

The Bear Facts

Citizens' Utility Board of Oregon

Renewable Energy Standard Becomes Law

Summer 2007 - The Renewable Energy Standard has become law. The RES began life as a pie-in-the-sky idea last year, progressed to legislation known as SB 838, and made a spectacular journey through the Oregon Senate and House over the past several months. The RES will ensure that 25% of Oregon electrical power will be generated from new renewable sources by the year 2025. Governor Kulongoski, a passionate advocate of the clean energy bill, signed it into law on Wednesday, June 6th, surrounded by members of the Oregon Conservation Network, the Fair and Clean Energy Coalition, and, of course, CUB staff and board members (pictured here standing to the left of the Governor are CUB Organizing Director Jeff Bissonnette, CUB Staff Attorney Jason Eisdorfer, and in the back row CUB Board Member Fred Heutte).

Oregon joins 22 other states who have made some effort to shift the base of their energy production away from fossil fuels, mostly in an effort to combat the effects of global warming. Of those states, Oregon has created one of the most ambitious standards for renewable energy. The Oregon Legislature acted just in time, since the National Academy of Sciences recently published results of studies showing that global warming may be progressing faster than predicted. "The significance is that this is much faster than even the highest scenario outlined in this year's massive reports by the Intergovernmental Panel on Climate Change (IPCC) - and suggests that their dire forecasts of devastating harvests, dwindling water supplies, melting ice and loss of species are likely to be understating the threat facing the world." ("Global warming 'is three times faster than worst predictions,'" The U.K. Independent, 06-03-07). For Oregon, this means trouble on the mountains, in valley

agricultural fields, along our beautiful coastline, and for each connected link of our economy. It's good to see Oregon living up to its Trailblazer image in tackling this immense problem.

In addition to reducing the greenhouse gases resulting from our electricity consumption, this Renewable Energy Standard will protect customers from higher rates in the long run. Not only will it keep all of us from being dependent on an increasingly volatile market for oil and gas, but will also protect against future costs of carbon regulation, which will eventually raise the price of coal (currently one of the cheapest and dirtiest ways to generate electricity).

Consumer protections were written into the bill (including a 4% cost cap) to ensure that renewables are acquired in the most cost-effective manner possible. Primary opponents were industrial customers like Intel and Weyerhaeuser, who seem

interested only in keeping rates as low as possible in the short-term, regardless of the impact on long-term rates or the environment.

The market for renewable power may well see a boom in the next few years, since Oregon joins Washington and California in having set

standards for clean energy production. This creates a significant swathe of geographic and economic territory along the West Coast that will be actively working to reduce global warming pollution and clean up our power system. This is a great direction to be moving.

Congratulations to all of you who actively lobbied your representatives in Salem for the passage of this historic bill, and to all CUB members, whose support made a difference in achieving this victory.



From The Executive Director

Dear Members,

This month saw the suspension of the Bonneville Power Administration (BPA) Residential Exchange which caused an immediate rate increase of 14% to most Oregon households. But the region has much more to lose if it cannot find a fair way to allocate federal hydro power benefits.

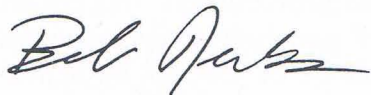
CUB members are served by both public power and for-profit utilities. We support public preference, giving publicly-owned utilities priority access to the benefits of the BPA hydropower system. We also believe that this preference should continue to apply to newly formed publicly-owned power utilities.

At the same time we recognize that federal law established the Residential Exchange as a way to share the benefits of federal hydropower with residential customers of for-profit utilities.

The real danger for the region is that this will evolve into a long-term fight over the federal hydro system. The economic benefits of federal hydropower are \$2.5 billion and growing. There are many folks around the country who believe that these benefits should flow to the federal treasury, not to the citizens of the Northwest. We have regularly seen proposals from the federal government to reduce our benefits. A fight within the region over how to distribute the benefits of the BPA hydropower system make it harder for all of us to work together to protect these benefits.

CUB has long argued that retaining these benefits in the region is fundamental. Selling power to customers at the cost of producing it, rather than the market price of power, is a long-standing tradition in this country. In addition, it is the citizens of the Northwest who have given up our free flowing rivers, and seen serious reductions in salmon populations due to the dams. Basic fairness says that the region should receive both the costs and the benefits of the federal dams.

Retaining these benefits means the Pacific Northwest must come together, work out a solution to the Residential Exchange, and end the fighting over the allocation of federal hydropower. With more than 120 utilities in the region this will not be easy, but it is necessary.



Bob Jenks
Executive Director & CUB Charter Member

The Bear Facts is the periodic newsletter of CUB and the CUB Educational Fund.

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CUB is a member of the National Association of State Utility Consumer Advocates (NASUCA) and the Consumer Federation of America (CFA).



Legislative Session Very Successful for CUB

It has been a busy Legislative session this year and we have good news to report on the progress we have made in CUB's priority areas of renewable energy and energy efficiency. Look below for details on increased support for low-income Oregonians who have trouble paying utility bills and movement toward a state policy commission on climate change. Thanks to CUB Lobbyist and Organizing Director Jeff Bissonnette for tremendous work this session.

SB 838 - Renewable Energy Standard - requires that 25% of Oregon's energy come from renewable energy by 2025. This bill has passed the legislature and has been signed by the Governor.

HB 2620 - Solar for Public Buildings - ensures that all new public building projects will designate 1.5% of construction costs to installing solar power. This bill has passed the legislature and has been signed by the Governor.

SB 375 - Energy Efficiency Standards for Appliances - this bill was a follow-up to a similar bill CUB helped pass last session, adding standards for more appliances in step with other states, particularly California. Over time, the bill will save enough energy to power thousands of homes and save Oregonians millions of dollars in energy costs. The bill has passed the legislature and is on its way to the Governor, who is expected to sign it.

HB 2876 and SB 576 - Energy Reduction and Green Building Standards for State Buildings - HB 2876 would require that energy usage in state buildings be reduced by 20% by 2015. SB 576 would require the use of green building standards, including standards for reducing energy use, in new state buildings. Both bills are awaiting hearings in the Ways and Means Committee. Both are still very much alive and chances are good for their eventual approval.

HB 2211 and HB 2212 - Increases in the Business and Residential Energy Tax Credits - these bills would increase tax credits for energy conservation and renewable energy investments made by businesses and individuals. These bills have already passed the House and are awaiting final action in the Senate. They are a priority for the Governor.

SB 461 - Increase for Energy Assistance - currently Oregon has a fund of \$10 million to assist low-income Oregonians pay their electric bills, helping people avoid heat-or-eat decisions. The bill would increase the fund to \$15 million, resulting in an increase of about 20 cents on the average household electric bill. SB 461 is in the Ways and Means Committee and is expected to pass and be signed.

HB 3543 - The Climate Integration Bill - establishes requirements for utility reporting of carbon emissions. It also creates a state policy commission on global warming and establishes a university-based research center on climate change. Gathering information on climate shifts both worldwide and from local impacts in Oregon would be a great foundation for future actions we can take to protect our land and economy from the difficulties that could be approaching due to global warming. This bill is expected to pass.

If you have provided for CUB in your estate plans, please let us know. If not, let us show you how. Write Bob Jenks, CUB's Executive Director, 610 SW Broadway, Ste 308, Portland, OR 97205 or call (503) 227-1984. Your gifts help make sure that CUB will always be around to fight for what you believe in.

Most Oregonians Lose Access to Federal Hydropower

Two recent decisions by the Bonneville Power Administration (BPA) have nearly eliminated the ability of 75% of Oregon households to receive benefits from the federal dams along the Columbia and Snake Rivers. First, BPA announced suspension of the Residential and Small Farm Exchange, a mechanism established by the Northwest Power Act to share some of the economic benefits of the federal hydropower system with customers of for-profit utilities. Second, BPA has announced its decision to move forward with plans to deny access for the next 20 years to federal hydropower for any significant new publicly-owned utility that might be formed in the region.

BPA to Deny Access to New Public Utilities

For the last few years, BPA has been involved in a process called the Regional Dialogue, a series of discussions to decide how to divide up the federal hydropower benefits BPA manages, for the next 20 years. And things aren't looking good for Oregonians.

Since the federal dams were first put in place, customers in the region could gain access to federal hydropower by forming a public power utility (PUD, Co-op, or Municipal). As BPA goes forward to implement the Regional Dialogue, however, it plans to deny access to low-cost hydropower to new public utilities, unless those new publics are tiny. This denial will last for nearly 20 years and will be built into new contracts BPA signs with its existing customers.

During the Regional Dialogue, CUB pointed out that this isn't fair. When customers of privately-owned utilities have complained about not receiving an equitable share of federal hydropower benefits, they were told, "Form a public." But now we are being told that even if customers form new publics, they will be locked out of the federal hydro system.

Historically, the threat that customers can leave a for-profit utility, form a public utility, and get access to BPA hydropower has forced for-profit utilities to watch their costs and be concerned about their rates. Under the Regional Dialogue, this threat against ever-increasing rates doesn't exist.

For additional thoughts on this issue, see the Letter from the Executive Director on Page 2.

Loss of the Residential Exchange

A suit against the Bonneville Power Administration's Residential Exchange settlement was decided by a federal judge several weeks ago in such a way that the Exchange was suspended by BPA. This is bad news for all residential and small farm customers of privately-owned utilities such as PGE, Pacific Power, and Idaho Power, since the Residential Exchange has been the means by which these Oregonians received a portion of the value of the federal hydropower system. BPA manages the system, selling cheap electricity (about half the price of market-priced power) to Pacific Northwest utilities, as required by the Northwest Power Act (NWPAct) of 1980.

Residential customers of PGE and PacifiCorp have already seen immediate rate increases of about 14%, or \$10 per month for the average household. Idaho Power customers have seen a smaller, but still significant, increase of about 6% or \$6.50 per household. The small farmers of areas such as the Klamath Basin are facing increases of up to 90% on their utility bills.

The Industrial Customers of Northwest Utilities and several publicly-owned utilities and associations brought the lawsuit against BPA, wanting to reduce the benefits of the federal system that are shared with customers of privately owned utilities. Until the suspension of the Residential Exchange, customers of private utilities, which represent 60% of the customers in the Pacific Northwest, received just 15% of the economic benefits of the federal hydropower system.

The number of beneficiaries is even smaller if you look at Oregon alone, where 75% of customers are served by privately-owned utilities. Those numbers are reversed for Washington State residents, most of whom are served by publics.

Publicly-owned utilities have preferential access to BPA power, while at the same time the Northwest Power Act intends a sharing of federal hydro benefits with customers of privately-owned utilities. While some in the region seem to feel that these provisions in law are fundamentally in conflict, CUB does not. BPA can share some of the benefits with customers of PGE, Pacific Power and Idaho Power without infringing on the preference rights of public power. The bulk of the federal hydropower benefits will flow to public power, but some reasonable share of benefits should be shared with customers of privately-owned utilities. This is not about the ideology of public versus private power. This is about a federal agency complying with the spirit of federal law.

CUB Needs Your Help

CUB is making a special plea: We need a new (used) copier. We have been extremely fortunate in being the recipient of several different copiers from members through the years (most recently from Michael Davidson of A & E Tax Services – thanks again, Michael!).

But we ask a lot of our copiers, printing tens of thousands of pages per year, and older copiers can't handle that forever. For the past year or so, we have done without the sorting mechanism on our existing Toshiba, and we were happy to suck it up and sort even large documents by hand. But now the duplex function of our copier is on the fritz, and the ability to do two-sided copying is important, not only for space-saving reasons, but for the trees.

If anyone out there is planning to replace a well-functioning copier with a newer version anytime in the near future, and would be willing to donate your old one to CUB (it is tax deductible), please call us at 503-227-1984. Thanks for considering this request – it's a great way to support CUB's work on sustainable energy policy and consumer advocacy.

What You Can Do About BPA's Actions

BPA's actions amount to telling 75% of Oregon: You can't get in through BPA's front door by forming a publicly-owned utility and getting preference power, and you can't get in the back door through the Residential Exchange either.

The Congressional delegation of Oregon needs to hear from you about restoring BPA benefits and ensuring that Oregonians have fair access to the federal hydropower system. Call Senators Wyden and Smith, and your own Congressional Representative today. Tell them to work to restore the Residential Exchange and ensure that if Oregonians form new public utilities, they receive BPA preference power.

Capitol Switchboard – (800) 459-1887

Sen. Gordon Smith (R) – (503) 326-3386 (Portland); (202) 224-3753 (D.C.)

Sen. Ron Wyden (D) – (503) 326-7525 (Portland); (202) 224-5244 (D.C.)

Rep. David Wu (D-1) – (503) 326-2901; (202) 225-0855 (D.C.)

Rep. Greg Walden (R-2) – (541) 776-4646 (Medford); (541) 389-4408 (Bend); (202) 225-6730 (D.C.)

Rep. Earl Blumenauer (D-3) – (503) 231-2300 (Portland); (202) 225-4811 (D.C.)

Rep. Peter DeFazio (D-4) – (541) 465-6732 (Eugene); (541) 440-3523 (Roseburg); (541) 269-2609 (Coos Bay); (202) 225-6416 (D.C.)

Rep. Darlene Hooley (D-5) – (503) 588-9100 (Salem); (503) 557-1324 (West Linn); (202) 225-5711 (D.C.)

If you prefer sending an email to your Congressional Representative, you can do that by visiting this web address, <http://www.house.gov/writerep/>, choose your Representative, and bring up a secure web form.

An Overview of a Full Plate

CUB recently counted 25 open dockets which we are actively participating in or closely tracking.

There are several dockets that affect ratemaking for all utilities, including UM 1302, in which the PUC is analyzing global warming and attempting to create a serious policy regarding the carbon risk inherent in different methods of energy production.

In DR 38, the PUC is studying how multifamily dwellings (such as apartments and trailer parks) with one electrical meter are passing along charges to tenants, wanting to ensure that costs are distributed fairly and that landlords are not profiting from the transaction when tenants pay their bills.

In UM 1276, the PUC is investigating the advantages and disadvantages to buying electrical power on the market vs. utility-built generating assets.

Idaho Power, PacifiCorp, and PGE have all three asked to add to rates additional costs related to purchasing power and fuel.

LC 42 is PacifiCorp's Least Cost Plan (LCP), a 20-year plan for meeting the electricity needs of its customers (revised every other year). In an LCP a utility considers its generating assets and current contracts to buy power on the market, the energy efficiency and conservation

projects being implemented, and estimates future costs such as carbon regulation. CUB strongly opposed the heavy reliance on coal in PacifiCorp's last LCP, and we note that this year's version has scaled back on coal in favor of renewables (which winds up being the most cost-effective option much of the time). PGE's LCP is also beginning and CUB will be deeply involved in that case.

Speaking of PGE, we filed testimony in June in UE 188, the rate case to bring PGE's Biglow Canyon wind project into rates (due to start generating power on December 1, 2007). CUB accepted PGE's request to file for inclusion of Biglow Canyon in rates through this single-issue case, but we are requesting a yearly adjustment to take into account the project's depreciation so that customers are not overcharged for the costs of the facility.

UE 180 is PGE's rate case which is being reopened to include costs of their new gas plant, Port Westward, finally operational after a delay of several months. It was at CUB's request that the PUC required this review of current costs if the plant opening were delayed (sure enough, it was). CUB will be recommending a rate decrease retroactive to June 15th, the date Port Westward was added to rates.

Those are just the highlights and do not even include the recent Cascade Natural Gas acquisition case, which settled after CUB negotiated a rate reduction for customers, an extension of low-income and energy efficiency investments, as well as the usual customer protections of legal ring-fencing and corporate accountability.

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