

Oregon HB 2021 Implementation

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Agenda

1. Overview of HB 2021
2. OPUC Implementation
3. Update on PGE's Implementation



HB 2021 Overview

The New Law Has Several Components:

1. Establishes a greenhouse gas (GHG)-emissions-reduction framework for electricity providers, which will be the focus of this presentation;
2. Increases the small-scale renewable energy project requirement for PGE and PacifiCorp in ORS 469A.210 from 8 percent to 10 percent by 2030;
3. Creates the opportunity for electric companies to offer a customer-supported renewable program in coordination with local governments (i.e., city, county, irrigation district, or tribe);
4. Adopts labor standards for certain energy projects;
5. Directs the Oregon Dept. of Energy (ODOE) to examine opportunities for small-scale and community-based renewable energy projects;
6. Creates a \$50 million ODOE Community Renewable Energy Project grant; and
7. Prohibits the Energy Facility Siting Council from siting any new generation that would produce power from fossil fuels or approving an amendment to an existing site certificate that would significantly increase CO₂ emissions

GHG-Emissions Reductions



Applicability

Investor-owned utilities (IOUs) - PGE and PacifiCorp
 Electric Service Suppliers (ESSs)
 Idaho Power and consumer owner utilities are excluded from the bill



GHG reduction targets

80% reduction in greenhouse gas emissions by 2030
 90% reduction in greenhouse gas emissions by 2035
 100% reduction in greenhouse gas emissions by 2040 and every year thereafter



Baseline for IOUs

The average annual GHG emissions for 2010, 2011 and 2012 associated with the electricity sold to retail electricity consumers as reported to DEQ

PGE	PacifiCorp
Baseline: 8,105,343 metric tons carbon dioxide equivalent (MTCO _{2e} -)	Baseline: 8,994,448 metric tons carbon dioxide equivalent (MTCO _{2e} -)
2030 Target: 1,621,069	2030 Target: 1,798,890
2035 Target: 810,534	2035 Target: 899,445
2040 (and every year thereafter) Target: zero GHG emissions	2040 (and every year thereafter) Target: zero GHG emissions

Compliance Utilizes the Existing State GHG-Reporting Program

Compliance demonstration

- IOUs and ESSs continue to submit annual GHG-emissions reports to the Oregon Dept. of Environmental Quality (DEQ)
- Renewable energy credits (RECs) are not used in GHG accounting
- Compliance years: 2030, 2035, 2040, and every year thereafter
- Public Utility Commission of Oregon (OPUC) takes GHG data reported to Oregon DEQ to determine compliance with GHG-reduction targets:
 - GHG emissions associated with QFs and net metering customers excluded from utility's emissions
 - In determining whether the utility complied with the targets, the OPUC shall consider unplanned emissions to the extent emissions from nonemitting resources were less than expected (including due to variability in the generation and transmission constraints)

Clean Energy Plans (CEP) Build Upon Existing OPUC Processes

- ✘ IOUs must develop and submit to the OPUC and Oregon DEQ a Clean Energy Plan with each Integrated Resource Plan (IRP) filed after January 1, 2022
 - ✘ PGE and PacifiCorp IRP/CEPs will be filed in March 2023
- ✘ Under the statute, a Clean Energy Plan must:
 - Incorporate the reduction targets
 - Include annual goals that make progress towards meeting the targets, including acquisition of non-emitting resources, energy efficiency, and demand response
 - Include a risk-based examination of resiliency opportunities
 - Examine the costs of and opportunities for offsetting energy generated from fossil fuels with community-based renewable energy
 - Demonstrate the electric company is making continual progress within the planning period towards meeting the targets
 - Include projected reduction of annual greenhouse gas emissions
 - Result in an affordable, reliable and clean electric system

CEP Review and Acknowledgment

- ✘ The OPUC must acknowledge the Clean Energy Plan if it finds the plan to be in the public interest and consistent with the clean energy targets
- ✘ In evaluating whether a plan is in the public interest, the OPUC must consider:
 - Any reduction of greenhouse gas emissions that is expected through the plan, and any related environmental or health benefits;
 - The economic and technical feasibility of the plan;
 - The effect of the plan on the reliability and resiliency of the electric system;
 - Availability of federal incentives;
 - Costs and risks to the customers; and
 - Other relevant factors as determined by the OPUC
- ✘ Oregon DEQ must verify the projected GHG emissions forecasted in a Clean Energy Plan of an electric company

Cost Cap

- ✘ On its own motion or at the request of a utility, CUB, or AWECC, the OPUC must conduct a contested case investigation into the costs of complying with the targets
- ✘ If the OPUC determines the actual or anticipated cumulative rate impact exceeds 6% of the annual revenue requirement for a year, the OPUC shall provide an exemption from further compliance that is narrowly tailored and limited in duration
- ✘ The petitioner has the burden of showing that a particular investment or cost contributes to compliance with the targets

Reliability Pause

- ✘ Upon its own motion or at the request of a utility, the OPUC may open an investigation and may grant a temporary exemption from compliance with the targets if compliance:
 - (a) Conflicts with or compromises an electric company's obligation to comply with mandatory reliability standards set by the North American Electric Reliability Corporation;
 - (b) Violates or significantly impairs a resource adequacy requirement or recommendation of a multistate, regional or national entity;
 - (c) Violates or significantly impairs an electric company's ability to comply with a Balancing Authority Area declaration of an energy emergency alert under categories 1 through 3, as designated by the North American Electric Reliability Corporation, or successor categories adopted after September 25, 2021;
 - (d) Results, regardless of best efforts to secure cost-effective nonemitting energy resources or funding for energy efficiency and conservation, in the provision of service at other than fair and reasonable rates; or
 - (e) Otherwise compromises the power quality or integrity of an electric company's system
- ✘ The OPUC may grant a comparable temporary exemption to another utility or ESS without conducting a separate investigation if the OPUC determines that the same conditions apply

Community Benefits and Impacts Advisory Group

Who

- IOUs that file a Clean Energy Plan must convene a Community Benefits and Impacts Advisory Group

Members of Advisory Group

- Determined by utility with input from stakeholders but must include representatives of environmental justice communities, low-income ratepayers, and other affected entities within service territory

Purpose of Advisory Group

- The utility shall engage the Advisory Group on (1) Development and equitable implementation of a Clean Energy Plan; (2) Development and equitable implementation of a distribution system plan; (3) Equitable contracting strategies; and (4) Best practices and strategies for reducing energy burden and disconnection

Biennial Report

- In consultation with Advisory Group, the utility shall develop and file with the OPUC a biennial report that assesses the community benefits and impacts of the electric company
- The biennial report must include a description of (1) Energy burden and disconnections of residential and small commercial customers; (2) Opportunities to increase contracting with women, veterans and BIPOC businesses; (3) Resiliency actions and distribution system investments within environmental justice communities; and (4) Social, economic or environmental justice co-benefits from utility actions

OPUC Implementation Docket UM 2225

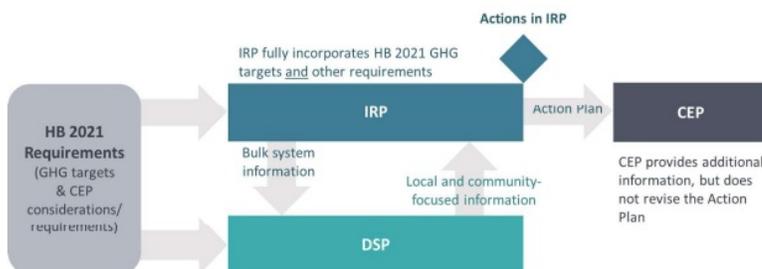
Docket UM 2225 Investigation

- Year-long investigation to develop initial guidance and align expectations regarding the first CEPs
- The OPUC issued three orders adopting Staff's recommendations:
 - Order No. 22-206 (June 3, 2022) re threshold planning framework issues for first CEPs: <https://apps.puc.state.or.us/orders/2022ords/22-206.pdf>
 - Order No. 22-390 (Oct. 25, 2022) re expectations for the development of actions and goals and community lens analysis in first CEPs: <https://apps.puc.state.or.us/orders/2022ords/22-390.pdf>
 - Order No. 22-446 (Nov. 14, 2022) re various analytical expectations: <https://apps.puc.state.or.us/orders/2022ords/22-446.pdf>
- In December 2022, the OPUC adopted Staff's recommendation to open a rulemaking to incorporate Staff's proposed CEP procedural rules into the OPUC's existing IRP rules (Oregon Admin. Rules Chapter 860, Division 27)
 - The rulemaking docket has not yet been opened, but Staff's draft rules are available here in Appendix A, Attachment 1: <https://apps.puc.state.or.us/orders/2022ords/22-477.pdf>

CEP Timing, Relationship to IRP, and Updates

- ✗ CEP must be filed concurrently with IRP in the same docket, but the utility may request an extension of up to 180 days if filing concurrently would create an undue burden
- ✗ IRP remains the primary planning vehicle, and CEP should be consistent with IRP analysis and action plan

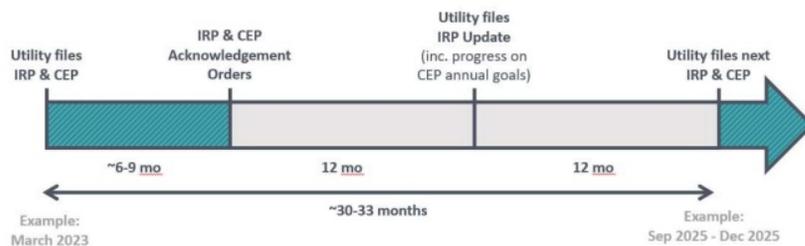
Figure 1. Staff's Initial Path 1 Framework



IRP/CEP Process

- ✘ The IRP Update, filed one year after acknowledgment, must include an update on actions implementing annual goals in the CEP, assessment of what has changed since acknowledgment, and the most recent emissions reports filed with DEQ

Figure 4. Staff's updated Planning Framework and update process



Guidance for Initial CEP Content

- ✘ OPUC Staff set forth minimum expectations for the first CEPs that sought to balance rigor and accuracy with the short timeline in which the CEPs were being prepared and the burden associated with the new analyses
- ✘ Staff provided guidance regarding:
 - ✘ CEP planning and acknowledgment horizons
 - ✘ Analysis over at least 20 years with acknowledgment focused on annual goals in the first 2-4 years (consistent with IRP)
 - ✘ Annual goals should be provided for all resource actions in each portfolio evaluated
 - ✘ Resource actions include: clean energy resources, energy storage, energy efficiency, demand response, resource retirements, changes in system operations, transmission and other supporting infrastructure, and community-based renewable energy projects
 - ✘ Annual metrics for measuring the impacts of actions (total GHG emissions, cost, and community benefit indicators)
 - ✘ Continual progress and revising the IRP cost/risk framework to include consideration of pace of emissions reductions

CEP Acknowledgment

- × Acknowledgment will consider:
 - × Whether the plan achieves the HB 2021 targets
 - × Whether the CEP is consistent with the IRP assumptions, analysis, and planned actions
 - × The effectiveness of community engagement in developing the plan
- × Staff considered recommending that utilities be required to revise and resubmit plans that were not fully acknowledged but removed this from the final recommendation after the utilities objected

Community Lens Analysis

- × The first CEP should include a potential study that identifies opportunities for resiliency projects and other community-based renewable energy projects, and should develop interim quantifiable community benefits indicators
 - × The utility should coordinate with communities served by the utility, including environmental justice communities
- × Staff provided extensive guidance regarding these issues, which is available in Order No. 22-390 (<https://apps.puc.state.or.us/orders/2022ords/22-390.pdf>)
- × In adopting Staff's recommendations, the OPUC recognized that all involved would learn about the feasibility of meeting these expectations in the first CEPs and encouraged the utilities to provide a full explanation if they found meeting the expectations to be infeasible or impractical

Additional CEP Guidance

- × CEP should include narrative responses to questions regarding which actions are low- and high-regret, and what are critical junctures, dependencies, and barriers
- × CEP should evaluate scenarios with increasing availability of emerging technologies, demand changes due to electrification and climate change, and regional transmission constraints and expansion
 - × “Clean hydrogen” was a source of disagreement between stakeholders, and Staff’s initial interpretation is that the emissions created when the electricity is generated are the relevant consideration—not any emissions created when the fuel is produced
 - × Staff initially proposed that utilities model potential resource adequacy (RA) and regional transmission organization (RTO) regional coordination but later recognized these would be challenging to explore in the first CEP timeframe. Staff expects more detail in future planning cycles
- × CEP modeling should achieve 2030 and 2035 targets under typical and expected weather and hydro conditions and 2040 targets across all tested conditions
- × CEP should quantify the impacts of operational changes (relative to expected economic dispatch) relied upon to reduce emissions
- × 2023 IRPs must include a table describing utility’s annual plans for RECs associated with the Preferred Portfolio
 - × REC retirement is another source of disagreement, and Staff’s initial read of HB 2021 is that it does not require a REC to be retired for the resource to be considered emissions-free
 - × OPUC revised Staff’s recommendation on this point to remove the requirement that utilities report on REC sales

Pending Reconsideration Request

- × Renewable energy developers sought reconsideration on seven grounds of the three OPUC orders adopting Staff’s recommendations. They requested that the OPUC:
 1. Explicitly state that the HB 2021 targets are binding and launch a rulemaking to establish penalties for non-compliance
 2. Require that RECs be retired for resources used for compliance
 3. Require utilities to report on REC sales
 4. Require utilities to report plans for and emissions of thermal resources not being used to serve Oregon retail loads (to address leakage concern)
 5. Direct that a CEP must rely on realistic assumptions and consider risks around interconnection, transmission, permitting, and development timelines and plan for contingencies in the event of delay for any of these reasons
 6. Make all of its CEP guidance into requirements, or clarify the consequences of failing to meet the expectations
 7. Explain that “continual progress” requires a linear trajectory
- × Staff had intended to resolve several of these issues in future dockets

Responses to Reconsideration Request

- ✘ Several environmental groups supported aspects of the reconsideration request, and PacifiCorp and PGE opposed the request
- ✘ No party filing a response disputed that HB 2021 is binding or that the utilities must meet the targets
- ✘ On the REC-retirement issue, the utilities explained that it was discussed at length during negotiation of HB 2021 and stakeholders reached consensus on an emissions standard
- ✘ On the issue of out-of-state sales of thermal resources, the utilities explained that HB 2021 is focused on emissions associated with serving Oregon retail customers and does not authorize the OPUC to regulate out-of-state operations
- ✘ With respect to the binding nature of the CEP guidance, the utilities asserted that the OPUC appropriately recognized the need for flexibility
- ✘ Finally, the utilities argued that “continual progress” does not require a linear trajectory and that emissions will vary year-to-year due to factors outside the utilities’ control (e.g., weather)
- ✘ Stay tuned: OPUC decision on reconsideration is due by Feb. 24, 2023, and the first CEPs will be filed in March

PGE’s Implementation

PGE Approach on Community Benefits & Community Based Renewable Energy (CBRE)

We anticipate CBREs to be smaller scale (~ <20 MW) resources, typically front-of-the-meter and distribution-connected, that can provide community benefits, including resiliency and bill savings

Community Lens Potential

Analyzed potential for:

- Standalone community-scale solar
- Solar + storage microgrids
- Small in-conduit hydropower

Exploring community benefit indicators with community

Target Setting

- Identified CBRE potential of 155MW by 2030
- Intention to include a CBRE target in IRP Action Plan

Acquisition

Exploring potential procurement paths with community:

- CBRE RFP
- Federal and state incentives
- Other potential future programs

PGE CEP & IRP Engagement

Our strategy for community engagement across PGE's long term planning process is informed by three goals:



Cultivate & maintain trusted and transparent relationships with historic IRP stakeholders and community-based organizations, community serving organizations, environmental justice advocates, and others.

- Monthly technical IRP workshops
- Started non-technical venue "Learning Labs" - conducted six 2-hour workshops
- Explored collaboration and partnerships with new organizations



Build awareness, inform and provide inclusive learning opportunities to communities

- Accessibility (e.g. closed caption, Zoom, Mural, material translation to Spanish)
- Established a dedicated IRP and CEP website and mailbox
- Published the archived meeting materials and information on website
- Taking Learning Lab materials to communities that were not able to attend



Collect feedback & evaluate progress

- Mural exercises
- Surveys
- Online feedback form
- Informal interviews

Stakeholder Meetings	# Meetings		
	To date	To filing	Total
IRP Roundtable	27	2	29
CEP Learning Lab	6	2	8

PGE Community Benefits and Impacts Advisory Group Update

- Section 6 of HB 2021 requires the creation of a Community Benefits and Impacts Advisory Group (CBIAG) and sets forth expectations for scope and participation

PGE *must* engage CBIAG on

- Energy burden and disconnection
- Increase contracting
- Improve resilience
- Distribution infrastructure
- Community co-benefits
- Customer experience
- Customer engagement

PGE *may* engage CBIAG on

- Clean Energy Plan
- Distributed System Planning
- Contracting practices
- Best practices

PGE CBIAG Engagement Approach

Phase I

Community Based Committee

Community based and community serving organizations and community members

- **Facilitation:** Interim Third-Party Facilitator
- **Outcomes:** Provide recommendation on recruitment and selection of CBIAG members
- **Timing:** Nov '22 - Feb '23



Phase II

Inaugural CBIAG

- **Attendees:** Recruited CBIAG members
- **Facilitation:** Long term Third-Party Facilitator
- **Outcomes:** Develop and implement operational expectations including group governance (e.g., finalize charter), identify and address gaps in energy awareness and knowledge of group members
- **Timing:** Mar - Sep '23



Phase III

PGE CBIAG

- **Attendees:** CBIAG members
- **Facilitation:** Long term Third-Party Facilitator
- **Outcomes:** Advise on topics identified in House Bill 2021, Section 6, including PGE's Community Benefits and Impacts Biennial Report
- **Timing:** Beyond Sep '23

Questions?

Thank you!