

**State of the Industry**  
**NIPPC Annual Meeting**  
**Address by Robert Kahn, Executive Director**  
**Alderbrook Resort, Union, Washington**  
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Thanks to everyone who has stayed on to the bittersweet end of NIPPC's 15<sup>th</sup> annual meeting. This particular meeting will always have a special place in my memory. I will recall it as the "cozy Alderbrook meeting." The rain and mist kept us inside, which doubled down on the ambience we create year after year. That ambience, of course, is a collegial, safe space where we gather the best minds in the industry and share our experience, insight and fellowship.

At the risk of waxing sentimental, our time Alderbrook itself showcases what distinguishes the competitive side of the power sector. Not only are we more fun than our utility brethren; our juices flow faster and warmer. This is where innovation lives. The competitive power industry, reflecting all American capitalism is where it's at, literally and figuratively.

But there is poignancy here too. In this corner of the country our spirit is contained. Bryce Smith of Level Ten noted the irony in his TED Talk. Northwesterners source some of the best new ideas for innovating, for decarbonizing the energy economy and yet we can't fully deploy that optimization here.

The City on the Hill – the robust, transparent and cost collapsing market Andy Ott described still isn't here yet. NIPPC has been working to help create an RTO-ISO since our founding in 2002 and will continue to promote regionalization, but we will do so without holding our breath. And notwithstanding the CAISO's creep, the configuration Randy Hardy forecast – as I know he would agree – isn't good enough. Independent governance is more important to us than to any other constituency. After all, the entire idea of EPACT was to spawn competition. The EIM Governing Board hints at true independence but independent power and consumers deserve that same formula of governance writ large.

Indulge me now as I reflect on NIPPC's accomplishments this past year. Keep in mind our mission: NIPPC has long been and remains, the sole voice of market-centric, technology agnostic energy policy advocacy in the Northwest.

From our mission statement:

“NIPPC is committed to facilitating cost effective electricity sales, offering consumers choice in their energy supply and advancing competitive power markets.”

This past year, NIPPC turned a corner. For a change, we convinced decision makers in several instances to give markets a chance. The result is that IPPs have seen more opportunities this year than in memory. And PURPA, the safety net of competitive power, while not exactly alive and well, remains alive.

Meanwhile, as an organization, NIPPC is stronger than ever. We are stronger in the numbers, diversity and resilience of our members. Our financial health is stronger than ever and our effectiveness in the venues we frequent has grown.

Here's a short story. Not too long ago, Dave Robertson, PGE's Vice President for Public Policy took me out to dinner. I like Dave; everyone does. We had a lovely time and at the end of the meal, which is often where you find out what the agenda was, Robertson asked me a question. "When do you think you'll retire Bob?" I looked at him across the table and raising my hands answered: "ten years, Dave, ten years."

Now on to a few highlights of the last year.

Commissioner Decker has left the building – it was great to have her with us for as long as we did – but Megan will confirm that the OPUC's new load direct access decision has made the state more attractive for energy-intensive businesses considering locating there. What began as ambitious legislation by NIPPC, Senate Bill 979, emerged from the OPUC as an attractive option for large C&I customers looking beyond cost of service for new loads. The commission will consider applying the principle of lowering exit fees for smaller new loads next.

Trust me, I have mixed feelings, but take satisfaction that Facebook used the OPUC's new load policy to leverage PacifiCorp. It convinced the company to

deliver 437 MW of affordable renewable energy resources culled from PPAs. Facebook will apply the electricity to what it needs to run its new server farm in Prineville, Oregon. While the terms of the transaction are a mystery, you can be assured the deal itself would not have happened without SB 979. Just imagine the in-state economic growth and corresponding decline in CO<sub>2</sub> emissions, which would have occurred had SB 979 actually passed! Don't think that we won't try again.

NIPPC's companion bill from the 2017 session, SB 978 was enacted. It provided less than what we hoped for, but the outcome has still proven worthwhile. The heart of SB 978 turned out to be the robust and dynamic stakeholder review process the OPUC, run with help from the Regulatory Assistance Project and Rocky Mountain Institute. NIPPC graphically documented the six-month program, which will be long remembered. In fact, it may be argued, by opening up the arcane world of regulation to the uninitiated and raising expectations that the OPUC can do a better job overseeing the state's three electric monopolies, the commission will never be the same.

SB 978 directed the Oregon commission to review – with stakeholder input – the relevancy of the 100-year-old regulatory compact given all the recent changes in technology and policy. The process scared the heck out of the IOUs who were forced out of their cozy comfort zone and flopped around the stakeholder sessions like fish out of water.

What officially emerged from the SB 978 process? Regrettably, while little more than a reboot of the status quo, the OPUC did commit to make incremental improvements to retail choice, competitive bidding and to adopt performance based ratemaking.

NIPPC plans to carry legislation in the 2019 session to expand the commission's mission statement to deliver on what emerged from the SB 978 process. With that vehicle, we expect the Legislature will direct the commission to restate its nearly forgotten statutory obligation under Senator Derfler's SB 1149 to advance competition.

PacifiCorp and PGE each conducted renewable RFPs this year. While the results were mixed and showcased cracks in the OPUC's competitive procurement policy, they did result in IPPs securing PPAs for the first time in years. These two utilities understand that they at least have to put up the appearance of including us.

On that score, NIPPC waged a concerted effort to require PGE to put its proposed 39 MW battery storage project at the Coffee Creek substation out to bid. The commission fell just short on forcing competition but made clear its preference for bidding out the job. It warned PGE that proceeding solely with a

self-build would put the company in rate recovery. We aren't exactly jumping up and down over the commission's decision, but in Oregon, it's progress.

And what would a state of the industry speech be without reflecting on the PURPA wars?

NIPPC engaged in several overarching PURPA dockets at the OPUC typically working with our "grass roots" partners, the Community Renewable Energy Association and Renewable Energy Coalition. Together we kept PGE from implementing – are you ready for this? – A lifetime cap on individual QF developers at 10 MW. The utility has regrettably succeeded in convincing the Commission to lower the standard PURPA contract price for solar to 3 MW.

In another notable case, NIPPC succeeded in persuading the OPUC to set the duration of QFs' 15-year contracts at the date of commercial operation not contract signing. Isn't it amazing we have to fight over issues like this?

Unfortunately, PGE has taken the commission's decision to the Oregon Court of Appeals.

A thoughtful, contentious regulator recently asked me how it is that NIPPC, the advocate of competition, defends PURPA as we do? Good question.

The short answer is that PURPA is the touchstone of competition in the power sector. It acts as the safety net promoting competition even as it appears static from the outside. Bottomline: the ratepayers benefit when IPPs drive down the cost of power as they deliver generation at or below avoided costs.

But we can express PURPA's values in street terms: there's a reason the utilities opposed PURPA from day one. There is a reason why an IOU would take a 10 MW homespun, farmer-owned PURPA generator to the federal district court. PURPA corrodes utility monopoly power. PURPA projects shine a light on the excessive cost of cost of service power.

What then should utilities do?

They should do what Ron Nichols, President of Southern California Edison told us here last year what they should focus on: "sticks and wires."

NIPPC's mantra in the SB 978 process says it all: electric monopolies should only do what monopolies can uniquely do. That indispensable sticks and wires work deserves to be profitable for shareholders. Utilities should assure resilience, which here in the Northwest means getting the lights back on after the Really Big One. It means providing genuine cybersecurity, which requires constant vigilance. It means managing the intricacies of what Jeff Morris described as balancing distributed "pro-consumer" generation across the T&D grid. It does not

mean building power plants, which cost \$150 million more than advertised or slipping in the construction of massive high voltage transmission lines under the ruse of a so-called competitive solicitation.

T&D is the core utility responsibility in most of the country – thanks again for reminding us Andy Ott – and it's high time it was the IOUs' assignment here. But as with regionalization, I'm not holding my breath.

Despite the recent ugly, political intervention into the organized markets, despite the stalled regionalization here, the immediate horizon holds promise.

Let me point to several promising developments.

If I-1631 is defeated, Washington should be able to reboot cap & trade, particularly if the Oregon legislature adopts a "cap & invest" policy, which it surely will.

The Oregon legislature is going to consider consumer choice aggregation (CCAs) beginning in January. The expression of interest from local communities will be hard to ignore despite the utilities' agitated effort to smother it. The WUTC will release a rebooted PURPA policy, which will link local economic development with clean power production. And Bonneville will wake up from its



panicked preoccupation with 2028 and re-learn how to treat its large single set of customers – transmission users – fairly. At least we can hope so.

One thing is certain: NIPPC will continue making the case for competition in the power sector. We will continue to channel consumer choice even if it means confronting “stakeholder capture,” which has put one too many NGOs in cozy collaboration with IOUs. Command and control appeals to would be socialists who’ve forgotten history.

My friends and colleagues: it’s time to leave Alderbrook. I promise you all will be invited to return 11 months from now. Let’s compare notes then on what we’ve achieved in the interim.

NIPPC’s 15<sup>th</sup> annual meeting is adjourned. See you in 2019.