

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

AR 580

In the Matter Of		Comments of
Rulemaking to Implement		Climate Solutions and
SB 844 (2013)		NW Energy Coalition
Voluntary Emissions Reduction		
Program		

Climate Solutions and NW Energy Coalition submit these brief comments on the Proposed Rules filed August 8, 2014, in AR 580, Rulemaking to Implement Senate Bill 844, a Voluntary Emissions Reduction Program.

Introduction

Governor Kitzhaber issued a 10 Year Energy Action plan in 2012 that noted “our most difficult energy challenge involves reducing greenhouse gas emissions, particularly energy-related carbon dioxide.” The Oregon State Legislature responded to that call by passing Senate Bill 844 in 2013, a bill that would provide an incentive to natural gas utilities in Oregon who voluntarily undertake greenhouse gas emission reduction projects. While these rules, and the law itself, will not likely result in significant emissions reductions, we are supportive of this program moving forward as a means to achieving some emission reductions that would not occur without the incentives provided. We remain steadfast, however, in our belief and our work towards additional comprehensive state policies that will lead us to reach Oregon’s greenhouse gas reduction targets, *ORS 469A.205*.

The program created by SB 844 is novel. A consistent message offered by stakeholders throughout the workshops was the challenge in formulating rules in the abstract. It has been difficult to envision how this program will work in practice in the absence of actual projects to consider. To the credit of NW Natural, they offered examples of projects that might be undertaken, which aided the rulemaking process.

In our view, these proposed rules largely provide adequate structure and clarity to the gas utilities to determine if they will propose projects for incentives. We urge the Commission to adopt the rules soon, allowing the gas companies to begin the process of project development and stakeholder engagement.

SPECIFIC COMMENTS

OAR 860-085-0500(8) Leakage

We would recommend a more straightforward definition of leakage, similar to that used by the California Air Resources Board in implementation of Assembly Bill 32: “a reduction in greenhouse gas emissions within the [project] that is offset by an increase in greenhouse emissions outside the [project]”¹

Project Threshold OAR 860-085-0650

SB 844 directs the Commission to establish a “two-tiered” process for the emission reduction program. The distinction between the tiers relates to the Commission’s approval process of a given project – e.g., a 3 month vs. 6 month process, and written comments vs. testimony and opportunity for hearing. We reiterate this distinction because the establishment of the threshold caused a lot of discussion among stakeholders and concern in particular about the cost per metric ton of reduced emissions.

It is difficult to determine accurate costs for emissions reductions attributable to a voluntary carbon reduction program, particularly prior to the commencement of this program, and with no similar voluntary state programs to inform the analysis. We do not support relying on carbon costs from the operating mandatory markets in the U.S. (CA’s AB 32 auction price or the Regional Greenhouse Gas Initiative in the northeast) given those costs do not reflect the full cost of carbon and involve numerous factors specific to their programs (e.g., free credits offered at the beginning of program).

During workshops we recommended relying on the social cost of carbon as a proxy value. The social cost of carbon is a value used by the Environmental Protection Agency and other federal agencies in their own rulemaking processes (e.g., vehicle emissions standards, appliance standards, power plant standard). It is an estimate of the economic damages associated with an increase in carbon dioxide emissions in a given year. It is meant to be a comprehensive estimate of climate change damages, with some limitations. The current value is approximately \$36/ton.²

While this value could serve as a proxy, it may not adequately represent the true cost of undertaking projects in Oregon. We note the following information provided by the Energy Trust of Oregon (ETO). While Energy Trust programs are clearly carried out for their energy benefits, an analysis of their merits for carbon reduction can be illustrative for purposes of considering SB 844 project costs. The ETO did an analysis of their 2013 gas measures and calculated the cost per ton of carbon abated over weighted average measure; they found a \$60 per ton average cost of carbon. The following table demonstrates the methodology used by the ETO.

¹ <http://arb.ca.gov/regact/2010/capandtrade10/capv4appk.pdf>; AB32 Section 38505(J)).

² <http://www.epa.gov/climatechange/EPAactivities/economics/scc.html>

2013 Total reportable savings	5,309,050	therm	
Weighted Average Measure Life	19	yr	
Carbon Impact assumption	11.7	lb/th	
Carbon Impact	62,115,885	lb	
	31,058	tons	
Total Energy Trust Costs	\$ 21,922,338		
ETO Levelized Cost of Carbon Reduction	\$ 59.36	per ton	5.2% DR, ETO rate
Total Resource Costs	\$ 24,381,831		

Given this \$60 a ton value, the uncertainty around actual cost for implemented projects, and the procedural nature of the cost per ton number, we can support the \$85 a ton value as proposed in the draft rules. We recommend the Commission adopt the rules as written. If further changes to this cost per ton threshold are considered, we urge the Commission not to adopt a number lower than the Federal social cost of carbon value.

Project Cap OAR 850-085-0700

We support the project cap as written in the draft rules: projected costs from all projects not to exceed four percent of the utilities revenue requirement, including incentives paid to the participating utility. The four percent cap was a compromise between various parties participating in the rulemaking workshops. Initially, NW Energy Coalition and Climate Solutions supported a higher cap of five percent, but were willing to support the compromise of four percent with other groups who favored a smaller cap.

The four percent cap is appropriate because it allows sufficient budget, scaled to the size of each utility, to undertake a limited, but meaningful, number of voluntary carbon reduction projects under this program. Although the budgets for Cascade Natural Gas and Avista utilities will be somewhat restricted (based on 2012 revenue data: \$3 million and \$4 million respectively), we anticipate that meaningful projects can still take place. If the cap were reduced, however, we question whether these utilities would bother with the program and therefore carbon reduction efforts would be missed within the smaller utility service territories. The intent for this voluntary greenhouse gas reduction program was that it be available to all gas utilities in the state of Oregon. Reducing the size of the cap risks instituting a program that is only relevant to one gas utility – an outcome that is counter to the intent of the establishing legislation.

CONCLUSION

In summary, we urge the adoption of the proposed rules in order to implement SB 844. The collaborative development of carbon reduction projects that are beneficial to ratepayers should begin immediately. We look forward to participating in the stakeholder discussions about applicable projects.

Respectfully Submitted,

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