



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Carlson, Mital, Helgeson, Schlossberg, and Brown
FROM: Jason Heuser, Public Policy and Government Affairs Program Manager
DATE: February 21, 2019
SUBJECT: State Legislative Update
OBJECTIVE: Information only

Issue

The 2019 State Legislative Session convened January 28, 2019. This memo is to apprise the Board of key issues of interest to EWEB, and the current status of these issues in the legislative process.

Background

Prior to the start of each legislative session, the Board adopts general policy directives for advocacy at the Capitol, which guide the work of EWEB's lobbying activities. When political considerations test the applicability of those directives, the General Manager makes a determination as to whether a fundamental shift in direction is required. The Board may be asked to reaffirm its policy or direct staff to make necessary adjustments.

Discussion

The following is a summary of state legislative activity of interest to EWEB:

HB 2020 – Oregon Climate Action Program/Clean Jobs/Cap and Invest

After nearly 12 months of work by the Interim Joint Carbon Reduction Policy Committee and several work groups, HB 2020 was introduced on February 1st. On February 8th the Joint Carbon Reduction Policy Committee took invited testimony from a series of panels from various stakeholder groups, including an electricity panel comprised of four (4) electric utilities, Portland General Electric, Pacific Power, EWEB, and Clatskanie PUD.

HB 2020 would cap and reduce Oregon's emissions to 80 percent below 1990 levels by 2050. In response to recent updates in climate science on the importance of emission reductions in the next 10 years, HB 2020 also includes an interim target to reduce emissions to 45 percent below 1990 levels by 2035. Directly regulated sectors of the economy would primarily include Transportation, Energy (electricity and natural gas), and Large Industrial Sources. HB 2020 utilizes a threshold of over 25,000 metric tons of annual CO₂e GHG emissions to determine which entities have a compliance

obligation, resulting in close to 100 large emitters being directly covered entities.

EWEB was invited to participate along with PGE, Pacific Power and the Bonneville Power Administration in a small technical work group that met several times in 2018 to advise the Oregon Carbon Policy Office on options for designing the point-of-regulation for imported electricity that resulted in a recommendation, now officially included in HB 2020, to place the compliance obligation for electricity imports on the “Electricity System Manager”. An Electricity System Manager is defined as “any entity that, as needed operates or markets electricity generating facilities, or purchases wholesale electricity to manage the load for wholesale or retail electricity customers within a balancing authority area that is at least partially located in Oregon, including but not limited to the following types of entities: a) electric companies, b) electricity service suppliers, c) consumer-owned utilities, d) the Bonneville Power Administration and e) electricity generation and transmission cooperatives.” This approach reflects a balance between the goal of regulating as electricity at the source and challenge of asymmetry between Oregon’s political boundaries and the boundaries of two large electricity balancing areas in Oregon that also span multiple other states (Pacific Power, Idaho Power, and BPA). From EWEB’s perspective, it is a preferred alternative to a less effective downstream approach placing responsibility on load serving entities in the electric sector.

Notably, the Electricity System Manager point-of-regulation leaves the door open for Oregon to adopt by rule provisions for the assignment of carbon emissions to electricity imported through the Energy Imbalance Market by Participating Resource Scheduling Coordinators, as is done in California’s cap and trade program. EWEB is advocating for HB 2020 to specifically direct that a rule be adopted for addressing Energy Imbalance imports.

Remaining issues that EWEB staff recommend be addressed in the bill include:

- BPA will be the party responsible for emissions from a small amount of market purchases included in the mix of electricity they provide and they will be slated to receive allowances based on historical emissions in that mix. EWEB staff recommend amending HB 2020 to direct the use of as long a time span of historical data for BPA as possible (15 years of publicly reported data from BPA is available) in order to capture accurately the weather related variability of water conditions and hydropower generation from year to year.
- HB 2020 allows for the banking of unused allowances to be used in a future year when needed. Over time banking will be a tool to balance the variability of hydropower with compliance obligations, but it takes time to accumulate and bank unused allowances sufficient to be utilized in a very low water year. In the early years of compliance with Oregon’s program, it will be very important to utilities reliant on hydropower that in the event of a very low water year they would be able to access the Electricity Price Containment Reserve established in HB 2020. The details on how EWEB or BPA could avail themselves to the reserve would likely be further addressed by rulemaking, in the meantime EWEB is communicating the importance of the reserve remaining in final passage off HB 2020.
- EWEB may not be a covered entity at the start of the program if emissions attributable to EWEB’s non-federal owned or purchased electric generation are below 25,000 tons. If conditions change in the future and EWEB were to become a covered entity in the future, HB 2020 in its current form would not seem to allocate any allowances to any entity that was not regulated at the start of the program. EWEB staff recommend amending HB 2020 to include a transitional compliance path that would allow an entity to receive some allowances if it

becomes a covered entity after the start of the program. Additionally, HB 2020 included a provision for entities in the industrial sector below 25,000 tons to voluntarily opt-in to being a covered entity and receiving allowances. Electric utilities should also be able to avail themselves to voluntarily opt-in to regulation and receive allowances.

After the introduction of HB 2020, and two hearings of invited testimony, the Joint Carbon Reduction Committee held three legislative hearings for the public to comment. Four additional hearings for public comment are being held around the state, in Springfield, Bend, Medford, and The Dalles. Afterwards, the Joint Carbon Reduction Committee is expected introduce amendments to HB 2020 in March and hold additional hearings to take testimony on those amendments.

Recommendation/Requested Board Action

This memo is for informational purposes. No board action is requested.