



Oregon Citizens' Utility Board

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To: Senate Committee on Energy and Environment

From: Jennifer Hill-Hart, Policy Manager, Oregon Citizens' Utility Board (CUB)

Re: House Bill 2021 (2021) Implementation

Good afternoon, Senator Sollman, Vice-Chair Findley, and members of the Committee. My name is Jennifer Hill-Hart and I am here on behalf of the Oregon Citizens' Utility Board, also known as CUB. We are a nonprofit membership organization developed by citizens' initiative in 1984 and have members statewide. CUB represents the interests of Oregon households by advocating for utility regulations and policies that protect your wallet. To date we have saved Oregon ratepayers \$9.4 billion. Thank you for the opportunity to speak about the implementation of HB 2021. My testimony discusses Portland General Electric's and PacifiCorp's greenhouse gas (GHG) emissions' reductions, impacts on rates, and the Oregon Public Utility Commission's (PUC) Clean Energy Plan investigation into implementation of HB 2021.

CUB, along with environmental justice communities, municipalities, PGE and PacifiCorp, and PUC Staff and Commissioners have been actively engaged in the PUC's Clean Energy Plan implementation investigation. We want to recognize the engagement and efforts all participants have put into this investigation and highlight the hard work and thoughtfulness the PUC's Caroline Moore has put into driving this investigation. We believe this is a testament to the hard work this legislative body put into developing this new law.

The question is: *how are we doing?*

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 eliminating the coal power that served Oregon customers.

While we are early in this process, we are already reducing 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 were at 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 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 updating decommissioning does not generate press and has very low visibility, but it is vital. For

comparison, a new electric vehicle (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 last year's PacifiCorp rate case, the PUC 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 remaining coal plants serve multiple utilities and/or multiple states, requiring work with all entities to get out of their generation. 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 is the law.

Closing coal plants has added costs. Accelerating depreciation and updating decommissioning these plants adds costs to rates. But these are necessary steps in transitioning to a clean future. These are not large, one-time rate increases, but they are increases.

And rate increases are what CUB is most worried about right now. How do we manage rates so we can afford to make this transition. PacifiCorp customers saw a 21% increase last 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 customers saw a 7% increase, but this was on top of another increase earlier in 2022 and PGE will be seeking a large increase later this year. Natural gas 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 utility rates and make the transition to clean energy. This means that we cannot be asking our utilities to fund everything. We must prioritize.

A main priority right now should be energy efficiency. Energy efficiency is a highly effective way to reduce emissions and bring relief to Oregonians as energy costs rise. In a period of rising rates, customers are very interested in energy efficiency to lower bills. With the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA), 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 and with the federal government paying a large share of the cost. With tax credits and rebates, and the programs at the Oregon Department of Energy,

Oregonians can have lower utility bills with energy efficient heat pumps¹ and energy efficient building design. As Oregon moves forward to address our housing crisis, energy efficient building design needs to be part of those efforts. This is particularly important for new buildings for Oregonians with low incomes because an outstanding utility bill is a first step towards housing instability. Investing in energy efficiency is a critical component of meeting the HB 2021 emissions targets. We have made a lot of progress since the PUC opened its investigation into how to implement HB 2021.

PUC Staff developed a detailed work plan and has regularly sought, considered, and incorporated stakeholder feedback into its analysis. The PUC has provided many opportunities to discuss strategies, provide comment, informal and formal, in writing and in-person. Representatives of environmental justice communities are actively engaged in the investigation, many who are learning about the utility planning process as they go—no easy task. The PUC also brought in consultants to assist with the more technical aspects of the investigation. This has made the utility planning process more robust and more accessible for stakeholders who historically haven't been at the table—and even for those who have.

We are all still working through a few issues and concerns raised by some stakeholders. There are requests for clarification around terminology, PUC authority, surrounding renewable energy credits, and the weight of the PUC's clean energy plan guidance. And we believe the PUC will provide clarification within this ongoing investigation.

HB 2021 was not only about emissions' reductions. It also reimagined the utility planning process by bringing in community input, examining impacts on communities – both positive and negative— and with this input set priorities and develop clean energy plans. We are not surprised that this citizen-focused component of utility planning will add time to the traditional planning process, particularly in these initial stages. We are not concerned that this change in utility planning threatens utility's ability to meet the emissions reduction goals of HB 2021. In fact, we believe the utility planning process will be better for it.

The environmental justice communities² have provided critical perspectives, including on accessibility at the PUC and what utilities can and should do to meaningfully engage communities in planning processes. This was the intent of HB 2021. This was made possible through the direction of this Legislative Body with HB 2021.

Environmental justice community advocates have consistently expressed wanting a clear path to ensuring that community benefits and energy justice are central to this transformation of the grid, instead of remaining in the margins. They have emphasized making sure CEPs require Oregon's electric utilities to meaningfully develop and engage with the utilities' Community Benefit Impact and Advisory Groups, as intended by HB 2021. They advocated that members understand what is involved and how their input will be implemented into the utility planning processes.

¹ One of CUB's most popular blogs describes a former CUB staffer's experience switching to a dual fuel heat pump: a heat pump combined with gas furnace for really cold days. (See: *My Experience Switching to an Electric Heat Pump* (<https://oregoncub.org/news/blog/my-experience-switching-to-an-electric-heat-pump/2366/>)).

² "Environmental Justice Communities" are defined by HB 2021 as including "communities of color, communities experiencing lower incomes, tribal communities, rural communities, coastal communities, communities with limited infrastructure and other communities traditionally underrepresented in public processes and adversely harmed by environmental and health hazards, including seniors, youth and persons with disabilities." (codified as ORS 469A.400(5)).

And have emphasized the importance of the PUC and utilities finding ways to do more targeted outreach to Tribal communities.

Environmental justice community advocates also emphasize that climate impacts put added pressure on the grid and on communities, so they want to see a clear path for increased resiliency, especially in communities with high levels of vulnerability due to outages and other system disruptions. Stakeholders, including CUB, would like to see CEP guidance include asking utilities for specific analyses of integration of distributed energy resource penetration and energy efficiency.

All of this is not to say the process is not working for environmental justice communities and other stakeholders. Rather, this is an update on where we are and what issues we are working through right now. These are not issues that cannot be overcome. While the investigation has been longer than many had hoped, CUB appreciates the level of detail and thought put into the HB 2021 implementation investigation. This is an ambitious bill – Oregon is leading the nation in emissions-reduction legislation. This bill set a precedent for others to follow, as such we have an opportunity and obligation to get it right.

Last December, the Commission issued a Notice of Proposed Rulemaking for procedural rules for CEPs. While we haven't evaluated Clean Energy Plans yet, these upfront processes are important. The work is getting done and we are almost there. And I expect we will learn a lot from this inaugural CEP process. Just as important as meeting the emissions goals is developing a careful and intentional process to make sure utilities are developing clean energy plans that are affordable, now and in the future, and keep any investment risks low for ratepayers.

Importantly, **the utilities' obligation to meet the first emissions reduction goal, 80% by 2030, remains.** As such, it is critical that we get these first clean energy plans correct. To do that, the PUC, utilities, and stakeholders need a clear understanding of what needs to be included in a CEP and the process to getting them implemented. We believe the utilities' coal plant decommissioning and energy efficiency efforts will help utilities get to the 2030 goal. In the meantime, we will continue to analyze PGE's and PacifiCorp's clean energy plans to ensure they are making progress toward the 100% emissions reduction by 2040. Oregon is leading the nation in these efforts and that is not by happenstance. This is because of Oregon's forward-thinking values and bold policies. Thank you for making this happen.

Thank you,

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