



# 2008 REPORT

## THE CITIZENS' UTILITY BOARD OF OREGON & THE CUB POLICY CENTER

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***Hope and Change.*** While many of you recognize this as the slogan of a political campaign, it is also a reflection of the policy work here at CUB this year. On climate policy, 2008 may be looked at as the year that we stopped digging the hole deeper and instead began the process of climbing out of that hole.

In this year, we have gone from fighting to stop additional greenhouse gas pollution from our utilities to working to actually reduce greenhouse gas emissions. The year began with us still caught up in a battle with PacifiCorp over whether they could build additional pulverized coal plants and it ended with us preparing for an important effort to pass Cap-and-Trade legislation that will require reductions in greenhouse gases across the West Coast. ***That is change that we believe in.***

The Energy Trust is a critical component of Oregon energy policy. It is funded by customers of electric and natural gas utilities and consolidates the energy efficiency programs of the utilities, making them more cost effective and successful. We began the year working to defend the Energy Efficiency programs of the Energy Trust from being raided by the legislature as they had been in 2007. Today, as we end 2008, we have successfully added additional funding to these programs and are in discussions about how to take them to the next level, as part of Oregon's climate policies. ***That is change that we believe in.***

We began the year with another proposal from Qwest to deregulate the rates of Oregon telephone customers, which CUB projected would have increased phone bills by \$20 million. This year, we were able to get agreement with Qwest and the PUC on an alternative to deregulation that guarantees that basic local telephone service will remain regulated at current levels for several years. In addition to that, we are working with stakeholders to create a telecommunications consumer center that will help customers navigate their way through a maze of prices, services and promotions offered in a wide range from wireless to cable. ***That is change that we believe in.***

Several utilities pushed proposals that had more to do with greed than good policy. CUB was successful at defeating attempts to overcharge customers and to shift additional financial risk onto customers. Adding in the financial benefits we fought for and won for Oregon residential utility customers in 2008, CUB has now saved Oregon customers over 4 billion dollars, or \$750 for every dollar donated to CUB by our members. ***That is change that we believe in, and more change in your pocket, too.***

We hope to continue with our environmental stewardship and economic accountability for the state's largest utility companies in the coming year. Thank you for being a member. Read inside to see more about our activities in 2008.

# ***FIGHTING CLIMATE CHANGE***

## **Opposing New Coal Plants**

***“When you are in a hole, stop digging!”***

Pacific Power wanted to build up to 3 additional coal plants, but CUB led the fight against them, and the utility has agreed not to pursue additional pulverized coal plants. In their latest proposal for long-term power purchases, Pacific Power has stated that they will not accept long-term purchases from new coal facilities.

## **Implementing the Renewable Energy Standard**

***“Rulemaking Rocks!”***

Last year CUB helped passed the Renewable Energy Standard legislation, which requires that 25% of Oregon’s electricity be from renewable energy sources by the year 2025. This year CUB worked to ensure that the new law was implemented in a reasonable manner. You’ll read a lot in the news about laws as they’re being debated and passed, but almost nothing after they become law and the real nitty gritty of how we do it starts. However, CUB’s experience has been that the implementation is just as important as the policy, and that is why CUB has followed through to participate in rulemaking at the Public Utility Commission. This year we helped negotiate details of how the new Oregon RES will work, and saw Pacific Power and PGE both move forward with significant investment in new wind generation.

## **Increasing the Investment in Energy Efficiency**

***“The cheapest power is always the power you DON’T have to produce!”***

During 2008, CUB negotiated increased PGE and PacifiCorp funding for energy efficiency through the Energy Trust. Since 2001, energy efficiency investment has largely been limited to 3% of utility revenues. Because energy efficiency is our cheapest resource (it costs about 2 cents/kwh versus 6 cents for new power supply), this limitation was adding both to our need to add resources to meet utility power loads, and Oregon families’ needs to pay for increasingly expensive energy usage. If we can reduce the amount of needed power, we cut costs and environmental impact across the board.

## **Developing Oregon’s Climate Policy**

***“Climbing out of the hole, and up to a cleaner future.”***

We have to make sure that the energy we do produce emits less greenhouse gases overall, causing less damage to our planet. Oregon is a member of the Western Climate Initiative, a coalition of 7 states and 4 Canadian provinces, which has released a proposal for cap-and-trade policy to start reducing our greenhouse gas emissions. This puts Oregon in a position to lead once again on important energy and utility policy, and CUB will be present in negotiating sessions at the Legislature, the Department of Environmental Quality, the Public Utility Commission, the Governor’s office, or wherever we need to be, in order to give Oregon the best possible chance of creating smart, meaningful policy that will give us an economic and environmental leg up on the future.

# ***FAIR AND AFFORDABLE UTILITY RATES***

## **Stopping Telephone Deregulation**

***“No thank you, Qwest, again.”***

Qwest has successfully pursued deregulation in other states, and has tried repeatedly to get Oregon legislators and regulators to bite that hook. We fended them off during the 2007 session of the Oregon Legislature, and they came back, undeterred, with a case before the PUC in 2008 that would have allowed them to raise rates on basic local telephone service and nearly all other services. CUB went to bat for customers, and negotiated a settlement that protects the core services that many Oregonians, particularly low-income and vulnerable populations, need to have. We're talking about basic local service and other key services such as unlisted numbers, call trace, extended area service, and toll restriction. CUB also negotiated \$2 million to be contributed by Qwest to the development of an independent entity to help guide consumers through the complicated world of telecommunications plans and pricing. So talk on!

## **Reducing PGE and Pacific Power Rate Hikes**

***“Enough is enough.”***

Oregon's privately-owned utilities are paid a rate of return to manage our heat, light and telecommunications utility service, and we think those rates of return are adequate compensation for that management. Sometimes the utilities themselves don't agree. PGE filed an unnecessary rate case which has lasted for much of 2008, originally asking for an increase in their profit margin, a new helicopter and money for a variety of new programs. Some of these issues have been settled in negotiation, but PGE is still asking for an additional \$57 million. CUB has submitted our own evidence, and is opposing \$52 million of the increase. The Commission will decide this case sometime in late December. We are hopeful that the Commission will heed CUB's recommendation to impose on PGE a 1% budget wide reduction in the parts of the case CUB has not yet settled to encourage more effective cost management by the utility.

Pacific Power also asked for higher rates this year, citing higher fuel and purchased power costs. Their request was for an increase of more than \$50 million which CUB successfully negotiated down by 40%. All electric utilities are looking at higher fuel costs, and some of that cannot be avoided. But CUB thinks that is all the more reason to cut the extras from utility budgets. After all, many Oregon families are having to budget a lot to pay those rising utility and gas bills.

## **Stopping the Gas Companies from Shifting Risk to Customers**

***“And the Commission Agrees with CUB!”***

One major victory we are so happy to report back to you on this year was the Public Utility Commission's Order backing CUB's proposal for dealing with Purchased Gas Agreements by Oregon's natural gas companies. Those companies, NW Natural, Cascade, and Avista, were requesting that a new system be imposed which would have switched much of the risk of volatile natural gas markets from the companies to customers. CUB was shocked to see that customers could have wound up paying for more than the difference in forecasted and actual natural gas costs had the companies' proposal been adopted. Instead, the Commission agreed with CUB's analysis and supported our proposal, one which shares the risk of changing costs between customers and the company. After all, if we're paying them a rate of return to manage those gas purchases, they should “have some skin in the game.” Although it's pretty hard to put a dollar figure to the savings, customers will benefit greatly from the decision in this case for years to come.

## **CUB and the Policy Center Personnel**

***“The more things change, the more they stay the same.”***

It was a good year for CUB in many ways. However, we do miss two staff members who left CUB this year. Jason Eisdorfer, who came to CUB as a young attorney in 1994, developed the skills and knowledge base to be one of the leading experts on energy and climate issues in the region, has moved to Bonneville Power Administration. He is now the Greenhouse Gas Policy Strategist for this large federal agency. We wish him the best of luck under the new Obama Administration. Lowrey Brown, who came to us with an impressive resume and a head for both numbers and clear policy arguments, moved on this year and leaves a large hole behind. Her work was fundamental in most of the program achievements of the past 5 years. We wish her all good things going forward.

After a lot of interviewing, we have found two excellent new people to join the CUB staff. Catriona McCracken, a native of Northern Ireland with 9 years at Oregon’s Department of Justice and 3 1/2 years in private practice behind her, has a passion for environmental issues and is on the board of the Northwest Coalition for Alternatives to Pesticides. Catriona joined us in October as our Staff Attorney and has already learned a great deal, filed a major Brief, met many of the folks we work with at the utilities and the PUC, and is ready to take on any challenge. Gordon Feighner completed his Master’s Project at Duke on Modeling Carbon Dioxide Emissions Trading. In addition, Gordon has an impressive resume of research working for the Environmental Protection Agency and the City of Portland. Gordon started at CUB in November as our Utility Analyst, and will be joining us full-time in January. We are so pleased to have him on board. We look forward to getting to know Catriona and Gordon better in the coming year, and are confident that both will add strong arms and cool heads to the projects and battles that lie ahead.

And we would like to mention the work of our two Shaich interns during 2008: Jessica Aiona and Sandra Hirotsu. Jessica, a recent graduate of Bowdoin College, worked with Jeff Bissonnette on a joint project with the Appollo Alliance. Jessica has moved on to a job at Quantec. Sandra, a bright and competent attorney, worked under the supervision of Jason Eisdorfer on Bonneville Power Administration issues for a few months, and now works at the Northwest Power & Conservation Council. Find out more about the Shaich internship at [http://oregoncub.org/archives/2008/02/meet\\_cubs\\_shaic\\_1.php#comments](http://oregoncub.org/archives/2008/02/meet_cubs_shaic_1.php#comments).

## **The Financial Picture**

***“Steady and growing.”***

CUB has maintained a steady membership of about 5,000 members for the past several years. This year we undertook several projects to acquire new members and hope to bring in many new supporters. We received another clean audit, and the resulting Financial Statements showed that for 2007, we spent approximately 12% of our budget on Administrative work, 19% on Membership Activities, and 69% on Program, Policy and Education.

We continue to be a frugal organization, with a small (but nice) office space in downtown Portland, and a tight set of hands on the financial reins. As one board member said in interviews recently, “I have never seen an organization stretch a dollar and do so much with it as this one.” We appreciate the donation of a new-to-us used copier this year from Michael Davidson of A&E Tax Services. We appreciate the volunteers who came in to help us get mailings out. We appreciate the gifts of those who made major gifts through the CUB Policy Center’s new Ursa Major program. And most of all, we appreciate each and every single contribution from our members that keeps the doors open, the computers on, and the phone lines lit up.

***Thanks for another good year!***