



# Oregon Citizens' Utility Board

610 SW Broadway, Suite 400  
Portland, OR 97205

(503) 227-1984  
[www.oregoncub.org](http://www.oregoncub.org)

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Testimony of the Oregon Citizens' Utility Board (CUB)

Regarding SB 1530

Before the Senate Committee on Environment and Natural Resources

## **CUB urges the Oregon Legislature's swift passage of SB 1530, the "Oregon Greenhouse Gas Initiative."**

Critically, SB 1530 establishes an enforceable and declining statewide cap-trade-and-invest system to reduce Oregon's greenhouse gas (GHG) emissions by at least 80 percent below 1990 levels over the next thirty years. SB 1530 also addresses legitimate concerns regarding HB 2020, the cap-trade-and-invest vehicle from the 2019 Oregon legislative session.

Oregon's energy systems must reflect the realities of a carbon constrained world. And the best way to achieve this while protecting consumers is to take a gradual approach. Enacting SB 1530 in 2020 starts Oregon on a 30-year glide path to meet scientifically-based GHG reduction goals. If Oregon (or the rest of the world for that matter) waits even five years, the same transition is required, but on a shorter timetable and at significantly higher cost.

This approach has served Oregon consumers well. Roughly a decade ago, CUB won agreements with Portland General Electric (PGE) and the State of Oregon to phase out the Boardman coal plant by 2020. At the time, some criticized the decision, arguing that because Boardman was an important baseload generating resource, it would be difficult to replace. CUB, however, disagreed due to confidence in a gradual economic strategy allowing PGE enough time to secure affordable replacement power and Morrow County to prepare for Boardman's closure. When the Boardman plant closes later this year, few people outside of the energy industry will notice.

The same gradual but "get going" approach holds true with 2016's "Coal to Clean" legislation, SB 1547, which gave Oregon 14 years to remove all coal resources from Oregon utilities' energy supply mix. PGE and Pacific Power continue to implement SB 1547 requirements with minimal impact on customer rates or utility service delivery.

CUB believes that any impacts to customers from SB 1530 will be both small and gradual, and that SB 1530 ensures timely policy action while bringing significant economic benefits to Oregon.

**Electricity:** SB 1530 should not result in any harmful effects on electricity consumers. Oregon law already requires investor-owned electric utilities to eliminate coal from their energy supply mix while investing in renewable resources and all cost-effective energy efficiency. Electric utilities are already poised to meet the GHG reduction goals identified in SB 1530.

Appropriately, SB 1530 offers the electric sector emissions allowances, resulting in no additional costs to consumers. In fact, electric service consumers will likely benefit from enhanced energy efficiency and other clean energy programs because a price on GHG emissions will improve these programs' cost effectiveness.

**Natural Gas:** SB 1530 requires natural gas utilities to introduce new programs offering rebates to offset potential customer bill increases, as well as additional efficiency programs, and integration of renewable natural gas (with lower carbon intensity) onto the existing system. The bill creates three communities of gas users, some of whom may see modest and gradual price impacts:

- **Low Income Customers:** The state will grant natural gas utilities allowances to account for their low-income customers' gas usage. This protects low-income customers from higher costs associated with the natural gas utilities purchasing allowances.
- **Trade Exposed Business Customers:** Some Oregon businesses use natural gas as part of their industrial processes. Some of these businesses also sell their products out-of-state where they compete with businesses not subject to Oregon laws. Trade exposed business customers are limited in their ability to absorb higher costs associated with GHG emissions allowances and could potentially move out-of-state if the cost of doing business in Oregon rises. SB 1530 allows the state to grant these businesses allowances equal to their emissions, but requires them to conduct energy audits and implement all energy efficiency investments with a five-year payback period. These businesses would also gain access to Energy Trust of Oregon energy efficiency programs that will help to further reduce their energy usage. These changes will facilitate energy efficiency gains, which reduces emissions while making the companies more competitive.
- **All Other Natural Gas Users:** All other gas users will likely experience small rate impacts, similar in size to typical annual variations in natural gas costs. But these will be partially offset by bill credits, efficiency programs, and the development of renewable natural gas.

**Gasoline:** This section of the bill would first require allowances for gasoline sold in the Portland metro area. Mid-sized cities would phase in and most rural communities would remain exempt. CUB believes this is a reasonable compromise.

Opportunities for transportation sector carbon reduction in rural areas are significantly less than in densely populated urban areas. Compared to their urban counterparts, rural Oregonians drive longer distances and have less access to transportation alternatives (mass transit, ride share programs, and infrastructure to support electric vehicles).

There are, however, significant GHG emissions reduction opportunities in the Portland metro area. Urbanites enjoy greater access to mass transit, including low-carbon options such as electric light rail and buses. Private and public electric vehicle charging infrastructure, while not as robust as needed, certainly exceeds that which exists in rural Oregon. Thousands of Portlanders have already and will continue to purchase electric vehicles (CUB estimates that roughly six percent of new vehicles sold today in PGE's service territory are electric).

All told, SB 1530 embraces significant revisions to address concerns from rural Oregonians and trade exposed businesses. At the same time, the GHG emissions cap and timetable to reduce those emissions remain fully intact. CUB applauds legislative leaders' good faith efforts to facilitate buy-in from vulnerable and important stakeholders without weakening provisions to drive GHG emissions reductions.

Ultimately, CUB supports SB 1530 because it will ensure significant and economy-wide GHG emissions reductions in Oregon on a gradual, 30-year timetable while maintaining affordable energy for Oregon customers. CUB encourages swift passage by the Legislature.

Bob Jenks  
Executive Director

Mike Goetz  
General Counsel

Samuel Pastrick  
Advocacy and Development Manager