



Oregon Greenhouse Gas Reporting Advisory Committee

Draft Meeting Notes

January 21, 2010

DEQ Headquarters

9:00 a.m. – 12:15 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 fourth meeting. DEQ staff responses to questions and comments are shown in *italics*. These are the responses DEQ provided to the committee at the meeting and not official DEQ responses.

Attendance

Advisory committee members

Mark Reeve, Chair - Reeve Kearns PC	Kathryn VanNatta - Northwest Pulp and Paper Association
Michael Armstrong - City of Portland Office of Sustainable Development	Tom Wood - Stoel Rives/Ash Grove Cement
Pam Barrow - Northwest Food Processors Association	<u>Member substitutes and additional representation</u>
Shanna Brownstein - The Climate Trust/The Offset Quality Initiative	Lana Butterfield - Northwest Propane Gas Association
Angus Duncan - Bonneville Environmental Foundation	BJ Moghadam, PacifiCorp
Jim Edelson - Oregon Interfaith Global Warming Campaign	Paul Romain - Oregon Petroleum Association
Ed Elliott - Northwest Propane Gas Association	Lance Woodbury - Oregon Petroleum Association
Sandy Flicker - Oregon Rural Electric Cooperative Association	<u>Others in attendance</u>
Lee Fortier - Dry Creek Landfill	Maureen Bock - Oregon Department of Transportation
Brock Howell - Environment Oregon	Andrea Curtis - DEQ
Brendan McCarthy - Portland General Electric	Bill Drumheller - Oregon Department of Energy
Holly Meyer - NW Natural	Maury Galbraith, Oregon Public Utility Commission
Tom O'Connor - Oregon Municipal Electric Utilities Association	Merlyn Hough - Lane Regional Air Protection Agency
Danelle Romain - Oregon People’s Utility District Association; Oregon Petroleum Association	Uri Papish - DEQ
Scott Stewart - Intel Corporation	

Approve meeting notes from November 16, 2009

Mr. Reeve requested approval of the draft notes for the November meeting. The committee approved the notes with the following revisions: 1. Show that italicized responses in the notes are DEQ staff responses during the meeting and not official DEQ responses. 2. Strike the statement that propane is becoming a significant motor vehicle fuel for some fleet operations and its use in emerging markets is increasing. 3. Revise the number of Oregon propane dealers from twenty five to seventeen.

Updates on project timeline, rulemaking for year one fees and workgroup sessions

Mr. Reeve gave an overview of changes to the project schedule including the need for additional committee meetings. The committee cancelled its December meeting. Instead, DEQ convened workgroups with

representatives from electricity and fuel sectors. DEQ believes the committee needs two more meetings to resolve remaining issues. DEQ will propose meeting dates to the committee via e-mail.

Mr. Papish gave an overview of the rulemaking for year one fees and the workgroup sessions.

- EQC adopted temporary rules for year one fees in December 2009. DEQ issued invoices to sources it anticipated would likely meet the reporting threshold.
- DEQ plans to include a requirement for continuous reporting in its follow up, regular rulemaking proposal. A source subject to reporting that drops below the emissions threshold would need to continue to report until emissions are below the threshold for three consecutive years. The existing reporting rules are problematic because reporters near the threshold could drop in and out of the program if emissions vary from one year to the next.
- DEQ created a straw proposal of tentative reporting requirements based on options and concerns identified at the electricity and fuel workgroups. Recordings of meetings are available upon request. DEQ intends to provide the committee a conceptual rule outline at the next meeting.

Members requested clarification of the fee period and refund process. *DEQ response: The fee adopted in the temporary rule is for the 2010 calendar year. Sources that shut down or don't meet the threshold in 2009 and anticipate they won't meet the threshold in 2010 can appeal the invoice. DEQ included a letter with invoices requesting sources to call DEQ to appeal the invoice. DEQ will refund fees paid by sources that are below the threshold in 2010. As authorized by rule, DEQ intends to collect the fee for 2010 from all sources that exceed the threshold in 2010.*

As requested by committee members, DEQ will provide the committee the EQC staff report containing the distribution of fees predicted by DEQ in December 2009 and a list of sources invoiced with invoice amounts. DEQ was conservative in estimating the quantity of sources subject to fees. DEQ issued approximately 170 invoices; however, a number of sources appealed the invoice.

Straw proposal: Reporting requirements for power importers and fuel distributors

Ms. Curtis gave an overview of DEQ's straw proposal.

Gasoline, diesel and heating oils

Terminals and bulk plants hold air quality permits and already report fuel throughput to DEQ. DEQ felt it might be practical to require greenhouse gas reporting from these sources. To avoid double counting of fuels, since bulk plants purchase fuels from terminals, DEQ could require bulk plants to report aggregated number of fuels purchased from in-state terminals. DEQ would also need to subtract out fuel quantities reported by stationary sources from fuel quantities reported by terminals. DEQ will continue workgroup sessions with fuels stakeholders outside of the full committee to focus on efficient reporting options.

- A member commented sources may purchase large diesel quantities from terminals and store the fuel onsite for years. Fuel may be better tracked if reported when burned rather than when purchased. *DEQ response: DEQ would assume quantities reported by terminals were burned during the year. This assumption could result in inaccuracies for a given year, but this may balance out over time.*
- A member asked how certain fuel types would be captured, such as biodiesel, to align the greenhouse gas reporting program with the Oregon Low Carbon Fuel Standard. *DEQ response: DEQ would like greenhouse gas reporting and the Low Carbon Fuel Standard to affect the same entities, but due to timing and differences in the programs, DEQ wouldn't collect the same level of information from greenhouse gas reporters. Unlike the Low Carbon Fuel Standard, the greenhouse gas reporting program won't evaluate life-cycle carbon content of fuels. Greenhouse gas reporters would provide quantities of fuel by fuel type and apply emissions factors used by EPA.*
- A member commented reporting from terminals and bulk plants would not provide an accurate picture of gasoline fuels consumed in Oregon because terminals export fuel, bulk plants exchange fuel and some fuels from out-of-state terminals are imported for use in Oregon. There would be a high incidence of duplicative reporting. As an alternative, the member suggested DEQ evaluate quantities of taxable

gasoline reported to the Oregon Department of Transportation because the information is already reported and we can assume the fuel quantities are consumed in Oregon. The ODOT reports include fuel exports, imports, inventory and sales including sales for farms, school districts and gas stations.

- Members suggested DEQ consider the weight mile tax for an accurate assessment of diesel consumed in Oregon. The weight mile tax considers vehicle mileage and miles traveled in Oregon, rather than quantities of fuel purchased. The majority of diesel fuels are sold to truckers, which travel out of state. A member noted Oregon doesn't have complete reporting of red dye fuel (e.g. heating oil, farming and marine fueling). Red dye fuel is the smallest portion of diesel used in the state. It was suggested DEQ consider quantifying quantities of red dye fuel at the terminal level, such as the percent of red dye fuel sold at the terminal relative to total diesel sales. It was also suggested ODOT revised its gas tax reports to include diesel fuels and DEQ use the gas tax reports.

Natural gas

The tentative reporting requirements apply to natural gas suppliers in Oregon that will be reporting to EPA. DEQ would like to align state reporting requirements with reporting to EPA as much as possible, with fuel delineated for Oregon. DEQ will continue workgroups with natural gas representatives on reporting details. One of DEQ's concerns is several entities bypass the natural gas suppliers; these sources have a direct connection to pipelines and likely already report natural gas combustion to DEQ under the stationary source rules.

A member representing a natural gas company commented it might be possible for suppliers to provide customer names to avoid duplicative counting of natural gas emissions.

Liquefied petroleum gas

DEQ considered two options for reporting of propane fuel. DEQ could use reports from the American Petroleum Institute or require reporting from propane wholesalers. DEQ has several concerns with using reports from the institute. Since reporting by propane dealers to the institute is voluntary, the institute estimates total sales from non-reporters through extrapolation. Although the data may be accurate, DEQ doesn't have a way to certify and verify its accuracy. In addition, the report has a one-year data lag, which would delay DEQ's ability to collect and evaluate the data.

As requested by members, DEQ will strike the statement from the straw proposal that there may be an incentive to misreport to the institute. A member explained that rebates determined through reporting to the institute go to the state association, not propane dealers. Members representing the propane association felt that DEQ's concerns with using reports from the institute could be overcome, but are agreeable to reporting by wholesalers if DEQ can't use the institute's report.

Electricity

The statute is specific in what EQC can require from investor and consumer owned utilities. Although EQC has broad authority in what it can require from electricity service suppliers, DEQ intends to require the same information from suppliers as it will require from investor owned utilities. DEQ will continue workgroups with utility stakeholders to discuss key issues, including how to collect sulfur hexafluoride emissions and how to establish emission factors. One of DEQ's concerns is the emissions factor should not create an incentive to report known power as system power.

- A member asked if we could impute a transmission line loss factor for electricity service suppliers. *DEQ response: DEQ could use an imputed value. Most electricity is transported by Bonneville Power Administration and the administration may provide DEQ information on line loss and sulfur hexafluoride losses voluntarily. Although DEQ would like to collect information on transmission equipment losses for all power consumed in Oregon, the statute limits DEQ to collect information on transmission line losses for equipment located in Oregon.*
- A member suggested DEQ require estimates of line losses from electricity service suppliers and consumer owned utilities since DEQ would require this from investor owned utilities. *DEQ response: DEQ isn't opposed to the suggestion, but will need to evaluate the details to do that.*

- A member commented the sum of power generated and power purchased is not equivalent to Oregon's consumption. We need to identify power used to serve load, rather than power sales. Utilities frequently make wholesale sales to other companies.
- A member commented that harmonizing Oregon's reporting requirements with other protocols would benefit reporters who have reporting obligations to other jurisdictions. For example, Portland General Electric has reporting obligations to California. *DEQ response: DEQ will consider whether we could modify California's reports to work for Oregon.*
- Members want to ensure consumer owned utilities aren't penalized for not having fuel type information for purchased power. Utilities can't compel Bonneville Power Administration or other power suppliers to provide fuel type information. *DEQ response: Bonneville Power Administration may report fuel type voluntarily, when its known. DEQ has concerns about the accuracy of information report by the administration on behalf of utilities and needs to determine who would certify reports. The administration may not want to certify that it supplied all of a utility's power. Utilities would have an obligation to report power purchased from suppliers other than the administration.*
- A member noted there is a Washington cooperative that has a small customer base in Oregon, is not a member of the Oregon association and may not be aware of DEQ's proposal.
- Members representing consumer owned utilities would like to use existing forms, if possible, to reduce the administrative burden of reporting. Information needed by DEQ could be added as line items to the form. At the time Senate Bill 38 was introduced and adopted, utility representatives discussed using the Oregon Public Utility Commission statistics report. The report contains everything except contract type with Bonneville Power Administration. *DEQ response: DEQ will evaluate the report suggested by members.*

Public comment

No persons signed up to provide public comment.

Future years fees and permanent rulemaking

Mr. Papish described possible scenarios for the permanent rulemaking. The temporary rules for year one fees (2010 fees) expire in June 2010. DEQ will propose regular, permanent rulemaking in 2010 for year one fees and future years' fees. Although the rulemaking will bring in additional reporters, EQC lacks legislative authority to establish fees for unpermitted sources. If DEQ required reporting from terminals and bulk plants, which hold permits with DEQ, EQC might have authority to charge fees to these sources. This option would reduce the fees for current reporters. However, the committee identified several problems with this option. If DEQ doesn't charge fees to this subset of new reporters, it could continue using the fee structure established for year one or consider a different structure. The earliest EQC could receive legislative authority to assess fees to all of the new reporters is the 2011 session. Until then, DEQ is limited to the universe of existing reporters.

As described earlier in the meeting, DEQ would like the rulemaking to include a requirement that reporters who reduce emissions below the threshold continue to report for three years. This would prevent confusion for sources and DEQ about the need to report from year to year.

- Members suggested DEQ consider options to collect money from the Oregon Department of Transportation. *DEQ response: DEQ will evaluate this option; however, there may be legal issues in terms of how ODOT may spend its funds. The option would require ODOT to transfer funds away from its programs.*
- A member commented that reporters have the impression they are subject to year one fees if they met the threshold in 2009. *DEQ response: DEQ expects sources who emitted over the threshold in 2009 to pay year one fees unless the source is shutdown. If DEQ finds that a source who paid the invoice is below the threshold in 2010, DEQ will refund the fees.*

- A member suggested the refund mechanism be clear in the rule, including a deadline for refunds.
- A member commented that fees for the second year of the program would be issued to reporters in fall 2010, but DEQ won't yet have a full year of data collected to base fees on. Mr. Reeve commented that the committee needs a finer understanding of the source universe by the next meeting. *DEQ response: DEQ is working to identify sources subject to the proposed fees for future years. It will be difficult to change the fee structure without complete data. The source universe will likely be close to DEQ's estimations for year one unless new reporters are subject to fees. DEQ would like to continue using the fee structure recommended by the committee for year one unless the committee wishes to develop a new structure. If additional reporters are subject to fees, DEQ could lower the cap or reduce the percent of the fee.*
- A member suggested DEQ not have an aggressive enforcement process regarding the upcoming reporting deadlines. Members suggested DEQ perform additional outreach to sources about the reporting requirements before the deadlines. *DEQ response: DEQ identified sources it anticipates are subject to reporting and will contact sources who don't submit a report. DEQ will be as flexible as possible in the first year of the program, and has made information available to sources on its website, at workshops and encourages sources to call staff with questions.*
- A member heard DEQ's EZ-Filer web-based reporting system was down and was concerned this could interfere with reporting. Members have concerns about the security of the EZ-Filer system since any person could create an account and potentially falsely report for a permitted source. *DEQ response: DEQ will investigate issues with EZ-Filer. Once a user establishes an account, its password protected.*

Committee recommendations on conceptual plan

DEQ will continue discussions with stakeholder workgroups and return to the committee with a revised straw proposal for review, comments and approval.

Adjourn