

# Senate Bill 456

Sponsored by Senator BEYER (Presession filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Clarifies that natural gas utility may receive additional incentives for projects approved by Public Utility Commission under voluntary emission reduction program.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to the voluntary emission reduction program for natural gas utilities; creating new pro-  
3 visions; amending ORS 757.539; and declaring an emergency.

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

5 **SECTION 1.** ORS 757.539 is amended to read:

6 757.539. (1) As used in this section, "emission" means any anthropogenic gas, such as carbon  
7 dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

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

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

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

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

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

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

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

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

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

26 (a) A description of the project;

27 (b) The projected amount of capital and operating costs necessary to complete and operate the  
28 project;

29 (c) The projected amount of reduced emissions created by the project;

30 (d) The potential of the project to reduce emissions not identified in paragraph (c) of this sub-  
31 section;

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

- 1 (e) The projected date on which the project will become operational;
- 2 (f) A requested method, as described in subsection (8) of this section, for recovery of costs in-  
3 curred and investments made **and for the receipt of additional incentives**;
- 4 (g) An explanation of why the public utility, without the emission reduction program, would not  
5 invest in the project in the ordinary course of business;
- 6 (h) Proof of stakeholder involvement;
- 7 (i) The projected rate impact of the project;
- 8 (j) The projected aggregate rate impact of all projects proposed by the public utility under this  
9 section and approved by the commission for the public utility under this section;
- 10 (k) An explanation of how the public utility will provide the commission with progress updates  
11 during the life of the project, including updates on costs and reduced emissions associated with the  
12 project; and
- 13 (L) Any other information required by the commission by rule or order.
- 14 (5)(a) The commission shall establish a two-tiered process for submitting a project proposal un-  
15 der the emission reduction program. For the purpose of establishing the tiers, the commission shall:
- 16 (A) Establish a threshold for overall project cost; and
- 17 (B) Establish a threshold for overall project cost per metric ton of reduced emissions.
- 18 (b) If a proposed project meets both the threshold described in paragraph (a)(A) of this sub-  
19 section and the threshold described in paragraph (a)(B) of this subsection, the project is a tier one  
20 project subject to the requirements of subsection (6) of this section. If a proposed project does not  
21 meet the threshold described in paragraph (a)(A) of this subsection or the threshold described in  
22 paragraph (a)(B) of this subsection, the project is a tier two project subject to the requirements of  
23 subsection (7) of this section.
- 24 (6) For tier one projects, the commission shall:
- 25 (a) Provide interested parties with an opportunity to submit written comment in response to the  
26 proposed project;
- 27 (b) Hold a public hearing to address all submitted written comments; and
- 28 (c) Issue a final order on the proposed project within 90 days of receiving the application for  
29 the project, or at a later time as authorized by the public utility.
- 30 (7) For tier two projects, the commission shall:
- 31 (a) By rule or order, provide interested parties with an opportunity to submit testimony in re-  
32 sponse to the proposed project and be heard; and
- 33 (b) Issue a final order on the proposed project within 180 days of receiving the application for  
34 the project, or at a later time as authorized by the public utility.
- 35 (8) If a final order issued under subsection (6)(c) or (7)(b) of this section authorizes a project, the  
36 order shall specify:
- 37 (a) The type of ratepayer from whom the public utility that submitted the project proposal may  
38 recover costs incurred and investments made **and receive any allowed additional incentives**. A  
39 public utility may recover costs incurred and investments made **and receive any allowed additional**  
40 **incentives** from a type of ratepayer under this paragraph only if the commission makes a finding  
41 that the type of ratepayer receives a benefit from the project. If the commission makes a finding that  
42 more than one type of ratepayer receives a benefit from the project, the commission shall allow re-  
43 covery **of costs incurred and investments made and receipt of any allowed additional incen-**  
44 **tives** from each type of ratepayer in an amount that is proportionate to the proportion of the benefit  
45 received, as determined by the commission, by the type of ratepayer.

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

4 (A) Payment per unit of reduced emissions;

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

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

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

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

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

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

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

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

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