

## DAVIS Diane

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**From:** KLOTZ Jason  
**Sent:** Wednesday, July 02, 2014 11:03 AM  
**To:** 'cngcregulatory@cngc.com'; 'oregondockets@pacificorp.com'; 'jim.abrahamson@cngc.com'; ADAMS Aster; 'abaldwin@lclark.edu'; 'gary.bauer@nwnatural.com'; SEN Beyer; BROCKMAN Kacia; CARVER Phil; 'scot.davidson@cleanenergyworksoregon.org'; 'aduncan@b-e-f.org'; 'wre@nwnatural.com'; 'efinklea@nwigu.org'; 'renee.m.france@doj.state.or.us'; 'janag@oeonline.org'; 'richard.george@pgn.com'; 'wendy@nwenergy.org'; 'gillaspie@oracwa.org'; 'debbie.goldbergmenashe@energytrust.org'; 'fred.gordon@energytrust.org'; 'ann@climatesolutions.org'; 'jennifer.gross@nwnatural.com'; 'bhemson@nwga.org'; 'bob@oregoncub.org'; 'dkirschner@nwga.org'; KLOTZ Jason; 'jimmy@rnp.org'; 'kelly.miller@nwnatural.com'; 'cnorris@neea.org'; 'michael.parvinen@cngc.com'; PEACOCK Julie; 'elaine.prause@energytrust.org'; 'rhys@climatesolutions.org'; 'joshua.skov@gmail.com'; 'derek@cleanenergyworksoregon.org'; 'paul.suto@portlandoregon.gov'; 'mark.thompson@nwnatural.com'; 'david.tooze@portlandoregon.gov'; 'matt.tracy@oregonmetro.gov'; 'ben.walters@portlandoregon.gov'; WEIRICH Michael; 'pge.opuc.filings@pgn.com'; 'awilhelms@dunncarney.com'  
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**Subject:** SB 844 July 9th Commission Workshop - Agenda and Revised Rule Language

All,

Attached you'll find an agenda for our open meeting with the Commissioners on July 9<sup>th</sup>. Also attached is a revised version of the draft rule language.

The most significant change is to section 860-08x-0650 "Project Threshold". The threshold number has been moved upward to \$85 per ton. Staff researched various projects on a cost per done basis and found that the prior \$39 threshold would conceivably guarantee that all proposed projects would fall into Tier two, counter to legislative intent.

If stakeholders feel this number to set too high stakeholders should present data to support such an assertion. We are still in a draft rule phase but will be moving into formal rule make after our July 9<sup>th</sup> meeting.

The remainder of the revisions address comments received at our last stakeholder meeting and the comments submitted subsequently.

I will be sending out the presentation, noted on the agenda, next week.

If you have questions or concerns prior to our July 9<sup>th</sup> meeting feel free to contact me.

Please see the agenda for the meeting phone bridge line.

Thank you,  
Jason



503 378-6667 July 9th A/C 5:30 Draft  
Public Meeting... Proposed Rules ...

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Oregon Public Utility Commission  
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# PUBLIC MEETING AGENDA

1:30 a.m.

July 9<sup>th</sup>

SB 844 Workshop, Review of Draft Rule Language

Main Hearing Room

3930 Fairview Industrial Drive SE, Salem, Oregon 97302-1166

PO Box 1088, Salem, Oregon 97308-1088

The Commission will accept public comment on individual agenda items immediately following each staff presentation. Persons unable to attend the meeting may submit written comments. Comments may be submitted by mail at the above addresses, fax (503-378-5505), or emailed to [puc.commission@state.or.us](mailto:puc.commission@state.or.us).

<b>Time</b>	<b>Agenda Item</b>	<b>Stakeholder</b>
<b>1:30 – 1:35</b>	<b>Commission call to Order and Introductions</b>	<b>Commission Chair</b>
<b>1:35 – 2:00</b>	<b>Presentation on the Purpose of the meeting/ History of Stakeholder Engagement/ Overview of Statute and Draft Rule Language</b>	<b>Commission Staff</b>
<b>2:00 – 3:15</b>	<b>Commission to Receive Comments from Stakeholders</b>	<b>Participating Stakeholders</b>
<b>3:15 – 3:30</b>	<b>Wrap-up – Next Steps</b>	<b>Commission Staff</b>

FOR AUDIO PARTICIPANTS PLEASE DIAL:

**Phone Number: 541-737-8725 or toll free 855-463-3863**

**Conference ID: 31751, followed by the # sign.**

NOTICE: The Public Utility Commission may curtail operations or close facilities for hazardous conditions, inclement weather, or other situations requiring assurance of health or safety of state employees or the public. Members of the public may obtain information about unplanned curtailments or closures from local media outlets or at: <http://www.oregon.gov/DAS/index.shtml>. The public may also sign up to receive electronic notification of state building closures at [http://oregon.gov/DAS/bldg\\_close/form.page](http://oregon.gov/DAS/bldg_close/form.page).

## **SB 844 Proposed Draft Rule Language**

### **VOLUNTARY EMISSION REDUCTION PROGRAM**

#### **860-08X-0500**

#### **Definitions**

As used in OAR 860-08X-0500 through 860-80X-1150:

- (1) “Ordinary course of business” means the set of conditions reasonably expected to occur within the Emission Reduction Project Boundary in the absence of the financial incentives and other inducements provided by this program, taking into account all current laws and regulations, as well as current economic and technological trends.
- (2) “Direct emission reduction” means emissions reductions resulting from project emission sources that are controlled by the proposed activity or activities.
- (3) “Emission Reduction Project” means a single measure or a set of interrelated measures, all equipment, materials, items or actions that comprise a voluntary coordinated action which lead to anthropogenic greenhouse house gas emission reductions within the project boundary that are additional to any reductions that would occur in the absence of the emission reduction project.
- (4) “Emission Reduction Project Plan” sets forth the specific details of a proposed Emission Reduction Project meeting the requirements set forth in these rules.
- (5) “Emission Reduction Project Report” means the report prepared by the utility each year that provides the information and documentation required under OAR 860-08X-0800.
- (6) “Emission reduction verification” means a systematic evaluation process for calculating and reporting project baseline emissions, project emissions, and emissions reductions.
- (7) “Indirect emission reduction” means emissions reductions from sources not directly controlled by the proposed activity but are a related consequence of the emission reduction project activities.
- (8) “Leakage” means the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the project activity.
- (9) “Monitoring” means the ongoing collection and archiving of all relevant and required data for determining the project baseline, project emissions, and quantifying emissions reductions or that are attributable to the emission reduction project.
- (10) “Project baseline” means an estimate of ordinary course of business emission reductions.

(11) “Project benefits” means those quantifiable benefits that accrue to the ratepayers of the utility conducting the Emission Reduction Project when such benefits can reasonably be attributed to the emissions reduction work.

(12) “Project boundary” includes a projects geographical implementation area encompassing all anthropogenic emission by sources of greenhouse gases under the control of the project participants that are significant and reasonable to the project activity during its duration.

(13) “Project costs” means the sum total of all costs incurred in the pursuit and implementation of a voluntary emission reduction project. When a project is undertaken as additive to an existing project because an emission reduction opportunity is present, project costs are all those associated costs incurred to capture emission reductions opportunities.

(14) “Project emissions” means any emissions attributable to the implementation of an Emission Reduction Project that must be accounted for in the Emission Reduction Project Report.

### **860-08X-0550**

#### **Project Eligibility Criteria**

To be eligible for a Commission determination, the project must satisfy the minimum criteria set forth in ORS 757.539(3)(a)-(f) and:

(1) The project must be related by similar type of measure and emission reduction strategy undertaken within the project boundary.

### **860-08X-0600**

#### **Project Application Requirements**

Utility shall submit an Emission Reduction Project Plan which includes:

- (1) The information required by ORS 757.539(4)(a) – (k) and;
- (2) A description of how the project satisfies the minimum criteria set forth in the OAR 860-08X-0550;
- (3) A showing of the project benefits received and of the apportionment of benefits by the each type of ratepayer; and
- (4) A discussion of all project measures being employed to reduce emissions;
- (5) Project measure life;
- (6) The project boundary (the application shall only include one project boundary);
- (7) A discussion of the emission reduction strategy being utilized, why the approach is appropriate, timely and merits approval;
- (8) Any tariffs, if necessary;
- (9) An Emissions Reduction Verification Plan that satisfies the criteria set forth in OAR 860-08X-0750;

## **860-08X-0650**

### **Project Threshold**

- (1) A Tier 1 project is one that has costs equal to or less than one million dollars and has an overall project cost per metric ton of reduced emissions less than \$85.
- (2) A Tier 2 project is one that has costs greater than one million dollars or has an overall project cost per metric ton of reduced emissions greater than \$85.

## **860-08X-0700**

### **Project Cap**

- (1) Projected costs to ratepayers of an Emission Reduction Project when combined with a utility's previously authorized Emission Reduction Projects must not exceed four percent (4%) of the utility's retail revenue requirement, inclusive of all revenue collected under adjustment schedules (e.g. the PGA, Schedule 126, optimization revenue). The costs of incentives the utility proposes to recover under this rule will be included in the determination of the costs to ratepayers under this cap.

## **860-08X-0750**

### **Emission Reduction Verification Plan**

- (1) Each project application must be accompanied by an Emission Reduction Verification Plan, tailored to the size and other characteristics of each project, that must include:
  - (a) The methodology used by the utility to calculate the projected emission reductions, which include:
    - (A) A project baseline,
    - (B) Identification of emission leakage, which must be deducted from the emission reductions generated by the project activity;
    - (C) A description of how the emission reduction verification methodology was developed,
  - (b) A monitoring plan, which includes:
    - (A) A description of the monitoring methods employed,
    - (B) Monitoring equipment used; and
    - (C) Anticipated costs of monitoring and emission reduction verification.
- (2) The Commission may require third party emission reduction verification as it determines necessary.

## **860-08X-0800**

### **Emission Reduction Project Report**

(1) Each year after the utility has commenced work on Emission Reduction Projects approved by the Commission the utility shall submit to the Commission an Emission Reduction Report which includes information on all currently approved emissions reduction projects:

(a) Updated information contained in the project proposal and OAR 860-08X-0600 and OAR 860-08X-0750; and

(b) Updated information on emission reductions achieved and anticipated.

(c) Updated information regarding how the aggregate of all project costs, including incentives received by the utility will affect the project cap outlined in OAR 860-08X-0700.

(2) The Commission, upon acknowledgement of the utility's first Emission Reduction Project Report, may modify the interval for the submission of future Emission Reduction Project Reports for that utility.

### **860-08X-0850**

#### **Ownership and Transferability of Emission Credits When Realized**

In instances where a utility participates in an emission reduction credit market related to its Emission Reduction Project:

(1) The utility must retain for the benefit of its ratepayers the emission reduction credits realized through emission reduction project activity.

(2) The utility must retire the emission reduction credits it owns or of which it retains control.

(3) The utility must ensure an unbroken chain of ownership of emission reduction credits.

(4) If split ownership arises, such that the ratepayer or project owner/participant may be owner of some of or all of the emissions reduction credits, the utility must work with the ratepayer or project owner/participant to ensure proper retirement, registration and an unbroken chain of custody.

### **860-08X-0900**

#### **Ineligibility Due to Noncompliance**

(1) If an Emission Reduction Project is, or has been, out of compliance with the requirements of OAR 860-08X-0500 through 860-08X-850, the Commission may discontinue or reduce the incentives to be paid to the utility.

### **860-08X-0950**

#### **Treatment of Emission Reduction Project for Purpose of the Utility Earnings Test**

(1) The utility will include the costs, revenues and incentives associated with an emission reduction project in its annual Results of Operation Report. The Commission may exclude incentives received from an Emission Reduction Project in an earnings test associated with the Purchased Gas Adjustment, deferrals and any other mechanism.

### **860-08X-1000**

#### **Utility Incentives for Applicable Projects**

- (1) Utility may propose a method to recover costs and incentives in accordance with ORS 757.539(8)(b)(A) – (D);
- (2) Incentives received by a utility under this rule must be in part tied to the unit of emissions reduced;
- (3) The incentives received by the utility conducting an emission reduction project shall not exceed 25% of the total cost of the proposed emissions reduction project;
- (4) One half of the net present value of the incentive amount projected to be allowed for the proposed emission reduction project shall be recoverable within a year of project implementation;
- (5) The remainder of the incentive will be recoverable within five years of full project implementation at such time as the emissions reductions are confirmed through appropriate monitoring and verification, consistent with the projects approved Emission Reduction Reports and projected emission reductions.
- (6) The commission shall have discretion to structure incentives based on a projects rate base capital intensity; where-by capital intensive project may receive a lower incentive then those projects that require less rate base capital.