks with new

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- Incentivizing adoption of RNG is something we can do; also pilots for hydrogen; need incentives to accelerate this

- Cost of electric sector decarb comparison to gas: significant cost reduction available- natural gas has cost effective options for decarbonization
- Avoided costs should be considered
- Revisit fuel switching policy; customers shouldn't be locked into one type of fuel; also need to revise cost-effectiveness test to better handle electrification
- Need targeted programs for disadvantaged communities to mitigate cost burdens as some customers go electric
- Expand targeted demand-side management
- Important to include transport customers in energy efficiency programs; BAT that certain sources needed to meet in GHG rules; what is achievable for transport customers; not having them included penalizes gas utilities
- Line extension policy review is needed
- Joint utility planning, including for meeting winter peak
- Assumption that RNG and hydrogen are zero carbon - but no real proof - needs to be evaluated
- Cost of maintaining system is expanding as we continue to expand gas consumption
- Investigate low income rates
- IRPs coming up - could use that to try for joint utility planning
- Neutral decarb study would be useful
- RNG/hydrogen - DEQ lacks authority to regulate emissions from these so they are considered zero emissions but PUC should consider how to evaluate risks regarding emissions from these sources - they are not actually zero emissions. Note that state law can change on this subject so utilities should be measuring these sources - otherwise ratepayers are exposed to risk.
- PUC does consider through SB98 and recognize emission reductions associated with hydrogen/RNG

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- Focus tools on load growth. Let's not add customers, focus there
 - PUC needs to look at gas and electric together, not separately, have a framework within which to evaluate IRPs, the PUC to become an energy planning entity. How will emissions reach that trajectory, planning and rates regulating at the PUC. Or link Planning from ODOE to PUC, work with ODOT for TE. State goals under framework
 - More coordination between planning, meeting DEQ requirements is the new cost of service, least cost includes carbon
 - Lots of tools can be implemented in the short-term, low-income programs, remove barriers for LI to electrify (upfront capital barrier), question of use of funds to

electrify, low-income, rural and BIPOC able to take advantage of solutions. Make sure programs are accessible to all.

prioritize pilot programs for beneficial electrification and efficiency, NOT hydrogen and RNG

- Support for fourth point above, prioritize low-income ratepayers, rural, BIPOC and reduce emissions now for current benefits, performance-based ratemaking, remove fuel switching barrier
- Support fourth point above, low-income, environmental justice communities concerns, Direct ETO to change rules,
- Fugitive methane, hot topic. Life cycle consideration needed.
- Affordable access now and into the future, to ensure that we are eliminating line extensions
- Opportunity for transport customer efficiency - should be addressed, no current program
- Protect customers against political advocacy/lobbying. What does utility rate of return look like during this transition compared to customer impacts