



State of Oregon
Department of
Environmental
Quality

Comments on Draft CPP Evaluation Criteria and Compliance Options 1/15/16

Oregon Department of Environmental Quality
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Comments on CPP Evaluation Criteria and Compliance Options

Commenter: **PacifiCorp**

Evaluation Criteria

1. The costs and risks in the evaluation criteria should be limited to those associated with different choices the state may make under the CPP and not include the potential for additional carbon regulation.
2. There should be a more formal stakeholder process as state agencies finalize decisions regarding evaluation criteria and analysis.
3. Publication of these and other comments to a website would help parties to understand the State's reasoning in developing these criteria and increase transparency.

Conceptual Compliance Scenarios

1. There may be many more than 4 compliance scenarios depending on the assumptions made.
2. Conceptual compliance scenarios should be further refined to clarify the assumptions to be made in each:
 - a. Rate-Based
 - i. What type of renewable resources will qualify to generate ERCs?
 - ii. Will natural gas resources generate gas-shift ERCs?
 - iii. Will ERC's generated out-of-state qualify for CPP compliance in Oregon regardless of it being a single or multi-state plan?
 - iv. Can ERCs be used to comply with the CPP even if the REC associated with the underlying energy is used for Oregon RPS compliance?
 - v. In a multi-state program, can Oregon-allocated ERCs be traded out of state even if the associated REC is used for compliance with the Oregon RPS?
 - vi. For multi-state, which state are assumed to participate?
 - b. Mass-Based State Measures

- i. What are the state measures?
- ii. Is there an allowance based system?
- c. Mass-Based Allocate Emission Allowances
 - i. Which states are assumed to participate?
 - ii. Are allowances provided to Boardman?

Commenter: Climate Trust of Oregon

Evaluation Criteria

1. If a criterion is the “effect on CO2 emissions” it would be helpful to include how any option pursued ultimately aids the attainment of Oregon’s statewide GHG goals also.
2. “Connections with other policies” should be changed to read “...with existing or potential future state and regional policies.”
3. The “Economic impact” should include language which explicitly suggests consideration of an option offering economic opportunity/development.

Conceptual Compliance Scenarios

1. Markets will feature in the U.S. and it seems prudent to opt for a CPP option that takes advantage of this. Scenario 2B is better than 2A. The CPP references a national cap and trade model as the least cost of compliance so it seems that is where we’re headed.
2. Please explain what “Cover only existing units and control leakage thru an alternative emission allowance allocation scheme approved by EPA” is referring to in terms of an alternative under Leakage considerations.
3. Can we consider a Monetary Pathway (MP) approach on a per generation approach instead of a lump sum? Wouldn’t this inhibit a company constructing a new gas plant for strong business reasons, operating that plant more to allow it to operate existing plants less and avoiding compliance obligations under the CPP?
4. If a mass based approach is taken, could we also consider the use of “qualified organizations” that sell credits with the four paths to compliance? This way the Climate Trust as Oregon’s Qualified Organization can play an active role.

Commenter: Sierra Club

Evaluation Criteria

1. Agree with NRDC in including long term costs and risks associated with future carbon dioxide emissions regulations.
2. Also support considering “compliance” and “reliability” as prerequisites for all compliance scenarios instead of considering them as specific criteria to be measured and compared across scenarios.

3. More specifics about what unique direct costs to utilities will be considered under the “cost to Oregon energy suppliers” criterion instead of the “cost and long-term risk to Oregon utility ratepayers” criterion. It is unclear what direct costs associated with CPP compliance would impact a utility that wouldn’t also impact that utility’s ratepayers.
4. The “environmental justice” criterion should include language to reflect the benefits of the CPP to low-income communities such as improved air quality.

Conceptual Compliance Scenarios

1. The state CPP team should look at scenarios of retiring any extra credits that may be acquired during the compliance periods so that other states can’t use them to avoid responsibilities for their own emissions profiles.
2. The state CPP team should begin looking at a scenario that would examine the net benefits of Oregon setting a more stringent CPP compliance goal for itself. A more stringent target would address the question of how to efficiently allocate Oregon’s “headroom.”

Commenter: Northwest & Intermountain Power Producers Coalition

Evaluation Criteria

1. The criteria should focus on all Oregon residents, not just utility rate payers.
2. Economic impact should include revenue generation opportunities and uses.

Conceptual Compliance Scenarios

1. A mass based approach is better for Oregon.
2. A multi-state linkage approach is better for Oregon.
3. New generation units should be included to prevent leakage- but with recognition of prior carbon reduction commitments.
4. Allowances should be allocated with a hybrid market mechanism.

Commenter: Industrial Customers of Northwest Utilities

Evaluation Criteria

1. Concerned about the criteria’s reliance on potential future scenarios, such as additional carbon regulation and undefined future state policies that may or may not come to pass. If future developments materially impact implementation of Oregon’s plan, then the best

approach is for the state to file with EPA to revise its plan at that time.

Conceptual Compliance Scenarios

1. Oregon should adopt a scenario that includes multi-state trading.
2. Oregon should declare its intent to participate in the “clean energy incentive program” (CEIP) established by the CPP.

Commenter: **NW Energy Coalition**

Evaluation Criteria

1. The environmental justice criterion should include the recognition that benefits may accrue to low-income and vulnerable households and communities. Such benefits may include reduced health impacts.
2. Strongly support the economic impact criteria. Mitigating harm to current workers impacted by implementation of the CPP through investment in new economic development and worker training programs should be part of the state’s CPP.
3. Specific criteria should be developed to evaluate statewide impacts on electricity prices and services. Impacts and opportunities from the state plan may fall outside of the fence line for entities with direct compliance obligations because of the regional interconnectivity of the power system.

Compliance Scenarios

1. Support the state’s plan to move forward with analysis of various compliance scenarios. No specific comments on the proposed scenarios at this time.

Commenter: **Renewable Northwest**

Evaluation Criteria

1. Same as the Sierra Club’s comments above.

Conceptual Compliance Scenarios

1. Most supportive of fleshing out the details of scenarios that include a multi-state mass-based approach (option #2B).
2. Under 2B it’s important for the state to examine the benefits of a scenario that includes a

more stringent CPP compliance target for the state. More stringent targets are technically achievable at a reasonable cost.

3. Applying EPA BSER numbers for the Western Interconnect region to Oregon's baseline of affected fossil generation, the more stringent target for Oregon would be an emissions rate of 604 lbs/MWH and a mass target of approximately 5 million tons of CO2. This would align Oregon's target with the status-quo trajectory.

Commenter: PGE

Evaluation Criteria

1. 2012 shouldn't be used as the baseline year since it was a good year for hydro resulting in below average CO2 emissions for the state.
2. The "Cost and long-term risk to Oregon utility rate payers" should be weighted higher than the remaining criteria.
3. The Economic impact should be changes to read "This accounts for the degree to which the compliance programs in Oregon's plan would affect existing economic activity in the state as well as statewide economic development."

Conceptual Compliance Scenarios

1. None

Commenter: Natural Resources Defense Council

Evaluation Criteria

1. While near-term cost and rate impacts necessarily influence the State's CPP compliance strategy, Oregon should prioritize long term cost and carbon reduction outcomes consistent with Oregon's GHG reduction goals.

Conceptual Compliance Scenarios

1. Opt for Mass-Based compliance cap.
2. Include new resources in Oregon's cap.
3. Oregon should double-down on new efficiency and renewable energy resources.
4. Oregon should reserve to the state all unallocated emissions allowances under a mass-based approach.
5. Oregon should be prepared to actively engage in the shaping and stimulating of multi-state allowance trading that:
 - a. Lowers net US emissions;
 - b. Strategically supports development of de facto regional and national GHG

- emissions cap and trade markets; and
- c. Affords significant rate relief from CPP compliance costs for targeted ratepayers that can least afford higher power costs.

Commenter: PacifiCorp

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