March 16, 2023

To: Senate Committee on Energy and Environment

From: Jennifer Hill-Hart, Policy Manager, Oregon Citizens' Utility Board (CUB)

Re: Senate Bills 868, 869, 870, and 871 (Building Resilience bills)

The Oregon Citizens' Utility Board (CUB) is a nonprofit consumer advocacy organization developed by citizens' initiative in 1984. We have members across the state of Oregon. CUB represents the interests of Oregon households by advocating for utility regulations and policies that protect your wallet. To date we've saved Oregon ratepayers $9.4 billion. CUB supports the Building Resilience bills because these policies will promote more energy efficient buildings, which means lower costs for ratepayers now and in the future.

As Oregon addresses our housing crisis, we must keep an eye on the future. New buildings can last 60+ years. Energy-efficient building design needs to be part of the plan for housing stability. This is particularly important with housing for Oregonians with low incomes because an outstanding utility bill is a first step towards housing instability. Our energy future isn't business as usual. We must protect ratepayers during the transition from fossil fuel energy. Investing in energy efficiency is a critical component of keeping utility bills low for all Oregonians.

Energy efficient buildings are a critical and cost-effective way to meet Oregon's greenhouse gas reduction goals.

Oregon has set aggressive greenhouse gas reduction goals for our private electric and natural gas utilities. Utility planning focuses on ensuring the utility has adequate supply to meet its peak load which is driven by the need to heat buildings in the winter and cool buildings in the summer. Reducing demand means using less energy which means lower utility bills. Energy efficiency is a, if not the, critical component of meeting these goals.

Buildings are the largest users of peak energy, particularly in winters and summers when consumer demand is greatest. The primary cost that traditionally drives utility rates higher is acquiring resources to meet peak summer and winter loads (i.e., the hottest and coldest days). With increasing incidents of extreme temperatures, peak loads are growing in frequency and intensity. Reducing peak demand yields less sudden changes in energy consumption and puts less strain on utilities to meet their needs, which decreases customer costs.

The reality is that the transition away from fossil fuels is going to cost money. And rate increases are what CUB is most worried about right now. How do we manage rates so we can afford to make this transition? PacifiCorp customers got up to a 21% increase in January. It

would have been higher, but they agreed to delay some cost recovery until after the winter heating season when there will be another increase. PGE rates increased by just 7%, but this was on top of another increase earlier in 2022 and they will be seeking a large increase later this year. On the natural gas side, increases have been even higher – this year NW Natural's rates will increase 25%, Avista's 18%, and Cascade Natural Gas had a 28% increase in rates last November.

These increases are mostly caused by the increased cost of power, the impact of the Ukraine war on gas prices, general inflation, and supply chain difficulties—but they include additional costs to meet Oregon's greenhouse gas reduction goals and costs associated with repairing damage from wildfires and other extreme weather events, including hardening their systems in the face of wildfires. Renewable natural gas is expensive and natural gas prices have gone up over the last couple of years. Closing coal plants adds costs to rates. And whether it makes sense to put hydrogen in a pipeline is still up for debate. And all then there are all the other demands on utility systems including but not limited to: EVs, storage, resiliency, new renewables, new QFs, new low-income programs, and microgrids.

In the face of inflation and rising costs, we need to maintain affordable utilities during this transition. This means that we cannot be asking our utilities and ratepayers to fund everything. We must prioritize. And a main priority right now should be energy efficiency.

Energy efficient buildings reduce energy costs for all utility customers, now and in the future.

Energy efficiency is a very effective way to reduce utility bills. In a period of rising rates, customers are more interested in energy efficiency because it lowers bills. And bonus to all of us, with the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA), the federal government is offering tax credits and rebates on energy efficiency investments, including for insulation, doors, windows, heat pumps, heat pump water heaters, and dryers. We have an opportunity to help customers reduce their bills in the face of rising rates and with the federal government paying a large share of the cost. With tax credits and rebates, and the work the Oregon Department of Energy is doing, Oregonians can have lower utility bills with energy-efficient heat pumps and energy-efficient building design.

Many buildings built without higher efficiency standards will need to be retrofitted later. This will likely be very expensive. Oregon's energy efficiency incentive costs are already charged to customers. The Building Resilience bills will reduce energy costs for all customers, now and in the future, and leave communities better prepared for extreme weather events.

With energy efficient buildings, we cost-effectively reduce the need for the utilities to invest in added resources. This puts downward pressure on rates. CUB supports these bills. CUB believes building energy efficiency is our best to keep costs low while reducing emissions. Utility bills will be lower if the Building Resilience bills pass than if they do not. CUB urges this Committee to give SB 868, 869, 870, and 871 a due pass.