

Senate Bill 844 Progress Report

Report to the 2021 Legislature

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



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This is 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

Background on ORS 757.539

The 2013 Oregon Legislative Assembly enacted ORS 757.539 to provide incentives to natural gas utilities that invest in projects that reduce greenhouse gas (GHG) emissions. This voluntary¹ incentive program is unique to Oregon, and is representative of Oregon's long history of addressing environmental concerns with approaches that benefit both citizenry and businesses.

In addition to outlining the application and review processes, ORS 757.539 specifies the following criteria for eligible projects:

- a. Projects must reduce emissions (either directly or indirectly);
- b. Projects must benefit the utility's customers;
- c. The utility would otherwise not make the investment without the incentive;
- d. Stakeholders must be involved in the development of the project; and
- e. The financial impact of all projects undertaken by a utility must not exceed a rate impact threshold specified by the Public Utility Commission by rule.

ORS 757.539 also requires the Oregon Public Utility Commission (PUC or Commission) to conduct a biennial study regarding whether other federal or state laws adequately incent utilities to undertake projects to reduce emissions. ORS 757.539(11) further directs the Commission to submit a report to the Legislative Assembly on the results of the study by February 1 of each odd-numbered year.

Commission Rulemaking and Filings under SB 844 (ORS 757.539)

On December 3, 2014, the Commission formally adopted rules governing Voluntary Emission Reduction Programs by natural gas utilities.² To date, there has been only one proposed project under ORS 757.539, a combined heat and power facility proposed by NW Natural in 2015.³ The Commission denied the program proposal without prejudice, and suggested NW Natural resubmit the program proposal at a smaller scale, which to date they have not done.⁴

Federal Law and Regulation

Most GHG emissions attributable to natural gas come from its burning for heating, combustion to generate electricity, or from the leakage of gas during delivery or when in storage. Nationally, 38.4 percent of all electricity is generated from the burning of natural gas (up from 34 percent two years ago), which represents the largest share of any fuel source.⁵ In Oregon, direct consumption of natural gas fueled roughly 14 percent of Oregon's energy consumption⁶

¹ The program is voluntary in that each utility will decide whether it chooses to submit any projects for approval.

² See OAR 860-085

³ See Senate Bill 844 Progress Report, Feb. 1, 2017:

https://www.oregonlegislature.gov/citizen_engagement/Reports/SB%20844%20Progress%20Report%202017.pdf

⁴ See Commission Order 16-132: <https://apps.puc.state.or.us/orders/2016ords/16-132.pdf>

⁵ <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

⁶ From its direct use, electricity generation, and use in transportation, including CNG, Bio-CNG and LNG (Landfill).

and represented 12 percent of the state’s total GHG emissions in 2016.⁷ Currently, there are no federal laws that incentivize Oregon natural gas utilities to reduce these GHG emissions.

The only applicable federal regulations focus on the reporting of the quantity of emissions, both of which were adopted by the US Environmental Protection Agency (EPA) and are part of the Greenhouse Gas Reporting Program.⁸ The EPA requires the reporting of specific information by natural gas companies doing business in the U.S., extending through the entire supply chain from well drilling and extraction to local distribution. Two subparts of 40 Code of Federal Regulations (CFR) Part 98, W and NN, require the submission of GHG emission data relevant to Oregon local distribution companies.

40 CFR Part 98 Subpart W

Under 40 CFR Part 98 Subpart W, each natural gas distribution utility must report annual emissions of its distribution system to the EPA. Rather than actually measuring this quantity, natural gas companies must follow a protocol and methodology set out by the EPA. They are required to report information about emissions from transfer stations, above and below grade metering-regulating stations, and meters and regulators. Companies must report information on types of pipe, miles of each type of pipe used by the utility, number and size of blowdowns,⁹ gas injections and use of hydrocarbon liquids, as well as other information. Aggregated, these data are then used to create an estimate of total system emissions. Overall, the reported emissions from the distribution system are small, representing roughly seven percent of total methane emissions from oil and natural gas distribution.^{10 11}

40 CFR Part 98 Subpart NN

Under the Mandatory Reporting of GHG rule, suppliers of natural gas and natural gas liquids (NGLs) must report the emissions that would result from the complete combustion or oxidation of the products that they place in commerce. Suppliers of natural gas and NGLs are required to collect data on their products and calculate the GHG emissions associated with these products.

These federal GHG reporting requirements for natural gas companies represent important steps toward understanding how and how much GHG emissions enter the atmosphere as a

⁷ Oregon Department of Energy Biennial Energy Review, available: <https://www.oregon.gov/energy/Data-and-Reports/Documents/2020-BER-Energy-by-the-Numbers.pdf>. This does not include natural gas related emissions associated with electricity generation.

⁸ See EPA Greenhouse Gas Reporting Program: <https://www.epa.gov/ghgreporting>

⁹ To perform maintenance on a natural gas pipe, it first must be depressurized. Normally this ‘blowdown’ releases a non-trivial amount of methane. Flaring (burning) this gas greatly reduces the total heat trapping potential, as the product of its combustion (carbon dioxide and water) traps far less heat than methane itself.

¹⁰ EPA Natural Gas STAR Program: <https://www.epa.gov/natural-gas-star-program/estimates-methane-emissions-segment-united-states>

¹¹ Report: [https://www.oregonlegislature.gov/committees/hee/Reports/SB%20101%20\(2009\)%20-%20Greenhouse%20Gas%20Reduction%20Goal%20Rate%20Impact%20\(report\).pdf](https://www.oregonlegislature.gov/committees/hee/Reports/SB%20101%20(2009)%20-%20Greenhouse%20Gas%20Reduction%20Goal%20Rate%20Impact%20(report).pdf)

result of the natural gas industry. However, the federal reporting requirement provides no incentive to natural gas utilities to invest in GHG emissions reduction projects.

Regional State Laws and Rules

Washington State's HB 1257

In 2019, Washington State Legislative Assembly passed HB 1257, which includes sections to encourage the use of renewable natural gas by Washington's natural gas companies.¹² First, it includes provisions to allow gas companies to propose an RNG program for delivery to retail customers. The customer charge cannot exceed five percent of the amount charged to retail customers for natural gas and the environmental attributes must be retired through Washington Utilities and Transportation Commission procedures and not used for any other purpose.

Second, HB 1257 requires Washington utilities to offer a renewable natural gas tariff. RNG provided through the tariff must "replace any portion of the natural gas that would otherwise be provided by the gas company," and not be offsets. Similarly, the environmental attributes must be delivered to or retired on behalf of the customer in Washington, and thus are not available to reduce GHG emissions for Oregon customers.

There is the potential for this Washington legislation to partially incentivize the development of GHG emission reducing projects in Oregon, but with the environmental attributes associated with those programs being retired on behalf of Washington customers. While this may increase regional interest in RNG opportunities in Oregon, it is unclear how Oregon customers would benefit, which is part of the eligibility criteria under ORS 757.593(2).¹³ Washington's HB 1257 may help to increase overall market for GHG-reducing projects, increasing diversity, spreading risk, and providing opportunities to develop a broader portfolio of cost-effective GHG reducing projects. In this sense, Oregon customers may ultimately be able to derive environmental benefits and utilize SB 844 as a funding mechanism to participate in this broader regional market.

State Laws and Rules

Oregon Greenhouse Gas Statutes

HB 3543 - In 2007, the Legislative Assembly passed HB 3543, codified as ORS 468A.205, establishing GHG emission reduction goals for the state, including the goal of reducing GHG levels to at least 10 percent below 1990 levels by the year 2020 and at least 75 percent below

¹² <http://lawfilesexternal.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/House/1257-S3.SL.pdf?q=20210105162103>

¹³ ORS 757.539(2) states, "The Public Utility Commission shall establish a voluntary emission reduction program for the purposes of incentivizing public utilities that furnish natural gas to invest in projects that reduce emissions and providing benefits to customers of public utilities that furnish natural gas."

1990 levels by 2050. HB 3543 also established the Oregon Global Warming Commission. According to the Global Warming Commission's 2020 Biennial report, "preliminary 2019 sector-based emissions data exceeds the state's 2020 emission reduction goal by 26 percent or 13 million metrics tons of carbon dioxide equivalent."¹⁴ HB 3543's non-binding GHG emission reduction goals did not require utilities to take any action to meet the emission reduction goals.

SB 101 – In 2009 the Legislative Assembly enacted Senate Bill 101, requiring the PUC to report every even-numbered year on the estimated rate impacts for Oregon's regulated electric and natural gas companies related to meeting two GHG emission goals.¹⁵ This Act was repealed on January 2, 2020 and the PUC no longer produces this report. However, in past reports, we noted that natural gas utilities are only responsible for their own direct emissions of natural gas (from distributions systems, natural gas powered vehicles, and offices), and not the emissions of their customers. In addition, the analyzed compliance strategy of meeting the two GHG emission goals was to purchase offsets.¹⁶ Accordingly, this analysis only reveals the quantity difference between business-as-usual emissions and the GHG goals multiplied by the projected offset market price if either goal was pursued by the utility. No incentive was created from this reporting requirement. While the legislation created non-binding state GHG emission reduction goals and reporting requirements, it did not provide incentive or a mandatory requirement for action that would drive the natural gas utilities to procure GHG emissions reduction projects.

SB 98 – In 2019 the Legislative Assembly passed Senate Bill 98, codified as ORS 757.390 – 757.398, giving natural gas utilities a vehicle by which they may be authorized to procure renewable natural gas (RNG) and invest in RNG infrastructure, which may reduce GHG emissions from the direct use of natural gas.

The law states that a large natural gas utility participating in the program may meet volumetric targets for the percentage of RNG available for distribution to retail natural gas customers.¹⁷ The voluntary targets begin at five percent in 2020 and increase by five percent every five years, ultimately stopping at 30 percent by 2050. Under the program a large natural gas utility may make "qualified investments" and procure RNG from third-parties to meet a target. "Qualified investment" means any capital investment in RNG infrastructure incurred by a natural gas utility for the purpose of providing natural gas service under an RNG program. The program provides for ratemaking mechanisms to ensure the utility's recovery of all prudently incurred costs.

It is important to note that program metrics focus on the volumetric provision of RNG, not necessarily the GHG emission reductions associated with that RNG. Additionally, while the program rules require participants to report on the carbon intensity (CI) of the RNG being

¹⁴ Oregon Global Warming Commission 2020 Biennial Report <https://www.keeporegoncool.org/reports>

¹⁵ The two GHG goals are to reduce emissions 10 percent below 1990 levels and 15 percent below 2005 levels, both by 2020.

¹⁶ See 2018 Report, pg 18 onwards:

[https://www.oregonlegislature.gov/committees/hee/Reports/SB%20101%20\(2009\)%20-%20Greenhouse%20Gas%20Reduction%20Goal%20Rate%20Impact%20\(report\).pdf](https://www.oregonlegislature.gov/committees/hee/Reports/SB%20101%20(2009)%20-%20Greenhouse%20Gas%20Reduction%20Goal%20Rate%20Impact%20(report).pdf)

¹⁷ "Large natural gas utility" means a natural gas utility with 200,000 or more customer accounts in Oregon. See ORS 757.392(3)

provided, it is possible for RNG projects to be added to the system with a CI that does not result in emission reductions. This will be monitored by the Commission.

For the most part, the SB 98 program provides an incentive to encourage the development of projects that most likely have GHG emission reductions related to the production of RNG. However, it is too early to determine whether the program will provide adequate incentives such that natural gas utilities will develop GHG emission reducing RNG projects in the ordinary course of business. As projects are developed through SB 98, the Commission will consider whether there is value in exploring if the incentives from SB 98 and SB 844 could or should be used together to fund projects that reduce GHG emissions, and if so how that might be accomplished.

Executive Order

In March 2020, through Executive Order 20-04, Governor Kate Brown established new science-based GHG emissions goals for Oregon and directed state agencies to identify and prioritize actions to meet those goals. Consistent with the minimum GHG reduction goals set forth in ORS 468A.205(1)(c), EO 20-04 adopts a standard of a 45 percent GHG reduction from 1990 levels by 2035, and at least an 80 percent GHG reduction from 1990 levels by 2050.

PUC GHG Reduction Activities for the EO 20-04 Work plan

The description below on how the PUC is addressing EO 20-04 consists primarily of excerpts from the PUC's Report on Executive Order 20-04¹⁸ and the subsequent Oregon Public Utility Commission Executive Order 20-04 Work Plans.¹⁹

EO 20-04 specifically directs the PUC to take specific actions, two of which are applicable to GHG emission reductions associated with utilities that provide natural gas:

1. Determine whether utility portfolios and customer programs reduce risks and costs by making rapid progress towards reducing GHG emissions.
2. Prioritize proceedings and activities that advance decarbonization in the utility sector to reduce GHG emissions, mitigate energy burden experienced by utility customers, and ensure system reliability and resource adequacy.

Agencies were required to develop a work plan for activities associated with the 12 months following the EO. The PUC's EO Work Plan included activities intended to support the reduction of GHG emissions in all utility planning, services and transportation electrification. With regards to utility planning, over the next twelve months, PUC Staff will work with utilities and stakeholders to adopt activities that enable heightened awareness and reduction of GHG emissions in utility integrated resource plans (IRPs), utility procurement processes, and in operations.

¹⁸ <https://www.oregon.gov/puc/utilities/Documents/EO20-04PUC-Report.docx.pdf>

¹⁹ <https://www.oregon.gov/puc/utilities/Documents/EO-20-04-WorkPlans-Final.pdf>

Specific to gas utilities, the PUC proposed two efforts to inform policy decisions around decarbonization and gas ratepayer impacts and risks. First, to better understand the natural gas customer dimensions and impacts of different decarbonization scenarios, the PUC plans to initiate a fact-finding effort to inform policy decisions considered in the second year of the EO Work Plan. The timing of the report will be designed to leverage the DEQ rulemaking process for the Climate Protection Program (See next section) and any analysis from IRP filings in 2021. Second, PUC Staff will facilitate development of a joint electric and natural gas utility pilot to explore the leveraging of resources for the in-state production of hydrogen as a storage and transportation fuel.

The PUC EO 20-04 Work Plan activities described above are designed to enable awareness of utility-related emissions throughout utility planning, procurement and operations; help inform future policy decisions; and explore opportunities for innovation. They are ultimately intended to facilitate GHG emission reductions from natural gas companies, but cannot be said to currently incent or require the reduction of GHG emissions from natural gas companies in the ordinary course of business. Over the next two years, PUC Staff will monitor outcomes of EO 20-04 activities and evaluate their influence on natural gas companies' activities to reduce GHG emissions either as voluntary programs or in the ordinary course of business.

DEQ Climate Protection Program - GHG Emission Regulation

DEQ has just begun a rulemaking to explore how the agency may propose new rules to regulate GHG emissions from large stationary sources, transportation fuels, and other liquid and gaseous fuels, including natural gas.²⁰ This new program, called the Climate Protection Program (CPP), will regulate GHG emissions from natural gas utilities. Program elements are still being determined through a robust rulemaking process. The Commission does not yet know the extent to which the finalized CPP requires investment in projects that reduce emissions as part of the ordinary course of business. The Commission will monitor the interaction of CPP with SB 844 and, once these program design elements are finalized and CPP is implemented, evaluate its influence on natural gas companies' activities to reduce GHG emissions in the ordinary course of business.

Commission Regulation of Natural Gas Utilities

ORS 756.040 authorizes the Commission to regulate electric and natural gas utilities to ensure that utilities provide their customers adequate service at fair and reasonable rates. Under this and other statutes, the Commission issued an order in 1989 that created what is commonly referred to as least-cost, least-risk planning regulation.²¹

The Commission's authority to regulate utilities is delegated from the Legislature, creating the PUC's mandate to use economic regulation to ensure that regulated utilities make safe and reliable electricity available to everyone in their service territories at reasonable,

²⁰ <https://www.oregon.gov/deq/ghgp/Pages/crprogramoverview.aspx>

²¹ See Commission Order No. 89-507.

nondiscriminatory rates. The PUC cannot require utilities to accomplish societal objectives that are outside the scope of economic utility regulation and that impose societal costs that the Legislature has not required utilities and their customers to bear. GHG emissions are one such societal goal outside the PUC's mandate.

However, the Commission does have discretion in utility planning to guide the utility to least cost strategies. These strategies currently include identifying economic risks of environmental regulation that could increase the cost of serving customers. Accordingly, a generic cost of carbon compliance is added to each long-term utility plan, based on forecasted carbon prices.²² Depending on the forecasted price and the makeup of the utilities' load and resource balance, this could shift natural gas utilities to pursue least-cost, least-risk resource acquisition strategies which include carbon reduction strategies.

Additionally, in the PUC's EO 20-04 Work Plan, the PUC will be exploring a more explicit and transparent approach to reporting emissions and potentially utilizing a carbon price where applicable in utility planning activities. While these regulations allow the utilities to study the implications of carbon regulation and make the results available to stakeholders, they neither require nor incent action by utilities to reduce GHG emissions.

City and County Laws and Rules

In 2017, the City of Portland and Multnomah County adopted resolutions to transition to 100 percent clean energy by 2050, and 100 percent clean electricity by 2035.^{23,24} This follows the city of Eugene's 2010 pledge to reduce GHG emissions 10 percent below 1990 levels by 2020, 75 percent below 1990 levels by 2050, and to reduce community-wide fossil fuel use 50 percent by 2030.²⁵

The City of Eugene continues to negotiate a new franchise agreement with NW Natural "with the intention to decrease community wide emissions associated with natural gas."²⁶ To date, no additional details are available to inform its influence on GHG emission reduction activities on the part of NW Natural.²⁷ In October 2020 Eugene Water and Electric Board (EWEB) announced a memorandum of understanding with NW Natural and Bonneville Environmental

²² These projections are speculative. For example, NW Natural's 2016 integrated resource plan included a price of carbon in Washington based on the Washington Department of Ecology's Clean Air Rule, the implementation of which was halted soon after.

²³ Clean being defined as non-fossil fuel and non-nuclear. Biomass feedstock from state or federal lands and waste incineration also do not qualify. Forest biomass generation require special attention.

²⁴ City of Portland: <https://www.portlandoregon.gov/auditor/article/642811> Multnomah County: <https://multco.us/file/62993/download>

²⁵ <https://www.eugene-or.gov/DocumentCenter/View/44051/Community-Climate-and-Energy-Action-Plan-forEugene>

²⁶ https://www.eugene-or.gov/DocumentCenter/View/55835/CAP-20_Summer_2020_FINAL-w-appendices-compressed see page 55

²⁷ For more, see: <https://www.registerguard.com/news/20181202/eugene-looks-to-regulate-natural-gas>

Foundation to propose the development of a power-to-gas hydrogen pilot project in Eugene, intended to reduce GHG emissions from heating and transportation sectors.

The City of Bend developed the Bend Community Climate Action Plan Climate Mitigation Strategies and Actions: 2020-2025,²⁸ which includes “establishing a natural gas offset program, and investing in capturing renewable natural gas through a biodigester project at the wastewater treatment facility.” The City of Bend is served by Cascade Natural Gas Company, which, in its current IRP, indicated that they are exploring ways to create a voluntary program that could serve both Washington and Oregon customers.²⁹

On January 21, 2020, the City of Milwaukie renewed its commitment to GHG reduction in its Climate Action Plan (CAP) and accelerated its climate action goals by five years. Under this plan, by 2030, Milwaukie will have no net carbon emissions from its electricity use; by 2035, Milwaukie’s buildings will have no net carbon emissions, and by 2045, Milwaukie will be a fully carbon-neutral city. The Climate Action Plan includes a commitment to “Engage NW Natural to develop strategy for becoming ‘net zero’ from natural gas by 2040.”³⁰

In November 2018, voters in the City of Portland passed The Clean Energy Initiative (Measure 26-201), which creates a new fund for renewable and energy efficiency measures. From this, a small portion of funds (five percent) are available for projects that aren’t clearly defined in other detailed uses, which could include renewable natural gas projects. The other main uses of the fund are renewable and energy efficiency projects (projected to receive between 40-60 percent of funds), clean energy jobs training (20-25 percent), regenerative agriculture and green infrastructure (10-15 percent).³¹ While not an incentive provided to the utilities, the Clean Energy Fund could provide important resources that develop GHG abatement projects.

While these communities range in size, they collectively represent an increasingly large portion of NW Natural’s and Cascade’s customer base, the implementation of these pledges appear to be incentivizing the utilities to explore significant GHG reductions. However, many details about these plans and resolutions remain unclear. Even with this uncertainty and the non-binding nature of these pledges, they do inform the context in which natural gas companies are developing their long-term strategic plans to reduce emissions.

Natural Gas Utility Voluntary Action

Despite there being no active federal or state regulation that incentivizes natural gas utilities to reduce carbon emissions, utilities are currently devoting resources to reduce carbon emissions,

²⁸ <https://www.bendoregon.gov/home/showpublisheddocument?id=43933>

²⁹ <https://www.cngc.com/wp-content/uploads/PDFs/IRP/2020/oregon/2020-Integrated-Resource-Plan.pdf>

³⁰ City of Milwaukie Community Climate Action Plan, 2020, p. 30.

https://www.milwaukieoregon.gov/sites/default/files/fileattachments/sustainability/page/85191/2018_1003_climateactionplan.pdf

³¹ For detailed explanation of the fund’s use, see:

<https://static1.squarespace.com/static/5b847fe4f8370ad8f30a8cac/t/5ba29cbb8985834b3fc96aec/153738361276%207/Portland+Clean++Energy+Community+Benefits+Initiative+2018++%2818-02-20%29+.pdf>

and strategically planning for a future where GHG reductions are a normal part of business. For example, in November 2020, NW Natural published its inaugural Environmental, Social, and Governance Report³² in which the company indicates it is on track to meet or exceed its voluntary carbon savings goals of 30 percent by 2035 and describes its efforts to develop regional RNG projects³³ and the above referenced power-to-gas hydrogen pilot in Eugene.³⁴ Despite these important emerging efforts, Staff does not believe that projects demonstrate that the market is sufficiently mature, or that there are regulations in place such that natural gas companies would pursue them in the ordinary course of business. Rather, these projects, if successful, demonstrate technical viability of such projects. The Commission will continue to monitor projects such as these through IRPs, rate cases and other proceedings, and in doing so will gain additional visibility into the costs and future development of such projects.

Conclusion

Current federal and state laws and regulations do not require natural gas utilities to undertake action to reduce GHG emissions in the ordinary course of business. However, recent legislation in Oregon (SB 98) and neighboring states (WA HB 1257) appear to be spurring a broader market in the development of projects with GHG emission reduction benefits. Additionally, DEQ is exploring new regulations on GHG emissions from natural gas end use customers. Once this program is in place, compliance may change the ordinary course of business. However, much depends on the structure of the program, which is currently in development.

Additionally, the combination of changing customer preferences, city and county emission reduction targets, and plausible future regulatory changes, will each contribute to an environment where tangible GHG reduction action could be advantageous to natural gas utilities.

The Commission believes that because the above mentioned new policies are still under development they do not yet adequately incent natural gas utilities to reduce emissions and the voluntary program 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, WA HB 1257, or that reference EO 20-04, to understand the extent to which these programs are incentivizing natural gas companies to pursue resources that reduce GHG emissions in the ordinary course of business. In particular, once rules for CPP are in place, the Commission will revisit whether SB 844 is still warranted.

³² <https://www.nwnatural.com/about-us/environment/business-practices>

³³ Projects include City of Portland Bureau of Environmental Services' Columbia Boulevard Wastewater Treatment Plant; the Metropolitan Wastewater Management Commission facility in Lane County; and Shell New Energies in Junction City. <https://nwndestinationzero.com/>

³⁴ From carbon emissions from its residential and business sales customers' gas use and company operations from 2015 emissions.