Senate Bill 844 Progress Report

Report to the 2021 Legislature

February 2021

Prepared by Kimberly Herb
Utility Strategy and Planning Manager
Oregon Public Utility Commission
Kim.herb@state.or.us
503-428-3057

This page intentionally left blank

> This is the Executive Summary of the fourth biennial report on whether federal laws or regulations or other state laws or rules provide adequate incentives for natural gas utilities to invest in projects that reduce emissions in the ordinary course of business.

Executive Summary

In 2013, the Legislative Assembly enacted Senate Bill 844, now codified as ORS 757.539, creating a voluntary incentive program for Oregon's natural gas utilities (Northwest Natural Gas Company, Avista Utilities, and Cascade Natural Gas Corporation) to invest in projects that reduce greenhouse gas (GHG) emissions. ORS 757.539(11) requires the Oregon Public Utility Commission (PUC or Commission) to "conduct a biennial study regarding whether federal laws or regulations, or other state laws or regulations, provide adequate incentives for public utilities that furnish natural gas to invest in projects that reduce emissions in the ordinary course of business."

Current federal and state laws and regulations do not require natural gas utilities to undertake actions or make investments to reduce GHG emissions as part of the "ordinary course of business." However, various new state and local policies may incent natural gas utilities to invest in emission-reducing projects in the near future, on either a voluntary or required basis.

There are three notable examples. Recent legislation in Oregon and Washington appears to be spurring interest in the development of GHG reduction projects. Additionally, Governor Brown's Executive Order on Climate Change, EO 20-04, will most likely result in mandatory GHG reductions on the part of natural gas companies.

- Oregon's SB 98 (2019) incentivizes the use of renewable natural gas (RNG) by Oregon natural gas utilities by providing a vehicle by which they can recover some of the costs associated with the procurement of RNG and investments in RNG infrastructure.
- Washington's HB 1257 (2019) includes provisions to allow gas companies to propose an RNG program for delivery to retail customers and requires Washington utilities to offer a renewable natural gas tariff. In combination with SB 98, this will stimulate a much broader market for project development.
- Executive Order 20-04 (2020) establishes Governor Brown's new GHG emissions goals for Oregon and directs state agencies to identify and prioritize actions to meet those goals. It directs DEQ to explore how the agency could regulate GHGs from some of the state's largest sources of GHGs, including transportation fuels, as well as end users of natural gas. DEQ has begun a robust rulemaking process to develop the Climate Protection Program (CPP) to explore how the agency may propose to implement a new regulation to reduce these GHGs. Once this program is in place, compliance may require gas companies to invest in projects that reduce emissions in the ordinary course of business.

The Commission believes that because these new policies are not fully formed yet, they do not adequately incent natural gas utilities to reduce emissions. Thus, the voluntary program found under ORS 757.539, to incent natural gas utilities to reduce emissions, is still warranted. The Commission will continue to monitor projects developed leveraging SB 98 or WA HB 1257, or that reference EO 20-04, to understand the extent to which these and other programs incent natural gas companies to pursue resources that reduce GHG emissions in the ordinary course of business and will include an evaluation in the next SB 844 report in 2023. In particular, once rules for the Climate Protection Program are in place, the Commission will revisit the extent to which SB 844 remains necessary.

Prepared by Kimberly Herb
Utility Strategy and Planning Manager
Oregon Public Utility Commission
Kim.herb@state.or.us
503-428-3057