



## Eugene Water & Electric Board

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### **EWEB's Comments to the Clean Energy Jobs Bill Work Group on Utilities and Transportation**

The Eugene Water and Electric Board (EWEB) supports a least-cost approach to meeting Oregon's GHG reduction goals that is technology neutral, applicable beyond the electric sector, and is adaptable to changing conditions over time. We support an approach that achieves the most greenhouse gas (GHG) emission reductions with the least impact to Oregon's economic competitiveness and the least impact to consumers, ratepayers, and businesses, including the most vulnerable low-income Oregonians and energy-intensive trade exposed industries.

**EWEB has found that economy-wide carbon pricing, achieved through a cap and trade proposal that can also be linked to other states, will produce the least cost path to meeting Oregon's GHG reduction goals.**

We would like to make the following recommendations to the Oregon legislature on the design of a state cap and trade program:

- 1) Regional Considerations:
  - a) Linkage to other programs: Connecting cap-and-trade markets across multiple states and Canadian provinces would likely provide a broader and more diverse trading program that would offer more places to find the most cost effective emission reductions and increase liquidity in a cap and trade program while reducing volatility. EWEB supports efforts to evaluate and pursue linkage opportunities with cap and trade programs in other jurisdictions such as California's existing program and a possible program in Washington state. The Canadian province of Ontario conducted an evaluation of multiple cap-and-trade options and concluded that linking with existing programs in California and Quebec would result in a lower and more stable carbon price.
  - b) Consistency between jurisdictions: To the extent possible, EWEB recommends not only linkage to other jurisdictions, but also recommends achieving as much consistency and compatibility as possible with cap and trade programs in other states and provinces. Maintaining healthy, efficient, and stable power markets in the West should be an important priority. If states and provinces enact policies that differ greatly, this may result in inconsistent carbon prices across different jurisdictions, instead of a common carbon price. In turn, multiple carbon prices could impact the regional power markets resulting in multiple "products" in power markets instead of one or two, which could reduce market liquidity.
- 2) Point of Regulation:
  - a) Generally, EWEB recommends regulating emissions attributed to electric generation as close to the source as possible, in order for Oregon's program to transmit a carbon price signal most effectively. An approach of regulating in-state electric generating units at the source combined with a "first jurisdictional deliver" approach using NERC e-tags for electricity

- imported into Oregon would seem to be the most optimal way to regulated electric sector emissions closest to the source. However, EWEB acknowledges this may not be feasible across the board in the electric sector, at least initially. EWEB recommends that legislation to enact a cap and trade bill might codify a directive to regulate emissions in the electric sector as far upstream as possible, but delegate the exact mechanics, such as a hybrid variant of the “first jurisdictional deliverer” approach that might be necessary for a segment of imported electricity, to a rulemaking process.
- b) Role of the Bonneville Power Administration (BPA): In the Transportation and Utilities workshop meetings it has been averred that BPA cannot play an upstream role as a “first jurisdictional deliverer” due to its federal status that precludes it from being compelled by a state program to incur the costs of procuring carbon allowances to cover emissions. EWEB does not see this issue as static or insurmountable. First, there is precedent for a federal power marketing agency to obtain a waiver from Congress in order to incur costs to comply with a state cap and trade program, as the Western Area Power Administration (WAPA) did for the California program. EWEB believes that once Oregon signals its firm intent through legislation to regulate GHG emissions, a similar waiver could be obtained for BPA. Second, BPA does not have any carbon emitting sources in its generation fleet. The emissions in BPA’s energy mix emanate from a small amount of unspecified wholesale power market purchases BPA makes when customer demand for electricity is greater than the federal power system’s output. Even with these market purchases blended into BPA’s energy mix, BPA’s system mix emission factor is on average only 5 percent of the regional average. BPA’s emissions are less than 1 percent of the total emissions in Oregon’s electric sector, and only a fraction of a percent of Oregon’s economy wide emissions. Given how miniscule the emissions are for BPA system energy, EWEB believes a workaround can be found if necessary to achieve the most optimal point of regulation in the electric sector.
- 3) Allowance Allocations: EWEB recommends that any free allocation of carbon allowances that is made to individual load serving utilities should allocate to **all** utilities that will be subject to a compliance obligation in Oregon. EWEB is cognizant that not all utilities are in the same starting point in emission levels (i.e. investor owned utilities compared to consumer-owned utilities). EWEB is mindful that the purpose of freely allocated allowances is to mitigate increased costs and adverse impacts due to carbon pricing and any allocation method should not create “windfalls” of more allowances than needed to cover a utilities emissions. We would recommend that some consideration be made, in an allocation method or in some other way, to provide credit for early GHG reduction efforts by utilities, if a reasonable mechanism can be found to do so.
- 4) Addressing Hydropower Variability: Oregon’s program should allow some combination of allowance banking and/or multi-year averaging of GHG accounting to give utilities flexibility to work with variance in hydro-conditions and other variations such as weather.

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