



Oregon

Kate Brown, Governor



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Oregon Energy Facility Siting Council
Carbon Monetary Offset Rate Advisory Committee
May 13, 2020, Meeting Summary

Date: Wed. March 9, 2020

Time: 1:00 – 2:00 pm

Place: Remote Meeting

RAC Members: Daniel Serres, Columbia Riverkeeper; Nels Johnson, NW Natural; Mike Hayward, NW Natural; JJ Jamieson, Perennial Power Holdings, Inc.; Rebecca Carey-Smith, Portland General Electric Company; Lenna Cope, Portland General Electric Company; Sheldon Zakreski, The Climate Trust

Public Comment: Tonia Moro

ODOE Staff: Todd Cornett; Max Woods; Christopher Clark, Michiko Mata*

The purpose of the meeting was to discuss staff's recommended findings of economic achievability and fiscal impact statements associated with a proposed increase to the Carbon Monetary Offset Rate.

Committee members introduced themselves and their interests in the Council's Carbon Standard.

Mr. Clark provided an overview of the rulemaking project and discussed the objectives of the meeting. Staff explained how the Monetary Offset Rate is used to determine compliance with the Council's Carbon Standard. He explained that a change in the offset rate must be based on empirical evidence of the costs of offsets and the Council's finding that the standard will be economically achievable with the modified rate for natural-gas fired power plants. Mr. Clark explained that the empirical evidence of the costs of offsets was relatively clear, and that staff recommended the full 50 percent increase allowed by statute was justified.

- Mr. Jamieson recommended that the Council should consider the possibility of future carbon taxes or other legislation when adopting a rate increase.
- Mr. Clark responded that the impact of future legislation is uncertain, and that the Department's recommendation is based on current law. He added that the Department

* Council Member Cindy Condon and Patrick Rowe from the Oregon Department of Justice were in attendance but did not participate in the meeting.

proposed to remove language limiting future rulemaking from the rule so that future increases or decreases could be made as allowed by statute.

- Mr. Zakreski replied that The Climate Trust monitors carbon legislation and will seek clarification about how any future legislation will affect previously committed offset funds.

Mr. Clark reviewed the recommended indicators and methodology to be used as the basis for findings of economic achievability and requested the committee's input. Staff proposed using the increase in costs of developing a new fossil-fueled power plant and the increased costs of electricity from a new plant as the basis for findings of economic achievability.

- Mr. Serres recommended that the Governor's Executive Order 20-04 should be considered when making findings of economic achievability.

Mr. Clark reviewed the options for reference data considered by staff and recommended use of reference cases from the 2020 Annual Energy Outlook published by the U.S. Energy Information Administration.

- Mr. Jamieson asked where the capacity factors in the reference cases (.84 for base-load technologies and .3 for non-base load technologies) came from and recommended that Independent Power Producers may develop new plants with lower anticipated capacities factors.
 - Mr. Clark responded that the factors were used to develop estimates of the Levelized Cost of Energy in the Annual Energy Outlook. Mr. Clark noted the recommended to consider lower capacity factors.
- Mr. Clark asked if Northwest Natural could recommend any similar data sources for non-generating facilities. Mr. Hayward stated that most compressor stations used aero-derivative equipment equivalent to a 4-5 MW generating resource. Mr. Hayward stated that it would be hard to come up with data that is comparable to data for a natural gas power plant.

Mr. Clark provided the department's preliminary results and findings based on the recommended methodology and data, and asked for the committee's input on the accuracy, presentation, and interpretation of the results. Staff recommended that its analysis showed that the proposed rate increase would result in an approximately 1.5 percent increase in the cost of developing a natural gas-fired new power plant, or an \$0.15/MWh increase in the electric output from a new natural-gas fired power plant. Mr. Clark stated that staff recommended these increases would not affect the economic achievability of the Council's Standard and requested the committee's input on this recommendation.

- Mr. Serres commented that Columbia Riverkeeper supports the Department's conclusions. He commented that Columbia Riverkeeper's own research showed that the Oregon rate was below the price of carbon in other jurisdictions and below the rate for offsets in multiple markets.

Mr. Clark discussed the fiscal impacts and costs of compliance the department estimated for the proposed rate increase. He explained that the department used the results of the economic achievability analysis to estimate costs and an estimate of the social cost of carbon to estimate benefits. Mr. Clark explained that the Department found that this analysis resulted in an estimated net social benefit of \$1.33/MWh from the proposed increase. Mr. Clark noted that these benefits were global, and not limited to Oregon. Mr. Clark noted that the total impact could not be estimated because no new or amended facilities were under review. Mr. Clark requested the committee's recommendation on if the estimate accurately reflected the extent of the fiscal impacts of the proposed rules and if there were any significant adverse impacts on small businesses that were not identified.

- Mr. Serres commented that Columbia Riverkeeper supported use of the Social Cost of Carbon in making the estimate.

The department provided an opportunity for members of the public to comment on the rulemaking.

- Tonia Moro commented that she supported using the Social Cost of Carbon estimate as part of the analysis.
- Mr. Serres commented that in the 2017 rulemaking, there was the impression that there as a “pent up need” to increase the price, and recommended that the maximum increase is justified.
 - Mr. Clark commented that it is the Department’s intention to pursue this rulemaking more regularly in the future, barring any change in legislative authority.

Staff provided an overview of the next steps for the rulemaking project and thanked stakeholders for their attendance.

NOTE: The views presented in this meeting summary have been paraphrased and summarized by the department, and may not reflect the order items were discussed or the phrasing used by participants. An audio recording of the meeting is available, and should be considered to be the official record of this meeting. Please contact EFSC’s Rules Coordinator, Christopher Clark at EFSC.Rulemaking@oregon.gov, or call 503-373-1033, with any questions about this summary.