



March 1, 2023

Oregon House Committee on Climate, Energy, and Environment
RE: Testimony of RMI on HB 3152

Chair Marsh, Vice Chairs, and Members of the Committee on Climate, Energy, and Environment,

My name is Abby Alter, and I respectfully submit this testimony on behalf of RMI. RMI is a forty-year-old independent, non-partisan, nonprofit with the mission of transforming the global energy system to secure a clean, prosperous, zero-carbon future for all.

This testimony focuses on the importance of addressing gas line extension allowance policy to mitigate financial risk to Oregon utility customers and advance the state's progress in achieving its climate goals. My colleagues and I at RMI have been closely following the 'Future of Gas' planning and policy developments occurring across the country, including in the recent Natural Gas Fact Finding proceeding at the Oregon Public Utilities Commission. I am also a contributing author on RMI's 2021 report on this exact issue, titled *Overextended: It's Time to Rethink Subsidized Gas Line Extensions*.¹

The expectation that gas line extension allowances would benefit existing customers no longer holds due to a number of factors, including the climate imperative to shift away from fossil fuels and customers' increased recognition of the advantages of electric technologies.

Across the country, decision-makers are acting to phase out gas line extension allowances. In Colorado, regulators have required that new customers pay the full incremental cost of extending the system to serve them. Connecticut last year ended its gas expansion program.² Regulators in California have eliminated gas extension subsidies entirely.³ Washington regulators required two of the state's gas utilities to phase out gas line extension allowances by 2025.⁴ Just last fall, Oregon regulators found that

¹ Abigail Lalakea Alter, Sherri Billimoria, and Mike Hennen, *Overextended: It's Time to Rethink Subsidized Gas Line Extensions*, RMI, 2021, <https://rmi.org/insight/its-time-to-rethink-subsidized-gas-line-extensions/>.

² Connecticut Public Utilities Regulatory Authority, Docket No. 21-08-24, April 27, 2022, [https://www.dpuc.state.ct.us/dockcurr.nsf/4b3c728dd1c0d642852586db0069aa70/b09c5c63c09c2a25852588310054086c/\\$FILE/210824-042722.pdf](https://www.dpuc.state.ct.us/dockcurr.nsf/4b3c728dd1c0d642852586db0069aa70/b09c5c63c09c2a25852588310054086c/$FILE/210824-042722.pdf).

³ California Public Utilities Commission, Phase III Decision Eliminating Gas Line Extension Allowances, Ten-Year Refundable Payment Option, and Fifty Percent Discount Payment Option under Gas Line Extension Rules, Decision 22-09-026, Rulemaking 19-01-011, September 15, 2022, <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M496/K987/496987290.PDF>.

⁴ Washington Utilities and Transportation Commission, Final Order 24, Rejecting Tariff Sheets; Approving Settlements, with Conditions; Authorizing and Requiring Compliance Filing, Dockets UE-220066 and UG-220067 (*Consolidated*), December 22, 2022.

Washington Utilities and Transportation Commission, Final Order 10/04 Rejecting Tariff Sheets; Granting Petition; Approving and Adopting Full Multiparty Settlement Stipulation Subject to Conditions; Authorizing and Requiring Compliance Filing, Dockets UE-220053, UG-220054, UE-210854 (*Consolidated*), December 12, 2022.



the line extension allowances offered by the state's largest gas utility saddle customers with undue costs long into the future and ordered that the allowances be reduced over time.⁵

Subsidized extensions of gas service pass hundreds of millions of dollars in costs to existing customers while expanding the fossil fuel system. While these policies made sense in the past, their climate and economic rationale is increasingly challenged by expected reductions in future gas use, the growing costs of maintaining the existing distribution system, and the imperative to phase out fossil fuels.

In closing, legislators should act to phase out gas line extension subsidies to mitigate financial risks to Oregonians and facilitate emissions reductions in line with state climate goals.

Sincerely,

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⁵ Public Utility Commission of Oregon, Order No. 22-388, In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision (UG 435), Oct 24, 2022, <https://apps.puc.state.or.us/orders/2022ords/22-388.pdf>.