

## 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) “Business-as-Usual Scenario” means the set of conditions reasonably expected to occur within the Emission Reduction Project Boundary in the absence of the financial incentives 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 reduction resulting from project emission sources that are controlled by the proposed activity.
- (3) “Emission Reduction Project” means a single measure or a set of interrelated measures, all equipment, materials, labor, 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 emissions 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 business-as-usual emission reductions.

**Comment [s1]:** Labor needs to be included here as it is potentially a large portion of projects.

(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" delineates the emission sources, ~~and~~ sinks ~~and reservoirs~~ that must be included when quantifying the net change in emissions associated with the emissions reduction project.

**Comment [s2]:** Recommend defining emissions sources and emission sinks to make it clearer as to what the boundary is for. Further clarification will help those of the utility and help when communicating with customers.

(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:~~

**Comment [s3]:** Recommend including criteria within the OAR so it is all within the rule. Also recommend the criteria only be that which was in the bill as the criteria in the bill was comprehensive and clear on what a project must entail to be eligible for this program.

To be eligible for a Commission determination, the project must satisfy the following minimum criteria:

- (A) That the entity proposing the project is a public utility that furnishes natural gas and that the project involves the provision of natural gas;
- (B) That the project directly or indirectly reduces emissions;
- (C) That the project benefits customers of the public utility;
- (D) That the public utility would not invest in the project in the ordinary course of business without the emission reduction program;
- (E) That the public utility involved stakeholders prior to filing the application; and
- (F) That the rate impact of the aggregate of all projects undertaken by the public utility has not exceeded and will not exceed the project cap set forth in OAR 860-08X-0700.

~~(1) The project benefits must be received by the ratepayers and categorized by the type or types of ratepayers that received the benefits of the project; and~~

**Comment [s4]:** Item (C) above already states that a project must benefit customers of the utility to be eligible for the program. Further detail regarding the specific benefits for groups of ratepayers belongs in the application requirements.

~~(2) The project must be related by similar type of measure and emission reduction strategy undertaken within the project boundary. The utility shall not break emission reductions projects related by measure type and emission reduction strategy into sub projects.~~

**Comment [s5]:** Recommend deleting this requirement in its entirety. Because we do not yet know the nature of projects or measures that may be proposed we should not limit projects to being similar by measure type or strategy.

860-08X-0600

Project Application Requirements

A project application must include the following information required by ORS 757.539(4)(a)-(k) and:

Comment [s6]: Recommend including criteria rather than referencing ORS so it is all in same place.

- (a) A description of the project, including the measures being employed to reduce emission, project location, and project boundary;
- (b) The projected amount of capital and operating costs necessary to complete and operate the project;
- (c) The projected amount of reduced emissions created by the project;
- (d) The potential of the project to reduce emissions not identified in paragraph (c) of this subsection;
- (e) The projected date on which the project will become operational;
- (f) A requested method for recovery of costs incurred and investments made;
- (g) An explanation of why the public utility, without the emission reduction program, would not invest in the project in the ordinary course of business;
- (h) Proof of stakeholder involvement;
- (i) The projected rate impact of the project;
- (j) The projected aggregate rate impact of all projects proposed by the public utility under this section and approved by the commission for the public utility under this section;
- (k) An explanation of how the public utility will provide the commission with progress updates during the life of the project, including updates on costs and reduced emissions associated with the project;
- (l) A description of how the project satisfies the minimum criteria set forth in the OAR 860-08X-0550;
- (m) An Emissions Reduction Verification Plan that satisfies the criteria set forth in OAR 860-08X-0750;

~~(1) A description of how the project satisfies the minimum criteria set forth in the OAR 860-08X-0550;~~

~~(2) An Emissions Reduction Verification Plan that satisfies the criteria set forth in OAR 860-08X-XXX;~~

~~(3) An Emission Reduction Project Plan which includes:~~

~~(a) All project measures being employed to reduce emissions~~

~~(b) The project timeline~~

~~(c) The project location~~

~~(d) The project boundary;~~

~~(A) The project will only use one project boundary to avoid double counting;~~

~~(e) A discussion of the emission reduction strategy being utilized, why the approach is appropriate, timely and merits approval;~~

~~(f) A showing of how the current proposed project will affect the utility's overall project rate cap under this rule;~~

~~(g) A proposed accounting of all anticipated costs and benefits including but not limited to;~~

Comment [s7]: Project plan is not necessary as the application must include all appropriate information about the project.

Comment [s8]: Added to item (a) above.

Comment [s9]: The reduction strategy is the project itself. No need for this.

Comment [s10]: Already captured above.

- ~~(A) Operations and maintenance costs;~~
- ~~(B) Construction and installation costs;~~
- ~~(C) Taxes;~~
- ~~(D) Permitting costs;~~
- ~~(E) Infrastructure expenses;~~
- ~~(F) Increased or decreased sale revenues, and~~
- ~~(G) Any proposed incentive to the utility related to the proposed project.~~

**Comment [s11]:** All costs should be included in capital and operating costs already described above.

#### 860-08X-0650

### Project Threshold

- (1) A Tier 1 project is one that has costs equal to or less than \$750,000 and has an overall project cost per metric ton of reduced emissions less than \$39.
- (2) A Tier 2 project is one that has costs greater than \$750,000 or has an overall project cost per metric ton of reduced emissions greater than \$39.

#### 860-08X-0700

### Project Cap

(1) Projected costs to ratepayers, by rate schedule, 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 applicable tariff adjustments (i.e., margin, natural gas costs, demand side management, etc...), for the applicable rate schedule in any year. 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. If changes in a utility's revenue requirement cause the costs of previously-approved Emission Reduction Projects to exceed the threshold established in this section, the utility may request a general waiver.

**Comment [s12]:** This additional language is necessary to be clear that the retail revenue requirement includes gas costs and all other costs. Without this some may argue in the future that gas costs are not included in the retail revenue requirement, which would make the amount of funds available for projects very small and most likely not allow Avista to do any projects.

#### 860-08X-0750

### Emission Reduction Verification Plan

- (1) Each project application must be accompanied by an Emission Reduction Verification Plan, a description of how the utility proposes to account for and accurately determine emissions reductions that occur as a result of the project. The Emission Reduction Verification Plan, tailored to the size and other characteristics of each project, 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 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 is 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 similar to that contained in the project ~~proposal application and OAR 860-08X-0600~~ and ~~OAR 860-08X-0750~~ Emissions Reduction Verification Plan; 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-900**

##### **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-950**

##### **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, or include, incentives from an Emission Reduction Project in an earning test associated with the Purchased Gas Adjustment, deferrals and any other mechanism.