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June 10, 2022

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Oregon Public Utilities Commission
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Salem, OR 97301-3398
Submitted electronically via puc.hearings@puc.oregon.gov

RE: 3Degrees Group, Inc.'s Comments in Docket UM2225 in Response to The Clean Energy Plan Investigation Roadmap Acknowledgement Questionnaire

Dear Zach Baker,

3Degrees Group Inc. ("3Degrees") appreciates this opportunity to provide feedback to the Oregon Public Utilities Commission ("Commission") on key questions related to HB2021 implementation. 3Degrees has provided comments in response to question 3 below related to how continual progress towards achieving HB2021 targets should be demonstrated and assessed in the context of utility Clean Energy Plan ("CEP") submissions.

About 3Degrees

3Degrees is a leading provider of comprehensive renewable energy and carbon mitigation products, programs, and services. To this end, 3Degrees serves hundreds of corporate and institutional customers, and works closely with utilities across the country, including those in Oregon, to help them serve thousands of residential customers through our utility green power program partnerships.

Response to Question 3: How should compliance and continual progress be demonstrated and assessed?

Compliance and continual progress must be demonstrated and assessed using the same metrics and tools that will be used to demonstrate and assess post-2030 compliance. Similarly, the same tools to assess compliance must be used to establish utility baselines and to establish any performance incentives for early compliance. If the same tools and metrics are not used to establish utility baselines and to assess progress towards the 2030 target, it is quite possible that the "progress" assessed during annual reporting will not actually reflect progression towards meeting the 2030 target. As such, it is critical that the Commission not delay discussions regarding the treatment of Renewable Energy Credits (REC) attribution within HB2021 compliance.

Conflicting language in HB2021 means that the legislation can simultaneously be interpreted as creating a policy that regulates emissions at the point of generation and as a policy that regulates

the emissions associated with the electricity delivered to customers. Clarifying whether HB2021 does one or the other is required to determine how progress and compliance should be demonstrated, including whether RECs are required.

1. Language in HB2021 that can be interpreted as creating a policy that regulates emissions as the point of generation.

   Within section 3, which establishes the clean energy targets, subsection 2 states: *"Nothing in sections 1 to 15 of this 2021 Act may be construed as establishing a standard that requires a retail electricity provider to track electricity to end use retail customers."*

   This language is interpreted by some stakeholders as establishing a program that is not related to what is delivered to customers but rather focuses on emissions at the point of generation. Policies that regulate emissions at the point of generation do not require that renewable energy be delivered to customers and do not require that RECs be retained and retired. For example, under a cap-and-trade program that covers emissions in the electricity sector, a utility can sell the RECs associated with owned generation from a wind farm and still not be required to report emissions associated with the "null power" that it delivers to its customers. Similarly, a utility that purchases RECs to deliver to its customers is still required to report the emissions associated with owned emitting generation.

2. Language in HB2021 that can be interpreted as creating a policy that regulates emissions associated with electricity delivered to customers.

   Sections 2(1) states: *"That retail electricity providers rely on nonemitting electricity in accordance with the clean energy targets set forth in section 3 of this 2021 Act and eliminate greenhouse gas emissions* ***associated with serving Oregon retail electricity consumers*** *by 2040."* [emphasis added]

   Section 5(3) states: *"In addition to the emissions report required under subsection (4) of this section, an electricity service supplier shall report to the commission: (a) An estimate of annual greenhouse gas emissions associated* ***with electricity sold by the electricity service supplier to retail electricity consumers*** *for the current year and following three years."* [emphasis added]

   Section 7 states *"For the purposes of determining compliance with sections 1 to 15 of this 2021 Act, electricity shall have the* ***emission attributes*** *of the underlying generating resource."* [emphasis added]

   Programs that regulate the *attributes* of the electricity delivered to customers use RECs to represent the resource type and GHG emissions of the generated electricity. For example, the Oregon RPS requires that a certain amount of renewable electricity be delivered to customers (ORS 469A.052: "*At least* ***five percent of the electricity sold by the electric utility to retail electricity consumers*** *in each of the calendar years 2011, 2012, 2013 and 2014 must be qualifying electricity.")*. This program relies on RECs to represent the attributes of the generated renewable electricity.

   Similarly, the Washington Clean Energy Transformation Act, which requires that the emissions associated with power delivered to customers be zero (RCW 19.405.040: *"It is*

the policy of the state that all retail sales of electricity to Washington retail electric customers be greenhouse gas neutral by January 1, 2030."), uses RECs to demonstrate compliance.

The Department of Environmental Quality (DEQ) program that HB2021 references for assessing compliance is similarly confusing. The enabling statute (ORS 468A.280(4)(a)) states that the program measures GHG emissions "for electricity that is purchased, imported, sold, allocated or distributed for use in this state by an electric company." However, the program as implemented does not require RECs.

A lack of clarity on whether the program requires *delivery* of zero emissions power to customers is leading to general market uncertainty on the value of the RECs from Oregon generators both in neighboring state RPS markets and in the voluntary market. If there is real or perceived double-counting occurring under this program, this creates risks for all existing and future renewable energy contracts in Oregon.

For existing REC contracts in Oregon, if the associated generation from these projects is counted in the "baseline" of what is being delivered to Oregon customers or in the annual progress towards compliance, this could represent a double claim on the renewable electricity. This would mean that the RECs sold no longer meet the contractual terms of the agreement, which typically require no explicit or implicit double-claim or double-counting of environmental attributes. For new contracts, there will be hesitancy to procure RECs from facilities delivering to Oregon utilities because it is not clear if the renewable energy is double-counted. Double-counted RECs will have no value in the voluntary market or in neighboring state RPS policies.

Choosing not to clarify the treatment of renewable energy under HB2021, or choosing not to require RECs if the program does in fact represent renewable energy delivered to customers in the state of Oregon, will also jeopardize the achievement of the region's renewable energy and GHG reduction policy objectives. While clean energy and emissions reductions policies are introduced and implemented within each individual state, the aim is broader, regional, and ultimately global, decarbonization driven by the development of new renewable energy. To achieve this goal it is vital that the states in the west rely on frameworks of accounting that enable complementary state policies to be pursued and that can endure as the electricity market in the region evolves.

3Degrees appreciates this opportunity to provide comments to the Commission, and we welcome further discussion on this topic.

Sincerely,

/s/ Maya Kelty

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