



February 6, 2020

Senator Michael Dembrow, Chair
Senate Committee on Environment & Natural Resources
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

RE: SB 1530, Relating to greenhouse gas emissions

Dear Senator Dembrow and Members of the Senate Committee on Environment & Natural Resources:

The Oregon Municipal Electric Utility Association (OMEU) appreciates the opportunity to comment on SB 1530. 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 sponsors and the Governor's staff for the valuable dialogue on this legislation. We are pleased with your willingness to hear our concerns and your efforts to address many of the issues we raised during previous deliberations.

Of particular importance to OMEU is the commitment 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, for COUs with non-Federal resources, the administrative retirement of allowances for emissions under 25,000 metric tons of CO₂e provides an important incentive for growing utilities to choose low carbon emitting resources to remain under the threshold and avoid the compliance burden.

It is critical 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.

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

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Trade program accounts for hydro variability. If BPA's emissions exceed its allowances, those costs will be passed on to our utility customers.

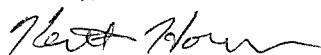
Section 15 of HB 1530 provides for an initial direct distribution of 100% of allowances to BPA, the electric system manager for the federal resource delivered to COUs. In setting the baseline distribution of allowances, we are pleased that Section 16 now provides more explicit direction to the Office of Greenhouse Gas Regulation to consider historic emissions data, the variability of hydropower generation and other key indicators. Unlike the IOUs who have a significant ramp down period before the coal retirements, BPA will be subject to the declining cap right away so we need to make sure that it is set at a realistic level.

We appreciate the establishment of an "electricity price containment reserve" in Section 7 (e) for unexpected increases in emissions that are outside the control of the electric system manager, and for the prioritization of these reserve allowances for "unexpected increases in regulated emissions attributable to variation in hydroelectric power generation." However, given that this reserve appears to have a broader application beyond hydropower and will need to be fleshed out in rulemaking, it is critical that the methodology for the initial assignment of allowances to BPA is adequate.

Last year, OMEU expressed conditional support for HB 2020's treatment of COUs. OMEU continues to have a desire to support legislation that provides proportionate treatment of COUs and addresses OMEU's concerns. As the dialogue continues and legislative amendments are considered, it may be appropriate to revisit the issue with our membership, but we remain committed to a collaborative outcome.

OMEU thanks the sponsors for your considerable efforts to develop HB 1530 and for your continued efforts to refine the legislation through common sense amendments that will help impacted communities. For municipal utilities to thrive, our communities and industrial customers need to thrive.

Sincerely,



Keith Hormann, President
Oregon Municipal Electric Utility Association