



GUEST JUICE: Western Loading Order?

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By Arthur O'Donnell

Whether or not a federal climate-change bill passes this year, the prospect of "cap-and-trade" legislation has accomplished the improbable: Western lawmakers are begging for a carbon tax.

Even more bizarre, several of the elected officials from 14 Western states who gathered this week at the foot of Grand Teton National Park suggested that maybe, just maybe, the federal government ought to step in and do something to get high-voltage transmission lines built across the region.

Those were two take-away messages from this week's Western States Energy and Environment Symposium, held in Jackson Hole and underwritten by the orphans and widows of Wyoming.

Well, not exactly. As Wyoming Governor Dave Freudenthal pointed out in his opening address to the gathering, the \$400,000 contribution so generously approved by his Legislature to host this conference--at the posh Teton Village ski resort--came at the same time he is being forced to make severe cuts to state health and human services budgets.

The goal of the symposium was to identify and craft a "Western Energy Vision" that could lead to collaborative actions across the region or, perhaps, interstate compacts on issues like transmission siting and resource development. Freudenthal chided the gathered lawmakers to keep their expectations in line with reality.

"There isn't a single person in this room who can bind a state to an agreement," he said. "States are fundamentally parochial. I don't appoint a commissioner to worry about Utah, California, or Oregon. That appointment wouldn't last 20 minutes." States should compete with each other, he said.

Freudenthal, a rare Democrat in this deep red state, is considered a popular governor. He's also the kind of outspoken politician who gets more applause before he starts than after he's finished talking.

The two days of discussions were conducted without a single legislator mentioning the terms "climate change" or "global warming"--except the governor. "In Wyoming, 53 percent of people believe climate change is a hoax," he said. "But we understand this is a market change. What matters is what the market says. If you want little green stripes on your energy and are willing to pay a premium for it, we'll do that."

Freudenthal could be flexible because he believes Wyoming is well positioned to adjust to changing market demands due to its abundance of natural gas and wind. But many Western legislators see only lost jobs and economic disruption in the future. They keenly feel the threat of lost tax/royalty revenues from coal mining, export and coal-fired power generation that their schools and government services rely upon. Their deepest fears find a context in the prospects for cap-and-trade legislation from Washington, D.C., that could dethrone King Coal.

John Hines, Republican president of the Wyoming Senate, established the theme in his introduction to the symposium. "Things are coming that will probably raise costs for everyone," he said. Despite prospects for green jobs or even for natural gas displacing coal, Hines warned about deep losses in the fossil-fuel sector. "There's no reason to spend a lot of money to increase jobs in one area only to lose them in another area."

Jerry Black, a Republican state Senator from Montana, was one of many who echoed this refrain. "Cap and trade will cause great hardship for many people," he intoned. George Eskridge, a Republican state Representative from Idaho, was among several who argued for a carbon tax instead of the dread market-based approach to reducing greenhouse gas emissions.

It was an obvious disappointment to some participants that the forum would not lead to a joint resolution that outright condemned cap-and-trade schemes. Attendees from California and Oregon--and the conference organizers--made it clear there would be no consensus on such a proposal. A report and recommendations paper is expected in December to provide such a summary, and lawmakers then will be asked to begin working on possible collaborations.

However, if there was one area of consensus beyond a shared need to resolve transmission impasses so the West can fully exploit wind and solar generation development, it was in the recognition that energy efficiency (and for some, conservation) is something everyone can agree on.

Surprisingly, the California loading order policy came up repeatedly as both a preferred policy approach for Western states and as the de facto energy procurement strategy for several utilities. Because even the best California-bred ideas elicit suspicion among our Western neighbors, adoption of the loading order concept across the West might require some refinements to make it more palatable for those to whom the answer to every question is "coal."

The California loading order is most commonly characterized as: efficiency, renewables, and clean generation technologies. As originally articulated in the 2003 Joint Action Plan among the California Public Utilities Commission, the California Energy

Commission and the now-defunct California Power Authority, the loading order was a guideline to developing agency policies. As refined in subsequent policy documents and practice to embrace a greater renewables portfolio standard, demand-response programs, new transmission lines, and the emissions performance standard (among other policies), the loading order became the template for how utilities should procure energy resources.

Though certainly not pursued in the step-by-step approach some wanted (first efficiency, then renewables, and only then gas-fired plants), the loading order nonetheless established priorities that make sense for the state.

Many Western states, however, have a mix of energy importing and energy exporting systems and a strong fealty to fossil fuels. The lawmakers convened in Jackson seemed less interested in renewables for their own native consumption than in renewable energy as an export item. Their definition of "clean" generation counts on the possibility of carbon sequestration and storage (CSS) that could extend the life and livelihood of coal-fired generation.

So, if there were a Western loading-order policy that could be embraced via model legislation or a multi-state compact, it might look something like this:

Western states should share best practices and collaborate on programs to pursue cost-effective energy efficiency and resource conservation programs as the preferred means of achieving a cleaner environment, productive industries, and improved infrastructure at the lowest cost.

The fullest possible development of vibrant markets for renewable energy would allow each state to find its competitive niche in a Western energy system, and states should work together and with the federal government to resolve the environmental, economic, and policy barriers to improving transmission access and interconnections.

Western states should work jointly to harness the intellectual capacity of their universities and research facilities to find ways to transition coal and other fossil fuels into a source of less environmentally damaging, non-carbon emitting technologies.

Heck, if Western lawmakers are willing to consider a carbon tax and ceding transmission siting to the feds, almost anything is possible.

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