

## Oregon Greenhouse Gas Reporting Advisory Committee

**Meeting Notes**  
 October 19, 2009  
 DEQ Headquarters  
 9:00 a.m. – 4:00 p.m.

### Overview

Oregon’s greenhouse gas reporting advisory committee convened to provide input on revisions to Oregon’s greenhouse gas reporting rules. The committee plans to hold meetings from September 2009 through early 2010. The following is a summary of the committee’s discussion at its second meeting. Department of Environmental Quality responses to questions and comments are shown in *italics*. These are the responses DEQ provided to the committee at the meeting.

### Attendance

<u>Advisory committee members</u>	<u>Member substitutes and additional representation</u>
Mark Reeve, Chair - Reeve Kearns PC	Julie Flint - Oregon People’s Utility District Association; Oregon Petroleum Association
Michael Armstrong - City of Portland Office of Sustainable Development	Steve Higgs - Perkins Coie LLP
Pam Barrow - Northwest Food Processors Association	Marv Lewellen - Associated Oregon Industries
Shanna Brownstein - The Climate Trust/The Offset Quality Initiative	Catriona McCracken - Citizens' Utility Board of Oregon
Kyle Davis - PacifiCorp	
Angus Duncan - Bonneville Environmental Foundation	<u>Guest presenters:</u>
Jim Edelson - Oregon Interfaith Global Warming Campaign	Neil Caudill – Washington Department of Ecology
Ed Elliott - Northwest Propane Gas Association	Peter Cogswell – Bonneville Power Administration
Lee Fortier - Dry Creek Landfill	Ken Corum – Northwest Power and Conservation Council
Janet Gillaspie - Oregon Association of Clean Water Agencies	Rick Wallace – Oregon Department of Energy
Don Haagensen - Cable Huston et al./Waste Management	
Brock Howell - Environment Oregon	<u>Others in attendance</u>
Bob Jenks - Citizens' Utility Board of Oregon	Brandy Albertson - ODEQ
Suzanne Lacampagne - Miller Nash LLP/Associated Oregon Industries	Andrea Curtis - ODEQ
Brendan McCarthy - Portland General Electric	Bill Drumheller - ODOE
Holly Meyer - NW Natural	Maury Galbraith – Public Utility Commission
Tom O'Connor - Oregon Municipal Electric Utilities Association	Merlyn Hough - Lane Regional Air Protection Agency
Scott Stewart - Intel Corporation	Margaret Oliphant - ODEQ
Kathryn VanNatta - Northwest Pulp and Paper Association	Uri Papish – ODEQ
Tom Wood - Stoel Rives/Ash Grove Cement	
Tom Zelenka - Schnitzer Steel/Cascade Steel Rolling Mills	

## **Welcome**

Mr. Reeve gave an overview of the agenda (handout). Staff and committee members introduced themselves.

## **Approval of draft charter**

Mr. Reeve requested comments and approval on the draft charter, which DEQ revised based on committee input at the September meeting. The committee approved the charter after confirming that it would address alignment of Oregon's reporting requirements with WCI only for the purposes of imported power. The WCI model rule contains reporting requirements for imported power while the federal rule does not.

## **Approval of draft meeting notes**

Mr. Reeve requested comments and approval on the draft notes from the committee's September meeting. The committee approved the notes with a recommendation for the notes to explain that DEQ's responses are the responses DEQ provided to committee members at the meeting.

## **Recommendation on the structure for year one fees**

Ms. Curtis gave a presentation (handout and PowerPoint) on fee options. The purpose of this agenda item was for the committee to make recommendations on the structure for year one fees.

DEQ estimates that 143 businesses are subject to the existing greenhouse gas reporting rules. These businesses hold state Air Contaminant Discharge Permits or federal Title V operating permits. Because DEQ estimated source emissions using previously reported fuel, the actual number of reporters may be larger or smaller.

Of the four fee options presented, the frameworks for options one, two and three were requested by the committee at its September meeting; DEQ developed option four as a hybrid of options one through three.

### **Options:**

1. Charge reporters a percent of their air quality permit fees with a cap: 15% with a cap of \$9,000
2. Charge reporters on a sliding scale where small sources pay a larger percent of their air quality permit fees than large sources: 15% (smaller sources) to 12% to 9% to 6% (larger sources) with a cap of \$20,000. This option has a fairness problem for sources near the threshold of each tier.
3. The four-tiered emission fee scenario illustrated during the 2009 legislative session. This would be the most complex option for DEQ to implement and could result in large fee increases (e.g. 400%) relative to sources' current permit fees.
4. Charge smaller sources based on permit type (15%) and charge larger sources on a three-tiered emission fee scenario. This option limits the percent increase in permit fees paid by any source to 109%.

The committee appeared to reach a general consensus around option one. Before making this recommendation, the committee heard the two subsequent agenda items (additional budget information and public comment) and discussed requests that DEQ received outside of the meeting. DEQ received requests from interested parties that the committee delay its recommendations on year one fees. This would provide additional time for the committee and other stakeholders to evaluate the options and help ensure an informed decision is made. In response to the requests, DEQ emphasized the importance of public input and suggested that it accept the committee recommendations as tentative and asked that the committee finalize recommendations on fees at the next meeting. While some members felt a delay was unnecessary, others supported this action and requested that DEQ provide the draft rule language before the committee's next meeting.

### **Discussion points:**

- Some members thought that the fees for year one should parallel how DEQ currently assesses permit fees to reduce the surprise of the new fee on permitted reporters. The framework for future years could

be structured differently since unpermitted facilities will come into the program. There was concern that changing the structure after year one would create administrative complexity and confusion for the regulated community.

- Some members like the idea of an emissions based fee structure, especially long term, and in some ways preferred option four to option three to avoid significant increases in sources' current fees. There was concern that some sources (e.g. landfills) would incur large emission fees because greenhouse gas emissions quantities are assessed on CO<sub>2</sub> equivalent. A member stated that the legislative intent was for a tiered emissions based fee structure so that all reporters share the costs of program, as opposed to only permitted facilities paying for program. A member noted a disparity in establishing the new fee based on a percent of current permit fees because existing ACDP fees don't pay for the entire cost of ACDP program, whereas Title V fees pay for the entire cost of the Title V program. Members recognized that it would be complicated for DEQ to implement a fee structure based on emissions in year one since DEQ does not yet have good emissions data.
- Some members thought that the fee should be correlated with DEQ's cost to process the emissions reports from reporters. Others felt that the fee is intended to cover program costs, which are not correlated with emissions or complexity of the emissions report.
- A member noted that efforts to achieve equity increase complexity and suggested that the amount of the fee is not a serious price signal for greenhouse gas emissions.
- Several members felt that no source should experience a new fee of greater than 100 percent of their current permit fees.
- Members preferred not putting too much revenue on small sources, especially when the numbers of small sources is undetermined. One member suggested that DEQ not collect fees from facilities that emit between 2,500 and 25,000 tons of greenhouse gas emissions because these sources account for a small percent of the total emissions.
- Many members supported option one for its simplicity, including the representatives of year one fee payers. Members asked that the fee sunset after year one and that the cap be established by rule.
- Several members who do not represent year one fee payers suggested that the opinions of fee payer representatives carry the most weight in the committee's recommendation on year one fees.
- Some members suggested that the fee structure reconcile the subsidization of the program by year one fee payers.
- Some members asked that program costs be reevaluated; that the ending balance is too high of a burden on year one fee payers and that it's questionable whether the program is the appropriate size. The committee Chair noted that the committee's task is to make recommendations on a fee structure that covers program costs, regardless of whether program costs were adjusted.

*DEQ response:*

- *DEQ is sensitive to a small business having a significant fees increase; but agrees that an emission-based structure is desirable because it could apply to the non-permitted facilities that will be subject to the program. DEQ believes option four addresses both of these issues and that this option seems equitable in that it prevents a Title V source that has low greenhouse gas emissions but which pays high Title V fees from having high greenhouse gas reporting fees. It takes a lot of effort for DEQ to bill on emissions in DEQ's Title V program, but this approach could be streamlined in the greenhouse gas reporting program.*
- *DEQ agreed that option one would be the most straight forward and easiest option to implement.*
- *While we could establish a different fee structure for future years' fees, ideally, the committee would determine a structure for year one that could be used long term.*
- *DEQ's largest costs are not in acquiring the data, but in what we do with the data (e.g. analysis, quality assurance, costs of rulemaking and seeking public input).*

- *DEQ recommended that the committee discuss options to reconcile subsidization when it addresses the structure for future years' fees. Unlike the private sector, state agencies can't borrow money to develop the reporting program and can't obligate money in a given biennium to a future biennium.*

### **Additional information on 2009 Legislature approved budget**

Mrs. Oliphant gave a presentation (PowerPoint) on contract dollars budgeted for the greenhouse gas reporting program. This information was requested by the committee to supplement budget information presented at the previous meeting. DEQ will use contract dollars to complete its reporting database, prepare for information exchange with EPA and modify its permit database for tracking greenhouse gas reporters.

### Discussion points:

- While some members felt that DEQ's budget for the database was appropriate, others suggested that DEQ re-evaluate the program budget and the cost and need for the database, if not now, then in the next biennium. A member advocated that DEQ develop a simpler program, suggesting that the budget is too large to collect information from a relatively small number of reporters (about 140 in 2010), DEQ doesn't yet know the quality of information it will receive from EPA and doesn't know if its system will serve Oregon's future policy needs. Since the large sources account for the majority of emissions from the year-one source universe and this information will come from EPA, some members are concerned about the appropriate infrastructure for obtaining information from smaller sources for a small percentage of emissions.
- A member suggested that, for simplicity, larger sources submit information in xml format, which DEQ would load directly to its database; or that DEQ consider using a host website for information exchange with reporters.
- The committee Chair noted that DEQ does not have new information that would significantly change the budget. The purpose of the committee is to look at fee structures to cover the existing program, not to concur with the scope of DEQ's work on the reporting database.

*DEQ response: DEQ needs its system to collect the data needed to inform statewide policy decisions (e.g. statewide complimentary measures require that we know emissions from specific sectors). While DEQ would have developed an input program for larger sources (e.g. by spreadsheet), it anticipated that EPA would have a federal rule and planned for a conversion to exchange information from EPA. Adoption of the federal rule doesn't impact the cost of the database. An off-the-shelf database that would meet DEQ's needs doesn't exist and DEQ is using existing framework as much as possible to complete the database and has already developed data entry screens for large sources. Although DEQ will use the data exchange network for information exchange with EPA, DEQ needs to incorporate data transfer into the state permitting database.*

### **Public Comment**

Commenter Kate McCutchen (Blue Heron Paper Company) stated that the company has already done its budget for 2010 and has national and international competitors that aren't looking at a reporting fee in 2010. She is concerned about the unfairness of Oregon assessing the fee to only permitted businesses and that first year reporters would be paying DEQ's costs to design and troubleshoot the reporting system for future reporters. She recommends that Oregon assess fees based on portion of greenhouse gas emissions. If other states or users use Oregon's system to develop their own system, Oregon should seek compensation and then provide a rebate to first year payees. If the reporting program is a value to the state, DEQ should receive general funds to help pay for the program.

Sallie Schullinger-Krause (Oregon Environmental Council) wants to ensure Oregon has a firm infrastructure for greenhouse gas emissions. A large portion of greenhouse gas work is under DEQ's responsibility; the state needs to provide the information necessary for DEQ to meet those responsibilities. We need to ensure there's no confusion between EPA, state and potentially regional systems in terms of regulated entities. She suggests that maintaining staff positions in the program will require some general funding; it's important that staff be funded and that the number of staff positions increase in future years.

### **Overview of Washington State's Reporting Rules**

Mr. Caudill gave a presentation (PowerPoint) on Washington's greenhouse gas reporting rule. He highlighted differences between Washington's rule and the federal rule and committee members noted differences between Washington's rule and Oregon's rule. Washington is looking at aligning its rule with the federal rule during the state's next legislation session. Washington reporters will continue to be subject to the existing state rule unless state legislation authorizes or requires amendments to the program. A committee member noted that Washington's alignment with the federal rule would include going from entity wide to facility wide reporting; requiring reporting of direct emissions only; and eliminating fleet reporting.

Washington has not yet established program funding, but has authority to create fees for reporters at levels necessary to cover anticipated program costs. Washington has not yet determined program costs, but intends to have three or four staff positions in the program and will develop a reporting database. Washington's tentative fee structure includes an annual base fee assessed to all reporters; a second additional annual fee for reporters that emit between 10,000 and 25,000 tons per year; and a third additional annual fee for reporters that emit 25,000 tons or more. Fees have not been established yet, but would likely range from about \$100 and \$2,500 annually for the 600 to 700 sources subject to the state rule.

### **Electricity Companies and Power Imports**

Mr. Corum gave a presentation (PowerPoint) on electricity companies and power imports. The purpose of this presentation was to inform the committee and enhance future discussions on creating reporting requirements for imported power. Although identifying in-state power generation for Oregon load is straightforward, Mr. Corum highlighted several issues that complicate identifying emissions associated with power generation in the transmission distribution system:

- Although Oregon may have contracts for power with out-of-state suppliers, suppliers aren't always able to supply the quantities they intended to serve.
- System sales do not identify electricity generators. In addition, marketers sign contracts with utilities and suppliers to provide electricity to Oregon for a certain period (e.g. six months out); at the time of the contract, the marketer doesn't know where that energy will come from because marketing deals might change who the supplier is before the energy is delivered. While we could look at average emissions of all the electricity produced in a system or the Western interconnection, generation sources vary over the course of a day and across seasons. We could look at the service of marginal generators operating at a particular time of day or year or require that marketers declare where the energy they supply comes from.
- Some electricity is generated in Oregon for use outside of Oregon. Although this creates emissions in Oregon, Oregon load did not make those emissions necessary.
- The owner of electricity can be transferred. An entity may supply power to BPA and receive power from BPA at another time.
- Renewable energy credits may be separated from the power they originated from and be sold or purchased separately. We can't track these carbon signatures through the system.
- We may be able to make reasonable estimates on emissions by looking at power consumption or sales downstream; however, we'd need to account for losses during transmission and distribution.

### Discussion points:

- A member suggested that in power exchange, the original owner maintains the carbon responsibility. Several members suggested that we attach carbon counts to electricity at generation. This would reduce complications associated with leakage and with power being sold multiple times before it is consumed.
- A member noted the difficulty in identifying the key players who bring power into Oregon because the electricity grid is not clear; it's difficult to identify spot-market transactions.
- A committee member suggested that renewable energy credits will not be an issue when a cap and trade system is implemented; however, another member suggested that the voluntary market could still consume the credits.

- A member suggested that Oregon design reporting requirements to achieve its key purposes: in anticipation of cap and trade and to support policy decisions. While reporting itself is not controversial, the structure of reporting and how this information will be used could be important in a developing cap and trade program. A member suggested that, while a national cap and trade program would not discount Oregon's interest in carbon counts, it would diminish the degree of precision needed in Oregon's count because state counts would not be economically significant. Complications for detail arise only when dealing with a state or regional based system.
- A member noted that system power is a small source for Oregon compared to other power.
- A member suggested that there are already straightforward protocols for identifying power, such as The Climate Registry and California Climate Action Registry. The political question is how to characterize emissions to unspecified power or null power.

### **Bonneville Power Administration and Consumer Owned Utilities**

Mr. Cogswell gave a presentation (PowerPoint) on Bonneville Power Administration and its customers. The purpose of this presentation was to inform the committee and enhance future discussions on creating reporting requirements for imported power in regards to third party reporting by BPA for consumer owned utilities. BPA's Oregon customers include consumer owned utilities, some investor owned utilities and out-of-state customers. Consumer owned utilities purchase power under two contracts: 1. Slice contracts allow a customer to purchase a percent of electricity from BPA's system. 2. Load following customers obtain 100 percent of their power from BPA.

Third party reporting (authorized by Senate Bill 38) will be more efficient for the state and more cost effective for customers compared to customer reporting; customers have no control on BPA's system and do not have access to the system profile. Although BPA wants to help its customers with reporting, several issues complicate BPA's ability to identify emissions:

- Since BPA customers with slice contracts also purchase power from other sources, BPA doesn't have full information for these customers.
- BPA is moving to a tiered rates system that will allow consumer owned utilities to either put their load on BPA or elsewhere. As a result, BPA will no longer have full information for these customers.
- Five to ten percent of BPA's annual power is derived from unspecified market purchases. While BPA generates over ninety percent of the electricity it distributes, it must make market purchases to cover short term energy deficits.
- BPA has questions about biomass emissions that percolate from reservoirs.

### Discussion points:

- Committee members noted that while the majority of BPA's customers are load following customers, the largest loads are provided to slice customers.
- A member suggested that an expert panel for The Climate Registry is addressing whether to develop protocols for reservoir biomass emissions.

### **Fuel Supply and Distribution in Oregon**

Mr. Wallace gave a presentation (PowerPoint ) on fuel distribution and supply in Oregon. The purpose of this presentation was to inform the committee and enhance future discussions on creating reporting requirements for fuel distribution. Mr. Wallace highlighted several gaps in the fuel information collected and tracked by ODOT (through gasoline tax reporting) and by the U.S. Department of Energy (through mandatory Energy Information Administration questionnaires). For example, gas tax reporting does not cover heating oil or industrial uses; and diesel is tracked differently from gasoline (at the pump and through a weight-mile tax system). There may be complications in tracking fuels at point of entry (pipelines, trucks and barges) because the supplier does not always know whether that fuel will be consumed in Oregon or how; for example, during transition between fuel types, pipelines sell fuel mixtures to other markets (trains).

### **Adjourn**