



Senate Environment and Natural Resources Committee
Salem, OR

SB 706

Carbon Reduction Planning

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Commissioner



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Outline

- Oregon Policy Landscape
- Treatment of Carbon in Utility Planning
- SB 101 (2009)
- SB 706 (2011)

Regulated Oregon Energy Utilities

- Energy utilities regulated by PUC:
 - 3 electric utilities, serving almost 75 percent of Oregon customers
 - Portland General Electric (PGE)
 - Pacific Power
 - Idaho Power Company
 - 3 natural gas utilities, serving all gas customers
 - Northwest Natural
 - Avista Corporation
 - Cascade Natural Gas



Oregon Policy Landscape

- No nuclear power plant can be built in Oregon until a permanent waste storage site is in place
- Hydropower generation has been cut in an effort to revitalize salmon runs; new development is largely banned
- Oregon utilities cannot build a new coal-fired power plant or sign new contracts to buy power from a coal plant in Oregon
- PGE and Pacific must meet 25 percent of their load with renewable resources by 2025 with interim targets for 2011, 2015 and 2020



Oregon Policy Landscape

- Regulated electric utilities must acquire 20 megawatts from solar PV systems greater than 500 kW by 2020
- PGE and PacifiCorp customers pay a three percent charge on bills that goes for energy conservation, renewable resources, and low-income programs
- Regulated energy utilities also use “conservation tariffs” to acquire cost-effective conservation
- State policy is to reduce greenhouse gas (GHG) emissions to 10 percent below 1990 levels by 2020 and 75 percent below 1990 levels by 2050



PUC Authority

- PUC's general authority is to ensure safe, reliable, and adequate service and just, fair, and reasonable rates
- PUC cannot tell a utility what resource to acquire; nor can it consider the social costs of investments
- PUC decides what resource costs can be passed through in rates
- PUC gives guidance on prudent investments in the resource planning process. Because investments are long-lived, PUC considers an array of future financial costs, including the risks of future environmental regulation



Utility Resource Planning

- Every 2 to 3 years, regulated electric and natural gas utilities must prepare long-term resource plans for meeting customers' energy needs
- All resource options – including conservation – must be evaluated on equal footing
- Goal is to identify the best combination of resources to meet customers' needs at the lowest cost and risk
- PUC decides whether to “acknowledge” the plan



Treatment of Carbon in Utility Plans

- Since 1993, PUC has required utilities to analyze the impact of CO₂ emissions assuming a range of costs per ton of CO₂
- Utilities add these CO₂ costs into the cost of fossil-fuel resources in the planning process
- Goal is to assess the risk that CO₂ costs will be imposed on the utility (and its customers) in the future (e.g., through taxes or cap-and-trade)



Treatment of Carbon in Utility Plans

- Current PUC planning requirements
 - Utilities adopt their own “base case” values for CO₂ costs
 - Utilities must evaluate a range of higher possible costs for CO₂ and conduct a “trigger point” analysis
 - Utilities must identify what resource actions they would take to meet the state’s GHG emission reduction goals



SB 101 (2009)

- Every 2 years, PUC must prepare a report to the Legislature on the rate impacts to customers of regulated electric and natural gas utilities of meeting two carbon emission reduction targets:
 - Reduce emissions 10 percent below 1990 levels by 2020
 - Reduce emissions 15 percent below 2005 levels by 2020

SB 101 (2009)

- PUC issued its first report last November
- Analysis prepared by utilities under PUC staff direction found the following for electric utilities for the more stringent target of an emission reduction of 10 percent below 1990 levels by 2020:
 - Idaho Power must reduce emissions by 16 percent, Pacific by 31 percent, and PGE by 54 percent
 - Estimated rate impacts: 3 percent higher for Idaho Power, 20 percent for Pacific, and 38 percent for PGE

SB 706 (2011)

- Bill provisions
 - PUC sets parameters for energy utility studies through public process
 - Specify scenarios, such as GHG reduction targets, energy efficiency levels, maximum rate impact
 - Identify resources to be considered
 - Fuel switching assumptions
 - Utilities determine impact of each scenario on costs, rates, reliability, and emissions
 - PUC reports results to 2013 Legislature



SB 706 (2011)

- How different from existing PUC planning requirements and SB 101 studies?
 - Focus on specific scenarios for all regulated energy utilities at the same time
 - Include emissions from natural gas usage, not just from gas utility operations
 - Examine fuel switching:
 - From transportation fuels and heating oil to electricity and natural gas
 - Between electricity and natural gas