Nov. 14, 2017

Senator Beyer:
Senator Dembrow:
Representative Helm:

Re: Comments on SB1070 Utilities and Transportation Workshop

At the close of the Utilities and Transportation Workgroup on 11.7.2017, participants and the public were asked to submit final thoughts and comments on the current version of SB1070 by 11.14.2017. We are addressing our comments to the Chair of the Utilities and Transportation Workshop and the Senate and House Committee Chairs.

The attached comments are submitted jointly on behalf of: OMEU, OPUDA, ORECA and NRU.

Thank you for the opportunity to participate and comment.

OMEU	OPUDA	ORECA	NRU
Jennifer Joly	Danelle Romain	Ted Case	Roger Gray

Attachments

- Descriptions of Organizations
- Comments by OMEU, OPUDA, ORECA and NRU

Descriptions of OMEU, OPUDA, ORECA and NRU

Oregon Municipal Electric Utilities Association (OMEU)

The Oregon Municipal Electric Utilities Association (OMEU) includes eleven municipally owned and operated electric utilities in Oregon. Member utilities include the City of Ashland, City of Bandon, Canby Utility Board, City of Cascade Locks, City of Drain, Forest Grove Light & Power, Hermiston Energy Services, McMinnville Water & Light, Milton-Freewater Light & Power, City of Monmouth, and the Springfield Utility Board. http://www.omeu.org/

Oregon People's Utility District Association (OPUDA)

OPUDA's members include all of Oregon's People's Utility Districts (known as PUDs), which provide electric service to nearly two-thirds of the Oregon coastline, parts of Columbia and Multnomah counties, Lane County, and as far east as Wasco County. PUDs are governed by five-member Boards of Directors that are elected by voters in each PUD's service area. http://www.opuda.org/

The Oregon Rural Electric Cooperative Association (ORECA)

ORECA represents 18 electric cooperatives, serving over 200,000 meters in some of the most rural and remote parts of the state. https://www.oreca.org/

Northwest Requirements Utilities (NRU)

NRU is a non-profit trade association representing the common business interests of 53 consumer-owned utilities, which are located in the seven states served by the Bonneville Power Administration (BPA): Washington, Oregon, Idaho, Montana, Nevada, Wyoming, and California. NRU members include electric municipalities, public and people's utility districts (PUDs), and electric cooperatives, all of which are primarily non-generating electric distribution utilities serving end-use electric consumers that rely on BPA as their primary supplier of wholesale power and transmission services. Eighteen of NRU's 53 members are located in Oregon. http://www.nru-nw.com/

Comments of OMEU, OPUDA, ORECA and NRU on the current draft of SB1070.

General Comments:

While cap and trade/invest (C&T/I) legislation applied economy-wide could theoretically result in cost effective GHG reductions, some communities, businesses, or people could experience greater adverse impacts than others.

The spirit of the proposed legislation seems to be to mitigate and offset potential adverse economic impacts. However, the means to identify and deliver mitigation is not yet clear. For example, while the legislation does not directly regulate agriculture and many other businesses, it would indirectly affect agriculture and other businesses because of the GHGs in products consumed by agriculture (e.g. fuel for equipment and fertilizer) and other businesses. Another example is that people in rural Oregon generally are lower in income and higher in fuel consumption on a per-capita basis and would therefore be disproportionally impacted by higher fuel prices. Lower income and rural Oregonians do not have the same alternatives for energy and transportation as Oregon's more affluent urban communities. Therefore grants to encourage rural electric vehicles (EVs) might not be as practical in rural Oregon as in urban areas. Clear protection of rural and disadvantaged lower income communities, as well as trade sensitive/energy intensive businesses, is a necessary consideration.

One suggestion to address the disproportional impacts on certain communities is for the legislation to explicitly require a formal study conducted by a cross-section of independent experts to determine "micro-level" impacts on rural communities, disadvantaged and lower income communities, agriculture, and trade sensitive/energy intensive businesses prior to any related final rule-making. These studies would guide all rule-makings and determinations of where mitigation funds are distributed. For example, the study performed by PSU/NERC in response to SB306 in 2014 evaluated carbon reduction and high level economic impacts of carbon taxes or fees. Similar studies could be performed on C&T/I policies to identify adversely impacted people, organizations, businesses, and communities at a more targeted level so that the "invest" part of cap-and-invest can be tailored effectively. This analysis would inform where appropriate and effective mitigation could be employed so that irreversible impacts are not created by accident when legislation goes in to effect.

The reasons for developing detailed mitigation plans in advance are critical. First, C&T/I policies likely will create indirect and somewhat diffuse impacts. For example, it may result in higher costs for agricultural and rural communities and lower income Oregonians. There may be multiple effective methods to distribute revenues such as grants and automatic allocations. Other methods might be direct rebates, bill credits (e.g. utility bills) or energy efficiency measures. Administrative ease is critical. For example, as stated above rural residents generally tend to use more fuel per capita. Cap and Trade/Invest is likely to hit them harder. Trying to offset individual personal/family costs with opportunities to apply for grants is not practical. Other distribution of revenue means must be found. A study that better identifies impacted people, businesses, and communities in advance of allocating mitigation funds will better serve those likely to be the most impacted.

As important to where the revenue is allocated is who allocates it. We strongly believe elected legislators should be responsible for allocating revenues, not unelected committees or agency personnel. This will provide an increased confidence in the program by improving transparency, public participation, and accountability for this statewide program.

In order for Oregon to meet any kind of ambitious goal such as 80% reduction in GHG below a 1990 threshold, it is clear that we must address GHG across the economy. In Oregon, most GHG emissions are produced by the transportation sector followed by the buildings/industrial sector. The Utilities and Transportation work group did not spend very much time on transportation, the largest GHG source. Electricity is the third largest GHG emitter; however, even if electricity became carbon-free, Oregon would not meet its overall goals. It is important for utilities to understand how transportation and the buildings/industrial sector will be impacted by C&T/I policy because residential, commercial and industrial customers will be impacted by more factors than just utility regulation. Because electrification is a key pillar of achieving major GHG reductions, keeping electricity cost-competitive is critical.

Specific Comments:

Allowance Allocation and the "shall" versus "may" issue:

The "shall" language should apply to any regulated utility (COUs or IOUs) that need allowances under principles such as:

1. Recognition that Oregon-based utilities (IOUs and COUs) are not in the same starting point. Distribution of allowances free of charge is intended to mitigate adverse impacts (i.e. increased costs due to cap and trade/invest (C&T/I) and not to create "windfalls" or disproportional adverse impacts on electric ratepayers across the State.
2. Allowances need to vary by utility as well as other major factors such as hydro conditions. A multi-year view, rolling average regulatory obligation or liberal banking requirements to smooth cost impacts probably makes sense.
3. Allowance allocations should change due to third party actions (e.g. State of Oregon) versus voluntary utility decisions. Third party actions that result in GHG emissions above regulatory thresholds should be provided allowances.

Use of Revenues from C&T/I (the "invest" question):

We suggest that legislation acknowledge and respect the role that local elected governing boards have with respect to COUs. In most cases, the local governing board is in the best position to act on behalf of local customers/members of that COU. We take no issue with the broad intended uses of the allowance revenue, but the exact allocations and needs depend highly on local needs and circumstances. COUs are already accountable to their local customers and members for transparency and reporting.

Consignment Question:

The fundamental question of why consignment is included in the legislation should inform how consignment is used. If the primary purposes are related to market transparency and liquidity it makes sense to have some degree of consignment in routine auctions. However, for COUs, a hybrid (versus "all or nothing") concept may make sense. For example, legislation 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. While we do not necessarily object to some consignment requirements to create market transparency and liquidity, we also emphasize the need for local decision-making and control of allowances and the revenues they could generate. We suggest that the legislation provide high level principles and specific objectives and use rule-making to iron out the fine details.

Point of Regulation and Accounting Questions:

Western electricity markets are physically and economically interconnected. Policy overlays like carbon policies will create policy interconnections. If various jurisdictions create conflicting or incompatible policies it creates the potential for market distortions, illiquidity, double counting, or gaps in accounting. Oregon needs to develop policies that are compatible with California if the intent is for Oregon to connect with other jurisdictions and create products like GHG allowances or carbon-free energy that can be traded easily and seamlessly across the West or even beyond.

Legislation should include the following principles about point of regulation, but final details should be determined by the rule-making with input from stakeholders.

1. Intent is to regulate GHG emissions greater than 25,000 MT CO2e
2. Avoid double-counting (e.g. seller – buyer issue).
3. Avoid regulatory obligation gaps
4. Minimize administrative burden, leverage existing reporting systems. Provide for "roll-up" accounting (e.g. CO2e measured on a portfolio basis)
5. Recognize the low-carbon content of the federal power system and develop effective methods for addressing federal issues
6. Develop consistent and compatible approaches that can be linked with other jurisdictions to avoid market or accounting problems or issues
7. Recognize that some sources of CO2 may have been accounted for elsewhere (e.g. natural gas used to create electricity already may be covered depending on POR for natural gas versus electricity)

Some simplified methodology that recognizes practical approaches to dealing with COUs that buy BPA power would make sense. This approach would recognize that most COUs are nearly carbon free either through BPA or with BPA and their own resources. Avoiding complex and expensive reporting systems that add complexity and cost for little value gained. California and relevant federal agencies (e.g. WAPA and BPA) seemed to have worked out mechanisms such as voluntary compliance to avoid these potentially sticky issues.

State of Oregon Policy Positions:

We would like to see the State of Oregon reconcile its desire to address GHGs and carbon emissions with positions in the litigation over the Federal Columbia River Power System (FCRPS). Specifically, we are concerned that the State continues to press for outcomes that will result in increased hydro spill that clearly will increase GHG emissions with no apparent or clear benefit to ESA-listed fish. Studies have demonstrated the impact of taking out carbon free resources on GHG emissions (emissions have gone up). It is time for Oregon to reconcile this matter.

Our hope is that the State and federal government can come to some reasonable agreement that does not create loss of valuable carbon-free power from the FCRPS while we continue to find evidence-based ways to recover ESA-listed fish.