

June 25-26, 2020 Energy Facility Siting Council Meeting
Agenda Item E: Carbon Monetary Offset Rate Update
Attachment 3: Staff Summary and Evaluation of Public Comments
Updated June 25, 2020

This document summarizes the significant data, views, and arguments contained in the hearing record and create a record of the Department’s recommendations to address the major issues raised therein. Exact copies of the written testimony are included in **Attachment 2**.

Opposition to variable price on Carbon Offsets **Ex. 1**

Issue Summary: A commenter stated their opposition to any variable price on Carbon Offsets and provided additional rational for their opposition. Commenter did not explain whether they considered the Carbon Monetary Offset Rate in OAR 345-024-0580 to be a variable price.

Staff Recommendation: Staff includes this issue for Council’s consideration without recommendation.

Support for rate increase **Ex. 2-7,9-10, Oral Testimony**

Issue Summary: Several commenters stated their support of the proposed rate increase and provided additional rational for their support. Commenters recommended that increasing the Carbon Monetary Offset Rate would make the Carbon Dioxide Standard more effective in achieving its goal of reducing carbon dioxide emissions.

Staff Recommendation: Staff includes this issue for Council’s consideration without recommendation.

Recommendation to cite goals of the Paris Climate Accord **Ex. 7, Oral Testimony**

Issue Summary: One commenter recommended that in addition to implementing policy objectives underlying the Council’s Carbon Standard and the Governors Executive Order 20-04, the Council could site the State of Oregon’s commitment to support the Paris Climate Accord, and particularly the goal to limit global warming to 2 degrees Celsius or less as an objective of this rulemaking.

Staff Recommendation: Staff agrees that it is appropriate for the Council to consider Oregon’s commitments to implementing policies to advance the emissions reductions goals of the international Paris Agreement and other climate policies when making its final decision on the proposed rules, consistent with the policy objectives stated under ORS 469.310.

Opposition to Rate Increase **Ex. 8**

Issue Summary: A commenter recommended the council reject the proposed rules, citing concerns over impacts to ratepayers that may be “struggling in the midst of a global pandemic.” Commenters state that “While the actual impact on ratepayer bills will likely be minimal (less than a 1 percent increase), given the financial state of our economy it is shocking and cruel that the EFSC is considering engaging in rulemaking that will increase ratepayer bill.”

Staff Recommendation: Staff estimated that the proposed rule increase would increased cost of \$0.15 for each megawatt hour of net electrical output a new natural-gas fired power plant is expected to produce. Staff notes that an increase in output cost does not necessarily directly correlate to an increase in rates paid by utility customers, but even if 100% of the additional costs were passed on to ratepayers, a \$0.15 cent per megawatt increase represents only .00017% increase over the average rate of \$0.0905 per kilowatt hour rate paid by Oregon

residential customers in 2019, as reported by the US Energy Information Administration. Staff further notes that any impact on utility customers depends on the development of new carbon-dioxide emitting energy resources by a utility, and no such resources are under review at this time and we are not aware of any such resources being included in the short term planning window for any of Oregon’s electric utilities.

Recommendation that staff’s proposal contains insufficient reasoning **Ex. 8**

Issue Summary: A commenter suggests that the Council’s proposal to increase the monetary offset rate is “based on the mere fact that the monetary offset rate under OAR 345-024-0580 differs from the average negotiated price of offsets by The Climate Trust” and that “Staff focus more on what the actual offset rate should be instead of whether the Council should increase the offset rate at all.” The commenters then suggest the council reject the proposed rules “due to insufficient reasoning and a lack of urgency.”

Staff Recommendation: Staff notes that the objectives for the rulemaking were set out at the initiation of this rulemaking project in the Staff Report for Agenda Item D of the April 24, 2020 EFSC meeting and that subsequent reports focused on providing the empirical basis for the proposed rule increase because this is required by ORS 469.503(2)(c)(C).

Recommendation that Council’s findings of economic achievability is deficient **Ex. 8**

Issue Summary: A commenter suggests that staff “presented no evidence or information regarding whether the new rate increase will be economically viable for future plants” to support its findings of economic achievability.

Staff Recommendation: Staff notes that this comment is inaccurate. The Council relied on cost estimates for development of new natural-gas fired power plants from the 2020 Annual Energy Outlook published by the US Energy Information Administration, not cost data for previously constructed energy facilities, in its findings of economic achievability.

Recommendation that Council’s statement of costs to small businesses is deficient **Ex. 8**

Issue Summary: Staff admitted that it is possible some small businesses involved in developing the new facilities could be directly affected by the rate increase, but no analysis or information is provided demonstrating what that impact will be and whether or not it will be economically achievable for those businesses.

Staff Recommendation: Staff would like to clarify that in the event that a business developing a new carbon dioxide emitting energy facility, such as an Independent Power Producer, qualified as a small business under ORS 183.310(10)(a), it would be affected in the same way as any other energy developer or utility because the rate increase would affect the total cost of developing the facility.