



March 13, 2023,

House Committee on Climate, Energy, and Environment
Oregon State Legislature
900 Court St. NE
Salem, Oregon, 97301

RE: House Bill 3152 – Testimony in Support

Dear Chair Marsh, Co-chair Levy, Co-chair Levy, and members of the Committee,

I write on behalf of Earthjustice, to urge you to pass House Bill 3152. This bill is a commonsense proposal to eliminate harmful subsidies that increase costs for ratepayers, and contribute to climate catastrophe by promoting fossil gas customer growth.

Earthjustice is a non-profit environmental law organization that uses the power of law and the strength of partnership to protect people’s health, to preserve magnificent places and wildlife, to advance clean energy, and to combat climate change. Last year, I represented a coalition of environmental advocates and community-based organizations before the Oregon Public Utility Commission in Docket No. UG-435, a petition for a rate increase filed by NW Natural.

While subsidies can promote beneficial outcomes for the public, HB 3152 would eliminate harmful subsidies that promote fossil gas customer growth. These subsidies increase costs for existing ratepayers, and exacerbate the climate crisis. Currently, anytime a new customer wants to receive gas utility service, all ratepayers have to pay the cost to build the pipeline that connects that customer to the gas system. This cost is called a line extension allowance. In other words, every time someone wants to install a new gas fireplace in a home that doesn’t currently receive gas, all ratepayers have to pay to connect that home. This cost is a subsidy because the individual homeowner exclusively benefits from infrastructure that connects their home to gas utility service, and yet all ratepayers are forced to pay this cost.

While the cost of subsidizing each individual line may seem small, when aggregated, the costs have a significant impact on rates. In the NW Natural rate case, our expert determined that that line extension subsidies cost NW Natural ratepayers \$26 million **annually**.¹ These costs are included in rates, as required revenue for the gas company. In NW Natural’s most recent rate increase, this cost constituted 6% of the company’s total request.² Further, subsidizing gas customer growth means ratepayers are charged not just for the subsidy, but also all the other customer growth related costs including construction of mains, the costs to decarbonize gas

¹ See Direct Testimony of Edward Burgess, UG-435, at 8, <https://edocs.puc.state.or.us/efdocs/HTB/ug435htb16597.pdf>.

² *Id.* at 9.

utility service, and customer services costs. NW Natural itself estimated that new customer acquisition costs ratepayers over \$50 million **annually**.³

Gas companies are fighting HB 3152, because it would eliminate subsidies that generate huge profits for their shareholders at the expense of ratepayers. Shareholder-financed incentives offered by gas companies for appliances demonstrate that these subsidies are so lucrative for the industry that the companies themselves are willing to sweeten the deal.

NW Natural has offered thousands of dollars in shareholder incentives on top of ratepayer rebates to encourage people to switch to gas service through appliance upgrades. For example, NW Natural published advertisements that encouraged Oregonians to install gas fireplaces, offering a \$1,450 rebate, of which shareholders offered to pay \$1,000 while ratepayers were charged for a \$250 incentive.⁴ The company also published advertising encouraging Oregonians to switch their heating system to natural gas furnaces, water heaters, and air conditioning, offering a \$3,000 rebate for this efficiency upgrade. Of this \$3,000, NW Natural shareholders paid \$1,500, and ratepayers were charged \$1,000.⁵ Lastly, NW Natural offered incentives for appliance upgrades even when those appliances are not energy efficient. NW Natural offered Oregonians a \$1,300 rebate for installing a natural gas-powered water heater, the bulk of which was financed by the company's shareholders.⁶ These incentives are offered to encourage people to switch to gas utility service, away from electricity, oil, or other home heating methods.

NW Natural offered these incentives because large rebates on appliances encourage new customer growth, and with each new customer they charge ratepayers for the line extension subsidy, the cost to build or construct a main if needed, the cost to add customer services, and ultimately the costs to decarbonize the gas system as required under the Climate Protection Program. This means more money for the gas company, and higher bills for ratepayers.

The substantial shareholder financed incentives for appliances also raise two important questions: (1) why are ratepayers subsidizing appliance rebates if gas companies are willing to provide these incentives themselves? (2) Why are ratepayers subsidizing appliance rebates that encourage people to switch away from electric utility service, thereby worsening our climate problem?

Subsidizing fossil gas customer growth in our current time of climate crisis is dangerous for current and future generations of Oregonians. Climate change has contributed to catastrophic disasters in Oregon, including the most recent wildfires, and extreme heat waves. The U.S. Department of Agriculture found that climate change will increase the frequency and severity of

³ See Direct Testimony of Tobin F. Davila on behalf of NW Natural, UG-435, NW Natural /1200 at page 25, <https://edocs.puc.state.or.us/efdocs/UAA/ug435uaa161326.pdf>.

⁴ See **Attachment**, NW Natural Data Request Response to Coalition DR 47.

⁵ See **Attachment**, NW Natural Data Request Response to Coalition DR 57.

⁶ See **Attachment**, NW Natural Data Request Response to Coalition DR 51.

wildfires in Oregon, increase drought, and decrease snowpack.⁷ Methane is the principal component of fossil gas, and is responsible for one-third of climate related warming.⁸ While this bill would not eliminate methane emissions, it would eliminate public subsidies that fuel consumption of fossil gas.

The common sense policies proposed in HB 3152 have already been adopted in other jurisdictions. Last year, the California Public Utilities Commission banned gas utilities from charging ratepayers for line extension subsidies, a change estimated to save ratepayers \$164 million annually statewide.⁹ In Washington, the Utilities and Transportation Commission approved two settlements that would phase out line extension subsidies for two of the largest gas utility service providers—Puget Sound Energy, and Avista Utilities. Puget Sound Energy also agreed to develop a targeted electrification program after its own decarbonization study found that electrification is the *most cost-effective* way to mitigate for GHG pollution.¹⁰

Lastly, during the session today, Representative Khanh Pham asked whether ratepayers would be responsible for NW Natural’s lobbying costs. It is highly possible that ratepayers could be charged for these costs, given the company’s track record. Last fall, the Oregon Public Utilities Commission found that NW Natural improperly charged ratepayers \$356,106 in costs related to its lobbying activities, wherein it opposed municipal ordinances to respond to climate change.¹¹ NW Natural also improperly charged ratepayers for its promotional advertising, including propaganda booklets it distributed to schoolchildren.¹²

⁷ U.S. Dep’t of Agric., *Climate Change and Wildfire in Idaho, Oregon, and Washington*, <https://www.climatehubs.usda.gov/hubs/northwest/topic/climate-change-and-wildfire-idaho-oregon-and-washington>.

⁸ See Intergov’tl Panel on Climate Change, “The evidence is clear: the time for action is now. We can halve emissions by 2030,” Apr. 4, 2022 (“In the scenarios we assessed, limiting warming to around 1.5°C (2.7°F) requires global greenhouse gas emissions to peak before 2025 at the latest, and be reduced by 43% by 2030; at the same time, methane would also need to be reduced by about a third.”), <https://www.ipcc.ch/2022/04/04/ipcc-ar6-wgiii-pressrelease/>.

⁹ Cal. Pub. Util. Comm’n, “CPUC Decision Makes California First State in Country to Eliminate Natural Gas Subsidies,” Sep. 15, 2022, <https://www.cpuc.ca.gov/news-and-updates/all-news/cpuc-decision-makes-ca-first-state-in-country-to-eliminate-natural-gas-subsidies>.

¹⁰ See *Wash. Util. & Trans. Comm’n v. Puget Sound Energy*, Dkt. Nos. UE-220066 & UG-220067, Order No. 24 at page 19 (Dec. 22, 2022).

¹¹ *In the matter of NW Natural Gas Request for a General Rate Revision*, Dkt. No. UG 435, Order No. 22-388, at 21-24, <https://apps.puc.state.or.us/orders/2022ords/22-388.pdf>.

¹² Kale Williams, “NW Natural booklet for schoolkids becomes flashpoint in climate change debate,” *The Oregonian*, Jun. 17, 2022, <https://www.oregonlive.com/environment/2022/06/nw-natural-booklet-for-schoolkids-becomes-flashpoint-in-climate-change-debate.html>.

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For all the reasons described in this written testimony, on behalf of Earthjustice, I strongly urge the Oregon Legislature to pass HB 3152 and approve this commonsense policy that would eliminate customer growth subsidies for fossil gas. Our children need you to take this action.

Sincerely,

/s/ Jaimini Parekh

Jaimini Parekh
Senior Attorney
Earthjustice

Attachment



Rates & Regulatory Affairs
UG 435
Request for a General Rate Revision
Data Request Response

Request No.: UG 435 Coalition DR 47

47. Please provide all documents relevant to the following advertisement placed on social media on October 12, 2020, including but not limited to the offer itself:

“Beautiful, clean, easy, convenient. Get up to \$1,450 back when you install a natural gas fireplace in Oregon, or up to \$1,850 when coupled with a tankless water heater in Washington. Offers expire December 31.”

Response:

The Company objects to this data request under 860-001-0500 because the request for “all documents” is burdensome, overly broad and not commensurate with the needs of this case, the resources available to the parties or the importance of the issues to which the discovery relates. Without waiving this objection, the Company responds as follows:

Please see UG 435 Coalition DR 47 Attachment 1 for the information posted on NW Natural’s social media channels for upgrading to high-efficiency equipment. This was not a paid advertisement.

With respect to the incentives offered in the advertisement, the only NW Natural incentive was funded by NW Natural’s shareholders and is not requested for recovery in this case.

Oregon

\$1,000 NW Natural (shareholder)

\$200 Hearth Retailer

\$250 Gas Fireplace ETO incentive – Tier 2 75.0+ EF with electronic pilot ignition

\$1,450



NW Natural

Published by Hootsuite · October 12, 2020



Beautiful, clean, easy, convenient. Get up to \$1,450 back when you install a natural gas fireplace in Oregon, or up to \$1,850 when coupled with a tankless water heater in Washington. Offers expire December 31: <http://ow.ly/ljzp50BOLWD>



524

People reached

18

Engagements

–

Distribution score

Boost post



Rates & Regulatory Affairs
UG 435
Request for a General Rate Revision
Data Request Response

Request No.: UG 435 Coalition DR 51

51. Please provide all documents relevant to the following advertisement placed on social media, including but not limited to a copy of the referenced offer:

“New NW Natural customers can get up to \$1,300 back in Oregon or up to \$1,500 back in Washington when you switch to natural gas with a qualifying Rinnai Sensei tankless water heater. Offer available through December 31, 2020.”

Response:

The Company objects to this data request under 860-001-0500 because the request for “all documents” is burdensome, overly broad and not commensurate with the needs of this case, the resources available to the parties or the importance of the issues to which the discovery relates. Without waiving this objection, the Company responds as follows:

Please see UG 435 Coalition DR 51 Attachment 1 for the information posted on NW Natural’s social media channels for upgrading to high-efficiency equipment. This was not a paid advertisement.

With respect to the incentives offered in the advertisement, the only NW Natural incentive was funded by NW Natural’s shareholders and is not requested for recovery in this case.

\$1,000 NW Natural (shareholder)

\$200 Rinnai tankless Partner (contractor)

\$100 Rinnai (manufacturer)

\$1,300



NW Natural

August 25, 2020 · 🌐



New NW Natural customers can get up to \$1,300 back in Oregon or up to \$1,500 back in Washington when you switch to natural gas with a qualifying Rinnai Sensei tankless water heater. Offer available through December 31, 2020: <http://ow.ly/DQ3250AVOs0>



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Rates & Regulatory Affairs
UG 435
Request for a General Rate Revision
Data Request Response

Request No.: UG 435 Coalition DR 53

53. Please state whether NW Natural is promoting fuel switching away from electricity to natural gas service for any of the following energy uses: home heating, stovetop service, fireplaces, BBQ pits, or any similar appliance.

Response:

NW Natural objects to DR 53 on the grounds that it is vague and ambiguous with respect to the term “promoting.” Without waiving this objection, NW Natural provides the following answer based on the assumption—which was confirmed by counsel for the Coalition in a conversation with NW Natural’s counsel that took place on April 12, 2022-- that DR 53 seeks information regarding promotional incentives and rebates provided by NW Natural to encourage customers to “switch” from oil and electric resistance heating (including heat for stovetop service) to natural gas.

NW Natural offers incentives and rebates for customers that wish to switch from oil and electric heating. However, the costs related to those promotional activities and rebates are funded by NW Natural’s shareholders, and NW Natural is not seeking recovery of them in this (UG 435) filing.



Rates & Regulatory Affairs
UG 435
Request for a General Rate Revision
Data Request Response

Request No.: UG 435 Coalition DR 57

57. Please provide all documents relevant to the following advertisement placed on social media on November 12, 2020, including but not limited to the offer itself:

“Convert your heating system to a new high-efficiency natural gas furnace, water heater and central air conditioner and get up to \$3,000 back. Available through December 31:”

Response:

The Company objects to this data request under 860-001-0500 because the request for “all documents” is burdensome, overly broad and not commensurate with the needs of this case, the resources available to the parties or the importance of the issues to which the discovery relates. Without waiving this objection, the Company responds as follows:

Please see UG 435 Coalition DR 57 Attachment 1 for the information posted on NW Natural’s social media channels for upgrading to high-efficiency equipment. This was not a paid advertisement.

With respect to the incentives offered in the advertisement, the only NW Natural incentive was funded by NW Natural’s shareholders and is not requested for recovery in this case.

Oregon

\$1,500 NW Natural on a natural gas furnace + tank tankless water heater + A/C (shareholder)

\$500 Preferred Partner (Contractor)

\$1,000 Savings Within Reach Invoice Discount (90% AFUE) ETO incentive

\$3,000



NW Natural

Published by Hootsuite · November 12, 2020



Convert your heating system to a new high-efficiency natural gas furnace, water heater and central air conditioner and get up to \$3,000 back. Available through December 31: <http://ow.ly/LVoX50CgPs2>



294
People reached

10
Engagements

–
Distribution score

Boost post

5

1 Share