State officials say Oregon energy bill would boost rates, wouldn't cut emissions

From the Desk of
Senator Ted Ferrioli

PGE and PacifiCorp would be required to stop serving Oregon electricity demand with coal fired power plants by 2035 under a bill proposed for the 2016 legislative session. This file photo shows PGE's coal plant in Boardman, which is slated to shut in 2020. *((The Oregonian/Brent Wojahn))*

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State utility regulators have expressed deep reservations to Gov. Kate Brown about a proposed bill that would fundamentally restructure Oregon's energy supply by 2040, eliminating coal-fired power and forcing utilities to serve half their customers' demand with renewable power.

Commissioners and staff at the Oregon Public Utility Commission believe the bill would increase electricity costs and shift risk from utilities to ratepayers. They also say it wouldn't actually reduce carbon dioxide emissions, according to communications released to The Oregonian/OregonLive in response to a public records request.

The commissioners prepared those talking points to respond to the media and legislator calls they expected when utilities and environmental groups released their Clean Energy and Coal Transition Plan earlier this month. But the governor's office directed the commissioners, whose primary charge is protecting consumer interests, not to share any of its feedback publicly.

"I don't have dispensation to speak," Susan Ackerman, the chair of the commission, told The Oregonian/Oregonlive on Friday. "The governor can fire any of us at any time."

The commission has scheduled a January 29 hearing to get input on the bill from utilities. But the timing leaves a single week before a legislative body with little industry expertise will be asked to consider what may the biggest change in history to the state's energy policy – and to consider it in a session that lasts only a month.

Chris Pair, a spokesman for the governor, denied that there was a gag order on the commissioners. Pair said they had just been encouraged to provide "further analysis with complete data once there was actual legislation drafted and introduced before providing conclusions to the media or legislators."

Pair said the governor's energy advisor, Ruchi Sadhir, and chief of staff, Kristen Leonard, had been briefed by members of the group who developed the the plan. The Legislative Counsel's office said a draft of the bill would be available January 22nd.

"The Governor supports charting a course to lower greenhouse gas emissions and believes expanding the availability of renewable energy in Oregon is one way to make a meaningful impact," Pair said.

The bill was negotiated behind closed doors between utilities and environmental groups. It is being sponsored by Rep. Jessica Vega Pederson, D-Portland, chair of the House Energy and Environment Committee and the former political chair of the Sierra Club, which is part of the broad environmental and utility lobby backing the proposal. Vega Pederson could not be reached Friday.

The environmental groups backing the bill were gathering signatures for proposed ballot measures next November that contained even more aggressive renewable energy and anti-coal mandates. They have agreed to drop those efforts if the bill passes.

Utilities contend that the compromise they've negotiated is better for ratepayers than the alternative, and could be accomplished without impacting grid reliability or significantly increasing costs.

But John Savage, the longest serving of Oregon's three utility commissioners, told the governor's energy advisor in a Dec. 17 email that he had two significant concerns. "It won't alter one bit what coal plants run and what are shut down regardless of what folks say. With or without the bill, what plants are shut down and when will be determined by what happens in other states and for other reasons (e.g. EPA regulations). So, I see absolutely no carbon benefit."

He also said Oregon would be forced to "substitute higher cost resources for cheap, fully amortized coal which will drive up rates for no good reason."

The talking points Ackerman e-mailed to the governor's chief of staff January 6 said the commission had been shut out of the discussions. "We think also industrial customers, consumer owned utilities, independent power producers, and community solar advocates were shut out. We believe that no one on the group that crafted the bill represented the public interest in the discussion."

That's not entirely true. The state's advocacy group for residential ratepayers, the Citizen's Utility Board, was party to the negotiations. But the group had already signed on to support the more aggressive ballot measures, and has routinely allied itself with environmental and renewable energy advocates.

CUB's executive director, Bob Jenks, did not return calls Friday for comment.

The energy bill is effectively a new electricity-procurement standard. It would force Portland General Electric and PacifiCorp, which together serve 70 percent of the state, to stop importing "coal by wire" from other states, and boost the percentage of demand served with renewable resources like wind and solar to 50 percent by 2040. That's an increase from the current standard, which calls for 25 percent by 2025.

It's not clear the goal will be enforceable, since it's not possible to discriminate between electrons at the state border. Regardless, it would be a massive shift for PacifiCorp, which today serves roughly 60 percent of customers' demand with coal-fired plants spread over five western states.

The mandate could also blow up the formula the company uses to allocate costs among customers in its six-state operating territory, forcing Oregon customers to shoulder higher costs for new renewables developed to meet its mandates.

PGE has a lesser but still significant exposure to coal, both through its ownership of coal-fired plants in Oregon and Montana and its big purchases of power in the wholesale market.

Financial analysts believe the legislation has a major financial upside for the utilities and their shareholders, if not ratepayers.

"This legislation would present (PGE) with a major opportunity," a team of analysts from UBS Securities said in a Jan. 15 research note to investors. Every 5 percent increase in the state's renewable mandate, they said, translates into roughly 300 megawatts of new renewable power that PGE would have to acquire.

They estimated that would require an extra $3 to $5 billion of capital investment by the utility through 2040, "a portion of which is likely to be rate based...The continued trajectory for renewable investments is the primary benefit of the strategy."

Robert Kahn, head of an advocacy group for independent power producers, the Northwest & Intermountain Power Producers Coalition, said it was disappointing there was no explicit guarantee in the proposal that replacement power would be procured in competition with other power producers.

"We know the utilities are licking their chops to build all this stuff," he said.

Backers of previous efforts to increase Oregon's renewable energy mandates have suggested they could bring a new wave of investment to rural counties as utilities build new wind and solar installations. While that could happen, most of the sites with good wind and proximity to transmission lines on the Columbia Plateau have been spoken for, and utilities don't want to concentrate too much of their wind turbine fleet in any given area.

Accessing out-of-state resources and eastern Oregon solar means potentially significant investment in new transmission lines, energy storage and gas-fired power generators that could back up intermittent solar and wind power.

Consumers surveyed by the Sierra Club and the utilities do express support for reducing coal-fired power and adding more renewable energy, but those preferences are tempered by their desire to keep rates low. In practice, only 12 percent of residential customers are willing to pay a premium to participate in the utilities' green power programs, in which they buy renewable energy credits to offset the carbon emissions associated with their electricity use.

Both PGE and PacifiCorp face steep costs to upgrade their existing coal-fired power plants to meet federal pollution regulations, and the federal government has started regulating emissions of carbon from existing power plants. The risk of further carbon-related costs and regulations, coupled with a steep decline in the cost of wind and solar energy, are prime reasons the utilities say the new standard could make economic sense.

PGE has already agreed to shut its coal plant in Boardman by 2020 to avoid investing in environmental upgrades. As part of the new agreement, it would stop taking power from its partial ownership of the Colstrip plant in Montana by 2035. PacifiCorp has also agreed to the accelerated shut down of a number of its coal-fired power plants.

That leaves a big hole to fill with renewable resources. The two utilities say ratepayers are protected by an existing cost cap in state law that lets them off the hook for renewables investments if they are more than 4 percent more costly than alternative sources of power. And the utilities wouldn't have add additional renewable energy if it would impact system reliability.

Ackerman, though, raised other other concerns in her email to the governor's chief of staff. "The legislation requires us to reverse or revisit commission decisions made through the OPUC's thorough and open public processes. It shifts risk from utility shareholders to consumers, it tends to protect the utilities from current competitive pressures..."

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