

# Pacific Power rates to drop with shift from coal

By CASSANDRA PROFITA

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Pacific Power customers in Oregon will see lower rates on their electric bills next month — in part because of the utility's shift away from coal-fired power.

Oregon regulators have decided Pacific Power should reduce the rates it charges customers for electricity by an average of about 5.2%, and about half that reduction is tied to the lower fuel costs and tax credits that come with adding renewable wind and solar power.

But Pacific Power's parent company PacifiCorp, which serves 1.9 million customers across six Western states, still gets about half of its electricity from coal, and the utility had actually asked the state to approve a rate increase.

In its first-rate case since 2013, PacifiCorp asked the Oregon Public Utility Commission for permission to charge its customers more in part to cover its investments in coal plant pollution controls and the eventual costs of decommissioning its coal plants altogether.

The commission took issue with those requests, reducing the amount of money the company can recover from its coal plant pollution control investments and denying the company's request to charge Oregon customers for newly calculated costs of shutting down coal plants. Commissioners said they want to investigate the company's decommissioning costs before approving any related rate increases.

Megan Decker, chair of the commission, said in a statement that the company's filing was "heavily scrutinized."

"We must ensure that PacifiCorp's transition away from coal resources is fair to Oregon customers," she



PacifiCorp's Dave Johnston coal-fired power plant in Wyoming is scheduled for retirement in 2027.

said. "This order takes significant steps along that transition path. Decommissioning costs are real and significant costs that Oregon customers will incur as part of the coal transition, and we need to improve Oregonian's confidence in the cost estimates."

The question of how much Oregon customers should pay for the company's coal plant expenses has been controversial since the state passed a law in 2016 that calls for phasing out the use of coal-fired power from out-of-state plants by 2030. That means Oregonians will eventually stop paying for PacifiCorp's coal plants, but they will have to pay for decommissioning those plants before cutting ties with coal completely.

Etta Lockey, vice president of regulation for PacifiCorp, said the commission took "a balanced approach" and allowed for coal plant decommissioning charges to be included in a future rate case.

"I think at the end of the day that kind of robust examination by the commissioners and the stakeholders is going to lead to the right outcome," she said. "The commission has clearly signaled that they think a rate increase will likely be coming as they consider some of these additional costs that they didn't resolve."

Bob Jenks, director of the Oregon Citizens Utility Board, said almost all of the company's requests were contested by stakeholder parties like his group, but it's promising that the company was asking to recoup some of the final costs Oregonians will be expected to pay for coal-fired power. The commission approved "exit dates" that are well before 2030 for Oregon to stop paying for 15 coal units at various PacifiCorp power plants.

"This is the last gasp for that old coal utility," Jenks said. "Now, we're moving toward a utility that will be investing in clean energy

and renewables. They'll be looking at storage and batteries as ways to deal with capacity issues — not big coal plants or gas plants. What we're starting to see is the company aligning its business models with the future that most Oregonians want."

Jenks said allocating those decommissioning costs is getting complicated as Oregon, Washington state and California make plans to stop paying for coal plants while Rocky Mountain states are still using them.

The states have been paying some decommissioning costs all along, he said, but it's not the full cost of shutting down a coal plant.

"They didn't believe they'd actually have to close them," Jenks said. "Now that we're getting out, they're getting more serious about identifying what is the actual cost."

Jenks said when Oregon passed new laws requiring more renewable energy and phasing out coal-fired

power, opponents warned that the cost of electricity would go up.

"What we're seeing is it hasn't been a driver of higher cost," he said. "You can build a sustainable utility without customers getting hit very hard."

Environmental advocates with the Sierra Club said the commission made a key decision to reduce the amount of money the utility could collect for its \$218.6 million investment in selective catalytic reduction technology at its Jim Bridger coal plant in Wyoming in 2013. In their order, commissioners agreed with the Sierra Club and the Citizens Utility Board that it wasn't prudent to spend that money without considering alternatives such as shutting the plant down.

"This decision sends a clear signal to utilities: coal plants are no longer a cost-effective way to produce electricity, and they shouldn't expect ratepayers to shoulder the costs of propping them up," Cesia Kearns, deputy regional director of the Sierra Club's "Beyond Coal" campaign, said in a statement. "This decision saves Oregon families money on their monthly electricity bills and makes it clear that PacifiCorp needs to move its aging coal plants towards an orderly retirement that supports community transition."

Lockey said a lot has changed for PacifiCorp since the company made that investment in pollution control technology, and she doesn't see that technology being the most economic option in the future.

"Energy markets have changed pretty dramatically and our sophistication and modeling of our coal resource has changed pretty significantly," she said.

PacifiCorp released a plan last year to shut down more than three-quarters of its coal fleet in Rocky Mountain states over the next 20 years. In its place, it plans to build massive solar projects with battery storage and nearly triple its use of wind power. Lockey said once Oregon customers have finished paying for coal plants, their rates could go down again.

"I think customers are going to be in a good position as we transition our system away from coal resources in Oregon and towards that more non-emitting and renewable resource portfolio in the future," she said.

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