



Oregon Citizens' Utility Board

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January 18, 2023

To: House Committee on Climate, Energy, and Environment
From: Bob Jenks, Executive Director, Oregon Citizens' Utility Board (CUB)
Re: House Bill 2021 (2021) Implementation

Good afternoon, Chair Marsh, Vice-Chairs Emerson Levy and Bobby Levy, and members of the Committee. It has been a while since I testified in person. HB 2021 did two really big things. First, it set the most aggressive clean energy standard in the country. Requiring utilities to reduce emissions by 80% by 2030 and 100% by 2040. Second, it reimaged the utility planning process to bring in community voices concerns and priorities.

I want to introduce, Jennifer Hill-Hart, CUB's Policy Director. I will be speaking about meeting the standard and she is going to speak about redesigning the planning process.

HB 2021 was designed to be consistent with the coal to clean law, which requires Oregon utilities to stop serving customers with coal by 2030. Much of the decrease in emissions by 2030 will come from replacing the coal power that served Oregon customers.

One question today is, how are we doing.

While we are early in implementation, we have already begun to reduce coal generation. HB 2021 established a historic emissions baseline that included a great deal of coal generation. PGE closed the Boardman coal plant, its largest generating plant, and PacifiCorp has stopped burning coal at Naughton 3. PGE's most recent reported emissions were 26% below the baseline and PacifiCorp's was 9% below the baseline.

We are making progress and are taking additional steps to support this coal phase out.

* Since HB 2021 passed, both PGE and PAC have accelerated the depreciation of Colstrip, a large coal facility in Montana. Paying off the plant by 2025 removes a barrier to closing it. PAC commissioned a new decommissioning study for its coal plants, and we are working to update decommissioning costs for its coal plants. Accelerating depreciation and update decommissioning does not generate press and has very low visibility, but it is vital. A new EV has lower operating costs than an internal combustion engine, but it is hard to buy a new EV while you still have car payments from an internal combustion vehicle.

*In this year's PacifiCorp rate case, the Commission approved plans to end the burning of coal at Jim Bridger 1 this year.

We are making progress in reducing coal generation. Boardman was the easiest coal plant to deal with because it primarily served Oregon customers. The other coal plants serve multiple utilities and/or multiple states. Getting out of these coal plants is harder because

we must work with other states and utilities. With PacifiCorp, we have been trying to create incentives for other states to agree to close the plants rather than have other states simply pick up our share. We knew this was a difficult process and that is one of the reasons that HB 2021 did not include an interim target before 2030. This process has, quite frankly been slower than we would like. But regardless of other states and utilities, Oregon will no longer be served by coal after 2030. It the law.

Closing coal plants has added costs to rates. Accelerating depreciation and update decommissioning add costs to rates. But these are necessary steps in transitioning to a clean future. These are not large increases, but they are increases.

And rate increases are what I am most worried about right now. How do we manage rates, so that we can afford to make this transition. PacifiCorp customers got a 21% increase this month, and it would have been higher, but they agreed to delay some cost recovery until after the winter heating season. Once the winter heating season is over, there will be another increase. PGE rates increased by just 7%, but this was on top of another increase earlier in 2022 and they will be seeking a large increase later this year. On the natural gas side, increases have been even higher.

These increases are mostly caused by the increased cost of power, the impact of the Ukraine war on gas prices, general inflation, and supply chain difficulties -- but they include additional costs to meet HB 2021, costs associated with repairing damage from wildfires and hardening their systems in the face of wildfires. And all the other demands on their systems: EVs, storage, resiliency, new renewables, new QFs, new low-income programs, microgrids and everything else.

In the face of inflation and rising costs, we need to maintain affordable utilities and make the transition to clean energy. This means that we cannot be asking our utilities to fund everything. We have to prioritize.

And one priority right should be energy efficiency. Energy efficiency is a very effective way to reduce emissions. In a period of rising rates, customers are more interested in energy efficiency because it lowers bills. And, on top of this, the federal government is offering tax credits and rebates on insulation, doors, windows, heat pumps, heat pump water heaters and dryers, and even convection stoves. We have an opportunity to help customers reduce their bills in the face of rising rates, with the federal government paying a large share of the cost. All of which will help us meet the HB 2021 emissions targets.

I will now turn it over to Jennifer to talk about the changes HB 2021 made to the planning process.