

Oregon Bans Coal, Doubles its Renewables Mandate

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Written by John Egan for Industrial Info Resources (Sugar Land, Texas)--Oregon Governor Kate Brown earlier this month signed legislation that will force the state's two largest electric utilities to remove coal from their Oregon resource portfolio while doubling the state's renewable portfolio standard (RPS).

The new law requires the state's two affected utilities, Portland General Electric (PGE) (NYSE:POR) (Portland, Oregon) and Pacific Power (Portland, Oregon), a unit of Berkshire Hathaway Incorporated (NYSE:BRK.A) (Omaha, Nebraska), to remove coal-fired power from their Oregon resource portfolios according to different timelines. After their respective deadlines, these utilities will not be allowed to supply their Oregon customers with any coal-fired power, whether it was generated in the state or outside it.

Pacific Power will remove coal from its Oregon energy mix by 2030, while PGE will eliminate coal-fired power from its Oregon resource portfolio by 2035. PGE has already committed to closing its coal-fired Boardman Generating Station by the end of 2020. The company's share of that plant's generating capacity is about 518 megawatts (MW), about 90% of the plant's capacity. By yearend 2035, PGE will forego coal-fired power from its share of the Colstrip Generating Station in Colstrip, Montana. Currently, PGE owns about 20% of Colstrip Units 3 and 4, about 296 MW.

PGE and Pacific Power supported the measure, the Clean Electricity and Coal Transition Act, because its terms were less onerous than a proposed ballot initiative that was scheduled to go to Oregon voters this November. Pacific Power said its analysis of that proposed measure concluded it could cost Oregon customers up to \$600 million more than the legislation. Supporters of that initiative agreed to pull their measure if the state adopted a law forcing in-state utilities to get out of the coal-fired power business.

In supporting the measure, the two utilities were joined by a host of consumer and environmental organizations, including the Sierra Club (San Francisco, California), the Citizens Utilities Board (Portland, Oregon) and the Natural Resources Defense Council (New York, New York). On March 1, the bill passed the Oregon House by a 38-20 margin, but it was fiercely attacked by Republicans in the Oregon Senate. The Senate ultimately passed the bill on March 2, and Gov. Brown signed it into law March 11.

“Our company has been reducing reliance on coal generation and expanding our renewable energy portfolio for the past 10 years as market forces, regulation and evolving customer preference continue to drive change in the way electricity is generated and delivered,” Stefan Bird, president and chief executive of Pacific Power, said in a statement after the bill became law. “This landmark legislation allows us to effectively manage Oregon's transition to a clean energy future in a manner that protects customers from cost impacts, ensures grid reliability and allows us to meet all of our responsibilities to the communities we serve.”

Bird's counterpart at PGE, Jim Piro, added: “We were pleased to be part of a collaborative process that puts Oregon's electricity sector on a path to achieve its state carbon-reduction goals as we plan for Oregon's energy future. This is a sensible approach that reflects our customers' values while maintaining the affordability and reliability of electric service.”

The Oregon law is the latest in a series of measures taken by utility regulators and lawmakers in Western states to reduce their utilities' use of coal-fired power. Nevada ordered its largest electric utility, NV Energy, a unit of Berkshire Hathaway, to get out of the coal-fired electric generation business several years ago. Southern California Edison (SCE) (Rosemead, California), a unit of Edison International (NYSE:EIX) (Rosemead, California), and the Los Angeles Department of Water and Power (Los Angeles, California) have been forced to sell their interests in coal-fired generation in the Southwest.

The new law also doubled Oregon's RPS; by 2040, 50% of the state's electricity must come from renewable resources. The law also established interim RPS milestones.

Oregon already has a lot of renewable energy under development, and the new law likely will lead to more projects being developed. Industrial Info is tracking 57 active Oregon renewable energy projects valued at \$9.3 billion. While Industrial Info would not expect all of those projects to be built, the new law likely will add to the state's growing use of renewable energy.

“We expect Oregon's new law will create a lead to a surge in renewable energy development as well as the forced sale of stakes in coal-fired generation,” said Britt Burt, Industrial Info's vice president of research for the Power Industry. “Companies needing new generation may be able to pick up some assets in the Pacific Northwest for a very good price.”

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