

Power of the People

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Oregon RPS Has Unintended Consequences

This article is meant to inform you and ask for your support in an important issue that West Oregon Electric Cooperative is working on in this legislative session. Though it does not impact us at this moment, it is impacting electric cooperatives in the state, and could affect us in the future. In an effort to support our cooperative friends and to be proactive rather than reactive, should a data center or large single load want to locate into our service area, we are supporting and participating in changes to the current RPS requirements by the State of Oregon. Again, your support would be appreciated.

What is Oregon's Renewable Portfolio Standard? In 2007, the Oregon Legislature created a Renewable Portfolio Standard (RPS) requiring utilities to supply a portion of retail electricity sales from renewable energy sources, such as wind or solar. By 2025, 25% of energy sold by large utilities must be renewable energy. For small utilities, up to 10% of sales must be renewable energy (and 5% for the smaller utilities). Large utilities are designated as those that sell 3% or more of retail electric sales in Oregon (currently PGE, PacifiCorp and Eugene Water & Electric); the small utilities are those with less than 3% of state energy sales. When the law was enacted, it was anticipated it would take years before any of Oregon's small utilities would pass the 3% sales threshold and become large utilities. This changed with the advent of high technology data centers arriving in rural Oregon.

What is a data center "cloud" and why rural Oregon? Data centers deploy thousands of powerful computers called servers to provide the online "cloud" that hosts your streaming video, e-mail and Facebook accounts on the Internet. Data centers first arrived in Oregon 5 years ago, seeking inexpensive power, a mild climate that keeps servers running cool and a tax structure that includes property tax exemptions and no sales tax. Although rural utilities are not recruiting data centers, they have a responsibility to serve those who locate in their service territory. While data centers are not large employers, 1 job in rural Oregon equals the same impact as 125 jobs in urban Oregon.

What are the unintended consequences of Oregon's RPS? Rural utilities asked to provide 20 to 100 megawatts of power to a single large new load, such

as a data center, can quickly find themselves pushed into the Large Utility category and be required to obtain costly new sources of renewable energy. Rural utilities consider it a privilege to help their communities grow and prosper, but this unanticipated consequence of the RPS creates an economic disincentive for job recruitment and regional economic stability.

What is the impact of the RPS on rural power consumers? Umatilla Electric Cooperative (UEC) serves as an example of the potential impact of the RPS on a rural electric utility. UEC's power use represents about 2% of Oregon's overall consumption. However, three new data centers have recently started operation in UEC territory and more may be on the way. This influx of energy demand is expected to push UEC's power consumption quickly beyond the 3% threshold. According to a study conducted for UEC, the projected cost to its 14,000 consumers to comply as a Small Utility under the RPS is \$15 million over 20 years. But if UEC is elevated to the Large Utility category under the RPS, the cost to consumers will grow by another \$41 million. The \$56 million would be collected from UEC consumers who collectively earn 22% less than the state average and 31% less than Portland-area

What challenges do small utilities face managing the RPS? By limiting the requirement of small utilities to acquire new renewables to 10 percent, Oregon's RPS rightly acknowledges that small rural utilities (Consumer-Owned Utilities or COUs) don't have the same resources to meet this costly mandate in comparison to large Investor Owned Utilities (IOUs).

Unlike Portland General Electric, with 820,000 ratepayers, and PacifiCorp, with 557,000 ratepayers, small utilities can't divide costs among a large ratepayer base, shareholders and state and federal taxpayers via tax exemptions and deferrals. Small utilities don't have generating plants that they can retrofit to a renewable resource like large utilities can. They also don't generally have the same tax advantages, access to capital, diversified generation portfolios and ability to manage risk enjoyed by large IOUs. Small utilities face less choice and more restrictions for access to power markets and transmission of new renewable resources.

What is the proposed solution? The RPS was never intended to make small, rural customer bases purchase massive amounts of green power. Change is needed to keep the RPS the way it was intended – small utilities participating in the RPS, but at a level that fits the size of their communities.

Modifying the Oregon RPS law is the

best solution to account for large new loads in rural communities. The following proposed modification is designed to allow small utilities that are suddenly faced with providing additional power to a single large company to remain as a small utility under Oregon's RPS mandate:

"(4) The provisions of this section do not apply to an electric utility if:

(a) The electric utility's sales of electricity to retail electricity consumers on or after January 1, 2009, are increased from an amount that equals less than 3% percent of all electricity sold to retail electricity consumers to an amount that equals 3% or more of all electricity sold to retail electricity consumers; and

(b) The increase is a result of the addition of one retail electricity consumer that increases the electric utility's retail sales by:

(A) More than 10% of the electric utility's total electricity sales to retail electricity consumers; or

(B) More than 20 average megawatts.

Would this be an exemption to the RPS? No. Recognizing the RPS inequity and leaving the small electric utilities at no more than 10% RPS would have virtually no adverse impact on renewable deployment in the state. There would be no adverse effect on wind development or wind revenues, nor does it result in an increase in harmful emissions. (The small utilities served by Bonneville Power Administration rely on zero carbon emission hydropower.)

It's unfair that rural electric utilities should pay tens of millions because the RPS mandate when enacted didn't anticipate new single source high tech companies that can suddenly and unexpectedly require a rural electric utility to increase their renewable energy requirement by 250%.

How can I help? Please contact your Oregon state legislators to support legislation that would modify the state's RPS to preserve its original intent to require customers of small, rural utilities to buy less green power. The legislation will be considered during the February 2012 Legislative Session.

Out of My Mind . . .

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ic for another day.)

The U.S. is closer to achieving energy self-sufficiency than it has been since 1973, when an Arab oil embargo triggered a recession and led to lines at gasoline stations. Domestic oil output is the highest it has been in eight years, and natural gas production is so high that the government may approve export terminals.

"For 40 years, only politicians and the occasional author...talked about achieving energy independence," said Adam Sieminski, who has been nominated by President Obama to head

the U.S. Energy Information Administration. "Now it doesn't seem such an outlandish idea."

The U.S. has the potential to become the world's top energy producer by 2020, with positive implications for the economy and national security by boosting jobs and government revenue; cutting the trade deficit; enhancing manufacturers' competitiveness; and allowing greater flexibility in dealing with unrest in the Middle East.

U.S. energy self-sufficiency has been steadily rising since 2005, when it hit a low of 70 per-

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