

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1744

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

Climate Solutions offers this brief testimony in response to NW Natural’s application for a Combined Heat and Power (CHP) Solicitation program. This testimony is provided by Ann E. Gravatt; qualifications are provided below.

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.”¹ 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.

During the subsequent two years we have collectively worked out implementing regulations and engaged with NW Natural on various proposed projects to be considered under this system. NW Natural has been steadfast in their commitment to making the SB 844 program work.

¹ http://www.oregon.gov/energy/Ten_Year/Ten_Year_Energy_Action_Plan_Final.pdf

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 2050²—but the state is not on track to reach 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.³ 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."⁴ 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

NW Natural offered several opportunities to review their proposed project earlier this year. As the meetings fell during the legislative session, Climate Solutions was

² ORS 468A.205

³ 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).

⁴ "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](#).

unable to actively participate in all of the meetings, but we did attend one in person and joined another by phone. NW Natural staff consistently worked to provide materials in advance of the meetings and provide updates on their progress.

We appreciate that the cost of the proposed CHP program is a key issue to be addressed by this process, both the proposed payment to customers as well as the incentive payment to NW Natural. We do not offer here a suggested cost structure other than to urge that parties work to come to agreement on the best balance of payment that will result in actual greenhouse gas reductions in a timely manner. 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.

To conclude, if this policy is going to prove successful in the way it was intended when passed in 2013, it would be good to see a project underway before the next legislature convenes in 2016.

/s/ Ann E. Gravatt

Date signed: August 28, 2015

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WITNESS QUALIFICATIONS

Ann E. Gravatt is a policy advisor with Climate Solutions, having previously served as the organization's Oregon Director. She regularly engages in energy policy proceedings in Oregon. She served as the Policy Director at Renewable Northwest from 2002-2010, and appeared before the Oregon, Washington and Montana utility commissions, advocating for the fair regulatory treatment of renewable resources. Prior to that, Ann practiced energy and natural resources law in Portland and Washington, DC.

She holds a Juris Doctor degree, from George Washington University (1999) and a Bachelor of Arts in Political Science from the University of Richmond (1992).