



Bear Facts

The Fall 2010 newsletter of the Citizens' Utility Board of Oregon and the CUB Policy Center.

Closing a Coal Plant is Good for the Environment, Right?

Then why does DEQ want to provide an option to keep Boardman open until 2040?

We've written before about the effort to close PGE's Boardman Generating Plant, Oregon's only coal plant. CUB has been actively engaged in the process to find a solution that meets three specific goals: 1) protect ratepayers by keeping the costs of closure and replacement power under control; 2) protect the environment and reduce greenhouse gas emissions by shuttering a coal plant early and developing a clean energy solution for replacement power; and 3) perhaps provide a path for other, more heavily coal-dependent utilities to follow in shutting down their coal plants early.

The process has taken a twist that has CUB very concerned. Frankly, we need your help to get it back on the right track. We explain how you can help at the end of this article. But first, let's start with some background.

Last year, the Oregon Department of Environmental Quality (DEQ) put a rule in place which required Portland General Electric, Boardman's principal owner, to make very expensive clean air investments (more than \$500 million worth) in the Boardman coal plant. In order to make that investment pay off, PGE said that they would have to run the plant through its expected life of 2040. With what is known today about global warming, CUB questioned the wisdom of assuming a coal plant could be operated until 2040. There are certainly better ways to spend \$500 million of customers' money than investing in a coal plant.

CUB and its allies at Renewable NW Project and the NW Energy Coalition asked PGE to study the possible closure of Boardman in 2020 to see if there was solid economic reasoning for doing so, while also getting the benefits of closing a coal plant 20 years early. PGE finally agreed to do the modeling for possible closure in 2020 and, lo and behold, discovered that there was a very strong argument for shutting down Boardman as a coal plant by 2020.

PGE filed its new 2020 plan with both the Oregon Public Utility Commission (PUC) and DEQ. PGE asked DEQ to replace the current rule which allowed the plant to run indefinitely with one that would require it to close in 2020. CUB thought this was a positive development.

Once a closure date was placed in state rules, the plant would be on a path to shutting down. Oregonians would be guaranteed that Oregon would make progress towards its greenhouse gas reduction targets, and customers could be sure that their dollars were being invested in clean energy solutions rather than dirty coal facilities.

That process, while convoluted, was going along relatively well despite the challenges of trying to get economic regulations (through the PUC) and environmental regulations (through the DEQ) CONTD PAGE 3:

Letter from the Executive Director

Affordability is a simple concept. When families are having problems paying their bills then we have an affordability problem. Today, too many Oregon families are having trouble paying their electric and gas bills.

This year, Idaho Power customers in Eastern Oregon saw their bills increase by more than 30%. This winter, Pacific Power customers are looking at an increase of more than 10%. Utility rates are increasing. Incomes, on the other hand, have stagnated or declined for most households. Oregon's unemployment rate seems stuck in the double-digits.

When utility bills are increasing and incomes are not, we end up with an affordability problem. And that is where we are today. Ten years ago, customers spent about 1.7% of their income on their PGE bills. By next winter it will be 2.7%.

How are utilities, legislators and various interest groups responding to this affordability problem? By offering up proposals that would make it worse.

Utilities continue to want to seek higher profit margins and raise rates to fund all kinds of new investments. Legislators, who have no room in the state budget to fund new programs are looking to utility customers to fund major new investments, research centers at Universities, and economic development projects. Other groups have proposals to require customers to pay more to support investments in a smart grid, in solar power, wave energy, pollution control and garbage incineration. Some folks are saying we need to allow the utilities to charge a profit margin on energy efficiency, which would raise the cost of energy efficiency by 50%.

Hardly a day goes by that I don't see a proposal from someone that would have the effect of raising your rates even higher. While many of the ideas seem almost reasonable in isolation, what is clear is that customers cannot afford all of these proposals; customers cannot even afford half of these proposals. Investments will need to be made and CUB believes that investments that support clean energy should be a higher priority than additional investment in fossil fuels, but the key here is priorities. We cannot fund every interest groups' pet project. We have to keep a close eye on electric rates and set priorities.

What is fundamentally missing from discussions about energy policy in Oregon is any recognition of this need to set priorities due to our growing affordability problem. In the coming months, as the 2011 legislature approaches, you will hear CUB raise this issue repeatedly. We will keep repeating it until utilities, legislators and interest groups begin acting as if they understand this message.

The Bear Facts is the periodic newsletter of CUB and the CUB Policy Center.

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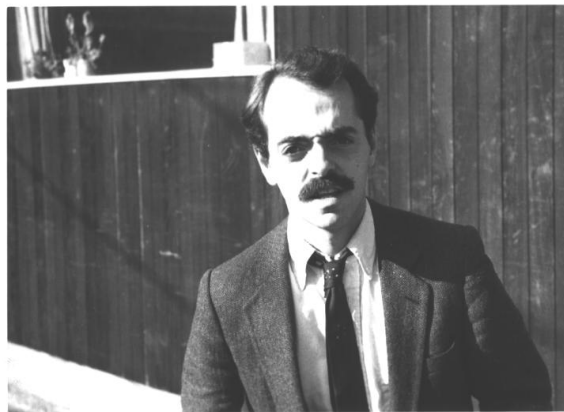
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CUB is a member of the National Association of State Utility Consumer Advocates (NASUCA) and the Consumer Federation of America (CFA).

There will be an election this fall for the CUB Board of Governors. For more information about the election process, which starts on Sept. 15, and application materials, please go to www.oregoncub.org/about.



Moving from one office to our new digs unearthed all sort of treasures, so for this newsletter we give you 1980s era Executive Director Bob Jenks. Next year will be Bob's 20th year with CUB!

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CONTINUED FROM PAGE 1: to work together. However, things have hit a major snag at DEQ and, unbelievably, DEQ is willing to leave the option open to keep the plant operating until 2040 and is making it difficult to close the plant early!

Several weeks ago, DEQ staff rejected PGE's 2020 plan (which is to make about \$50 million in clean air investment and to guarantee shutdown by 2020), saying they wanted to provide PGE and the PUC with a broader range of options.

Here are DEQ's four options:

1) Make the \$50 million in clean air investments by 2011, but then close the plant by 2015. This is problematic because PGE raises concerns about reliability if it is forced to close the plant so soon. The PUC is likely to be wary of those concerns. In addition, if the plant is closed this early it will likely be replaced with a natural gas fired power plant, which means we'll be living with a fossil fuel plant for the next 30 years rather than a cleaner option that makes more sense as we deal with climate change in the long-term.

2) Make about \$100 million in clean air investments but then close the plant by 2018. On its face this option seems pretty reasonable, but it is not technically feasible. The pollution control technology that goes along with this has never been done at a plant of Boardman's size and will likely cause Boardman to violate other pollution permits.

3) Make \$350 million in clean air investments and close the plant by 2020. This is not cost effective. Spending \$350 million for an extra 5 years of operation makes little sense and will push PGE's rates even higher.

4) Make the full clean air investment (\$500 million) and run the plant until 2040. Under the circumstances, this would be PGE's choice of the 4, but it is a big risk for consumers. Ratepayers would be forced to pay for this option, but due to climate change, it is doubtful that Boardman will be able to operate until 2040, making this a waste of ratepayer money.

In the end, the only two choices that are technically feasible and cost effective are the same options that existed with the last DEQ rule. Make expensive pollution control investments and run the plant until 2040, or close it down in the next 5 years. Rather than accept PGE's proposal to require by rule that the plant close in 2020, DEQ is proposing a rule that

could allow the plant to run until 2040.

So, DEQ staff is apparently willing to run the risk that a coal plant operates in Oregon until 2040 rather than guarantee it would close by 2020? This is what is most frustrating. DEQ's concern is that PGE's plan would allow a bit more pollution between 2015 and 2020. But DEQ's alternative would allow a great deal more pollution between 2020 and 2040. The cleanest pollution control of a coal plant is to close it. And because the pollution control requirements do nothing to reduce greenhouse gas emissions, the only way to deal with climate change concerns is to close the plant early.

CUB believes that there is a better solution. First, we need to focus not just on closing Boardman, but also finding a replacement resource.

Closing Boardman in 2015 and replacing it with a natural gas generator is one choice - and it is one the PUC would have to seriously consider. Investing \$500 million in Boardman and trying to run it to 2040 is another alternative, but is CUB's last choice.

What is missing is a closure alternative that would allow the plant to run a bit longer, which would allow it to be replaced with cleaner technology than a gas plant. Such an alternative would be both cleaner for the environment and cheaper for customers.

What needs to happen now? At the very least, we need to remove 2040 as a viable option. Then we need to have the DEQ present some realistic options that might actually get approved at the PUC. Right now, they are making it very likely that Boardman will stay open much longer than 2020 at a higher cost to ratepayers.

So here's what you can do. Please take a moment to send an e-mail to the DEQ staff with two messages:

- 1) Take 2040 off the table as a possible option for operating the Boardman coal plant.**
- 2) Work with all stakeholders - PGE, ratepayers, environmentalists, other regulators - to find a workable solution which sets a realistic deadline for Boardman's closure while replacing it with clean energy.**

YOU CAN SEND YOUR EMAIL ABOUT DEQ AND BOARDMAN TO dequinfo@deq.state.or.us.

CUB is confident that we can find a way to close Boardman early, invest ratepayer money wisely and have a cleaner replacement power solution that we can live with for the next 30-40 years. Taking just a few minutes to e-mail DEQ will make a big difference in making that happen.

Thanks for your help. Feel free to contact us with questions.

TracFone Tries to Kick CUB Out of a Docket ... and Fails

EDITOR'S NOTE: As this newsletter goes to press, TracFone made two changes: First, it has changed its offering so customers will have three choices with 68 to 250 free minutes, different text message rates, and different rules for making international calls. Second, TracFone has asked that its Oregon proceeding be suspended indefinitely, without TracFone being required to answer outstanding questions about its old plan or any new questions about its new plan.

Way back when, in 1999, US West (the forerunner of Qwest) filed a request in a court docket that CUB not be permitted intervenor status in that case on appeal. The court said definitively that "CUB may intervene as of right as a party or otherwise participate in any proceeding which includes the review or enforcement of any action by an agency."

Since then, no one has even hinted that CUB doesn't have the right to represent customers in a proceeding....until now. TracFone filed a motion in late July asking the Public Utility Commission (PUC) to deny CUB's right to intervene in a docket.

TracFone is a wireless telecommunications company that has asked the PUC to certify them to provide Lifeline services (service targeted to low-income individuals) under the brand SafeLink Wireless. While CUB strongly supports increasing telecommunications service options available for low-income customers who depend on Lifeline services, CUB has serious doubts about TracFone's ability to deliver a good product at fair prices.

CUB's testimony in the docket says that "TracFone is offering a product that appears to provide less value to customers than the already available, non-subsidized services." We said "appears to provide" because TracFone has been uncooperative in giving substantive answers to our data requests. They have refused to respond to many questions asked by both CUB and the PUC staff. CUB is so frustrated that we have taken the unusual course of filing a Motion to

Compel, asking the PUC to make TracFone respond fully and completely to data requests.

Until then, CUB is opposing TracFone's application because of the potential impact on the cost of Lifeline services, doubts about TracFone's business model and concerns about TracFone's ability to be a positive presence in Oregon's market.

The Principle of Universal Service

Universal service has been a guiding principle for phone service for decades. For phones to be useful, lots of people have to have them. The universal service principle was traditionally applied to landline phones. However, landline phones generally require stable housing situations. A significant number of Oregon families have economic situations that can lead to more transient living arrangements.

To ensure universal service, federal law established the Universal Service Fund (USF) to provide direct subsidies for high-cost areas and low-income customers. Directing Lifeline/USF support to wireless services has the potential to allow low-income households experiencing housing insecurity to have improved access to telecommunications, permitting more effective job searches and ensuring contact with the outside world. Luckily other wireless providers are beginning to offer plans that contain real value. We examine viable alternative options later in this article.

TracFone's Business Model is Problematic

As far as CUB can understand, TracFone's intent is to provide a preactivated phone to low-income customers who qualify for discounted phone service through its SafeLink wireless service, an eligible provider of Lifeline service. Under the revised plan, after receiving the phone, each Lifeline customer would be provided with 68 to 250 minutes of use each month so long as their phone was turned on in the first few days of the month or they called and asked for the minutes. Those minutes would then be added to each customer's prepaid account.

TracFone would cover the cost of the minutes assigned to a phone by applying to the Universal Service Fund (USF) for \$9.90 worth of support for that phone. If a customer goes two full months without usage of the phone or does not call to request their minutes, TracFone will deactivate that phone and no longer provide USF support. The result of this business model is that TracFone is guaranteed \$29.70 (\$9.90 x 3 months) in USF for every new customer it signs up, no matter how the phone gets used or who uses it or even if it gets used at all.

Customers Contributing to the USF May Not Get Enough Value

CUB asked TracFone to provide the number of customers who do not receive their free minutes because their phone is not turned on and those customers who did not contact the company to retrieve their minutes. TracFone responded that this information is "not relevant." CUB disagrees. In fact, TracFone promised in its application to the Oregon PUC that "100% of its federal Lifeline support it receives will be flowed through to Lifeline customers in the form of free usage." The question noted above is directed to find out how many of those free Lifeline minutes are never added to someone's phone, and therefore cannot be used by customers. Because TracFone promised to pass through 100% of the minutes, we understand that this question might make them uncomfortable and they may not want to answer it, but it is highly relevant.

So, Is CUB Going to Be Kicked Out of the Docket?

Nope. On August 16, the administrative law judge ruled on TracFone's motion. The decision, in short: No dice. But here's what the judge said in her own words: *"In its motion, TracFone argues that CUB's statutory authority to represent utility consumers before this Commission does not extend to this proceeding because TracFone is not a 'utility' and its customers are not 'utility consumers'.... This is incorrect. CUB did not exceed its mandate by intervening in this docket. TracFone's motion to deny intervention to CUB is denied."*

Docket Round Up

While a number of rate cases and other dockets have settled in recent weeks, CUB remains active in over 30 dockets at the Oregon Public Utility Commission (OPUC), keeping everyone very busy here.

The various Integrated Resource Plan (IRP) dockets continue for a number of Oregon's public utilities. The IRPs are forward-looking proceedings in which utilities must forecast energy demand for their customers, and then develop least cost solutions to meet that demand, ensuring that ratepayers continue to receive utility services in an efficient and cost effective manner, without the potential of facing outages or high rate hikes.

The IRP looks at both supply (new generating resources) and demand (new energy efficiency programs) as it examines options for serving the energy needs of customers. The IRP focuses on meeting energy demand for the next five years, though it also examines long range forecasts for energy demand through the next twenty years. And since every utility must file a new IRP every two years, there's plenty of opportunity for ratepayers – and CUB – to fully participate and advocate on behalf of those of us who ultimately foot the bill. Avista Natural Gas just had its IRP (OPUC docket # LC 49) approved by the Commission in late June, and Idaho Power Co. should have a final order in its proceeding (LC 50) by late August. PacifiCorp continues to study integrating wind energy into the grid in its IRP docket (LC 47), and it should have a comprehensive study completed by early September, while Portland General Electric's IRP (LC 48) is now focused heavily on the Boardman coal plant closure.

Both PGE and PacifiCorp filed General Rate Cases (GRC) last year, both of which are settled for residential customers and awaiting an OPUC order.

Apart from energy utility matters, telecommunications dockets are increasingly taking up a greater portion of CUB's time and expertise. In addition to TracFone's request to become an eligible telecommunications provider (OPUC docket # UM 1437; see article on page 3), the Qwest/CenturyLink merger continues to draw CUB's attention. Written testimony in the proposed telecommunications merger docket (UM 1484) is due at the end of August and mid-September, and a hearing is scheduled for mid-October, meaning it might be the first of the year before the Commission makes a decision on the merger.

CUB Supports Portland's Clean Energy Challenge

On July 28, 2010, Portland Mayor Sam Adams and the Portland City Council proclaimed a "Clean Energy Challenge," together with Portland General Electric and Pacific Power, to have at least 1,000 Portlanders sign up for one of the renewable energy options offered by both utilities between August 1 and September 30. While each utility has been involved in similar challenges in other communities in Oregon, this is the first time that they have partnered together.

The utilities' programs, the Green Power Program for PGE and the Blue Sky Program for Pacific Power are consistently ranked among the top five renewable energy programs in the nation and in 2009 ranked No. 1 and No. 2, respectively. The programs have played an important role in demonstrating support for renewable power and enable consumers to influence the building of more renewable energy resources above and beyond those required under Oregon's Renewable Energy Standard.

CUB helped create the renewable energy options and is also involved in the ongoing oversight of the options through the Portfolio Options Committee, appointed by the Oregon Public Utility Commission. These programs do help increase renewable energy resources and each has good accountability.

To find out more about the programs, go to the respective company's websites. If you are a Portland General Electric customer, you can go to: <http://www.portlandgeneral.com/Renewable>. If you are a Pacific Power customer, you can go to: <http://www.pacificpower.net/blueskypdx>. If you're not a renewable options customer, consider signing up as part of Portland's Clean Energy Challenge.



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