



Oregon

Kate Brown, Governor



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MEMORANDUM

To: Oregon Energy Facility Siting Council

From: Todd R. Cornett, Assistant Director/Council Secretary

Date: February 8, 2019

Re: Agenda Item F (Information Item) – A) The Climate Trust 60% Obligation of Offset Funds; and B) 5 Year Annual Report Preparation

A. 60% attestation related to NW Natural Amendment #11 (“North Mist Expansion Project”)

To continue to be recognized as a “Qualified Organization” for the purpose of receiving funds to produce the reduction in greenhouse gas emission necessary to meet the carbon emission standard associated with energy facilities that emit carbon dioxide, The Climate Trust must comply with OAR 345-001-0010(50)(e)) which is consistent with ORS 469.503(2)(e)(N)(v):

“Has to the extent applicable, except for good cause, entered into contracts obligating at least 60 percent of the offset funds to implement offsets within two years after the commencement of construction of the facility”

NW Natural Amendment #11

- In April 2016 EFSC approved NW Natural’s request to amend the site certificate for the Mist Underground Natural Gas Storage Facility in order to expand the site boundary, develop a new underground reservoir to store natural gas and construct a new pipeline and gas compressor station from the new storage reservoir to Port Westward. Carbon Dioxide Emissions Conditions 1 and 2 required calculation of excess emissions above the threshold, and payment to the Climate Trust in order to offset those excess carbon emissions.
- On June 5, 2017, NW Natural provided \$53,189 to The Climate Trust to meet the condition requirements.
- On December 5, 2017 The Climate Trust executed one Emission Reduction Purchase Agreement with a total obligation of \$42,553.80 which is 80% of the \$53,189 offset funds associated with NW Natural’s Amendment #11. The four letters in Attachment 1 verifying the obligation of these funds within the stated timelines.

The timeframe between receipt of the funds and obligation of at least 60% of the funds was six months which is less than the required two year requirement in statute and rule. The Climate Trust therefore continues to meet the requirements of a “qualified organization.”

B. 5 Year Reporting Requirement for “Qualified Organization”

OAR 345-024-0720(3)

Every qualified organization that has received funds under this rule shall, at five-year intervals beginning on the date of receipt of such funds, provide the Council with the information the Council requests about the qualified organization's performance. The Council shall evaluate the information requested and, based on such information, shall make recommendations to the Legislative Assembly that the Council deems appropriate.

The Climate Trust provided their last 5 year report in November of 2014. This report has been included in the Council meeting packet.

HB 2020 – Statewide Greenhouse Gas Emissions Reduction Goals

The introduced version of this bill proposes to address statewide carbon emissions reductions through the Carbon Policy Office and a “cap and trade” greenhouse gas emissions program. As part of the proposed bill, the EFSC carbon standard would no longer be required and would be eliminated. However Sections 58 and 59 (see below) of the introduced bill recognize there will be continuing obligations of The Climate Trust as a “qualified organization” to utilize all dispersed funds consistent with the statutes and EFSC in their oversight of The Climate Trust after the effective date of the legislation.

SECTION 58.

- (1) *As used in this section and section 59 of this 2019 Act, “qualified organization” has the meaning given that term in ORS 469.503 (2)(e)(N) (2017 Edition).*
- (2) *On or after the operative date of this section and the amendments to ORS 469.503 by section 54 of this 2019 Act and in accordance with the provisions of ORS 469.503 (2)(d) (2017 Edition), a qualified organization that, before the operative date of this section and the amendments to ORS 469.503 by section 54 of this 2019 Act, received payment of offset funds pursuant to ORS 469.503 (2)(c)(C) (2017 Edition):*
 - (a) *Shall use at least 80 percent of the offset funds for contracts to implement offsets and assess offsets for their potential to qualify in, generate credits in or reduce obligations in other regulatory settings;*
 - (b) *May use up to 20 percent of the offset funds for monitoring, evaluating, administering and enforcing contracts to implement offsets; and*
 - (c) *Shall, at five-year intervals beginning on the date of the receipt of the offset funds and ending the year after the year that the qualified organization is no longer involved in the investment of offset funds received pursuant to ORS 469.503 (2)(c)(C) (2017 Edition), provide the Energy Facility Siting Council with the information the council requests about the qualified organization's performance. The council shall evaluate the information requested and, based on the information, shall make any recommendations to the*

*Legislative
Assembly that the council deems appropriate.*

SECTION 59

Section 58 of this 2019 Act is repealed on the date that the Legislative Counsel receives written notice from the Energy Facility Siting Council that the council has confirmed that all qualified organizations that received payment of offset funds pursuant to ORS 469.503 (2)(c)(C) (2017 Edition) have ceased to be involved in the investment of the offset funds.

The Climate Trust's 5 Year Report will be presented to the Council at the March meeting. In light of HB 2020 and the statutory opportunity to make recommendations to the Legislative Assembly that the Council deems appropriate, is there any information other than what was provided in the 2014 5 Year Report the Council would like to see included in the 2019 5 Year Report to the Council?

Attachment 1: Letters Supporting The Climate Trust's Adherence to 60% Obligation of Offset Funds Requirement



January 23, 2019

Todd Cornett
Oregon Department of Energy
625 Marion Street, NE
Salem, OR 97301-3742

Subject: Attestation that The Climate Trust Obligated at Least 60% of Northwest Natural Gas Company's Mist Offset Funds into Emission Reduction Purchase Agreements with the Specified Timeline

Dear Mr. Cornett,

I am writing to formally inform the Energy Facility Siting Council of The Climate Trust's compliance with Oregon HB 3283 as it pertains to the timeliness of obligating funds received from the Northwest Natural Gas Company's Mist facility into offset contracts.

Enclosed please find a letter addressed to Kris Oliveira of Kern & Thompson, requesting certification of The Climate Trust's attestation to meeting the requirement, that The Climate Trust "has to the extent applicable, except for good cause, entered into contracts obligating at least 60 percent of the offset funds to implement offsets within two years after the commencement of construction of the facility." In this letter we attested that as of December 5, 2017, The Climate Trust had met the requirement of obligating at least 60 percent of the offset funds into contracts within two years after the commencement of construction of the Carty Generating Project.

In their formal response entitled "Independent Accountant's Report on Management's Assertions on Compliance with Specified Requirements Applicable to Offset Funds," Kern & Thompson states "in our opinion, management's assertion that The Climate Trust complied with the aforementioned requirements as of December 5, 2017 is fairly stated, in all material respects."

These documents provide evidence that The Climate Trust has met these requirements of Oregon HB 3283 and, that we maintain our status as a "qualified organization."

If you have any questions or concerns regarding these documents, please feel free to contact our office at 503-238-1915.

Sincerely,

Sheldon Zakreski
Chief Operating Officer
The Climate Trust

Invest with purpose.



January 22, 2019

Kris Oliveira
Kern & Thompson, LLC
1800 SW 1st Ave #410
Portland, OR 97201

Dear Kris,

We are providing this letter in connection with your examination of management's assertion that The Climate Trust has complied with the obligated dollar value of the monetary payment made to the Oregon Climate Trust (OCT) by Northwest Natural in its capacity as the owner of the Mist generating facility, to acquire and manage Carbon Dioxide Offsets compliant with the Oregon Carbon Dioxide Standard as part of the facility's 2017 expansion.

Oregon HB 3283-A, which establishes the Carbon Dioxide standard and the monetary path mechanism, requires that a "qualified organization," such as The Climate Trust, "has to the extent applicable, except for good cause, entered into contracts obligating at least 60 percent of the offset funds to implement offsets within two years after the commencement of construction of the facility," among other requirements.

We confirm, to the best of our knowledge and belief, as of December 5, 2017, the following representations made to you during your engagement.

1. We understand that your examination was made in accordance with the attestation standards related to examinations of the American Institute of Certified Public Accountants. Your examination included tests of the records of The Climate Trust and other procedures you considered necessary to provide reasonable assurance as to whether The Climate Trust complied, in all material respects, with the aforementioned requirements.
2. Your procedures included tests of documentary evidence that supports The Climate Trust's compliance. Your examination was designed to provide reasonable, not absolute, assurance about whether The Climate Trust complied, in all material respects, with the aforementioned requirements, whether due to error or fraud. Because of this concept of reasonable assurance and because you did not examine all transactions, there is a risk that material misstatements or misrepresentations exist and were not detected by you. We understand that an examination is not designed to detect error or fraud that is material to the subject matter information. Your responsibility as attestor is limited to the period covered by your examination and does not extend to matters that might arise during any later periods for which you were not engaged.
3. The management of The Climate Trust acknowledges responsibility for complying with the specified requirements described above.
4. The management of The Climate Trust acknowledges responsibility for establishing and maintaining effective internal control over compliance.
5. The management of The Climate Trust has performed an evaluation of (1) the entity's compliance with specified requirements and (2) the entity's controls for ensuring compliance and detecting noncompliance with requirements, as applicable.
6. The management of The Climate Trust is in compliance with the specified requirements described above.
7. The management of The Climate Trust has disclosed to you any known noncompliance.



**THE
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8. The management of The Climate Trust has made available to you all records and documentation related to compliance with the specified requirements described above.
9. The management of The Climate Trust has disclosed any communications from regulatory agencies, internal auditors, and other practitioners concerning possible non-compliance with the specified requirements.
10. The management of The Climate Trust has disclosed that there has been no known noncompliance occurring subsequent to the period under examination through the date of this letter.
11. We represent that use of your report will be restricted to the specified parties to the engagement as follows: Oregon's Energy Facility Siting Council and Northwest Natural.

Sheldon Zakreski

Sheldon Zakreski
Chief Operating Officer
The Climate Trust

**INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S
ASSERTIONS ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO OFFSET FUNDS**

To the Board of Directors
The Climate Trust
Portland, Oregon

We have examined management's assertions that The Climate Trust has complied with the specified requirements listed in Oregon HB 3283-A, that as of December 5, 2017, Oregon Climate Trust entered into contracts obligating at least 60 percent of the offset funds to implement offsets within two years after the commencement of construction of the Mist facility owned by Northwest Natural Gas Company. Management is responsible for The Climate Trust's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about The Climate Trust's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on The Climate Trust's compliance with the specified requirements.

In our opinion, management's assertion that The Climate Trust complied with the aforementioned requirements as of December 5, 2017, is fairly stated, in all material respects.

This report is intended solely for the information and use of The Energy Facility Siting Council and Northwest Natural Gas Company and is not intended to be and should not be used by anyone other than these specified parties.



Portland, Oregon
January 22, 2019



THE
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October 30, 2018

Kris Oliveira
Kern & Thompson, LLC
1800 SW 1st Ave #410
Portland, OR 97201

Subject: Request to Certify The Climate Trust's Attestation Regarding the Obligated Dollar Value of the Monetary Payment by NW Natural

Dear Kris,

I am writing to engage you to review and certify the attestation we make herein regarding the obligated dollar value into which The Climate Trust has entered with offset funds provided by Northwest Natural Company.

Oregon HB 3283-A, which establishes the carbon dioxide standard and the monetary path mechanism, requires that a "qualified organization," such as The Climate Trust, "has to the extent applicable, except for good cause, entered into contracts obligating at least 60 percent of the offset funds to implement offsets within two years after the commencement of construction of the facility," among other requirements. We hereby attest that as of December 5, 2017, The Climate Trust met this requirement. The following are the facts to which we attest to the best of our knowledge.

- NW Natural Monetary Payment Calculations
- S&C disbursement date, June 5, 2017
- Offset Funds disbursement date, June 5, 2017
- As of December 5, 2017, The Climate Trust has executed one Emission Reduction Purchase Agreement with a total obligation of \$42,553.80. This constitutes 80% of the \$53,189 Offset Funds.

We are providing to you the following materials relevant to this attestation:

- Copies of the Roseburg LFG ERPA dated December 5, 2017, **which is proprietary so please treat it confidentially; and**
- Copies of the final Board meeting minutes from the December 5, 2017, which is confidential.

Thanks for your attention to this matter.

Sincerely,

Sheldon Zakreski

Sheldon Zakreski
Chief Operating Officer
The Climate Trust