



February 14, 2019

Representative Karin Power, Co-Chair
Senator Michael Dembrow, Co-Chair
Joint Committee on Carbon Reduction
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

RE: HB 2020, Proposed Amendment to Define “Representative Years” for Calculation of Allowances to the Bonneville Power Administration

Dear Co-Chair Power, Co-Chair Dembrow, and Members of the Joint Committee on Carbon Reduction:

The Oregon Municipal Electric Utility Association (OMEU) appreciates the opportunity to comment on HB 2020. OMEU is made up of eleven members representing municipally owned and operated electric utilities. As consumer-owned utilities (COUs), we are directly accountable to the people we serve through our city councils and local governing boards.

Our utilities purchase nearly all our energy from the Bonneville Power Administration (BPA), which is predominately carbon-free hydroelectricity. Additionally, since the 1970s, before any state-level mandates or energy-efficiency standards—COUs have been helping our customers reduce energy consumption through incentive programs.

First, OMEU would like to thank the Carbon Policy Office (CPO) for the valuable dialogue during the interim. We are pleased with their willingness to hear our concerns and efforts to address many of the issues that we raised during testimony on last year’s bill.

Of particular importance to OMEU is the CPO’s commitment, as reflected in HB 2020, to reduce administrative burdens for small utilities and the State. For example, designating BPA as the entity with the compliance obligation for emissions associated with its supply, rather than BPA’s small utility customers—whose pro rata share of emissions is negligible. Additionally, the 25,000 metric ton emissions threshold for emissions associated with non-Federal power provides an important incentive for growing utilities to choose low carbon emitting resources to remain under the threshold and avoid the compliance burden.

As CPO Director Kristen Sheeran noted in her briefing to the Joint Committee on Carbon Reduction in December, it is important that Oregon’s Cap and Trade program maintain a healthy hydro system, which is the backbone of our low carbon emissions electric grid. OMEU finds that Cap and Trade may be an effective tool to reduce greenhouse gases. However, the legislation must provide that BPA receives sufficient allowances to ensure its heavy reliance on carbon free resources does not inadvertently wind up costing our customers more.

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BPA's carbon-free hydro, nuclear, and other renewable resources are balanced with unspecified market purchases. Various factors impact BPA's need to make market purchases of power that have a certain amount of carbon emissions attributed to them —low water years, the timing of when runoff occurs, or changes in dam operations for fish mitigation. It is important that the distribution of carbon allowances under a GHG Cap and Trade program accounts for hydro variability. If BPA's emissions exceed its allowances, those costs will be passed on to our utility customers.

Section 16 of HB 2020 provides for an initial direct distribution of 100% of allowances to BPA, the electric system manager for the federal resource delivered to COUs, based on "representative years." To provide certainty to BPA and its customers about our starting point, we urge you to define this term in the legislation as average historic emissions attributable to the federal system based on 2002 - through the most recent reporting year with verifiable information prior to the start of the Oregon Climate Action Program.

This is an objective approach for allocating allowances for the federal hydro system based on actual BPA emissions. While this represents only about 0.7% of the total allowances that would be covered by the program, it is important to provide this certainty since BPA will be subject to the declining cap right away, unlike the IOUs who have a significant ramp down period before the coal retirements.

We appreciate the idea of the "electricity price containment reserve" in Section 14 (5), particularly that it could be tapped in the event of "unexpected increases in regulated emissions due to hydroelectric power generation variability." However, given that this reserve appears to have a broader application beyond hydropower and will need to be fleshed out in rulemaking, we are all the more convinced that the methodology for the initial assignment of allowances must be defined up front in the bill in a manner that ensures adequate allowances for BPA.

OMEU supports the efforts that have been made to shore up significant issues in prior versions of the legislation. With the amendment to define "representative years" for assignment of allowances to BPA as we have proposed above, we support the bill's treatment of municipal electric utilities. OMEU stands ready to collaborate with the State on implementation.

Finally, we know you appreciate that in order for municipal utilities to thrive, our communities need to thrive. To that end, we urge the Committee to continue to work with our industrial customers to develop a workable framework to ensure that energy intensive, trade exposed industries will remain and grow in our service territories.

OMEU thanks the legislators serving on the Joint Committee on Carbon Reduction for their considerable efforts to develop HB 2020 and for your continued efforts to refine the legislation through common sense amendments such as the one we have proposed.

Sincerely,



Gordon Zimmerman, President

Oregon Municipal Electric Utility Association