



Oregon Citizens' Utility Board

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Testimony of Bob Jenks
In Opposition to HB 2855
March 28, 2019

Chair Helm, Vice-Chair Reschke, Vice-Chair Schouten, and other members of the House Energy and Environment Committee, my name is Bob Jenks. I am Executive Director of the Oregon Citizens' Utility Board. CUB is an advocate for residential customers of Oregon utilities. My apologies for not being able to testify in person due to illness. I am happy to respond to any follow up questions pertaining to this written testimony by phone or email.

CUB opposes HB 2855, which modifies the general powers of the Oregon Public Utility Commission (PUC). Asking the PUC to do more to reduce greenhouse gas emissions while simultaneously asking them to do more to support customer choice and competition is problematic. The first requirement will put a thumb on the scale to ensure that utilities acquire more renewables which will commit their systems to pay for these costs over 20 to 50 years. The second requirement will put a thumb on the scale to allow customers to leave the utility system which is really asking the PUC to support deregulation. This second requirement raises serious concerns about what would be a dwindling number of customers who will pay for the renewables linked to the first requirement.

Deregulation isn't spelled out in this bill, but HB 2855 is essentially asking the PUC to support deregulation. It is important, then, to review Oregon's energy policy history on this topic. When Enron proposed retail deregulation in 1999 the Oregon Legislature rejected it with the exception of allowing some large industrial customers the option to pursue retail choices. This prevented Oregon from going through the upheaval that occurred in California and Montana, where customers faced huge rate increases and ultimately the states had to rebuild the monopoly utilities that had been dismantled.

Instead, Oregon's approach supports wholesale competition, not retail competition. This approach requires utilities to identify resource needs through their Integrated Resource Planning or IRP process which is transparent and open to stakeholder participation. Then the PUC will authorize those utilities to move forward and conduct competitive procurement through RFPs. Utilities may propose their own projects, but other market participants have a chance to show that they can supply the resource for a lower price. This is a system that has worked well for residential utility customers.

Currently, the PUC is under pressure to change this system. There are parties that want the PUC to allow renewable acquisition beyond the needs demonstrated in the IRP. There are also parties that want to go beyond wholesale competition and expand retail competition. These two competing requirements are not compatible. HB 2855's attempt to promote both is misguided and inappropriately undercuts HB 2242 which, as discussed below, is the best vehicle for equity and enhanced participation in PUC proceedings.

In the several years in the late 1990s when deregulation was being considered, utilities largely stopped making long-term commitments for power supply, whether this was a utility-built projects or power purchase agreements. And who could blame them, since without some assurance regarding the size and composition of its customer base, utilities risked stranded costs which are costs for investments that cannot be recovered from customers. In other words, new investment in generation stopped for several years while the region considered what market structure it wanted. This kind of delay could also result from HB 2855, which seems particularly unfortunate given that Oregon's major electric utilities are increasing renewables as they eliminate coal from Oregon power supply.

Requiring utilities to invest more in renewables to lower their carbon emissions at the same time that the market structure for how they recover costs is changing, creates significant risk of stranded costs. But HB 2855 does not say who is taking on that risk. CUB is concerned that in the end, residential and small business customers will be left having to pay for any and all stranded costs.

For all these reasons, CUB opposes HB 2855, but we do have the following recommendations for more effective alternative actions:

1. **Renewable procurement and carbon reduction.** The best way to encourage the PUC to do more for carbon reduction and renewable development is to pass HB 2020. The PUC is an economic regulator which oversees investments and contracts with long useful lives. Putting a value on carbon that escalates as a carbon cap declines will enhance the value of renewables and carbon reduction. Though we note, that under any circumstances we want the PUC to be empowered to reject imprudent renewable investments since utilities at times have proposed renewable projects that were appropriately rejected. Protecting customers of monopoly utilities should remain the prime responsibility of the PUC.
2. **Customer Choice and Competition.** CUB opposes changing the PUC authority to promote competition unless it is clear that this is referring to *wholesale competition* and is therefore consistent with our current regulatory system. As for customer choice, the number of customer choice options are growing. Currently customers have choices like green power options, and net metering options. Soon we will add community solar options. In addition, the PUC and PGE are working on demand response programs that give customers additional choices to supply their utilities with energy services. CUB has no problem with urging support for customer choices, but we oppose efforts to impose retail deregulation and force customers into retail electric markets.

- 3. Social Equity, Environmental Justice and Broad Participation.** CUB supports asking the Commission to do more to promote equity, justice and broad participation. However, we believe that HB 2242 is the best vehicle for achieving this goal, especially since it was developed by environmental justice and other groups representing those interests.

To summarize, CUB opposes HB 2855. We oppose retail deregulation and we believe that HB 2020 and HB 2242 will do more for reducing carbon emissions and promoting equity than this bill.

Thank you for this opportunity to testify.