



Testimony to House Energy and Environment Committee

Robert Kahn, Executive Director

January 22, 2019

Chairman Helm, members of the Committee, my name is Robert Kahn and it my privilege to address you today in my role as the Executive Director of the Northwest & Intermountain Power Producers Coalition (NIPPC).

NIPPC represents the full spectrum of the competitive power industry, anchored by Independent Power Producers (IPPs), the most significant, least known actors in the electric power sector. Our members built and operate most of the power plants shown on the map in your briefing packet. We built these projects at no risk to utility ratepayers and operate the plants on our own dime. These facilities, which rely on renewable and thermal energy, employ thousands of Oregonians, contribute mightily to rural Oregon's economy and, most importantly, dampen down the cost of electricity.

IPPs arrived 40 years ago when Congress enacted the Public Utilities Regulatory Policy Act (PURPA) requiring utilities to purchase electricity from entrepreneurs who used renewable energy and combined heat and power to generate electricity at or below what it would cost investor-owned utilities to do the same thing. With their vertically integrated model up-ended, these utilities have had to contend with competitors.

(Consumer-owned utilities are exempt from PURPA. Subsequent references to utilities here refer only to investor-owned, or profit taking, utilities.)

The Congress enacted the Electricity Policy Act of 1994, which further eroded utility dominance of the power sector. In fact, today over 40% of the country's power demand is met by IPPs.

IPPs sell electricity under long-term contract to utilities and compete with them in the regional power markets where electricity is transacted as a commodity.

The simplest way to appreciate the difference between IPPs and utilities is this: We spend our own money developing, building and operating power plants while in contrast, utilities spend ratepayers' money doing the same thing. It should come as no surprise that IPPs, with their investors' dollars at risk, build power plants cheaper, faster and better than utilities do.

It was the independent power industry that commercialized highly efficient, natural gas-fired combined cycled thermal power plants. It is these units, which have put coal-fired power plants around the country out of business. It was the independent power industry, which developed the first wind farms and has consistently, year after year, brought down the cost of wind energy. The IPPs have done the same thing with solar and are repeating the pattern with battery storage technology.

The other dynamic driving independent power is that we are paid when we perform. We make money by generating electricity. Utilities make money by owning power plants even when they sit idle. Perversely, and inappropriate in the 21st Century, utilities are incentivized to build power plants, and the more expensive they are, the better it is for their shareholders. No wonder, IPPs optimized the new technologies society demanded, showing the way to carbon-free power production.

There is a semantic dimension when electricity policy is discussed in Oregon and it deserves to be appreciated. The investor-owned utilities regularly refer to "their customers." As in: it is in the best interests of "our customers" that we do such and such. But the open secret is that the utilities do not have "customers." Customers, by definition, have choice and individual ratepayers can't choose to sign up with another utility or purchase power directly from the market. (The anemic direct access market in Oregon is a shadow of what it could be and scarcely compromises this observation.)

Customers can shop at Target or Macy's or Nordstroms; they can choose. More often than not, when the IOUs refer to "their customers" they are actually referring to their shareholders. Fair enough: Wall Street investors can choose with whom to invest and utility management keeps them very much in mind.

Last year, at the behest of the Legislature, the Oregon Public Utility Commission examined the efficacy of the 100-year old regulatory paradigm in the context of radical changes sweeping the power industry. Most participants in the SB 978 process came away thinking the OPUC could do more to push along the changes Oregonians seek in the power industry. One way or another, change, driven by technological innovation and consumers longing for choice, is coming.

You can expect the competitive power industry, led by NIPPC, to be at the forefront of key changes such as decarbonizing our use of energy. The Legislature, beginning with this committee will be involved in leading the way and we look forward to working with you.