Clean Energy Jobs / Utilities and Transportation Work Group

Homework Responses Bullet Points

Question 1: What aspects of a cap-and-invest policy as it is being discussed in Oregon are you most concerned about for your organization/industry/constituents/customers?

GENERAL

- Give businesses time to adapt but avoid undue delay.
- Recognition of Early Action- Each of the thermal independent power producers operating in Oregon has already offset, or paid to offset, a significant portion of its carbon emissions for the life of its facility, and should not be required to pay a second time for the same carbon emission reduction. These producers should receive a credit towards their emissions compliance obligations (in the form of free allowances or otherwise) calculated based on the percentage of carbon emissions previously subject to mitigation.
- Customer choice of lower GHG energy sources through utility programs or direct access should be attributed to buyer not to electric utility.
- ORECA will not support any legislation that undermines local control of our electric cooperatives.
- A cap-and-trade/invest approach, if used across multiple jurisdictions and many economic sectors of the economy, has the theoretical potential to result in the most cost effective GHG reductions and to allow the other economic and important physical reliability aspects of the grid to function properly.
- It is important that any Oregon-based policies applicable to the electric sector not conflict with other states.
- One key part of flexibility is to leave detailed implementation of decision-making to local governing boards where appropriate.
- Impact on rural areas, manufacturing and jobs: Oregon's electric cooperatives serve some of the most rural and remote parts of the state. As DEQ notes in their February 14, 2017, report on cap and trade, "rural areas of Oregon tend to be less economically diverse than urban areas, meaning impacts on industries in rural communities could be felt more acutely."
- As it relates to its application to Oregon's retail electricity sector, the policy may be vulnerable to constitutional challenges if it regulates out-of-state emissions through the regulation of imported power. The policy may also be vulnerable to challenge if it attempts to assess compliance costs to electricity customers outside of Oregon that are served by power plants located inside of Oregon. It is unclear if the program seeks to impose costs beyond Oregon electricity customers, in both the wholesale electricity market and to retail electricity customers in other states.
- The policy does not adequately address parity between private electric utilities and public electric utilities that receive the majority of their electricity generation from the federal government. This dynamic could lead to unfair and disparate compliance costs among Oregon electricity customers.

POINT OF REGULATION

- Oregon Should Impose a Single Point of Compliance for Electric Generation within the State
- Oregon should move the point of regulation downstream to the entity combusting natural gas and actually creating emissions, and specify there is no compliance obligation with respect to fuel delivered to a covered entity or for transmitting the power generated by such source.
- It appears that SB1070's structure is different than California's approach regarding the point of regulation of electric utilities, which is not to say one is better or worse. However, this is an area that needs more exploration because of the fact that electricity is bought and sold across state lines.

ALLOWANCES

- An auction or other mechanism should be used to generate program revenue when pollution allowances are distributed.
- Will certain entities be out-right exempt or conditionally exempt from regulation under this program (EITE, under 25,000 MtCO2, biogenic emissions)? If so, please explain, including the process for seeking an exemption.
- Would industrial customer rates be influenced by allowance allocation to utilities? Would each utility have access to free allowances? If so, to what extent? How would utilities be regulated as it relates to the use of those allowance proceeds?
- Free Allowances: too many free allowances mean we won't have any revenue to reinvest.
- Allowance allocation and auctioning (Sec 10(1)(d))—The bill auctions allowances after addressing leakage risks and distributing allowances to electric and natural gas utilities for the benefit of ratepayers. Auctioning is an important best-practice to prevent windfall profits and ensure public benefits from the program.
- How would industrial customer rates be affected by allowance allocations to utilities? What customers will benefit and how will this be determined. How will utilities be regulated?

INVESTMENT

- Ensure a level playing field for all electricity sellers. One mechanism to do so would be for the legislature to direct the utility commission to implement this section in a manner that maintains equality among competing utility and non-utility service providers, such as specifying that all distribution customers of a given utility are eligible to receive bill assistance, regardless of whether they purchase their power directly from the utility or from an electricity service supplier through the competitive market.
- Allowing use of the Climate Investment Grant Program funds to reduce the upfront investment costs through a grant, low interest loan, or otherwise may allow a generator (or other industrial entity) to dramatically accelerate adoption of new technology to reduce emissions, benefitting Oregon and the planet a whole.
- Bill Reduction. Funding to reduce customer electric bills should not be too prescriptive, and should consider non-utility customer counsel and research, pricing options, direct access, and distributed energy resources (DER), including energy efficiency, demand and capacity management, renewables, storage, etc.
- Bill assistance should not be direct payments to customers.
- Rate Reduction. Policy should direct Public Utility Commission to focus on transmission and distribution utilization factors and losses, and promote planning, resource types and locations that improve T&D utilization factors and reduce energy losses.
- Policy should provide clear language that allows all energy efficiency and bill reduction operators (e.g., Energy Trust of Oregon) to promote beneficial electrification or fuel switching to lower GHG emitting sources.
- Section 35 regarding transportation electrification addresses only Investor owned electric utilities. This Policy should address and provide funding for transportation electrification at consumer owned utilities as well.
- Allowing use of the Climate Investment Grant Program funds to reduce the upfront investment costs through a grant, low interest loan, or otherwise may allow a generator (or other industrial entity) to dramatically accelerate adoption of new technology to reduce emissions, benefitting Oregon and the planet a whole.

- Our concern is the overall impact of any increase in utility rates without an offsetting increase in low-income funds.

COST CONTAINMENT

- We would like to see a public discussion of the costs to the utility sector and the costs to individual utilities within that sector.

HYDRO

- PGE does not see anything in the legislation that would specifically address the issue of annual hydroelectric variability.
- The policy may not adequately capture normal fluctuations in emissions levels that are not in the control of the utility e.g., varying hydro conditions.

Question 2: What changes would you suggest be made to cap-and-invest as it is currently being discussed to address the concerns you have?

GENERAL

- What GHG emissions are the result of industrial electricity use in Oregon? How do those emissions compare nationally and internationally with like processes and production? If nuclear power is taken out of the energy mix from other states, how does Oregon industrial energy use compare in terms of greenhouse gas emissions per unit of energy? Please forecast this comparison to the conclusion of the RPS requirements.
- The policy should consider whether the Public Utility Commission of Oregon needs any additional authorities to consider GHG emission reductions or the achievement of state GHG goals in order to ensure effective, least-cost implementation of the policy in the covered utility sector.
- Avoid One-size-fits all: Any new policies should recognize that not all utilities are in the same starting place. To the extent any policy allocates allowances to utilities with GHGs in their resource mix, it should reflect individual utilities needs and situations rather than be based on broad averages or generalizations.
- We believe it is appropriate to recognize both different historical starting points of utilities (i.e. different GHG emissions) as well as potential changes caused by policies and litigation positions of the state

SCOPE

- Under no circumstances should any GHG emitters covered in SB 1070 (2017) be determined to be exempted from the cap-and-invest program. Additionally, the allocation of free allowances should not be codified into legislation, and instead should be determined in rule and reconsidered on a regular basis based on a consistent methodology.
- Voluntary purchases of renewable energy by utility customers in green power programs or by other means, or voluntary purchases of Renewable Energy Certificates, must reduce CO2 emissions below the amount required under the cap. The possibility of double counting of renewable energy generation or its environmental benefits must be eliminated.
- Re-examine the point of regulation for utilities related to market customers, ensure that the regulatory burden falls on the entity that has decision-making authority to implement actions that will result in GHG emission reductions.
- The utilities should not be responsible for the GHG emissions of products that they do not sell, but only transport.
- Policies should be explored, including an updating baseline, which guard against an outcome the

rewards those with who currently have the highest emissions. Leaving these determinations to a future rulemaking leave too much risk on the table for utility customers and the utilities themselves.

- Capping GHG emissions and pollution: Ensure real reductions based on best available science; actively address local and global air quality concerns.
- Nevertheless, natural gas utilities should not be required to purchase allowances for compliance unless the emissions attributed to them exceed an assigned emissions cap, and in that event they should only be obligated to purchase allowances for net emissions that exceed the cap.
- Finally, emissions from a natural gas utility's "transportation" customers (commercial entities that purchase their own natural gas) should not be attributed to the utility but to the customer itself.

AUCTION/ALLOWANCES

- Free allowances must not be given to utilities. Instead, utilities should be consigned allowances for their sale back to the market, such that the proceeds are sufficient to provide ratepayer support to low and moderate income ratepayers and progressive energy investments in impacted communities.
- Limit free allowances to no more than 25% of all allowances
- No free alliances to utilities.
- A cap and invest system should incorporate the following principles regarding the distribution of allowances:
  - Ensure that the costs of addressing emissions rest with the emitter.
  - Decrease the allocation level over time in a manner that mitigates economic impacts.
  - Ensure that any economic benefits accrue to the utilities' customers.
  - Do not penalize investments in conservation and renewable resources.
  - Allocation formulas must take into account verified savings from energy efficiency investments by load serving entities or by non-profit entities acquiring energy efficiency on behalf of customers of load serving entities.
- How the consignment to the utility sector is allocated from the overall cap is not detailed in the bill and how the consignment to the utility sector is allocated amongst utilities is not laid out within the bill. These allocations determine much of what a cap and trade mean for utilities and therefore should be considered in the bill itself.
- Allowances: Significantly limit free allowances; ensure direct investment to support transition of workers in impacted industries.
- For instance, Section 10 of the bill states that the EQC's rule shall distribute allowances to electric companies and natural gas utilities but that the EQC may distribute allowances to consumer-owned utilities. This section must be amended to give consumer-owned utilities certainty.
- Section 11 of SB 1070 (pg. 10, line 30) states that the "department shall adopt rules governing the use of proceeds from the sale of allowances consigned to the state for auction under this paragraph by consumer-owned utilities." This language unnecessarily wrests local control away from consumer-owned utilities and hands it to the State.
- Section 10 of the bill states that the EQC's rule shall distribute allowances to electric companies and natural gas utilities but that the EQC may distribute allowances to consumer-owned utilities. This is no small distinction and puts electric cooperative such as Umatilla Electric at a significant disadvantage when it comes to compliance. This section must be amended to give consumer-owned utilities certainty. In addition, Section 11 of SB 1070 (pg. 10, line 30) states that the "department shall adopt rules governing the use of proceeds from the sale of allowances consigned to the state for auction under this paragraph by consumer-owned utilities." This language unnecessarily wrests local control away from consumer-owned utilities and hands it to the State. Existing governance

structures for consumer-owned utilities should be considered when determining how utilities can use the proceeds from the sale of allowances.

- Simply, CUB proposes that utility sector auction revenues (assuming consignment) offset any significant rate increases identified with emissions from those coal plants already scheduled to close.
- In short, allowances should be allocated to utilities for free without any requirement that utilities then purchase allowances in order to militate against cost impacts on utility customers and natural gas utilities should be able to maximize the use of allowance proceeds by expending them on measures to reduce emissions and promote economic growth.
- Carbon Pollution Market - Section 10:
  Page 8, Line 31 – Modify (D) to read, "…to covered entities ~~*that include, but are not limited to covered entities* that are part of an emission-intensive, trade-exposed industry;~~
  Rationale: Targets allowances to the entities most exposed to leakage.
  Page 8, Line 36 – Strike ~~*three* and~~ replace with multi-.
  Rationale: Adds flexibility in the legislation to allow the state to set/modify rules as needed through time.

COST CONTAINMENT

- Point for clarification: How do restrictions on offset credits in Section 10(3)(c) pertain to covered entities in the transportation sector?
- Furthermore, the legislation is much too restrictive on the use of offsets for compliance.

INVESTMENT

- We are supportive of reinvestment revenues that are currently beholden to the Highway Trust Fund be prioritized for the most impacted neighborhoods through a transparent and accountable process.
- We believe funds from consigned allowances should be returned to customers
- CUB advocates for greater flexibility in Section 13 – particularly as it relates to carbon emissions from coal resources that are being eliminated due to SB 1547.
- Broaden use of the Highway Trust Funds: We need flexibility to transition to a renewable economy; ensure transportation proceeds promote equity and climate resilience.
- Target transportation proceeds to most impacted communities and communities with high transportation cost burden.
- Look at the experience of Surprise Valley Electrification Corp. in Alturas, California as a model on how proceeds from the sale of allowances can benefit the environment and members of consumer-owned utilities.
- It is crucial to leave the final decision making on how revenue generated from the sale of allowances is spent to the locally-elected governing bodies of COUs, rather than having prescriptive or pre-determined formulas or allocation methods.
- Revenues should be used to provide incentives, tax credits and grants for companies to implement voluntary measures that reduce greenhouse gas emissions at their facilities.
- In order to achieve the greatest reductions, a natural gas utility should be able to use proceeds from its sale of allowances to measures to reduce emissions in the electricity and transportation sectors as well. In this regard, they can complement efforts undertaken within the sectors which contribute the most to the state's aggregate emissions to make faster, more aggressive, and more cost-effective reductions.
- The legislation is much too restrictive in prescribing the purpose to which a natural gas utility can expend proceeds from the sale of allowances.

Question 3: What opportunities do you believe exist for your organization/industry/ constituents/customers from implementation of a cap-and-invest policy as it is currently being discussed in Oregon?

ALLOWANCES

- Would free allowances for a covered entity include both process emissions and emissions that result from electricity/energy use?
- It is important that natural gas utilities be allowed broad options for offsetting emissions. It is well known that requiring electric and natural gas utilities to purchase allowances at auction or through a secondary market will translate into higher consumer costs.
- I think we need to offer credits to the consumer owned utilities so the savings can be passed to their owners, especially since they are primarily located in the rural areas.

INVESTMENT

- Increase the percentage of transportation funding generated for the Highway Trust Fund for local jurisdictions to invest in GHG emission reducing transportation projects that maximize health, safety, and community co-benefits for impacted communities.
- Invest in energy related programs using the proceeds of utility consigned allowance sales to both mitigate utility related cost impacts for impacted communities and support a just energy transition.
- We appreciate the sidebars around the use of utilities dollars. However, some level of local decision-making should be maintained depending on a utility's customer base.
- We believe that cap-and-invest could provide additional impetus to early action on renewables procurement by utilities in order to meet the least cost, least risk resource planning framework. We believe cap-and-invest could be complementary to policies that address these and other near-term renewable energy opportunities.
- Public transit infrastructure in the most impacted Portland neighborhoods, including sidewalks.
- Shipping more products by rail could help to alleviate these issues if some cap-and-invest revenue was invested in multimodal infrastructure.
- The state of Florida has instituted a policy that requires a certain number of trees and shrubs to be planted per lane mile of roadway as a method of offsetting carbon.
- With funding assistance from the program, opportunities to invest in additional technologies to further lower emissions and increase the pace at which emissions are lowered.
- A cap-and-invest program would create challenges for the nursery industry, but it also creates potential opportunities to upgrade our state's transportation infrastructure in innovative ways.
- Oregon needs to think creatively about ways to use that revenue to reduce GHG emissions. For example, the state of Florida has instituted a policy that requires a certain number of trees and shrubs to be planted per lane mile of roadway as a method of offsetting carbon. The Oregon Association of Nurseries would support Oregon instituting a similar policy for the cap-and-invest revenue that is used to build new roads in our state.
- We appreciate the sidebars around the use of utilities dollars through consignment--to be used to support low-income and electricity-intensive customers, but also to invest in additional solutions that decarbonize the electric sector. However, some level of local decision-making should be maintained depending on a utility's customer base.