

*Annette Price
Vice President of Government Affairs
825 NE Multnomah Street, Suite 2000
Portland, OR 97232-4116
Office (503) 813-6019*



November 14, 2017

The Honorable Michael Dembrow
Chair, Senate Environment and Natural Resources Committee

The Honorable Ken Helm
Chair, House Energy and Environment Committee

State Capitol Building, Room 453
900 Court Street, NE
Salem, OR 97301

Dear Representative Helm and Senator Dembrow:

Thank you for the opportunity to provide comments at the conclusion of the work group process you convened to discuss Senate Bill (SB) 1070 and the potential for an Oregon cap-and-trade program. Those conversations have been very informative and have helped shape our perspective on options for pursuit of additional carbon emissions reductions in Oregon that are affordable and fair for our customers and that complement the innovative steps Oregon has already taken to reduce emissions in its electricity sector.

Several core principals have informed Pacific Power's review of the proposed legislation. First, Pacific Power is committed to meeting our customers' expectations that we provide them with reliable, affordable, and increasingly cleaner electricity. To accomplish this, we have partnered with business and environmental coalitions over the years to help pass legislation instituting an ambitious renewable portfolio standard (RPS). Furthermore, Pacific Power helped lead the way to make Oregon the first state in the nation to eliminate coal power from electricity rates. These public policy advances have put Pacific Power on a trajectory to meet Oregon's greenhouse gas emissions goals *today* absent any new legislation or regulatory mandate.

Additionally, Pacific Power is well-positioned to meet these goals in an exceptionally affordable way as evidenced by our Energy Vision 2020 plan. This initiative will bring approximately 1,100 MW of new wind onto our system by 2020 and upgrade our existing wind fleet to increase its output and reliability. Energy Vision 2020 will also save our customers money over the life of these projects.

Another core principle is to ensure that any new or incremental carbon regulations on the electric utility sector result in actual, net carbon emissions reductions. We believe SB 1070, as currently conceived, would increase costs to our customers without the benefit of significant incremental carbon reductions. While we understand the desire to “put a price on carbon,” *where and to whom* that price signal is sent is critical. Because almost all of PacifiCorp’s fossil-fueled power plants are located outside of Oregon, the proposed design of SB 1070 cannot functionally send the price signal *upstream* to the generation resource and change the economics of how power plants are operated and fuel sources are procured. In other words, unless a price signal is realized at the power plant level, there would be no change in operations that would reduce emissions associated with those plants. To do so would result in less economically efficient use of power plants that serve electricity customers in other states, would increase costs to non-Oregonians, and would be legally untenable for power plants outside of Oregon’s jurisdiction.

As currently proposed, SB 1070 sends the carbon price signal *downstream* to Pacific Power’s Oregon retail customers – residents, businesses and governments – as an additional cost. While higher costs may potentially result in some lower energy usage and could change the economics of some energy efficiency measures, the resulting carbon emissions reduction this produces will be relatively small for such a regressive impact on consumers. And this approach could frustrate the transition to beneficial electrification of transportation and other end uses by making electricity costs less desirable by comparison. These impacts could theoretically be mitigated through the issuance of allowances and program design, but preventing or cushioning impacts to Oregon customers is not assured in the proposal.

Pacific Power is also concerned that SB 1070 seeks to adopt a cap-and-trade program that mirrors California’s. PacifiCorp is a participant in, and regulated under, the California program, and we are intimately familiar with its workings. While we understand the desire to link programs under the Western Climate Initiative, Pacific Power respectfully advises lawmakers to consider Oregon-specific conditions and needs that will reflect the significant differences between the states in how the electricity sector is structured, the differing policy environments, and the overall localized economic impact of the program. Oregon’s energy system is different from California’s, and a carefully crafted policy should account and adjust for those differences.

For example, much of California’s electricity is generated within the state, and the generating resources are often not owned by local utilities. PacifiCorp is the only multi-jurisdictional utility in California – all of the rest of the utilities’ retail service areas are located within California’s geographic boundary. In contrast, Oregon derives most of its carbon-based energy from utility-owned facilities outside the state and is home to two electric utilities with service territories spanning multiple states. Accordingly, methods employed by California to identify the “first jurisdictional deliverer” (i.e., bilateral contracts and electronic tags) will not work in Oregon because energy generated at PacifiCorp’s out-of-state generating facilities do not exclusively serve load located in Oregon. The most administratively simple option for identifying Pacific Power’s Oregon emissions attributable to imported resources is to allocate a pro rata share of PacifiCorp’s

total system emissions to Oregon. This approach does not necessarily preclude the application of a carbon price to resources located in the state.

Additionally, California's requirement that investor-owned utilities consign directly allocated allowances to auction, rather than use them for compliance, does not make sense for Oregon. The fundamental basis for this approach, which creates a revenue stream from the sale of allowances, is to impose a *cost increase* to customers in their electric bills. A cost increase of this type is unlikely to change most customer usage behavior because electricity use is generally inelastic as to price, except in the most extreme circumstances where the added cost becomes so regressive that basic affordability drives change in usage. Ultimately, a program to drive cost increases by design is simply unnecessary to achieve emissions reductions given Oregon's existing carbon and renewable policies mentioned above. We believe these program considerations are reasonable and allowed within the existing Western Climate Initiative framework.

Thank you again for the opportunity to comment on the work group process on SB 1070. Pacific Power appreciates your thoughtful consideration and leadership and looks forward to working with you to develop common sense carbon programs that deliver meaningful emission reductions for prices that are fair to our Oregon customers. Please do not hesitate to contact us if we can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Annette Price', with a large initial 'A' and a stylized 'P'.

Annette Price
Vice President, Government Affairs

Cc: The Honorable Senator Lee Beyer, Chair, Utilities and Transportation Work Group