



Before the
Senate Interim Committee on Environment and Natural Resources

Prepared Remarks of Northwest & Intermountain Power Producers Coalition
on
Federal Clean Power Plan Rule
September 29, 2015

Chair Edwards, Chair Vega Pederson, and Committee Members:

My name is Carl Fink, with Blue Planet Energy Law, and I am here today on behalf of the Northwest and Intermountain Power Producers Coalition, which is an umbrella group representing independent power producers, or IPPs, in the Pacific Northwest, as well as energy marketers serving Oregon.

Independent power producers have developed 3152 MW of capacity currently operating in Oregon – about 60 percent of all generation capacity within the state. Three of those plants are gas fired generation with 1715 MW of capacity, accounting for more than half of all thermal generation in Oregon, inclusive of the Boardman coal plant. These include Iberdrola’s 536 MW cogeneration plant and 100 MW peaker units in Klamath Falls, as well as Perinneeal Power’s 474 MW plant and Calpine’s 635 MW plant, both located in Northeastern Oregon near Hermiston. ***IPPs are responsible for a larger share of generation in Oregon than the utilities, both in terms of total generation and with respect to thermal generation subject to the Federal Clean Power Plan.***

As independent power producers, we do not have ratepayers, and we do not have a guaranteed opportunity to earn a return on investment; rather we bear the risks of investments ourselves. But because we put our own capital at risk, we also are responsible for many of the major innovations in energy technology. Independent power producers developed the very first utility-scale wind generation in Oregon, the Vancycle Project, back in 1998, and a large percentage of the wind projects since that time. Independent power producers developed the first utility scale solar generation projects, and the bulk of the solar projects since that time. The same is generally true throughout the country: Independent power producers have been at the leading edge of developing low-cost and low carbon generation.

NIPPC believes that a mass-based, regional trading program is the best way for Oregon to implement the requirements of the Clean Power Plan. However, NIPPC believes that any plan adopted – whether a regional plan or one limited to Oregon– should include at least the following four principles:



First, any CPP mechanism adopted by Oregon needs to take into account that more than half of all generation is independent, and that IPPs do not have ratepayers. We do not expect Oregon to impose compliance costs on thermal generation by the utilities, but not on thermal generation by IPPs. But at the same time, the mechanism under which such costs are imposed, and benefits allocated, must take into account the difference between the participants. A competitive advantage or disadvantage should not be created for any entity. For example, Oregon should not impose costs on all generators, but then use any compliance revenue to lower utility customer rates without a mechanism to also return an appropriate share to IPPs. In particular, Oregon should not adopt the approach taken by California when it set up its cap and trade system whereby utilities are granted allowances to be sold at auction, with proceeds holding the utilities relatively harmless from the compliance costs, while independent generators did not receive similar allowance allocations and where required to bear all costs directly.

Second: the Energy Facility Siting Counsel (“EFSC”) mechanism set forth in Chapter 469, Section 503 should be recognized and maintained. Oregon was a pioneer in carbon policy, and created a mechanism under which all power plants must meet stringent carbon emissions standards in order to be permitted in the first instance; such standards must be met directly, or may be met by creating or funding the creation of emission offset projects that create real and verifiable decreases in carbon. And, its important to note that the Oregon standards are actually *more stringent* than the requirements of the Federal Clean Power Plan CPP, or even the federal requirements for new generation set out in Section 111(B) of the Clean Air Act. As a result, each of the thermal IPPs operating in Oregon has already offset, or paid to offset, its emissions to reach the stringent standard. These contributions must be recognized.

Third, and related to the EFSC issue, Oregon must insure there is parity between Federal Clean Power Plan costs on new generation and existing generation. Although the Federal Clean Power Plan only technically applies to existing generation, it requires states to address the potential “leakage” that could occur to the extent it becomes cheaper to build and dispatch a new plant in place of the old, simply to take into account disparate carbon treatment. One mechanism to achieve this parity is to update the EFSC Section 503 requirement for siting new plants to ensure parity with any Clean Power Plan costs borne by existing generation.

Our **fourth** issue is harmonization with other states to ensure Oregon generators are not required to pay three times for the same carbon emission, especially for exported power, nor be artificially undercut by out-of-state imported power that faces a less-costly compliance regime. As noted, Oregon generators have already



paid to ensure a low-carbon footprint once, through the EFSC process. To the extent Oregon imposes additional compliance costs on generators as a result of the Federal Clean Power Plan, we will pay a second time.

But, much of the power used in Oregon comes from other states, and much of the power generated in Oregon is consumed in other states, especially California. Power imported into Oregon may not bear the EFSC costs Oregon generators have already paid. But, when Oregon generators export power to California, California imposes a carbon fee on such generation. That fee is real, and costly – and would represent the third time an Oregon generator would pay for the cost to mitigate the environmental impact of the same tonne of carbon emissions. Given the head room Oregon has to meet its Federal Clean Power Plan obligations, the state should work to ensure that its generators receive credits for costs already incurred for the mitigation of the environmental impact of carbon emissions.

NIPPC anticipates it will be prepared to support any mechanism that meets the aforementioned goals. We believe that a mass-based, multi-state trading program will be the easiest and most cost effective mechanism for complying with the Federal Clean Power Plan. Because of Oregon's forward thinking, we are in a position to meet our Federal Clean Power Plan obligations, and a multi-state trading system will allow Oregon to assist other states to meet obligations as well. Moreover, this is an economic development opportunity for Oregon. However Oregon would choose to use proceeds of a trading system – be it investment in the next generation of low-carbon energy, incenting industrial fuel efficiency, improving transportation, environmental justice, or any other use of funds, a trading system would provide an opportunity for economic development within the state.

Sincerely,

/s

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