

Enrolled
Senate Bill 456

Sponsored by Senator BEYER (Presession filed.)

CHAPTER

AN ACT

Relating to the voluntary emission reduction program for natural gas utilities; creating new provisions; amending ORS 757.539; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 757.539 is amended to read:

757.539. (1) As used in this section, "emission" means any anthropogenic gas, such as carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

(2) The Public Utility Commission shall establish a voluntary emission reduction program for the purposes of incentivizing public utilities that furnish natural gas to invest in projects that reduce emissions and providing benefits to customers of public utilities that furnish natural gas.

(3) As part of the emission reduction program, the commission shall establish eligibility criteria for projects. The eligibility criteria must include:

(a) That the public utility requesting the project be a public utility that furnishes natural gas and that the project involve the provision of natural gas;

(b) That the project directly or indirectly reduce emissions;

(c) That the project benefit customers of the public utility as identified by the commission by rule or order;

(d) That the public utility, without the emission reduction program, would not invest in the project in the ordinary course of business;

(e) That the public utility, prior to filing an application under subsection (4) of this section, involve stakeholders as required by the commission by rule or order; and

(f) That the rate impact of the aggregate of all projects undertaken by a public utility under this section not exceed an amount established by the commission by rule or order.

(4) For each project that a public utility proposes under this section, the public utility must file with the commission an application. An application filed under this subsection must include:

(a) A description of the project;

(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, as described in subsection (8) of this section, for recovery of costs incurred and investments made **and for the receipt of additional incentives;**

(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; and

(L) Any other information required by the commission by rule or order.

(5)(a) The commission shall establish a two-tiered process for submitting a project proposal under the emission reduction program. For the purpose of establishing the tiers, the commission shall:

(A) Establish a threshold for overall project cost; and

(B) Establish a threshold for overall project cost per metric ton of reduced emissions.

(b) If a proposed project meets both the threshold described in paragraph (a)(A) of this subsection and the threshold described in paragraph (a)(B) of this subsection, the project is a tier one project subject to the requirements of subsection (6) of this section. If a proposed project does not meet the threshold described in paragraph (a)(A) of this subsection or the threshold described in paragraph (a)(B) of this subsection, the project is a tier two project subject to the requirements of subsection (7) of this section.

(6) For tier one projects, the commission shall:

(a) Provide interested parties with an opportunity to submit written comment in response to the proposed project;

(b) Hold a public hearing to address all submitted written comments; and

(c) Issue a final order on the proposed project within 90 days of receiving the application for the project, or at a later time as authorized by the public utility.

(7) For tier two projects, the commission shall:

(a) By rule or order, provide interested parties with an opportunity to submit testimony in response to the proposed project and be heard; and

(b) Issue a final order on the proposed project within 180 days of receiving the application for the project, or at a later time as authorized by the public utility.

(8) If a final order issued under subsection (6)(c) or (7)(b) of this section authorizes a project, the order shall specify:

(a) The type of ratepayer from whom the public utility that submitted the project proposal may recover costs incurred and investments made **and receive any allowed additional incentives**. A public utility may recover costs incurred and investments made **and receive any allowed additional incentives** from a type of ratepayer under this paragraph only if the commission makes a finding that the type of ratepayer receives a benefit from the project. If the commission makes a finding that more than one type of ratepayer receives a benefit from the project, the commission shall allow recovery **of costs incurred and investments made and receipt of any allowed additional incentives** from each type of ratepayer in an amount that is proportionate to the proportion of the benefit received, as determined by the commission, by the type of ratepayer.

(b) The method by which the public utility that submitted the project proposal may recover costs incurred and investments made **and receive any allowed additional incentives**, and the amount that the public utility may recover **and receive**. Methods of recovery **and receipt** include:

(A) Payment per unit of reduced emissions;

(B) Preapproval for inclusion in the public utility's rates of costs prudently incurred and of investments prudently made;

(C) Return of investment and return on investment; and

(D) Any other method approved by the commission by rule or order.

(9) For purposes related to the emission reduction program established under this section, the commission may consider the amount of reduced emissions created by a project or the value of reduced emissions created by a project.

(10) The commission shall establish a rate cap for each public utility for which a project is authorized under this section. The rate cap must limit the cost of all of the public utility's projects authorized under this section to an amount that does not exceed a percentage of the public utility's revenue requirement as identified by the commission by rule or order.

(11) The commission shall biennially conduct a study on whether federal law or regulation or other state laws or rules provide adequate incentives for public utilities that furnish natural gas to invest in projects that reduce emissions in the ordinary course of business. The commission shall report the results of a study conducted under this subsection, and may make recommendations for legislation, to the Legislative Assembly in the manner described in ORS 192.245 not later than February 1 of each odd-numbered year.

SECTION 2. The amendments to ORS 757.539 by section 1 of this 2015 Act apply to final orders issued before, on or after the effective date of this 2015 Act.

SECTION 3. This 2015 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect on its passage.

Passed by Senate February 10, 2015

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Lori L. Brocker, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House March 24, 2015

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Tina Kotek, Speaker of House

Received by Governor:

.....M.,....., 2015

Approved:

.....M.,....., 2015

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Kate Brown, Governor

Filed in Office of Secretary of State:

.....M.,....., 2015

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Jeanne P. Atkins, Secretary of State