



Testimony by Craig Campbell before the House Committee on Energy and Environment in Support of HB 4126 with the -3 amendment on February 6, 2014

Mr. Chair, members of the Committee:

My name is Craig Campbell and I am here on behalf of Umatilla Electric Cooperative in support of HB 4126 with the –3 amendments. Before I go into the details of our reasons for supporting the bill and the concerns that led up to our participation in the negotiations that resulted in HB 4126, I wanted to take the opportunity to thank Representative Greg Smith, Margi Hoffman from the Governor’s office for their leadership, Mark Mayer from Legislative Counsel who did phenomenal work, and the members of the work group. Coming from at times vastly different perspectives, the members of the working group stepped outside of their comfort zone to offer constructive ideas and input and it was a good example of what can happen when groups work together to solve problems rather than work at cross purposes and stick to traditional lines of disagreement.

I wanted to add an additional thank you to the Department of Energy and in particular Julie Peacock for the work she did in modeling the anticipated impacts of the options we worked through. It helped immensely.

HB 4126 with addresses a problem that is facing Umatilla Electric Cooperative. As a small utility that is finding itself providing much higher levels of energy due to the location of data farms in our service territory, we were looking at the prospect of having to meet the more onerous standards of a large utility under the Renewable Portfolio Standard with a customer base of only 10,000 rural customers many of which are farmers and irrigators.

Since 2011 we have unsuccessfully attempted to address this issue through legislation but it has been difficult to do so because of a variety of reasons, not the least of which was concern that our efforts were directed at overturning the renewable portfolio standard, rather than just to address the problem we were facing, a small utility in rural Oregon being treated as a large utility. Our issue was a result of an unforeseen series of events that could not have been anticipated by the drafters of the renewable portfolio standard in 2007. The workgroup provided some thoughtful discussion and a workable solution was developed.

Different utilities operate under different business models. Each one has its advantages and disadvantages. As a result, solutions that work for one utility may have little or no benefit for another, and may even create unanticipated adverse impacts for them. Umatilla Electric Cooperative does not own energy generation facilities, we cannot take full advantage of state and federal tax credits, and production tax credits, and we are a not for profit electric utility, consumer owned. We charge our customers what it costs to provide them energy, so when our costs go up, we don’t have many tools to cushion our customers from the adverse impacts of those increased

costs. That being said, we do have the benefit of lower cost hydro energy from the Bonneville Power Administration which accounts for about 85% of our power supply, though that and a variety of other reasons means that the incremental costs of UEC's compliance with the Renewable Portfolio Standard is higher than that for the Investor Owned Utilities, modeled by the ODOE during discussions, by as much as 115%. So, for us a flexible solution was critical and the group comprising the Task Force was willing to work with us to create a reasonable solution while keeping the frame work of the Renewable Portfolio Standard intact.

That is what is before you in HB 4126.

HB 4126 enables us to use unbundled renewable energy certificates to meet the renewable portfolio standard until we are required to fully implement the standard in about 2038. Under the bill, we are permitted to address our 5% renewable requirement entirely through unbundled Renewable Energy Certificates. As we reach the 15% and 20% renewable requirement threshold, our ability to use Renewable Energy Certificates is reduced to 75% of our obligation. When our renewable obligation reaches the final goal of 25% of our energy supply, we are put on equal footing to all other large utilities in that we can only meet 20% of our renewable obligation through Renewable Energy Certificates.

This does not diminish our RPS obligations, but rather it provides us with some flexibility, and we hope a less expensive way of meeting the obligations required of a large utility under the Oregon RPS.

Thank you for allowing me the time to come before you today, I would urge your support of HB 4126 with the -3 amendments and I am happy to answer any questions.