

October 31, 2022

Oregon Public Utilities Commission  
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Submitted electronically via [puc.hearings@puc.oregon.gov](mailto:puc.hearings@puc.oregon.gov)

**RE: 3Degrees Group, Inc.’s Comments in Docket UM2225 in Response to Staff Report: Near-term guidance on Analytical Improvements in the first Clean Energy Plans and associated Integrated Resource Plans.**

3Degrees Group Inc. (“3Degrees”) appreciates this opportunity to provide feedback to the Oregon Public Utilities Commission (“Commission”) regarding staff recommendations resulting from the Analytical Improvements work stream. 3Degrees comments are focused on staff’s recommendations for ensuring additional data transparency as utilities develop their first Clean Energy Plan (CEP) filings and associated Integrated Resource Plan (IRP).

**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 nationwide; many of these customers voluntarily purchase hundreds of thousands of renewable energy certificates (RECs) annually from facilities located in Oregon. 3Degrees also works closely with utilities across the country, including several in Oregon and neighboring states, to help them serve customers who voluntarily participate in utility green power program programs. 3Degrees also supports renewable energy generators and utilities in meeting Oregon’s renewable energy mandate and providing qualifying RECs.

**3Degrees supports staff’s recommendation that PGE and PAC include a table in the 2023 IRP that describes the utility’s annual plans for the use of RECs associated with renewable energy generated by or contracted to the utility in the Preferred Portfolio under the Reference Case over the entire analysis horizon.**

As noted in our comments from June 2022, the continued confusion on the nature of HB2021 compliance—whether or not it represents a requirement to deliver zero emissions power to customers in Oregon—is causing market uncertainty around whether the RECs from generation owned or under contract with the utilities have value in adjacent renewable energy markets. If HB2021 represents delivery of renewable energy to Oregon customers, the RECs from these projects will not be eligible for neighboring state RPS markets or in the voluntary market.

Given this uncertainty around the nature of HB2021 compliance, and the concerns that have been expressed by several stakeholders about double-counting of renewable energy under the program, it is critical that market participants have clear and accessible information about the renewable energy that is being counted by the utilities towards compliance. This will allow market participants and the administrators of adjacent programs to assess the nature of HB2021 compliance, how the renewable energy is being treated, and make determinations on how these RECs should be treated within their own programs. As noted by staff: “This transparency will provide a point from which future discussions can launch. It will also help customers and communities engage in discussions related to voluntary products and CBRE development.”

In terms of the categories staff has proposed, 3Degrees believes they are sufficient to allow the market to function but recommends slight revisions:

- Retired on behalf of Oregon customer load for RPS compliance in Oregon;
- Retired on behalf of Oregon customer load above and beyond RPS compliance in Oregon;
- Retired on behalf of Oregon customer load for voluntary program sales;
- Retired on behalf of customer load in a different state (for either compliance or voluntary sales);
- Banked for future Oregon compliance;
- Banked for compliance in a different state;
- ~~Sold to a different Oregon provider;~~
- ~~Sold to an entity outside of Oregon~~ Sold to another entity; and
- Banked and then sold to another entity, ~~either in-state or out-of-state~~

For the RECs that the utilities retain themselves, it is important to understand if any RECs retired beyond RPS compliance are retired on behalf of all customers or if they are delivered to individual voluntary programs. In terms of the RECs sold to another entity, utilities should only be required to report that the RECs were sold, not who they were sold to or how the purchaser may use those RECs.

**3Degrees is concerned that delaying the discussion of the nature of HB2021 and the treatment of RECs will exacerbate market uncertainty, with renewable energy developers being most negatively impacted.**

Staff indicates in its report that its “initial read of HB2021 is that it does not require a REC to be retired for a resource to be considered emissions-free.” However, this does not provide a response to the uncertainty 3Degrees discussed in our June 10, 2022 comments around that nature of HB2021 compliance (see page 2):

*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.*

Several stakeholders have identified that while HB2021 may not explicitly require REC retirement, if the program is deemed to represent delivery of zero-emissions power the Commission may still have the authority to require that the utilities retain RECs. By not addressing this issue, we foresee the very real possibility that the administrators of adjacent programs will disqualify RECs from electricity used towards HB2021 compliance.

Utilities acquiring RECs to demonstrate compliance with clean energy policies are typically required to establish that the emissions reductions and environmental attributes of the underlying electricity are not used to demonstrate compliance with any other regulatory obligations. In the absence of confirmation regarding the nature of HB2021 compliance from Oregon, the administrators of adjacent programs will need to take steps on their own to assess the interaction with their programs. HB2021 itself and the comments submitted in UM2225 would not provide these administrators with a clear determination, and it is very possible they will disqualify the RECs from their programs to ensure no double-counting. In the meantime, significant contractual risk would exist in the market as counterparties would be unable to represent with certainty that the RECs meet the standards of these adjacent programs.

For example, Washington’s Clean Energy Transformation Act (“CETA”), which similarly targets a GHG-emission-free electricity sector, requires REC retirement and specifically prohibits double-counting. Obligated Washington utilities must demonstrate that “the associated electricity was not delivered, reported, or claimed as a zero-emission specified source or assigned the emissions rate of the renewable generating facility under a GHG program” (WAC 194-40-420). RECs from generation applied to HB2021 compliance are unlikely to be eligible for sale to meet this standard.

Similarly, voluntary REC certification programs such as Green-e® Energy will not allow RECs that have been used for compliance purposes; this is clearly stated on page 15 of the [Green-e® Renewable Energy Standard for Canada and the United States](#): “Eligible RECs or renewable energy can be used once and only once.” It is not clear how HB2021 will impact both the nature of and the demand for voluntary renewable energy offerings in Oregon.

### **The scale of potential double-counting under HB2021 warrants urgent discussion.**

3Degrees estimates that in 2023, as many as 25 million megawatt-hours<sup>1</sup> owned or procured by Oregon utilities will be above and beyond what is required for RPS compliance. As it stands, market participants are putting themselves at risk by procuring these RECs for use in markets outside of Oregon compliance. As noted in our June 2022 comments, existing REC contracts in Oregon may also be at risk as 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.

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<sup>1</sup> This estimate (~25 million MWh) is based on the total amount of renewable energy owned or under contract with PGE and PAC, minus the 2019 RPS obligation in Oregon for each utility.

There is also a broader risk to the achievement of regional grid decarbonization, as noted in our June 2022 comments (see page 3):

*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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