

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1744

In the Matter of		
NORTHWEST NATURAL GAS COMPANY, dba NW Natural		CLIMATE SOLUTIONS PREHEARING BRIEF
Application for Approval of an Emission Reduction Program		

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Climate Solutions submits this brief in response to the Administrative Law Judge ruling of October 20, 2015. This brief largely represents a restatement of the Climate Solutions testimony already submitted in this case.

**I. Background**

This is the first program being considered under the policy created by Senate Bill 844. We take a moment here to remind us how we got to this point. In 2012, then-Governor Kitzhaber issued a 10 Year Energy Action plan that noted “our most difficult energy challenge involves reducing greenhouse gas emissions, particularly energy-related carbon dioxide.”<sup>1</sup> The Oregon State Legislature in 2013 responded to that call by passing Senate Bill 844, a bill that would provide an incentive to utilities in Oregon who voluntarily undertake greenhouse gas emission reduction projects. The prevailing point of view among many of the other stakeholders in 2013 was that an incentive-based, voluntary program was worth doing; something short of mandatory action that could lead to emission reduction projects that would otherwise not occur without the incentives provided. Climate Solutions was and is of the view that Oregon needs a comprehensive, economy-wide policy to reduce emissions. But we supported SB 844 as a modest step forward. The legislative process whittled the bill down to exclude the electric utilities, resulting in a policy that applies only to Oregon’s gas utilities.

**II. Oregon’s Path to Emissions Reductions & CHP**

Oregon has legislated climate pollution reduction goals — 10% below 1990 levels by 2020, and 75% below 1990 levels by 2050<sup>2</sup>—but the state is not on track to reach

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<sup>1</sup> [http://www.oregon.gov/energy/Ten\\_Year/Ten\\_Year\\_Energy\\_Action\\_Plan\\_Final.pdf](http://www.oregon.gov/energy/Ten_Year/Ten_Year_Energy_Action_Plan_Final.pdf)

<sup>2</sup> ORS 468A.205

those goals. Climate Solutions estimates that under a business-as-usual scenario Oregon will emit 65 million metric tons of greenhouse gas pollution in 2020. In order to reach the 2050 target, we would need to be at a level of 50 MMT in 2020. Oregon, therefore, needs to reduce greenhouse gas emissions by 15 million metric tons (MMT) by 2020 to be on track to reach the 2050 target.<sup>3</sup> We further extrapolate that approximately another 15 MMT would need to be reduced by 2030 to continue towards a level of 14 MMT in 2050.

We believe there are many cost-effective reductions available in the state to reach these targets. There is no doubt that we also need additional policy drivers to get us there. But in the meantime, there are reductions available that are worth pursuing. We believe CHP, particularly at commercial and industrial facilities, is one of those examples of a near term step to help move Oregon towards a lower carbon energy sector. To the best of our knowledge, there is no new CHP being developed in Oregon currently, despite it being on the low end of the cost curve for mitigation opportunities. We believe that's the kind of project that SB 844 was designed to encourage: those that offer near-term emissions reduction opportunities but that, in the absence of an incentive, are not occurring.

In 2012, Oregon Department of Energy conducted a [2012 marginal abatement cost curve \(MACC\) analysis](#). While we are the first to admit that this analysis is not the most user-friendly, it does provide insight into the available, achievable reductions by sector in Oregon. There is a category for "CHP and Non-Energy GHG reductions which includes 7 different measures."<sup>4</sup> We estimate that the three CHP measures within this category add up to 0.94 MMT in 2022 and 1.53 MMT in 2035.

#### **IV. NW Natural's Proposal**

There remain significant issues to be worked out among the parties as to the specifics of the NW Natural proposal and we remain hopeful that agreement can be reached. We believe the Commission should support a CHP program moving forward. Again, CHP projects appear to be the exact types of projects that were meant to be incented by SB 844: those that offer real emissions reduction opportunities, on the lower end of the cost curve for such opportunities, but that are otherwise not happening.

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<sup>3</sup> The BAU forecast used in our analysis is the one presented in the Oregon Global Warming Commission's *Report to the Legislature 2013*, with one change: the BAU used in our research also includes the reductions predicted from Oregon's existing 25% renewable portfolio standard (RPS).

<sup>4</sup> "GHG\_Totals\_AP" tab of the "ODOE-RCI-Options-final" spreadsheet found in the "Demand-Side & Industrial Measures (Residential/Commercial/Industrial) link at the bottom of [this page](#).

To conclude, this brief represents a restatement of the Climate Solutions testimony in this docket.

Dated this 12<sup>th</sup> day of November, 2015

Respectfully submitted,

/s/ Ann E. Gravatt

Date signed: November 12, 2015

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