



Monday, February 6, 2017

The Honorable Ken Helm
Chair - House Committee on Energy and Environment
900 Court Street
Salem, OR 97301

Re: Statement of Industrial Customers of Northwest Utilities Opposition to HB 2136

Chair Helm and Members of the Committee,

The Industrial Customers of Northwest Utilities (ICNU) appreciates the opportunity to provide its perspective on HB 2136 before the Committee. ICNU is a non-profit trade association that represents large energy users with respect to their electricity rates. ICNU's members include customers of Portland General Electric Company (PGE) and PacifiCorp. ICNU opposes HB 2136 because it will significantly increase costs for electric ratepayers without any attendant benefits.

Last year, the legislature passed SB 1547, which among other things, increased Oregon's renewable portfolio standard (RPS) to 50% by 2040. Section 14 of that legislation also amended ORS 469A.210 to require that at least eight percent of the aggregate electrical capacity of PGE and PacifiCorp be composed of electricity from small-scale renewable energy projects and biomass facilities that generate thermal energy for a secondary purpose.

HB 2136 now proposes a wholesale elimination of the amendments to ORS 469A.210 that the legislature passed just last year in favor of what could be viewed as a mini-RPS for small-scale renewable energy projects – projects that tend to be far less cost-effective than large renewable facilities that benefit from economies of scale. The bill requires PGE and PacifiCorp to purchase no less than six percent of their energy needs from small-scale renewables by 2020, with steadily increasing percentages until, in 2040, these utilities must purchase 17% of their total energy needs from small-scale renewables. Not only is this unnecessary, it is also likely to be extraordinarily costly.

First, Oregon now has one of the most aggressive renewables mandates in the country. Most, if not all, of the energy mandated by HB 2136 will likely be used for RPS compliance. Couple this with a state electric generation portfolio that already is one of the least carbon-intensive in the world, and HB 2136 is unlikely to provide any incremental environmental benefits beyond what will be achieved through the existing RPS.

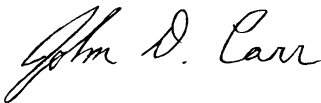
Second, Federal law, under the Public Utility Regulatory Policies Act (PURPA), already requires PGE and PacifiCorp to purchase the electric output from small-scale renewable projects. This law has achieved its goals, with nearly 60 such facilities operating in Oregon today, according to the Energy Information Administration. A separate state-level mandate is unnecessary to incentivize the development of these resources.

Third, unlike PURPA, HB 2136 contains no cost protections for customers. PURPA requires utilities to purchase the output from qualifying facilities at their "avoided cost," meaning that the price utilities pay for the energy from these facilities is the same as the price they would otherwise need to pay for an alternative source of energy. This requirement is intended to make customers indifferent to the cost of power purchased from small-scale renewable facilities.

Conversely, HB 2136 imposes its mandates regardless of the cost. Crucially, while Oregon's RPS contains a cost cap (currently set at 4% of the utility's annual revenue requirement),^{1/} HB 2136's procurement requirements would not be subject to this cap. This is because the 4% cost cap only applies to the RPS. While the energy PGE and PacifiCorp acquire from small-scale renewables under HB 2136 potentially could be used for RPS compliance purposes, HB 2136's requirements are separate and distinct from the RPS. Add to this the fact that HB 2136 imposes restrictions on the facilities that can be used to meet its requirements (through limitations on transmission), and this bill creates a situation where PGE and PacifiCorp could be forced to take the energy from a limited pool of eligible facilities at whatever price these facilities decide to charge. Those costs will, in turn, be passed on to their customers.

In closing, ICNU reminds the Committee that Oregon's "Coal-to-Clean" legislation was passed last year with very little understanding of the magnitude of costs it will impose on customers. HB 2136 is likely only to exacerbate these cost impacts without providing any customer or environmental benefits. Indeed, HB 2136 is little more than a transfer of wealth from customers to small-scale renewable developers. ICNU does not consider this to be in the public interest and would ask that the committee oppose passage of HB 2136.

Best regards,

A handwritten signature in cursive script that reads "John D. Carr".

John Carr
Executive Director
Industrial Customers of Northwest Utilities

^{1/} ORS 469A.100(1).