

Ferguson: Energy Matters

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Truckee Coal Decision – A Sign of the Times?

At the tail end of 2006, the board of the Truckee, California, public utility voted to forgo a new long-term contract for coal-fired power. The Truckee decision came on the heels of similar decisions by other public utilities in the state, including Los Angeles, Burbank, and Riverside.

The story behind these decisions is fascinating and encouraging. It begins with the passage of SB 1368 last year.

To limit greenhouse gas emissions from electricity generation, the Legislature declared that no California utility may enter into long-term contracts with any generator that emits more greenhouse gases per kilowatt-hour than a modern gas-fired combined-cycle power plant.

This is a fancy (and legally permissible) way of saying that California utilities cannot sign new long-term contracts for coal-fired power unless new technology is used to capture the carbon dioxide from those power plants.

The law went into effect this week. But at the end of last year, some utility staffers interpreted the lag time to mean that contracts for coal-fired power should be signed before January. Plans to do so were announced by many munis. In the end, none did - a rather surprising and encouraging result.

Commissioners at the Los Angeles Department of Water & Power, already heavily dependent on coal, set the right tone early on by announcing that they would not consider extending their coal commitments.

Burbank, Riverside, and others initially decided otherwise. After some well-coordinated lobbying by environmentalists, they reversed their decisions.

Truckee was then alone in its decision to expand its coal commitment and became the target of an intense campaign to reverse itself. Op-eds were run in major newspapers. Senator Diane Feinstein and Governor Arnold Schwarzenegger both wrote letters urging the utility to change course. Environmental groups and public citizens showed up in droves. When Truckee reversed itself, the small town at the edge of Donner Lake made major news headlines.

The comment from the Truckee board that I found the most telling was that doing something that would be illegal in a few weeks just didn't seem right - technically legal, perhaps, but clearly violating the spirit of the law.

I find it encouraging that the spirit of SB 1368 was honored by Truckee and others. California public utilities often have an attitude that what goes on in Sacramento doesn't apply to them.

Interestingly, one of the justifications for SB 1368 was hardly ever mentioned in the debates. Environmentalists argued that sooner or later, greenhouse gas emissions will be controlled to limit climate change, perhaps through carbon taxes, for

example. Ratepayers whose utilities depended heavily on coal would be penalized. SB 1368 was intended to save ratepayers money in the long term.

Whether the public utilities ever bought into this logic or not I do not know. The issue was seldom raised in comments I gleaned from the debates. The fact that California had officially decided to do something about climate change and the desire not to openly flaunt this decision seemed to be more important.

Last month, the California Public Utilities Commission issued a lengthy draft decision setting up the SB 1368 rules for investor-owned utilities. It now appears that California has accepted the reality of climate change and the need to limit carbon dioxide emissions. This development is a rather surprising result for an arcane piece of legislation.

Forgoing coal-fired power is much easier than reducing greenhouse gas emissions in the next few years. AB 32, also passed this year, requires utilities and other industries to reduce emissions to 1990 levels by 2020. Since emissions from the electricity sector have increased 35 percent since 1990, hard choices will have to be made.

Nevertheless, it's encouraging that the first round of skirmishes over global warming reduction strategies resulted in a win for public policy.

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