



Oregon Citizens' Utility Board

610 SW Broadway, Suite 400
Portland, OR 97205

(503) 227-1984
www.oregoncub.org

June 21, 2024

Via Electronic Filing

Public Utility Commission of Oregon
201 High St SE, Suite 100
Salem, Oregon 97301-3398
puc.filingcenter@puc.oregon.gov

Re: Docket No. UG 490 –Errata Oregon Citizens' Utility Board Opening Testimony of John Garrett

The Oregon Citizens' Utility Board (CUB) files these errata to the Opening Testimony of CUB Witness John Garrett to correct an arithmetic error noted in Northwest Natural's Reply Testimony:

- Table 1, CUB/200 Garrett/9;
- References to Table 1 in Testimony, CUB/200 Garrett, pages 8-18, and;
- Exhibit CUB/203 Garrett/2 and associated workpaper.

Enclosed are redline pages with these corrections identified and a corrected workpaper. Please contact me if you have any questions with this filing.

Sincerely,

/s/Claire Valentine-Fossum

Claire Valentine-Fossum
Oregon Citizens' Utility Board
610 SW Broadway, Ste. 400
Portland, OR 97205
T. 503.227.1984
E. claire@oregoncub.org

1
2

**Table 1:
Existing Customer and New Premise Customer Charges Compared²⁴**

	Existing Customer	New Premise Customer	Difference
Proposed UG 490 Total Base Rate (\$/therm)	0.90649	0.90649	
Annual UPC (set equal for analysis)	449	449	
Annual Variable Charges	\$407.01	\$407.01	\$0
Customer Charge			
	\$10	\$26.25	\$16.25
Mo/Yr			
	12	12	
Annual Fixed Charge			
	\$120	\$315	\$195
Annual Rate (\$)			
	\$527.01	\$722.01	\$195.00
Annual Rate/ Therm (\$/therm)			
	1.173750579	1.773929133	51.1%

3
4

1.60805
37.0%

The expected typical usage of a “new premise” customer is not distinct from a large portion of existing customers. Table 2 shows that over the last three years, nearly a third of the Company’s existing residential customers used 449 therms or less, meaning the typical “new premise” customer’s usage profile is not lower than nearly a third of existing customers.

9
10

Table 2: Oregon Residential Customers Using 449 Therms or Less²⁵

Oregon Residential (02R) Accounts with Full Year Billing				
	Total Accounts	Accounts with 449 Therms/ Yr or Fewer	%age That Used 449 Therms or Less	Average Annual Usage (Therms)
2021	603,141	193,417	32.07%	614.5
2022	611,191	157,881	25.83%	677.5
2023	617,097	179,075	29.02%	640.1
Average	610476	176791	28.97%	644.0

11
12
13
14

CUB is concerned that charging “new premise” customers ~~51%~~ **37%** more than ~180,000 existing customers with the same usage is discriminatory. Furthermore, examining the profile of NW Natural’s anticipated “new premise” customers raises

²⁴ See CUB/Garrett/203/New Premise Customer Rates.

²⁵ *Id.*

1 implies that the product the Company delivers is becoming less cost-competitive, and
2 that the ideal NW Natural customer hooks up to the system but uses little to no therms
3 of gas.

4
5 Next, I unpack the interplay between the Company's LEA design and its proposed
6 "new premise" residential customer class. The Company proposes charging "new
7 premise" customers a \$26.25 customer charge (as opposed to a \$10 customer charge
8 for existing customers), which results in a ~~~51%~~ 37% higher rate-per-therm for new
9 customers with the same usage as existing customers.²⁹ Over the 25-year LEA
10 repayment period in the Company's modeling, the customer charge alone will cost
11 the "new premise" new customer \$7,875, meaning the new customer could save
12 \$7,875 by discontinuing gas service.

13
14 Next, I examine the reasonableness of the assumptions in NW Natural's LEA
15 economic justification modeling. My findings suggest that, due to the Company's
16 modeling assumptions, it either over-projects new customer benefits, or residential
17 rates will be unaffordable within 25 years. I also discuss several factors the Company
18 omitted in its LEA modeling: customer choice, customer attrition, and the cost of
19 stranded assets. In its LEA modeling, the Company failed to assess whether its "new
20 premise" customers would notice their unprecedented customer charge, seek out
21 cheaper alternatives to NW Natural's service, and ultimately terminate gas service
22 within the 25 years required to pay off the LEA. I examine the likelihood that new

²⁹ See CUB/Garrett/203/New Premise Customer Rates.

1 with NW Natural anticipating extraordinary investments in things that do not increase
2 throughput or revenue (“New Non-Growth Capex”).

3
4 CUB is concerned that if the benefits are modeled too high, or new customer rates
5 are expected to skyrocket, the LEA is unjustified. If the benefits are over-projected in
6 the model, the modeling is not robust and does not justify the proposed LEAs. If
7 residential rates for the gas system are going to skyrocket according to this model,
8 this should drive customers away from the gas system and onto the electric system,
9 creating stranded LEAs and negative impacts to existing customers, resulting in
10 significant costs that are not included in the model.

11
12 Aside from this concern, CUB is concerned that as modeled, the CPP cost does
13 not rise over time, and underestimates future decarbonization policy compliance
14 costs. The CPP cost is predominantly dependent on a future RNG price of \$22/dth
15 that does not increase for 23 years.⁴¹

16 **Q. How does the Company’s proposed “New Premise” residential customer class**
17 **relate to its proposed LEA?**

18 **A.** The LEA economic modeling is highly dependent on collecting a much higher
19 customer charge from “new premise” customers, which effectively raises their rates
20 by ~~51%~~ 37% relative to existing customers.⁴² Without this substantial rate increase for new
21 customers, the Company’s LEA economic modeling implodes. Thus, CUB argues

⁴¹ See NW Natural/1905/Therrien – Supporting DCF assumptions.

⁴² See CUB/Garrett/203/New Premise Customer Rates.

1 that the LEA’s implications for existing and new customers must consider the
2 consequences of charging new customers “new premise” residential rates.

3

4 Ultimately, the Company’s LEA economic justification rests upon the following
5 assumption: even though “new premise” customers will use distinctly less gas, and
6 quite possibly be less reliant upon NW Natural’s service, 100% of them will be
7 willing to pay ~~~50%~~ 37% more per therm than existing customers⁴³ and none will
8 terminate service before the 60-year useful life of the LEA is up.

9

10 CUB argues this assumption is unreasonable, and that a meaningful quantity of
11 customers will notice the customer charge, calculate that it alone will cost them
12 \$315/yr (\$26.25/ month x 12 months/yr), or \$7,875 in 25 years, and terminate
13 NW Natural service within 25 years. This would have serious implications for the
14 Company’s modeling as is, which examines a 25-year time horizon, and even larger
15 implications if the full useful life (60 years) and costs of stranded assets for existing
16 customers is considered.

17 **Q. Please provide a high-level economic comparison of relevant gas versus electric**
18 **options available to potential NW Natural customers seeking residential energy**
19 **service.**

20 **A.** CUB/Garrett Exhibit 208 – Table 4: Residential Gas v. Electric Heating Systems
21 compares gas and electric options for heating based on simple information available
22 to the average consumer. General heating system costs and attributes were acquired

⁴³ See CUB/Garrett/203/New Premise Customer Rates.

Oregon Residential (02R) Accounts with Full Year Billing				
	Total Accounts	Accounts with 449 Therms/ Yr or Fewer	%age That Used 449 Therms or Less	Average Annual Usage (Therms)
2021	603,141	193,417	32.07%	614.5
2022	611,191	157,881	25.83%	677.5
2023	617,097	179,075	29.02%	640.1
Average	610476	176791	28.97%	644.0

Source: UG 490 CUB DR 10

Soucre: UG 490 CUB DR 9

New Premise Customers			Existing Customers		
	Customers	Percentage		Customers	Percentage
New MF	1525	33%	Existing MF	73,221	11%
New SF	3081	67%	Existing SF	566945	88%
Total New Premise	4606		All Res Cust Count	643,247	

Data Source: UG 490 CUB DR 9 Attachment 1

	Existing Cust	New Premise Cust	Difference		
Proposed UG 490 Total Base Rate (\$/therm)	0.90649	0.90649			
Annual UPC (set equal for analysis)	449	449			
Annual Variable Charge	\$407.01	\$407.01	\$0		
Customer Charge	\$10	\$26.25	\$16.25		
Mo/Yr	12	12			
Annual Fixed Charge	\$120	\$315	\$195		
				Avg Winter Bil	Multiple of Difference
Annual Rate (\$)	\$527.01	\$722.01	\$195.00	\$67.42	2.9
Annual Rate/ Therm (\$/therm)	1.173750579	1.773929133	-51.1%		
		1.60805	37%		