

May 15, 2020

REPORT ON EXECUTIVE ORDER 20-04

INTRODUCTION

Governor Brown's Executive Order No. 20-04 (EO 20-04) is a significant step forward in Oregon's response to the profound challenge of climate change and its impact on Oregonians. With more than a decade of experience implementing clean energy policy, and given the clear intersections between our work and the topics addressed in the order, the Public Utility Commission of Oregon (PUC) welcomes clear guidance from the Governor on climate and is well-positioned to incorporate the principles and direction of EO 20-04 into our work.

As required by EO 20-04, this report identifies proposed actions and activities the PUC can undertake in response to the Governor's general directives to all agencies, as well as specific directives to the PUC and other agencies to combat climate change. We begin with a background on the PUC, a short summary of the directives applicable to the agency, and a summary of the preliminary outreach we conducted to inform the report. We next summarize the potential PUC actions and areas of focus by key themes. We conclude with a public process proposal to prioritize activities and implement identified actions in response to EO 20-04.

This report is not a final, definitive statement on the PUC's response to EO 20-04, but rather a starting point and a set of potential directions to prioritize and carry out with stakeholder input and through public processes in the coming months and years. We have already conducted preliminary informal outreach sessions with stakeholders to help us prepare this initial report. We look forward to further dialogue with the Governor's office, as well as broader and more extensive engagement with stakeholders to shape the PUC's approach to implementing EO 20-04.

BACKGROUND

The Oregon PUC

The PUC's mission is to ensure Oregon utility customers have access to safe, reliable and high quality utility services at just and reasonable rates. The PUC performs quasi-judicial functions involving robust analysis and independent decision-making through deliberative, litigated processes. Our agency also exercises discretion to interpret and incorporate executive and legislative priorities into rules, utility planning, and customer programs.

The PUC is led by a full-time, three-member Commission that is appointed by the Governor and confirmed by the Senate. With its approximately 80 subject-matter experts in utility operations and regulatory policy, the PUC regulates three electric utilities (Portland General Electric, PacifiCorp, dba Pacific Power, and Idaho Power Company) and three natural gas utilities (Northwest Natural Gas Company, Cascade Natural Gas, and Avista Corporation), as well as numerous telecommunications companies and privately-owned water utilities.

The PUC implements a variety of statutory directives, reviews detailed technical information, receives and adjudicates legal disputes, and engages with a wide array of stakeholders and policy-makers in the energy sector across the state. The PUC regularly engages on issues that are squarely related to EO 20-04, and administers a variety of processes through which the order's objectives can be achieved.

EO 20-04

EO 20-04 sets new science-based greenhouse gas (GHG) emissions goals for Oregon and directs state agencies to identify and prioritize actions to meet those goals. Consistent with the minimum GHG reduction goals set forth in ORS 468A.205(1)(c), EO 20-04 adopts a standard of a 45 percent GHG reduction from 1990 levels by 2035, and at least an 80 percent GHG reduction from 1990 levels by 2050.

EO 20-04 offers general directives to 16 state agencies and specific directives to a subset of those agencies, including the PUC, to advance their consideration of climate change in agency planning and decision-making. The general directives focus on three areas: GHG reduction goals, expedited agency processes, and agency decisions. Within each area, agencies are required to exercise any and all authority and discretion vested in them by law to help facilitate achievement of the GHG emission reduction goals. Agencies must balance

consideration of climate change, climate change impacts, and emission reduction goals into their planning, budgets, investments and policy-making decisions, and are also directed to:

- Prioritize actions in a cost-effective manner
- Prioritize actions that will help vulnerable populations and impacted communities adapt to climate change impacts, and
- Consult with the Environmental Justice Task Force when evaluating climate change mitigation priorities and actions

In addition to these general directives, Section 5 of the EO 20-04 directs the PUC to consider several factors and values that are consistent with state law. These directives are prefaced with a statement of public interest and an acknowledgment of the PUC's independence. Section 5(A) first finds that:

“It is in the interest of utility customers and the public generally for the utility sector to take actions that result in the rapid reduction of GHG emissions, at reasonable costs, to levels consistent with the GHG emission goals set forth in [this EO], including transitioning to clean energy resources and expanding low carbon transportation choices for Oregonians.”¹

Section 5(B) next acknowledges and reaffirms Executive Order 00-06, issued in 2000 by then-Governor John Kitzhaber, stating that the PUC maintains its independence in decision making as it carries out its regulatory functions.

EO 20-04 then specifically directs the PUC to take action in six areas:

1. Determine whether utility portfolios and customer programs reduce risks and costs by making rapid progress towards reducing GHG emissions.
2. Encourage electric companies to support transportation electrification infrastructure that support GHG reductions, helps achieve electrification goals set forth in SB 1044 (2019), and is reasonably expected to result in long-term benefit to customers.
3. Prioritize proceedings and activities that advance decarbonization in the utility sector to reduce GHG emissions, mitigate energy burden experienced by utility customers, and ensure system reliability and resource adequacy.
4. Evaluate electric companies' risk-based wildfire protection plans and planned activities to protect public safety, reduce risks to utility

¹ EO 20-04, Section 5(A).

customers, and promote energy system resilience, all in consideration of the recommendations made by the Governor’s Council on Wildfire Response 2019 Report and Recommendations.

5. Convene workshops to assist electric companies, consumer-owned utilities, and operators of electric distribution systems to develop and share best practices for mitigating wildfire risk.
6. Partner with Oregon Housing and Community Services to establish a public process to address and mitigate differential energy burden and other inequities of affordability and environmental justice.

Along with other agencies, the PUC is required to report to the Governor by May 15, 2020, on proposed actions within our statutory authority to address these directives and reduce GHG emissions and mitigate climate change impacts.

Outreach

To inform this report, the PUC conducted listening sessions with stakeholders between April 23 and May 1. The dozens of stakeholders that participated in the listening sessions included a diverse group that represented renewable resource and climate interests, environmental justice communities, low-income and vulnerable communities, utility consumers, electric and natural gas utilities, the Energy Trust of Oregon, and consumer- and publicly-owned electric utilities. Given time limitations prior to the filing of this report, and limited options to meet with stakeholders during the COVID-19 public health emergency, these listening sessions were somewhat limited and preliminary. We plan to conduct additional activities in the coming months to seek further input from our stakeholders. This outreach will also continue throughout the regular proceedings and processes that the PUC implements related to the topics addressed in EO 20-04.

While this report is only the first step in the implementation of EO 20-04, we felt it was important to listen to and gather our stakeholders’ initial thoughts on those parts of the EO directly related to the PUC. A summary of the comments received, organized by theme and not attributed to any particular organization or individual, is attached as Appendix A.

A number of stakeholders submitted written letters following our listening sessions—many of which presented specific and more detailed comments beyond those previously shared. Due to the short deadline for submitting this report, we did not have the time to summarize or fully capture these written comments in our response, but will continue to review and consider them in further planning activities to implement EO 20-04.

PROPOSED ACTIONS

Based on internal agency discussions and external stakeholder outreach, the PUC has identified various activities we could take to help reduce GHG emissions in accordance with the goals set forth in EO 20-04. As discussed above, this list is intended to give the Governor's office and stakeholders the PUC's initial thinking about what activities the PUC can take on in response to EO 20-04, in part to foster dialogue about how the PUC can effectively prioritize actions that reduce GHGs and help vulnerable populations and impacted communities.

We have identified three themes for action and discussion with our stakeholders: (1) GHG Reduction Activities, (2) Impacted Communities, and (3) Wildfire Prevention and Mitigation.

GHG Reduction

The PUC proposes to help Oregon achieve the new GHG reduction goals set forth in EO 20-04 both through new activities and also through renewed focus in current regulatory activities. We have initially identified potential actions in five primary areas, and look forward to further input from our stakeholders to help expand, refine, and prioritize these activities. We also include in this section a discussion of our approach to work in collaboration with the Department of Environmental Quality (DEQ) and the Environmental Quality Commission (EQC) as they respond to directives under EO 20-04 to cap and reduce emissions from certain sources and fuels.

A. Utility Planning Framework

The PUC can explore pathways to enhance and refine our existing least-cost, least-risk framework to ensure energy utilities are focusing their system-wide resource strategies on making rapid progress to GHG reduction goals. Our proposed activities include:

- Considering options to incorporate the social cost of carbon into utility Integrated Resource Plans (IRPs) and avoided cost proceedings
- Updating the IRP guidelines to more explicitly consider the costs and risks of meeting the state's GHG emission reduction targets under the new timelines set forth in EO 20-04
- Considering utilities' resource procurement activities to determine if non-price scoring criteria appropriately capture the risk of each potential

resource's impact on the utility's progress toward meeting the state's GHG reduction goals

- Exploring pilot and program design and evaluation criteria that measure progress towards GHG reduction
- Revisiting the voluntary emission reduction program under ORS 757.539 to determine continuing potential for natural gas utilities to invest in projects that reduce emissions and provide benefits to customers

B. Utility Services and Activities

The PUC can explore utility services and discretionary activities that leverage customer and community desire to drive system-wide change to help achieve GHG emission targets.

Proposed activities include:

- Exploring community-wide green tariffs targeted toward reducing utilities' GHG emissions
- Considering how to prioritize actions that streamline and modernize safe, reliable methods to connect clean resources, from renewables to demand side management, to the electric and natural gas systems and appropriately value their system contributions
- Considering how to quantify and incorporate measurable co-benefits beyond energy and financial benefits (e.g., GHG emission reductions, local air quality improvements, health benefits), as relevant to initiatives such as targeted replacement of wood-burning stoves
- Measuring the GHG reduction impacts of existing customer programs and products, such as voluntary customer renewable energy purchasing programs, to inform work with stakeholders to make recommendations to improve the GHG reduction benefits of the programs
- Evaluating expansion of demand-side management programs to customers taking only transportation or distribution service from the utility

C. Evolution of Regulatory Framework

The PUC can pursue broader institutional changes in the state and regional regulatory framework that accelerate GHG reductions in the energy and transportation sectors.

Proposed activities include:

- Accelerating work to understand, consider, and plan for the regional resource adequacy impacts of GHG reductions, so that these changes can be confidently made while supporting system reliability
- Supporting development of regional electric markets that benefit consumers and reduce GHGs through access to a more diverse range of clean and renewable resources
- Exploring performance-based ratemaking measures that achieve GHG reductions by incentivizing and enabling utility behaviors aimed at accelerating GHG reductions
- Working with regulatory counterparts in other Western States to share best practices and encourage consistency in regional approaches to GHG reduction, including through the Western Public Utility Commissions' Joint Action Framework on Climate Change

D. Transportation Electrification

The PUC can increase its efforts to encourage electric companies to support transportation electrification (TE) infrastructure and programs that promote GHG reductions. The PUC currently requires electric companies to submit TE plans, and has approved TE programs through which utilities take action. The PUC can update and enhance these activities with the following proposed actions:

- Prioritizing appropriate infrastructure investments to approach TE as load within distribution system planning
- Considering new rate schedules that encourage transportation electrification and cost-effective electric vehicle charging behavior
- Considering revisions to TE planning guidelines and program requirements to streamline utility processes and clarify cost-recovery criteria
- Exploring approaches to assess cost-effectiveness of TE activities, beyond load planning, that promote GHG reduction goals

E. Regulatory Activities

The PUC can help achieve GHG reductions by taking EO 20-04's articulation of the public interest and statement of energy policy into account in our ongoing regulatory proceedings. The PUC has been delegated broad discretion to ensure that utilities' actions are consistent with the public interest, and to adopt and incorporate state policy in our decision-making, and we will consider how EO 20-04 relates to our decisions within each action we take to administer our enabling statutes. Some identified actions here include:

- Considering whether a utility's rate design and rate schedules send appropriate price signals and incentives for reducing GHG emissions
- Exploring whether a prudency review of a utility investment should include consideration of whether utilities' actions are consistent with EO 20-04
- Evaluating whether depreciation schedules used for the recovery of utility investments and resource retirements are consistent with EO 20-04
- Considering whether the GHG reduction impacts play a role in reviewing utility applications for mergers and acquisitions, and also for transactions among affiliated companies, to determine whether the proposed action is consistent with EO 20-04
- Exploring changes to utility tariffs that promote GHG emission reductions, such as time-of-use rate offerings

F. DEQ and EQC Collaboration

Actions in response to EO 20-04 by Oregon's Department of Environmental Quality (DEQ) and Environmental Quality Commission (EQC) will be an important factor, both for industry sectors regulated by a cap-and-reduce program and for evaluating utility actions in the transportation sector.

Among the more significant actions directed by EO 20-04 is for DEQ and the EQC to use existing legal authority to cap and reduce emissions from certain sources and fuels. The PUC expects to lend significant time and expertise in utility matters to DEQ, including expertise in clean energy program implementation (*e.g.*, energy efficiency, renewable natural gas), planning and cost analysis (*e.g.*, integrated resource planning, cost-effectiveness, and avoided cost analysis), and rate structures and ratepayer impacts. The potentially significant impacts on regulated industry sectors and their customers make this an important area of attention for the PUC under EO 20-04, not only through contribution to the design of the DEQ/EQC program, but also in encouraging or enabling utility actions to help utility customers prepare for such regulation.

In addition, DEQ and the EQC are tasked with expanding the Clean Fuels Program (CFP). This expansion could result in more credits flowing to the utilities as aggregators for residential customers and, therefore, provide more utility funds to accelerate GHG reductions in the transportation sector. Although the PUC has not asserted formal regulatory oversight over utility funds generated from the CFP, it has provided a forum for stakeholder engagement and asked for regular reporting due to the need for complementary interactions between CFP-funded and ratepayer-funded transportation

programs. For EO 20-04, the PUC may be asked to collaborate with DEQ on any changes to the CFP that require expertise in regulated utilities or energy markets.

Impacted Communities

EO 20-04 contains three separate but related directives to the PUC aimed at addressing the disproportionate effect of climate change on impacted communities and those traditionally underrepresented in public processes.² These directives recognize the need to not only take action to protect these communities, but to ensure that these communities are engaged in and benefit from actions and activities to reduce GHG emissions. They also echo a primary theme from our SB 978 process that highlighted the roles of regulated utilities and the PUC in advancing broader societal interests in climate change mitigation, social equity, and inclusion of underrepresented communities.

We have identified proposed actions, both building on existing activities following the SB 978 process and new activities to help increase awareness of and engagement from impacted communities. These changes fall into three categories.

First, the PUC proposes to make changes to our structure and business operations. These changes include:

- Continuing and expanding our recently-formed internal Low-Income Roundtable to help raise PUC employee awareness of issues impacting vulnerable customers and to ensure the agency serves as an effective advocate for all utility customers
- Using existing PUC resources to establish a Diversity, Equity, and Inclusion (DEI) Outreach Coordinator position to provide a PUC point of contact to lead engagement activities
- Retaining the services of DEI professionals to initiate efforts to develop an agency DEI Operations Plan to help the PUC become a more diverse, equitable, and inclusive organization, and better equipped to serve all customers and the public generally

Second, the PUC proposes to increase awareness and build new tools to help inform utility actions and agency decision-making processes by:

² See Sections 3(C)(2), 5(B)(3) and 5(B)(6).

- Expanding and enhancing utility reporting of service disconnects and developing a publicly accessible database to inform state actions on energy burden
- Quantifying energy burden in Oregon through stakeholder workshops, which would be informed by Department of Labor Statistics and other sources

Third, the PUC proposes to utilize this increased awareness, engagement, and knowledge to better ensure that rate proposals and other regulatory actions are fully evaluated in terms of affordability and energy burden. These actions will also help inform and prioritize PUC regulatory actions in current or new agency proceedings to help protect and benefit impacted communities. Those proposed actions include:

- Considering updates to the cost-effectiveness exception policy to allow streamlined approval for measures and programs targeted toward low-income ratepayers, up to a defined percentage of program costs
- Requiring GHG reduction activities and pilots to include dedicated actions to serve low-income communities
- Examining rate design options to benefit low-income customers
- Revisiting rules regarding utility service connection, bill payment arrangements, and disconnection requirements
- Exploring utility pilots to deploy advanced technology in low-income settings to provide bill savings and non-energy benefits, such as resiliency during extreme events

These actions will support and complement the Governor’s specific directive that we engage customers, communities, and partners in government to ensure Oregon’s GHG reduction goals provide value for all. These engagement activities include:

- Engaging the Environmental Justice Task Force as a trusted partner in PUC activities to help vulnerable populations and impacted communities
- Engaging with the Governor’s office interagency workgroup to develop strategies to guide state climate actions
- In cooperation with Oregon Housing and Community Services (OHCS), conducting a public process to raise awareness of issues impacting vulnerable customers and populations to minimize impacts related to GHG mitigation activities

Wildfire Planning and Collaboration

In EO 20-04, the Governor highlighted the evolving wildfire risk impacting Oregonians and the need for electric service providers to take steps to protect critical infrastructure and, more importantly, our communities. Specifically, the Governor directed the PUC to undertake two activities that were originally included in the 2019 Report and Recommendations of the Governor's Council on Wildfire Response:

- Evaluating electric companies wildfire protection plans and activities to protect safety, reduce risks, and promote system resilience
- Convening workshops to assist electric companies, customer-owned utilities, operators of electrical distribution systems to establish best practices for mitigating wildfire risk

These directives build on the PUC's ongoing activities to address emerging risks of wildfire and implications for the electricity sector. Last summer, we asked PacifiCorp, dba Pacific Power, and Portland General Electric (PGE) to present and discuss their wildfire mitigation plans. Additionally, in August 2019, we convened a Wildfire Dialogue of West Coast Utility Commissions, where we partnered with public utility commissions from British Columbia, California, Idaho, Nevada, and Washington to address emerging issues and best practices in each state or province.

Building on this internal strategy, the PUC can respond with the following actions:

- Initiate an investigation to formalize electric company wildfire protection and mitigation plans, and to address key questions on data collection needs and community engagement in wildfire planning
- Partnering with all the operators of electric systems in Oregon to examine and discuss best practices and help develop and disseminate Oregon appropriate, data-driven solutions in order to equip all utilities across the state to effectively and continuously adapt to changing wildfire risks

Given the urgency of this issue, we have already scheduled two events related to these actions. Next week, on May 21, 2020, PacifiCorp and PGE, as well as Idaho Power Company, will update the PUC on the status of their wildfire risk planning. This meeting will serve as a first step to examine electric company wildfire protection and mitigation plans. The following week, on May 28, 2020, we will be hosting an initial meeting with operators of electric distribution systems to establish the scope and framework for the collaborative effort to develop best practices for mitigating wildfire risk.

NEXT STEPS: PRIORITIZATION AND PUBLIC PROCESS

We reiterate that this report represents our initial thinking on potential actions and activities the PUC can undertake in response to the directives set forth in EO 20-04. We look forward to further dialogue with the Governor’s office on these potential actions, as well as engagement through a public process to prioritize and implement these actions in the coming months and years.

We take this opportunity to highlight that implementing activities in response to EO 20-04 will require a balancing of resources—for both the PUC and our stakeholders. The ability to engage proactively while responding to a significant but uncertain number of complex regulatory filings is a persistent challenge. Our need to react to regulatory filings and complaints often limits our capacity for proactive, PUC-initiated activities that create the policy framework for future regulatory filings. This proactive work happens through implementing legislative policies (e.g., community solar), addressing gaps or friction in the PUC’s regulatory paradigm (e.g., distribution system planning), and participating in public policy development through state and regional forums (e.g., leadership in electricity market development).

Many of EO 20-04’s directives squarely address activities that the PUC implements as part of our core business. In this regard, we expect that EO 20-04 will infuse much of our ongoing work. Before initiating and scoping new activities, however, the PUC must consider both its resources and those of its stakeholders, and will do so through an open conversation and process.

We also recognize that implementing EO 20-04 will involve new ways of thinking about the PUC’s role, objectives, and regulatory authority. Although EO 20-04 does not confer new legislative authority to the PUC, it does contain the Governor’s articulation of how GHG emission reductions from the utility sector serve the public interest. It also clearly articulates certain policies regarding energy and the energy regulatory construct. As noted, the PUC considers the public interest and state energy policy when administering our enabling statutes, and will consider how EO 20-04’s directives and articulations of the public interest and state policy affect our work with thoughtful consideration and input from our stakeholders.

To start the conversation with stakeholders about our response to EO 20-04, we propose providing an initial opportunity for comment on this report. We propose to invite written comment on this report and the PUC’s proposed actions to implement EO 20-04 by June 15,

2020, as well as oral comments at our June 30, 2020 Public Meeting. We welcome comments on priorities and recommendations on how the PUC should balance and focus its resources during summer 2020. Comments should focus on the general proposed public process about EO 20-04, and how the PUC should prioritize initiating the required wildfire and impacted communities public processes and moving forward with consideration of emission reductions in existing and new regulatory proceedings. Based on the feedback received, the PUC will determine next steps, from scheduling additional public processes specific to implementation of EO 20-04 or directing Commission Staff or our Executive Office to develop straw proposals for the next process steps.

As we consider design of new public processes and proceedings under EO 20-04, we are mindful of the process and participation discussion in our SB 978 report. Open and transparent public process and decision-making are an institutional strength of the PUC's, but the report found that many of the PUC's traditional processes are not perceived as accessible to new stakeholders, particularly to community-based organizations. The report identified education, outreach, and funding as ways to reduce barriers to access.

Since the SB 978 Report, the PUC has put those findings in action. The PUC has created informal, non-regulatory forums for education and collaboration,³ produced new educational materials, provided stakeholder training,⁴ and began to revitalize forums for working with stakeholders.⁵ The PUC will continue to work to expand access to PUC proceedings with links to EO 20-04. Social distancing in response to COVID-19 will limit some of the PUC's options, but experience with new technology options may ultimately help the PUC expand access even after the health emergency.

Finally, we acknowledge the interest and need for intervenor funding opportunities for community-based organizations to participate in PUC proceedings. We will continue to foster dialogue on this topic, and attempt to work through these issues consistent with our existing legal framework.

³ For example, we have hosted educational forums on distributed system planning and transmission systems, and are utilizing facilitated workshops for our investigation into the Carrier of Last Resort Obligations required by House Bill 3065 (2019).

⁴ The PUC has developed educational materials on utility regulation, smart meters, distributed resource planning, telecommunication assistance programs, and our Administrative Hearings Division hosted a new stakeholder training to help better educate new participants to our processes.

⁵ As noted above, we recently created an agency Low-Income Roundtable and have held informal discussions with low-income representatives, and have begun efforts to refocus the Portfolio Options Committee. We also modified our Internal Operating Guidelines clarify the role of non-party participation in contested case proceedings and to better ensure that public comments are part of the evidentiary record for Commission consideration during decision-making.