

NW Natural says customers face big rate increases under new state climate policy

Lawmakers are hearing the impact of the bill

By **TED SICKINGER**
The Oregonian

Natural gas utilities and some of their customers are pushing back on the state's new climate plan, saying the proposed cap and spend bill would lead to immediate and major rate increases, and only get worse as time goes on.

The gas companies' concerns come amid broader business backlash against the policy, which nevertheless has notably more momentum behind it this year than in previous sessions. Some business groups have called on legislators to hold a statewide roadshow to explain the policy to Oregonians, a move some backers see as a delay tactic. Business lobbies also are sending out polling results they say refute the supposedly widespread voter support for it, particularly when costs are considered. And they'll be jockeying to see how the legislation can be reshaped in their favor.

The policy would require utilities, industrial companies and transportation fuel providers who annually emit more than 25,000 metric tons of greenhouse gases to acquire emissions allowances to offset each ton, either from a state auction or from a secondary market from other entities. As the number of allowances declines in future years, they would get more expensive, forcing companies to find ways to reduce their emissions or absorb the cost. A 10-year projection of overall revenues from the program by the state Department of Environmental Quality estimates that the state allowance auction would raise about \$550 million in 2021 and fluctuate close to that level through 2030, as allowance prices rise from \$16.77 to \$26 per ton but overall emissions decline.

That's slightly less revenue than was estimated for previous versions of the bill. More than 60 percent of the money would come from suppliers of diesel and gasoline for cars and trucks, and the use of those revenues would be restricted to projects funded out of the state highway trust fund. The balance of the money would come from other sources, and its use would be more flexible.

The reason for the decline in projected revenues is that this year's rewrite of the proposed program offers free emissions allowances to specific industries to reduce its immediate cost and improve its political palatability. The state's two big electric utilities, for example, would get free allowances until 2030 in recognition of the early actions they're taking to eliminate coal-fired power and boost green energy use under legislation passed in 2016. Most big industrial outfits would initially receive free allowances to prevent them pulling up stakes and mov-

ing elsewhere.

But the natural gas utilities, along with transportation fuel providers, were mostly left out of the freebies. The bill would provide free allowances to the natural gas utilities to offset rate impacts on their low-income customers. But they would be required to purchase allowances in state auctions or on the secondary market to cover their other emissions.

'Bombshell'

NW Natural released a two-page summary of the impacts it foresees, an analysis one lobbyist described as "a cap and trade bombshell."

The company estimates that in the first year the bill would take effect, 2021, it would increase prices for residential customers by 11 percent (\$74 annually), for small commercial customers by 13 percent (\$338 annually) and industrial customers by 28 percent (it didn't provide dollar figures for industrial rate increases). By 2040, with the number of allowances being auctioned far lower, the rate impact would grow to 53 percent (\$567 annually) for residential customers, 60 percent for small commercial

tion include Avista Corp. in southern Oregon and Cascade Natural Gas in central and Eastern Oregon.

Sandra McDonough, chief executive of the state's largest business group, Oregon Business & Industry, says California's carbon policy treated natural gas companies consistently with electric utilities, and Oregon's should too.

"The potential rate impacts are really huge and we're concerned about that," she said. "It's worth thinking about where consumers are going to feel this, both in home heating and at the gas pump. These increases are going to be real... You're going to pay."

Different prospects

Electric and gas utilities do have fundamentally different prospects to reduce their greenhouse emissions. The electric utilities are investing in wind and solar, which are already price competitive with fossil fuel generation. They can use hydropower and energy storage to meet customer demand and integrate intermittent renewable power. In the end, they say they're likely to be able to accomplish their proportional share of the state's target: reducing greenhouse emissions by 45 percent below 1990 levels by 2035 and 80 percent below 1990 levels by 2050.

Natural gas companies have a more limited set of options. They can replace some of their conventional supply with so-called "renewable natural gas," which is methane gathered at landfills, wastewater treatment facilities or large farms that would otherwise be released to the atmosphere, flared or used in an electricity co-generation facility. They can reduce methane leaks upstream and in the pipeline network. They can double down on energy efficiency, though that doesn't generate any profit. And longer term, they can start supplying more compressed natural gas and hydrogen, which can fuel vehicles with lower emissions than gasoline and diesel.

NW Natural says it plans to do all the above, but that could still leave it short of the state's goals. The company's own goal is to reduce its carbon footprint by 30 percent by 2035.

As it stands, Williams said NW Natural can't really use "renewable natural gas" as it is more expensive than conventional gas and state regulators currently require it to meet customer needs at the lowest cost possible.

Dembrow says he recognizes NW Natural's difficult position, and he has agreed to introduce a bill in the Senate Environment and Natural Resources Committee that he chairs that would create a statewide renewable natural gas program. Senate Bill 98 would establish targets for the use of renewable natural gas — 5 percent in 2020 increasing to 30 percent by 2045 — and allow natural gas companies to recover their investments in that supply.

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Kathryn Williams, director of government affairs for NW Natural

(\$2,965) and 117 percent for industrial customers, Northwest Natural projects.

Kathryn Williams, director of government affairs for NW Natural, said there's no logical reason to treat emissions from coal, oil or natural gas differently. Under the current version of the bill, customers who heat their homes with electricity (some of which comes from burning natural gas) would be insulated from price increases, while a homeowner who heats directly with natural gas (which is potentially less emissions-intensive) would pay significantly more than they do now, she said.

Another difficulty: Williams said the company has no way of tracking which of its customers are low-income, though the company estimates that some 60 percent of its residential customers would qualify.

The potentially disparate impacts extend to commercial and industrial customers as well. While only about 100 entities in the state are above the 25,000-ton threshold to be directly regulated, smaller businesses that use lots of gas, from restaurants to small food processors, would feel the price impacts, while larger regulated entities are initially being provided with 100 percent free allowances.

"We're not against a cap and trade bill, but we think there's a different way to treat the gas sector than is currently being contemplated," Williams said.

Other gas companies whose customers would be affected by the legisla-

mental health evaluation.

She is prohibited from owning or possessing domestic animals for 15 years, but can care for the pets of family members.

Moor put her beloved 7-year-old Chihuahua, Bolt, in the oven after she thought her ex-boyfriend was inside the dog.

James Bernstein, an Oregon City attorney who rep-

resented Moor, told Judge Cindee Matyas that Moor is "very remorseful."

Matyas praised Moor for following through with treatment after she was released from the state hospital.

If Moor successfully completes the terms of her probation, she can petition the court to reduce the felony conviction to a misdemeanor.

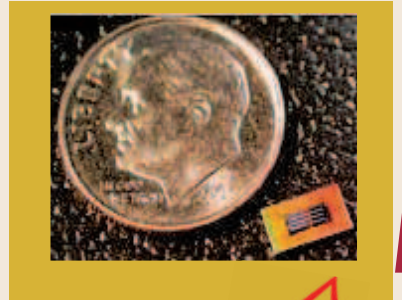
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Warrenton woman pleads guilty to animal abuse

The Daily Astorian

A Warrenton woman who killed her dog last March pleaded guilty on Friday to aggravated animal abuse.

Noel Moor, 29, was sentenced to 30 days in jail and three years of probation. She was given credit for time served in jail after her arrest and for her stay at the Oregon State Hospital for a