



AWEC
ALLIANCE OF WESTERN
ENERGY CONSUMERS

To: Chair Marsh, Vice-chairs, Committee members and staff

From: Chad Stokes, representing the Alliance of Western Energy Consumers

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The Alliance of Western Energy Consumers (AWEC) opposes House Bill 3152.

AWEC is a non-profit association with a membership consisting of approximately 40 end users of electricity and natural gas with major facilities in the States of Oregon, Washington, and Idaho. Many AWEC member company facilities are energy-intensive, trade-exposed (EITE) entities and include diverse industrial and commercial interests, including those related to food processing, pulp and paper, wood products, electric generation, aluminum, steel, chemicals, electronics, and aerospace. These businesses are core industries to Oregon's economy, employ many Oregonians and face significant national or global competition for their products and are highly sensitive to the cost of electricity and natural gas. Accordingly, AWEC is interested in ensuring that Oregon consumers maintain safe and reliable service and competitive access to energy supplies and energy services while decarbonizing the energy system consistent with state policy.

Section 1 of HB 3152 is confusing and unnecessary. The Public Utility Commission of Oregon ("Commission") already regulates the rates and terms of conditions of service for Oregon's investor-owned utilities consistent with state law, including the climate goals of the Climate Protection Plan (CPP). For example, the Commission initiated a 1.5 year long Natural Gas Fact Finding proceeding under Executive Order 20-04. This Natural Gas Fact Finding proceeding involved the Commission, its staff, utilities and stakeholders and studied how natural gas utilities will comply with the CPP, including conservation, renewable natural gas, renewable hydrogen and other emerging technology. The Natural Gas Fact Finding proceeding resulted in a final report of the Commission Staff, which recommended future steps and proceedings to address CPP compliance.

The Commission already has the authority to take steps to ensure that natural

gas utilities comply with the CPP's climate goals and objectives and the Commission ensures that the rates and terms and conditions of service are fair, just and reasonable. The Commission, utilities and stakeholders now consider CPP related compliance and costs in general rate proceedings, Integrated Resource Plans, Purchase Gas Adjustment and related proceedings. Accordingly, Section 1 is duplicative of existing Commission authority, and to the extent it creates additional requirement(s) on the Commission, the draft language is unclear.

Section 2 of HB 3152 is ambiguous and would harm customers. First, the policy section of Section 2 states that residential customers must be protected from the costs of stranded fossil fuel assets. Notably, this policy related to stranded costs is different than the stranded cost language in Section 1, 2(c) which requires the Commission to "mitigate" the risks of stranded assets. Even ignoring this inconsistency, the problem with this seemingly innocent policy is that utility ratemaking is a zero-sum game. The necessary implication of this policy would be that either the investor-owned utility shareholders absorb residential related costs, or the residential costs are shifted to commercial and industrial customers. Either result is unfair and inconsistent with rate regulation in Oregon. Requiring the investor-owned utility shareholders to absorb the costs could be a regulatory "taking", and shifting costs to commercial and industrial customers already facing expensive CPP compliance costs is unfair and risks driving business out of Oregon. Further, if this policy is intended to require accelerated depreciation or accelerated recovery of "fossil fuel assets", this would increase costs to all customers in an unreasonable fashion. Utility assets may have a useful life of 40-50 years or more. If HB 3152 requires the costs of utility assets to be recovered in a shorter time frame, it drives up costs which hurts all Oregonians and the economy.

Section 2 of HB 3152 also purports to end natural gas subsidies and incentives, but most of the incentives or subsidies for the purchase or installation of gas appliances or devices is reserved for low income customers. Further, Section 2, 2(b) is unnecessary because the Commission has already taken steps to wind down residential natural gas line extensions.

In conclusion, AWEC opposes HB 3152 because it is unclear and duplicative of existing law. Thank you for the opportunity to provide testimony.