

SB 844 Draft Rule Language Workshop

July 9th, 2014

1:30 – 3:30

Goal & Purpose of Today's Meeting

- * Review of Draft Rule Language
- * Review of stakeholder engagement and input received
- * Opportunity for Commissioners and stakeholders to openly engage and discuss draft rule language and expectations.

Re-cap of Stakeholder Workshops

- * February 12th - Statutory interpretation
- * February 27th – Setting a proper project cap, measurement and verification
- * March 10th - Language review, tier thresholds, measurement and verification
- * May 12th - Language review, incentives

SB 844 History and Context

- * SB 844 is part of recent legislative actions to address climate change and carbon emissions.
 - * In 2007, HB 3543, established greenhouse gas (GHG) emission reduction goals of at least 10 percent below 1990 levels by the year 2020.
 - * In 2009, SB 101, required the PUC to report biennially to the Legislative Assembly on the estimated rate impacts for Oregon's regulated electric and natural gas companies related to meeting the state's GHG emission goals.

SB 844 History and Context

- * SB 844 created a voluntary incentive program for public utilities that furnish natural gas to invest in projects that reduce emissions.
 - * The measure specifies criteria for participation, including: that projects reduce emissions (either directly or indirectly), that projects benefit the utility's customers, that the utility would otherwise not make the investment without the incentive, that stakeholders be involved in the development of the project, and that the aggregate effect of projects undertaken by a utility not exceed a rate impact specified by PUC by rule.
- * Finally, SB 844 requires that PUC conduct a biennial study regarding whether federal law, or other state laws, provide adequate incentives for projects to reduce emissions.

Statutory Language

By Rule	Detail	By Order	Detail
Sub-section (3) - Eligibility Criteria	(a)NG utility (b) direct or indirect reductions (c) customer benefit (d)but for argument (e)stakeholder involvement (f) rate impacts	Sub- section (4) & (8) Order shall include	(a) type of ratepayer charged with recovery and received benefit and by what proportion (b)method of recovery: (A) per unit reduced (B) preapproval of prudence (C) Return of and on Investment (D) any other method by Rule or Order
Sub-section (4) Content of Application	(a)description of project (b)costs (c)emissions reduced (d) indirect emissions reduced (e)operational date (f) recovery method (g) but for argument (h)proof of stakeholder engagement (i) rate impact (j)aggregate rate impact (k) progress updates (l) other	Sub-section (9) May consider the amount of reduced emissions created by the project or value of reduced emission created by a project	SB 844 allows the Commission to consider value of emission reductions.
Sub-section (5) - Two tiers of proposed projects	SB 844 requires the Commission to establish a threshold for Tier 1 and Tier 2	Sub-section (6) Tier 1 Projects -	(a)opportunity for written comments (b)hold hearings (c) issue order in 90 days
Sub-section (6) and (7) Process requirements	SB 844 requires the Commission to set a Tiered application process.	Sub-section (7) Tier 2 Projects	(a) testimony and hearing (b) issue order in 180 days
Sub-section (10) Rate Cap	The PUC shall determine a rate cap for emission reduction projects, “not to exceed a percentage of the public utility’s revenue requirement.”		

Rule Overview Cont.

Rule Section	Detail	Rule Section	Detail
-0550 – Eligibility Criteria	Incorporates by reference the eligibility criteria found in Sub-section (3) of the statute	-0750-Emission Reductions Verification Plan	Includes measurement and verification protocols and methodologies.
-0600 - Content of Application	Incorporates by reference Sub-section (4) of the statute <i>and</i> requires (1) benefit apportionment (2) description of measures employed (3) description of the project boundary and (4) a discussion of the strategy employed.	-0800 - Emission Reduction Project Report	Yearly update on project, emission reductions, and costs.
-0650 - Two tiers of proposed projects	Tier one- \$1m total cost & ≤\$85/Ton of CO ₂ Tier Two - >\$1M total costs <u>or</u> >\$85/Ton of CO ₂	-0950 - Incentives	To be proposed by the utility but based on emission reductions, project incentives, by Commission order may be excluding from utility earning test.
Process requirements	Tier One 90 days to resolution Tier Two 180 Days to resolution	-900 - Compliance	When acknowledging or not acknowledging a utilities Emission Reduction Report the Commission may discontinue or reduce incentives paid to the utility.
-0700 - Project Cap	4% of the Utility's Total Revenue Requirement – Reached as consensus during		

Project Cap

- * Balancing ratepayer protection with legislative mandate
- * Finding a project cap that can be applied to each utility while granting enough funds to conduct a project.
- * A 4% cap work out to about
 - * Avista Project Cap \$4M*
 - * Cascade Project Cap \$3M*
 - * Northwest Natural Project Cap \$30M*

*based on 2012 revenue data

Project Thresholds

- * Project Tier is a procedure trigger required by statute
- * Tier One Project – costs = or < \$1M and has an overall project cost per metric ton of reduced emissions less than \$85.
- * Tier Two Project – Similar to Tier One only greater than \$1M or \$85/Ton.
- * Controversial because setting a carbon price, although procedural only, effects project cost expectations.
- * Staff originally proposed using an EPA Social Cost of Carbon. This number was controversial simply because stakeholders had no experience with emission reduction project costs.
 - * After further research staff has proposed \$85.

Measurement and Verification

- * The draft rule language requires each application to detail how emission reductions will be measured and verified.
- * After implementation of the project the draft rule language requires monitoring and reporting of emission reductions.
- * These steps are in-line with best practices found in other jurisdictions.

Incentives

- * The statute requires project applicants to propose incentives structures.
- * Stakeholders agreed that incentives received should be tied to emission reduced.
- * However, given the novelty of the subject matter and the ability of applicants to structure project specific incentives, stakeholders were unable to agree on detail of incentive structures.
- * There seems to be consensus among stakeholders that incentive structures can be best determined once we have experience crafting and understanding the details of an emissions reduction project.

Next Steps

- * Review draft rule with Commissioners and stakeholders today
- * Address identified concerns in a re-draft
- * Work internally to finalize draft rule language
- * Craft timeline and agenda for rulemaking
- * Prepare draft rule for publication and assign docket
- * Open formal rulemaking on proposed rule

Stakeholder Comment Period

2:00 – 3:15 PM

DAVIS Diane

From: KLOTZ Jason
Sent: Monday, July 07, 2014 4:15 PM
To: 'cngcregulatory@cngc.com'; 'oregondockets@pacificcorp.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'
Cc: 'gillaspie@oracwa.org'; 'abaldwin@lclark.edu'; 'Gary.Bauer@nwnatural.com'; SEN Beyer; BROCKMAN Kacia; 'scot.davidson@cleanenergyworksoregon.org'; 'aduncan@b-e-f.org'; 'renee.m.france@doj.state.or.us'; 'janag@oeonline.org'; 'wendy@nwenergy.org'; 'fred.gordon@energytrust.org'; 'ann@climatesolutions.org'; 'jennifer.gross@nwnatural.com'; 'bob@oregoncub.org'; 'dkirschner@nwga.org'; 'pge.opuc.filings@pgn.com'; 'debbie.menashe@energytrust.org'; 'debbie.menashe@energytrust.org'; 'kelly.miller@nwnatural.com'; 'cnorris@neea.org'; 'michael.parvinen@cngc.com'; PEACOCK Julie; 'elaine.prause@energytrust.org'; 'rhys@climatesolutions.org'; 'derek@cleanenergyworksoregon.org'; 'Paul.suto@portlandoregon.gov'; 'David.tooze@portlandoregon.gov'; 'matt.tracy@oregonmetro.gov'; 'ben.walters@portlandoregon.gov'; WEIRICH Michael; 'awilhelms@dunncarney.com'; 'cngcregulatory@cngc.com'; 'oregondockets@pacificcorp.com'; 'mrt@nwnatural.com'; 'wre@nwnatural.com'; 'joshua.skov@gmail.com'; 'jim.abrahamson@cngc.com'; 'efinklea@nwigu.org'; CARVER Phil; PEACOCK Julie; 'bhemson@nwga.org'; 'jgg@nwnatural.com'; 'jimmy@rnp.org'; ADAMS Aster; 'Karla.Wenzel@pgn.com'; 'jeff@oregoncub.org'; 'szakreski@climatetrust.org'; 'spenrith@climatetrust.org'; 'ehardee@climatetrust.org'; 'srichley@cleanenergyfuels.com'; 'garrett.harris@pgn.com'; 'shawn.bonfield@avistacorp.com'; BROCKMAN Kacia; 'john.volkman@energytrust.org'; 'Meden@neea.org'; DAVIS Diane
Subject: July 9th Special Public Meeting Workshop Presentation

All,

Attached you'll find a copy of the presentation I intend to use during our July 9th special meeting with the Commissioners.

Thank you,



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Language Wor...

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