Oregon Cap & Trade

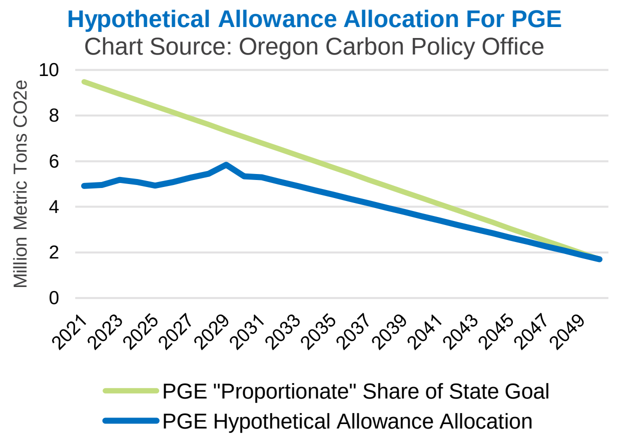
PGE's design priorities to protect customers

PGE Commitment: More than 80% reduction in greenhouse gas (GHG) emissions by 2050

PGE is committed to helping Oregon achieve a clean energy future. As one of the largest electric service providers in the state serving almost 50% of the Oregon's population (2 million Oregonians) and about 75% of the state's economic activity (more than 100,000 businesses), it's critical that the transition to a clean electricity system is done in a cost-effective way that keeps the system affordable and reliable. An economy-wide mandatory cap on GHG emissions could help Oregon realize its reduction goals if the compliance program is designed to protect Oregonians from unnecessary costs.

Cap & trade design can and should protect PGE customers from unnecessary rate increases

PGE has design priorities for cap and trade design (which are highlighted on the reverse side) to ensure the program is effective and affordable for our customers. One of the most critical design elements to protect customers is how compliance allowances are allocated to make sure they don't pay more than necessary to reduce GHG emissions on the electric system. And, because electricity is rapidly becoming the cleanest energy source in Oregon, keeping electricity costs low will make it easier and more affordable to reduce Oregon's transportation sector emissions.



Regulated utilities like PGE should be allocated compliance allowances consistent with existing clean energy mandates and our proportionate share of the state's GHG reduction goals that declines over time. Without it, customers pay twice for the same emission reductions – once for clean energy investments and then a second time for the cost of allowances, which would drive up rates for all customers.

How direct allocation of compliance allowances protects customers from paying twice

PGE's energy mix will be increasingly carbon-free through investments paid for by customers. We are dramatically reducing our GHG emissions through investments in wind, solar and other clean and renewable power, on top of our existing, carbon-free hydroelectric resources, and demand response, storage and grid upgrades. These investments are critical elements of a low-carbon electricity system and are reflected in customer rates. In addition, residential and commercial customers currently pay almost 7% of their bill to fund incentives for cost-effective energy efficiency and small renewables.

Under cap and trade, regulated entities must have an allowance for every ton emitted. Allowances can be purchased on the market or allocated at no cost by the governing entity. Because customers are already paying for the investments that are decarbonizing our system, it is unnecessary and unfair to impose the cost of paper compliance on them when our emissions are at or below our proportionate share of the state's emissions. Doing so would essentially make our customers pay twice for the same GHG emission reductions. Direct allocation of compliance allowances easily solves this problem.

PGE's Cap & Trade Design Priorities

DESIGN ISSUE	SOLUTION
Allowance allocation provisions in previous bills would make customers pay twice for the same emission reductions, once for clean energy investments and again for the cost of permits, driving up rates for all customers.	**PGE should receive full, direct allocation of allowances for compliance.** PGE's compliance allowance budget should be directly distributed with no cost to customers, consistent with our proportionate share of the state's 2050 GHG reduction goal that declines over time.

Rate impacts without direct allocation of compliance allowances
We calculated how the cost of allowances would impact customer rates using the California Energy Commission's 2016 allowance price low and high projections.

Residential Rate Increases	Commercial Rate Increases	Industrial Rate Increases
2021: 4.7% - 6.6%	**2021**: 5.5% - 7.7%	**2021**: 7.3% - 10.3%
2025: 6.5% - 13%	**2025**: 7.6% - 15.1%	**2025**: 10.1% - 20.2%
2030: 8.7% - 27%	**2030**: 10.1% - 31.5%	**2030**: 13.5% - 42.0%

DESIGN ISSUE	SOLUTION
Affordable, clean electricity is key to reducing GHG emissions across the energy economy. Electricity is rapidly becoming the cleanest energy source in Oregon. By keeping electricity costs low, it will be easier and more affordable to reduce Oregon's transportation sector emissions, which are 40% of Oregon's GHG emissions – and growing.	**Cap & trade design should encourage transportation electrification by preventing unnecessary electricity rate increases** and protecting customers against costs associated with emissions shifts between sectors. That will encourage transportation electrification and support Oregon's goal of increased use of electric buses and cars by governments, schools, businesses and individuals.
Treatment of "null power" PGE must take null power (carbon-free power from renewable resources that do not have the associated REC) from qualified facilities and net metering customers. Utilities under cap and trade and their customers who bear the compliance costs should not assume GHG liability for null power they are obligated to take under current law.	**"Null power" should be deemed carbon-free for cap and trade compliance purposes.** The California mechanism for treating null power is acceptable as long as Oregon's bill makes clear that it encompasses all sources of null power and applies no matter what the severed REC is used for.
Offsets paid for by customers under the Oregon Carbon Dioxide Standard PGE customers pay for offsets under this standard, which was enacted to put a price on GHG emissions and would continue to do so under previous cap and trade bills.	**The Oregon Carbon Dioxide Standard should sunset because cap and trade regulates the same emissions.** If the Carbon Dioxide Standard is left in place it must be amended to ensure that offsets paid for by customers and generated in years covered by a new cap and trade program are available for compliance purposes.
Point of regulation for imported electricity Oregon has a complex energy market with its mix of IOUs, public power utilities, BPA and other energy providers.	**The point of regulation for imported electricity must be the same for all Oregon entities** and determined in the bill, not through rulemaking, to prevent seams issues within Oregon.
Protection against leakage Electricity Service Suppliers and any other parties who assume the load of regulated utilities must be included in cap and trade as regulated entities.	**Bill language should make clear that all providers of electricity to customers of regulated utilities have the same obligations under the program** to prevent gaming and ensure Oregon's carbon reduction goals are met.

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