



# 2007 REPORT

## THE CITIZENS' UTILITY BOARD OF OREGON & THE CUB EDUCATIONAL FUND

*(Soon to be the CUB Policy Center)*

2007 was a special year. It will go down as a year where Oregon took impressive and important steps to confront global warming. Specifically:

- Oregon passed a law requiring that 25% of electricity come from renewable resources by the year 2025.
- Oregon rejected the building of new coal-fired power plants.
- Oregon committed itself to significant new investments in energy efficiency.

While this is impressive, it's just the start of how greenhouse gas emissions will affect Oregon's electric and natural gas ratepayers in the years to come. Much more has to happen in order to fight global warming. Carbon regulation is coming. At the national, regional, and state levels there are already discussions of regulation designed to reduce carbon emissions to levels that are significantly below 1990 levels. Technology is progressing in ways that will allow us to use electricity more efficiently. Plug-in hybrids are expected to become a major part of the global warming solution for transportation (though they will concurrently increase electricity demand).

Here at CUB, confronting global warming means that we have to change as an organization. Throughout our history, much of our work has been responding to utilities' actions. When utilities filed for a rate hike, we jumped into action and analyzed their proposed costs and revenues, which seemed to lead, inevitably, to the conclusion that they wanted to overcharge customers. When utilities proposed new policies we responded to those policies. When the Enron-owned PGE proposed radical deregulation of our electricity system, we responded with a proposal to allow customer choices, but through the regulatory system in order to maintain consumer protections.

Global warming, however, requires that we here at CUB change our approach. We can no longer merely respond to utility proposals. In order to represent customers in a world faced with global warming, we need to get ahead of the issues and in front of the current regulatory regime. We must anticipate what will happen and prepare for that future. For instance, while plug-in hybrid cars will do a lot to reduce the carbon emissions caused by transportation, we need to incorporate the added load they bring into our electricity planning. If people drive their cars home and plug them in at 6:00 PM, when electricity is already in high demand, we will need additional electricity generation. If we can set up a system where plug-in hybrids are charged late at night, the wind capacity that is being developed for daytime demand should be adequate. This is only one example of the kind of strategizing we are doing to address a changing ecological and economic environment.

To move forward, anticipate the future, and develop the critical policies necessary to confront global warming, the CUB Educational Fund is changing its name to the CUB Policy Center. At CUB, we have more experience in energy regulation and public policy development than anyone else in the western United States. The CUB Policy Center will allow us to focus this expertise in confronting the issues that are fast approaching, and which will fundamentally shape the way we use energy in the future.

*Donna Douglas* *Bel* *Quinn* *Erin* *Chen* *Channon* *Reed*  
*Larry* *McGinnis* *fa fa fa fa* *Jeff* *Bissmanell*

Global warming is the single most important issue facing the electricity industry. CUB first wrote about global warming in our newsletter more than fifteen years ago, long before it had become a commonly accepted part of the energy discussion. This year, we fought to reduce the effects of global warming over and over again.



Here are some of CUB's accomplishments for the year 2007:

## Renewable Energy

**The Renewable Energy Standard:** CUB led the coalition that passed SB 838, which requires Oregon utilities to meet 25% of their load with renewable power by 2025. This was a hard fought victory. Industrial customers argued that we couldn't afford clean energy and made a huge effort to defeat the bill. CUB's analysis

showed that the bill will save customers money by avoiding future costs of carbon regulation. This bill is one of the nation's most significant renewable requirements (for example, last year, Washington voters passed a law requiring that just 15% of their power be renewable by 2020).



## Keeping Renewables Affordable:

While we want utilities to invest in renewables, we want to ensure that they do so in a cost effective manner. When PGE asked to raise rates to cover the cost of its new Biglow Canyon wind project, CUB was there to examine the costs, and

this led to a settlement which reduced the rates associated with Biglow by \$9 million. We also won a requirement that ensures that, as new

renewables are developed and placed in rates, we can examine the utility's costs and revenues to ensure that rates do not go up any more than is necessary.

## Energy Efficiency

**Expanding Oregon Energy Efficiency Programs:** Oregon has been leading the nation when it comes to energy efficiency. In 1999, CUB passed legislation mandating that 3% of electricity revenues be spent on programs such as energy efficiency. These programs have been very successful, saving energy at a cost of 2 cents per kWh when new power plants can cost three times that amount. This year, we removed the 3% cap on those expenditures, which allows us to increase our investment in the cheapest and cleanest of resources.

**Stopping the Raid on Energy Trust Programs:** The Oregon legislature attempted to take \$4.6 million from energy efficiency programs run by the Energy Trust of Oregon on behalf of PGE customers, and use that money to help OMSI repay an old debt. CUB led the successful effort to get the Governor to veto this bill. The bill would have forced PGE to raise its rates by \$4.6 million to restore the programs, or raise rates even more to purchase energy at a higher cost than the Trust's energy savings.





## Reducing Carbon Emissions

**Stopping New Coal Plants:** CUB got the Oregon PUC to reject PacifiCorp's plan to build two new pulverized coal power plants. Coal plants emit more carbon dioxide than any other electricity source in use today, and these plants would have added to the pollution that is emitted when Pacific Power customers use electricity. The first step in reducing carbon emissions is to stop building new coal plants.

**Smart Energy:** For the last few years, CUB has been urging NW Natural to start a program that allows customers to offset their carbon emissions from burning natural gas. This year NW Natural did exactly that, and the utility is now offering Smart Energy, a program designed for NW Natural customers that allows customers to offset their carbon emissions through The Climate Trust.

**Carbon Cap:** CUB staff have been working with a variety of stakeholders on developing a regulatory structure that will cap, and then reduce, Oregon's carbon emissions. We don't know when it will happen, but this will be a critical step in the fight against global warming.

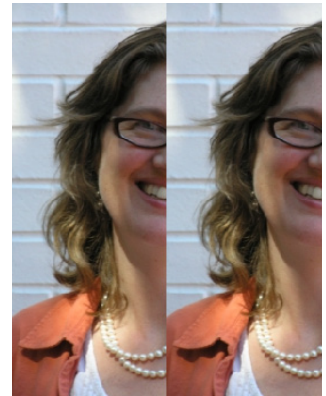
## Utility Rates

Utility rates are always a major concern for CUB. As we develop policies to fight global warming, we are always concerned about the effect on customers of utility rates. We recognize, however, that if we do nothing today, the cost of dealing with global warming will only get more expensive as we go forward. It is less expensive in the long run to begin the move towards a sustainable energy policy today.

**No Extra Profits:** In many states, a Renewable Energy Standard was accompanied by a requirement that customers pay utilities an extra incentive above their usual profit margin. CUB ensured that Oregon did not make this mistake. Paying utilities extra profit to comply with the law is nonsensical, and certainly not good for customers.

**Earnings Review:** CUB also demanded that the Renewable Energy Standard contain protections to review utility earnings to ensure that customers are not overcharged.

**PGE Rate Case:** PGE proposed an 8.9% rate increase, but CUB worked successfully to reduce it to 3.1%, saving customers \$49.4 million a year.



**Excess Taxes:** CUB stopped PGE from recovering \$4.9 million in excess tax payments paid by customers, which PGE wanted to retain to offset a loss the utility incurred on an unregulated turbine.

**Natural Gas Merger:** CUB reduced rates for Cascade Natural Gas by \$700,000 a year, plus got the utility to agree to an additional rate credit of \$200,000 a year for the next 5 years.

**Biglow Canyon:** CUB also got PGE to agree to reduce the cost of its Biglow Canyon wind project by more than \$9 million.

**Telephone Deregulation:** CUB stopped Qwest's attempt in the legislature to deregulate phone service, saving customers approximately \$50 million over the next two years.



# CUB's Finances and Organizational Strengths

From an organizational perspective, CUB had a good year. Our finances reflect a stable organization.

Our overall budget in 2006 was \$454,046. This reflects an increase of \$13,000 from 2005. We were able to reduce fundraising costs by \$5,300 and increase our expense dedicated to program.

For the 7<sup>th</sup> year in a row, we had no staff members leave the organization (some have joined the organization, but no one has left). CUB has a remarkably stable staff. We are a nonprofit and pay salaries that are below the market -- below most other non-profits. But we have developed a staff that has a great deal of expertise and enjoys working on behalf of Oregon's utility consumers. This experienced staff, along with our dedicated members, are the strength of our organization.

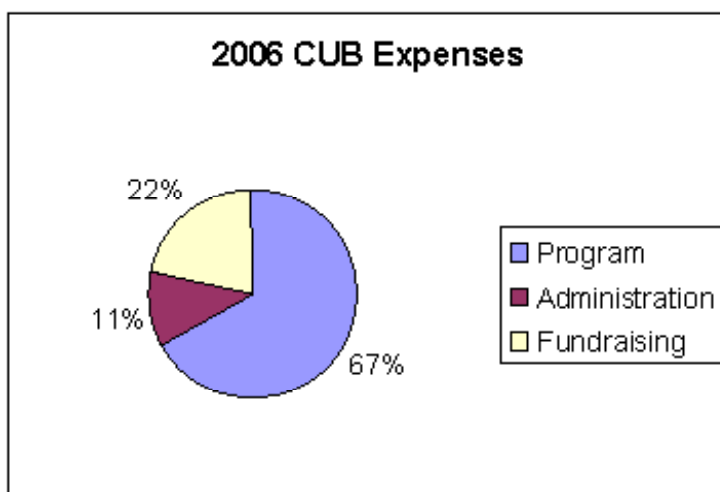
This pie chart shows how CUB spends money. It is based on our most recent audit, which reviewed 2006 income and expenses. It shows that the bulk of CUB's money goes to our program of advocacy and education on behalf of utility customers.

Our income comes primarily from three sources: CUB members, the Public Utility Commission's Intervenor Funding Program (which allows us to recover the cost of our intervention in some of the major cases before the Public Utility Commission), and charitable foundations including

**In 2006, CUB saved customers more than \$560 for every \$1 in our budget.**

a \$20,000 grant from the Bullitt Foundation.

CUB members are making an investment when they give to CUB. If you compare our 2006 total budget versus the rate reductions we won in 2006, we saved customers more than \$560 for every dollar in our budget. But, of course, we do much more than just work to



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## Farewell to Doug Still and John Glascock

CUB lost two important leaders in 2007. Doug Still, a long-time advocate for clean, affordable energy and other social justice issues, passed away in the summer. Only a few weeks later, we heard that John Glascock, another CUB Board member and a passionate and articulate advocate for fairness in utility regulation, had also passed away. You can find more information about both of these former CUB leaders by visiting our website at <http://www.oregoncub.org>, then look under People and History of CUB. We were lucky to have these two men involved in our work for many years.