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Co-Chair Senator Michael Dembrow
Co-Chair Representative Karin Power
Joint Committee on Carbon Reduction
Oregon State Capitol
900 Court St NE Rm. 347
Salem, OR 97301

RE: Clatskanie People's Utility District testimony before the Joint Committee on Carbon Reduction

Co-Chairs Dembrow and Power and Members of the Committee, for the record my name is Paul Dockery and I am here today representing Clatskanie People's Utility District (CPUD). I am the Power Manager for CPUD, and in that role am responsible for power supply, industrial customer contracts, and all retail rates. CPUD is one of six (6) electric PUDs in Oregon. CPUD serves the communities and surrounding areas of Rainier, Westport, and Clatskanie. Like Oregon's other 35 consumer-owned utilities (COUs), CPUD is a public, not-for-profit utility, governed by our locally-elected Board of Directors and serving our customers with rates based on the cost of providing services. This means that our customers share in the benefits and costs associated with different energy policies.

In addition to serving residential customers, our industrial customers include two Oregon paper mills. We meet the power, transmission, and distribution needs of the Wauna paper mill located within our service territory and we provide transmission and power supply services for the Halsey paper mill in cooperation with the local consumer owned utility which meets the Halsey paper mill's distribution needs.

The majority of the power supply we use to provide electric service is near-zero carbon from our long-term agreement with the Bonneville Power Administration. In order to meet the needs of our customers that exceed our power supply from the Bonneville Power Administration, we have two other long-term power supply contracts. One of the contracts is for the power output of a zero-carbon hydroelectric facility located on the Boise River in Idaho. The other agreement is for half of the electric output of a cogeneration facility located at the Wauna mill whose primary fuel source is biomass.

Before I provide comments on the proposed legislation, I would like to clarify that CPUD is only one utility, and has a unique customer base that will be impacted differently than nearly every COU in the state. I encourage you to consider input from my peers at other consumer owned utilities.

In my testimony today I would like to touch briefly on three areas:

1. First, the proposed legislation's impact on the value of CPUD's power supply;
2. Second, seeking clarification by the committee on allowance allocation for exempted utilities; and
3. Third, the potential impact to our customers, both residential and industrial.

With regards to CPUD's power supply, we have a portfolio of long-term contracts to serve our load with low carbon intensity. We are keenly interested in legislation that accurately assesses value for our resources' environmental attributes.

Based on our analysis, we believe the currently proposed, market-based approach successfully sends a price signal to electric generators which will be a benefit to the District's power supply and provide a corresponding benefit to our customers' rates. This is contingent on a rational implementation of the program in rule-making and we look forward to working with the committee and the Carbon Policy Office to ensure the program both sends a price signal upstream and accurately calculates carbon emissions.

The second area I'd like to touch briefly on is to ask the committee to clarify in the legislation the allocation of allowances for exempted consumer owned utilities with emissions less than 25,000 $mtCO_2$ per year. As I understand the current proposal, an exempted utility would receive no allowances, even if subsequently incurs a compliance obligation. There are many reasons an exempted utility could trigger emissions above the exemption limit in a future compliance period, including a combination of load growth, low hydro conditions, or unforeseen market conditions. In most cases, the limit would only be slightly exceeded, but under the proposed program the full burden would be borne without any allowances to offset. We would like to work with the committee to develop measures that incorporate an equitable way to allocate a portion of allowances in the event an exempt utility exceeds the exemption limit in a future compliance period.

The last area I'd like to comment on is the indirect impact the proposed legislation could have on our industrial customers and our entire customer base. Ninety percent of our retail sales are to industrial customers. The Wauna paper mill is the largest employer in our service territory and accounts for sixty-five percent of our total retail load. Both the Wauna and Halsey paper mills use an energy intensive process to produce a product in a highly competitive, trade-exposed market. Moreover, they have robust competition from producers of the same product outside the state of Oregon.

Clatskanie PUD and the communities we serve are highly sensitive to mill operations. <u>From a purely rate-setting perspective, we have estimated that the shuttering of both the Halsey and Wauna mills would result in an immediate doubling of our residential rates</u>. The Wauna mill contributes to the local economy through its employment of approximately 750 people with an annual payroll of roughly $88 million and $2.8 million of annual property taxes.

Doubling our customers' electric bills at the same time as the largest employer in the community closes would be devastating. We know of multiple COUs which have similar concerns. We understand the committee is concerned with potential impacts on all electric customers, from low-income residents to important regional employers. In order to assess those concerns, it's important that we understand both the point of regulation and long-term consequences of such regulation on all customers.

Clatskanie PUD asks that the Joint Committee on Carbon Reduction craft responsible and rational protections for emissions-intensive, trade-exposed processes. The Halsey and Wauna mills are served by low-carbon resources. Asymmetric emission restrictions between jurisdictions may result in the shifting of production to regions with high-emission resources. This phenomenon is often described in the academic term of leakage which desensitizes the very harsh impacts on communities and, in this case, such a shift would ultimately increase greenhouse gas emissions at the expense of our customers.

Thank you for the opportunity to speak on this very important issue to our community and I am happy to answer any questions.