



2009 REPORT

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

As I write this in November, this month marks CUB's 25th anniversary. I would like to thank everyone who came and celebrated with us on the 14th at the Hilton. Way back when, the morning after election day in November in 1984, we were waiting for the county office to open to find out if we'd succeeded in creating CUB. We couldn't have imagined back then a fraction of what we have accomplished.

We have saved customers more than \$4 billion by stopping and reducing rate hikes, by winning refunds and by preventing customers from being overcharged.

We took on Enron and stopped their electric deregulation plan.

We helped create the Energy Trust of Oregon, which runs the best energy efficiency programs in the country.

We stopped Texas Pacific Group from buying PGE so they could turn it around for a quick profit.

We passed the Oregon Renewable Energy Standard, which requires utilities to invest in new renewable resources.

At CUB we have a history of not resting on our laurels and focusing on the work at hand. Today Oregon is in the middle of the worst recession in decades. Unemployment is high. Customers are having trouble paying their bills.

With Oregon's two largest electric companies gearing up to ask for significant rate increases next year, there is no time for CUB to relax. We need to be working not just on today's rates, but on helping Oregon plan for the future.

But before we move on, we need to recognize that it is the members of CUB that have made us successful in the past and will allow us to keep fighting as we go forward. Over the years, thousands of Oregon households have contributed a few dollars each year so we can take on the utilities. Each victory we rack up and each dollar we save customers, is a direct result of those contributions. Every contribution from \$5 to \$500 made a difference in protecting Oregon utility consumers.

So, Happy Anniversary to all of us. And congratulations to you, our CUB members, who are responsible for everything we have done.


Bob Jenks, Executive Director

Here's a selection of things we've accomplished with your help, both CUB and the CUB Policy



Center:

2009 Legislative Session

Like all odd-numbered years, 2009 was a legislative year in Oregon and CUB was in the thick of it. CUB entered the 2009 session in high spirits from gains in the 2007 session and with ambitious goals: to retain past successes, and to move policy forward in four main categories: 1) Climate, 2) Energy Efficiency, 3) Renewable Energy, and 4) Telecommunications. We succeeded in meeting goals in each category, with particular gains in energy efficiency legislation and defeating bad telecom legislation.

But the session was a hard one for renewable energy policy. Despite tireless work during the session by a wide range of allies, CUB had to join with them to request vetoes for three anti-renewable energy bills. We believed these bills threatened Oregon's position as a leader in the national push for clean energy and proactive climate change policy. But, overall, CUB was able to deliver several pro-consumer bills.

CUB members and supporters can go to our website for a full report on the session. In this summary, we will note a few key achievements.

SB 101 – Emissions Performance Standard: This bill requires that all new power generation sources have emissions that are equal to or better than the most modern natural gas plant. This critical climate bill will prohibit Oregon utilities from investing in new coal plants.

HB 2626 and HB 2180: HB 2626 (Energy Efficiency and Sustainable Technology Act) was introduced to provide a series of pilot projects intended to deliver increased energy efficiency services to residential customers and businesses. By making financing available to implement efficiency projects, particularly encouraging the use of utility on-bill financing as a payback mechanism for the upfront loans, a strong source was found to fund the efficiency work. HB 2180 was introduced to enable local governments to establish "local improvement districts," or LIDs, to fund energy efficiency projects in particular areas. Ultimately, both bills were combined under HB 2626 and passed successfully.

SB 76: SB 76 codified an agreement between the governments of Oregon, California, tribes, PacifiCorp and the U.S. government over the future of dams on the Klamath River. The parties came to an agreement that could lead to the removal of the dams as the best economic decision on behalf of ratepayers rather than re-licensing the dams because that would be more expensive. The agreement provides certainty for the governments, the utility and ratepayers by defining and capping the liability to be borne in the rates of Oregon customers of Pacific Power.

We never tire of underscoring how much CUB's members help in making a huge difference in supporting good bills and opposing bad ones. Oregon's legislature will be going back into session in February 2010 and CUB will be prepared to again defend residential ratepayer interests and we know our members will be with us again.

Regulatory Work

Verizon/Frontier – Early in 2009, Verizon announced that it was selling its landline, high-speed internet and cable television system in Oregon (as well as other states) to Frontier Communications. At first, the companies claimed that the PUC should have no jurisdiction in overseeing the deal. CUB fought that claim and won. CUB filed its first major testimony on the merits of the proposed transaction as 2009 closed. We urged the PUC to reject the merger in its current form because the risks to customers outweigh the benefits. CUB continues to talk to Frontier about conditions which would limit customer risk and provide various benefits. This docket will continue into 2010, with a decision likely coming sometime in the spring.

Utility Taxes – Since passing SB 408 in 2005, which required utilities to "true up" the taxes collected through rates to the amount actually paid to government entities, CUB has been very involved in implementing the law and preventing utilities from avoiding the requirements under the law. This year, Avista, which provides natural gas service to various parts of southern and eastern Oregon, claimed that refunding to customers monies collected

for taxes but not paid to the government violated the utility's constitutional rights. CUB rejected their arguments and customers are now receiving their full refund.

Energy Efficiency – CUB joined utilities and the Energy Trust of Oregon in examining the potential of new energy efficiency programs and increased the funding of them. All told, nearly \$25 million more will be invested in energy efficiency projects next year in PGE, Pacific Power and NW Natural service territories. These Oregon utilities will be investing in efficiency at a rate that is double the regional average.



Rate Cases – CUB faced a large number of utility rate cases this year and worked hard to reduce the rate proposals by the utilities. CUB was successful in cutting PGE's proposed rate hike by \$68 million, Avista Utilities natural gas rate hike was cut by \$5.5 million and a stipulation before the PUC would cut Pacific Power's rate hike by more than \$40 million

In addition, as natural gas prices fell, CUB was able to work with the gas utilities to see that rates are reduced by an average of about 20%.

Our Amazing CUB Interns

CUB's internship program continued with three interns adding their efforts to our work this year. Ian Shellady, a University of Portland student, worked with us on a variety of projects from January through May. He graduated this Spring and is now teaching English in Korea. Our second-ever summer intern, Amani Smathers, came in June. A Tufts University student, she spent the first part of the year studying abroad in Jordan. She arrived in time to help with the last couple of frenetic weeks in the legislature, and then spent the rest of the summer researching and writing about a host of energy and utility issues. She's now back at Tufts for her senior year. Sakae Sakai, a Lewis and Clark law student, came in and did an incredible amount of legal research on issues such as Avista's claim that Oregon's utility tax law violated its Constitutional rights.

Looking Ahead

There are a number of significant policy issues that CUB is going to be involved within the next few years that will have a major effect on Oregon ratepayers.

First, we must continue to analyze the impacts of climate change and make sure that the energy we produce emits fewer greenhouse gases overall. CUB will continue to be a leader on coordinating energy policy with emerging climate policy.

Second, although Oregon has a strong history of energy efficiency, climate change demands we find ways to do even more. Efficiency is not only the least expensive way to meet our energy needs, it is the cleanest. According to the NW Energy Coalition's "Bright Future" report, energy efficiency also creates the most jobs. CUB will be very active in finding ways to deliver more efficiency more effectively and more broadly.

Third, if Oregon, and the region, is serious about reducing greenhouse gas emissions, then addressing energy production alone is not enough. The transportation system produces about the same amount of emissions as the energy generation sector of our economy. Climate policy will lead to "electrification" of the transportation system, but it has to be done carefully and thoughtfully. Ratepayers need to be assured that they are getting the best value for their dollars. Fair rates and a clean environment do not have to be conflicting goals but, rather, can be natural outgrowths for each other.

As always, CUB will be a leader by finding new ways to solve old problems. With a smart board, dedicated staff, and ever-supportive members, CUB's next 25 years will be bright. Indeed, you ain't seen nothin' yet. See you in 2010.



Cub staff, past and present gathered together at CUB's 25th Anniversary dinner on November 14th, 2009. Back row: Sakae Sakai (Law Clerk), Gordon Feighner (Utility Analyst), Benjamin Chambers (former Development Director), Jeff Bissonnette (Lobbyist and Organizing Director), SA Anders (Business Director). Front row: Jason Eisdorfer (former Staff Attorney and Program Director), Lowrey Brown (former Utility Analyst), Catriona McCracken (Staff Attorney and Program Director), Karen Jaffe (Development Director), Bob Jenks (Executive Director), Sarah Cloud (Policy Center Development Associate). Our only staffers from the past 15 years not present were the late Shannon Floyd and Anita Russel, who we dearly miss. (Photo by Stuart MacDougall.)

CUB has maintained a steady membership of about 5,000 members for the past several years. Year after year, we're happy to report that CUB and the CUB Policy Center received another clean audit. The resulting Financial Statements showed that in 2008, we spent approximately 10% of our budget on Administrative work, 20% on Membership Activities, and 70% on Program, Policy and Education.

For the first time in the last ten years, we're excited to reward givers of \$100 or more to the CUB Policy Center: a portable reusable bag with our anniversary logo on it. Small enough to throw in your jacket pocket, it unfolds to a size large enough to hold your groceries. These Chicobag brand bags are durable, convenient, and a great way to cut consumption while supporting the CUB Policy Center.



We appreciate any gift you can give this year to the Policy Center. Your tax-deductible gift will make a huge difference in Oregon's future, as it has for the last 25 years.

