



The shifting energy landscape: An interview with Maria Pope

As the energy industry transitions to cleaner fuel sources and responds to climate change, leaders must also accommodate the evolving needs of the communities they serve.



Maria Pope

President and CEO
Portland General Electric

In some ways, the Pacific Northwest serves as an example of the future of power generation. Late last year, Portland General Electric (PGE) announced it was shuttering the Boardman Coal Plant, a 550-megawatt coal-fueled electric-generating power plant built in the late 1970s. Soon after, the Wheatridge Generating Station, one of the country's first large-scale energy facilities to combine wind power, solar power, and battery storage, came online. In addition, PGE has had to contend with combating hugely destructive forest fires; increasing diversity, equity, and inclusion (DE&I) efforts; and building new tech partnerships.

The following lightly edited interview with PGE President and CEO Maria Pope was conducted by McKinsey's Adrian Booth in June 2021.

McKinsey: To begin, several trends in the energy industry seem to be picking up speed, including increased electrification, wildfires due to climate change, and the continued evolution of technology. Do you think this is an unusual time for the industry?

Maria Pope: The energy landscape has shifted dramatically over the past decade, and even more so in the past several years. Customer expectations of utilities—especially around technology, climate change, and ensuring equity for all communities—have evolved. Severe weather events due to climate change have put energy and system resiliency at the forefront of local, state, and national infrastructure conversations. Underpinning all this is how our societal systems, including the energy system, serve historically disadvantaged communities, such as communities of color, rural communities, and low-income customers.

Each of these trends will impact our industry, in both the short and long term. As a company, PGE is leading by partnering with customers to achieve a clean energy future. This partnership approach has created opportunities to

accelerate the deployment of renewable energy resources and the integration of storage technologies. Improved reliability and resiliency of the grid is critically important to a clean energy future.

McKinsey: Regarding the recent wildfires, how does PGE manage public safety and grid stability?

Maria Pope: We take natural disasters very seriously, and we prepare for them on blue-sky days. We've partnered closely with our utility peers in surrounding states and work very closely with the US Forest Service and other agencies to detect early warning signs and to mitigate any risk of damage to our system and, importantly, the areas in which we serve.

In September 2020, more than two million acres burned in the state of Oregon, and about ten million acres burned throughout the West. Approximately 20 percent of our employees were either evacuated from their homes or were ready to be evacuated at a moment's notice. It goes without saying: this was a significant event for everyone, including our company. In the interest of mitigating risk to our customers, their property, and our system, we proactively shut off power and de-energized our transmission and distribution lines. In fact, we know of no instance in which our equipment contributed to any wildfire.

McKinsey: Switching gears a bit, President Biden's proposed infrastructure plan includes a commitment to achieving 100 percent carbon-free electricity by 2035. What is PGE's high-level strategy in this context?

Maria Pope: Our goals are ambitious and reflect both our customers' expectations and the values of the communities we serve. Specifically, we aim to reduce greenhouse gas (GHG) emissions by at least 80 percent by 2030, with an aspirational goal of zero GHG emissions by 2040. Doing so will require major investments in technology and clean energy

infrastructure, as well as cost-effective sources of clean and renewable power generation.

A major driver of these goals will be fiscal and tax policy reform. The current tax code contains more than 40 confusing and sometimes obsolete provisions around various energy sources and technologies. Most of the incentives for renewable energy are temporary, while the tax breaks for oil and gas companies are permanent. As a result, the American taxpayer is essentially subsidizing fossil fuel-driven climate change. We believe this must change.

McKinsey: PGE recently closed its largest generation asset, the Boardman Coal Plant, and announced the start of commercial power generation at the new Wheatridge facility. What lessons can you share from this chapter?

Maria Pope: The closure of the Boardman plant is a great example of not only how to sustainably transition legacy coal generation but also how to ensure a smooth transition for employees while keeping customer prices low. Planning took place over many years and resulted in a thoughtful and cost-effective approach to eliminating one of the largest sources of GHG emissions in the state of Oregon.

Concurrent with the Boardman plant's closing, the Wheatridge Generating Station came online—a major milestone in both PGE and Oregon's transition to clean energy. Wheatridge is the first facility of its scale in the country to combine wind power, solar power, and on-site battery storage in an integrated, clean-energy facility. Furthermore, the facility is located adjacent to the Boardman site and serves as a great example of supporting rural communities and the value of partnerships with local governments, stakeholders, and other industry players.

McKinsey: What should the industry be doing to better promote DE&I?

Maria Pope: I'm proud of the work we've done at PGE to improve and focus on DE&I, yet I also appreciate that much work still needs to be done.

We publish our pay equity and key DE&I statistics annually. Internally, we focus on hiring, developing, promoting, and retaining diverse talent. For example, we have two leadership-development programs going simultaneously. One is designed to grow women in leadership and the other to help develop our high-potential Black, indigenous, and people-of-color employees. Externally, we're diversifying our supplier base and are partnering with local and state leaders to ensure equity in our service delivery and outage restoration.

DE&I has been core to our company's values for more than two decades. Our guiding behaviors are foundational to the fabric of our company and how we do business. I am proud that every year since we started measuring results, we have increased the number of women and racially diverse people at our company and in leadership.

McKinsey: Broadly speaking, if you think of PGE as an institution, what do you hope to be true in 2030 if all of your plans come to fruition?

Maria Pope: Customers are at the center of all that we do, and that won't change. We believe that advances in technology will go a long way toward achieving net-zero emissions and real-time integration of energy sources. In our vision, energy generation and customer use will be seamlessly integrated and go hand in hand with dynamic pricing. We'll widely use AI and machine learning to anticipate customers' preferences, ensure overall grid stability, and deliver a truly interconnected, clean-energy future.

Technology is core to how we look at things. We are partnering with several tech companies, ranging from the largest global players to small local start-ups. And through these partnerships, as well as with some of the innovative leaders who have joined our company from tech and other sectors, we are accelerating our pace of technology deployment and seeing impressive results.

We also know that broader economy-wide leadership is expected of us. For example,

we invested in partnering to address the transportation sector's emissions because at about 40 percent, transportation is the largest source of GHG emissions in our economy. And just a couple of weeks ago, we announced, along with Daimler Trucks North America, a first-of-its-kind energy island charging station for large all-electric trucks.

Maria Pope is the president and CEO of Portland General Electric.

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