

Bi-State Metropolitan Forum

Building a Healthy Economy for Oregon and Washington

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Smart Energy: Combining Forces

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Background

Energy policy in Washington, Oregon, and the rest of the Pacific Northwest has been defined for decades by the affordable electricity flowing from the region's hydroelectric resources. The Pacific Northwest has the cheapest electricity in the country, and the region's traditional economic base depends on that resource. Industries ranging from pulp and paper processing to aluminum manufacturing and food processing heavily rely on affordable electricity to stay competitive in their national and global markets.

The Pacific Northwest and the bi-state metropolitan region have preserved their competitive advantage, in part, by aggressively pursuing energy efficiency measures. Energy efficiency measures now supply over 10 percent of the region's electricity needs. In 2002, conservation saved the Pacific Northwest region \$1.6 billion in retail power purchases. Efficiency measures remain the cheapest source of electricity, and residential, commercial, agricultural, and industrial electricity users in the region can continue to benefit by adopting efficiency measures. Moreover, the importance of natural gas efficiency is rising with its price.

Smart and renewable energy technologies represent an important economic opportunity. The bi-state region has one of the highest per capita concentrations of energy employment in the United States, and both states have a strong reputation in this industry. The region can strengthen this economic cluster by building on our existing network of energy-oriented businesses and agencies and coordinating our efforts to commercialize energy technologies, create new businesses, and attract investment and talent.

Successes

Despite the multiplicity of government policies and programs affecting energy use and generation, Washington and Oregon have successfully cooperated in a number of policy areas, proving that government policies are simply more effective when they don't stop at state boundaries.

- Both Washington and Oregon have actively engaged in the West Coast Governors' Global Warming Initiative, a regional effort that focuses on six global warming issues. The initiative has stimulated regional cooperation on several important fronts, including the development of renewable electricity generation resources and technology, coordinating strategies for tracking and researching the release and effect of greenhouse gas emissions, and establishing a working group on hydrogen fuel.
- Both states have passed new appliance efficiency standards that will take effect in 2007. The standards will save residents and businesses in the two states an estimated \$750 million or more by the year 2020.
- The Northwest Energy Efficiency Alliance, a regional energy efficiency group, manages a number of energy efficiency projects beyond state boundaries.

- Washington and Oregon have a history of coordinated operation of the Columbia River Federal Power System. In addition to bi-state cooperation on the management of the dams, the two states have also worked with the Bonneville Power Administration to explore the potential for wind resources development along the river.
- In 2005, both Oregon and Washington passed compatible initiatives designed to create incentives for implementing solar energy.
- Oregon and Washington have both adopted “clean car” standards. Tailpipe emissions standards for new cars sold in the states are stricter than federal standards.

Opportunities

Smart and sustainable energy present Oregon and Washington a number of opportunities to build on their many successes in bi-state cooperation.

- Establishing coordinated and high standards for biofuels production, facility siting, biofuel crop production, and biofuels market expansion.
- Initiating coordinated and effective renewable portfolio standards to accomplish greater energy efficiency and conservation. Renewable portfolio standards are state policies that mandate the state to generate a certain percentage of its electricity from renewable sources.
- Implementing the energy conservation strategies and meeting the targets established in the Northwest Power and Conservation Council’s Fifth Northwest Electric Power and Conservation Plan. The Council’s analysis indicates that cost-effective conservation potential could meet over 12 percent of the forecast electricity loads in the Pacific Northwest in 2025, saving money and keeping the economy strong. Since the majority of electricity consumers are in the metropolitan region, much action must occur there.
- Building on the dramatic success of the Energy Trust of Oregon and exploring opportunities for bi-state cooperation. The Energy Trust is a unique state initiative designed to operate the renewable energy programs traditionally run by utilities. Utilities in Washington operate similar renewable programs.
- Expanding on the success of the bi-state metropolitan economy in growing the energy technology cluster. The current density of energy technology companies provides a natural competitive advantage and creates opportunities for cooperation.
- Implementing energy efficiency programs targeted at natural gas. Progress toward electricity efficiency has been steady, but the opportunities for natural gas are largely unexplored. Rising natural gas prices increase the attractiveness of conservation.

Challenges

Despite the rich menu of opportunities for bi-state cooperation in energy, we face some significant challenges.

- Economic development competition has traditionally isolated individual jurisdictions as they have pursued new businesses. The bi-state metropolitan region will benefit from bypassing this traditional competition and from working together to attract and grow the companies that will enhance the entire region’s economy. However, overcoming traditional competition is a challenge.
- The region must address how to fairly share the output the Columbia River System among its many users and how to maximize its benefits for the Pacific Northwest.
- The electric transmission capacity in the region is limited, particularly in terms of adding renewable energy sources to the existing infrastructure. Regional cooperation is a must in planning for new infrastructure and capacity.

- While not necessarily a barrier, the differences between Oregon and Washington's electric systems require careful consideration by policymakers. About 55 percent of Washington's customers are served by public utilities, while about 74 percent of Oregon's customers are served by investor-owned utilities.
- Energy facility siting standards in Oregon and Washington differ. Developing a strategic plan for energy production in the bi-state region may require addressing these differences.
- The opportunities for cooperation in smart and renewable energy are tremendous, but pursuing these opportunities takes resources. Finding these resources is a significant challenge for both states, but cooperation may allow us to leverage limited resources for maximum benefit.