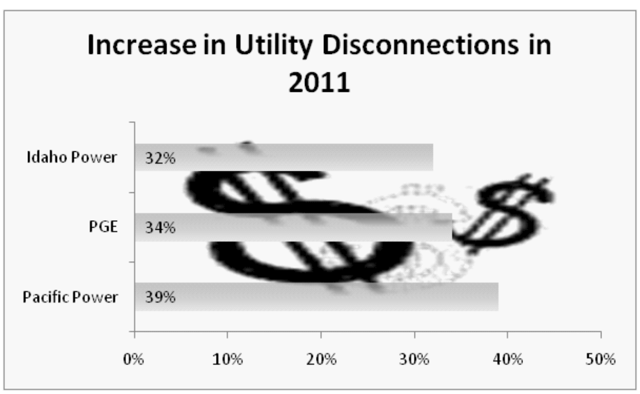
The Bear Facts

The Fall 2011 newsletter of the Citizens' Utility Board of Oregon and the CUB Policy Center.

CUB FIGHTS PLAN TO RAISE THE COST OF YOUR HOME HEATING AND COOLING

CUB is opposing a proposal before the Public Utility Commission to raise heating and cooling costs for Oregon families. The idea is that higher heating and cooling costs will encourage families to install more efficient heating and cooling equipment in their homes. However, as CUB pointed out in comments we filed with the PUC, renters do not control the purchasing of equipment and many families do not have the time or resources to purchase new equipment. For these customers the new policy will simply mean higher winter and summer bills, with more customers further behind on their bills and more customers facing the haunting prospect of being disconnected.



After the proposal came out in early August, CUB made fighting it a priority. We worked to make sure that advocates for seniors and low-income families were aware of the proposal, and CUB has been joined by AARP and Oregon HEAT in our opposition to the plan. In addition, CUB was able to enlist the help of Barbara Alexander, a national expert on consumer protection, to help make the case before the PUC.

Oregon's public policy since the late 1970s has been to set utility rates in a manner that help customers manage their highest heating and cooling bills and avoid utility shutoffs. Customers have the option of spreading their heating and cooling costs throughout the year by using equal pay plans, and utilities must provide notice and allow for payment plans before shutting customers off. As we pointed out, a change to a policy that attempts to make heating or cooling your home more costly and more difficult is a radical change in policy.

Many Oregon customers fall behind on their electric bills each winter as the cost of heating drives up the bill. With the struggling economy and high unemployment rate, there could not be a worse time to increase heating bills. Customers are falling further behind. In the first 6 months of this year, more than 25,000 Oregon households had their electricity disconnected. The three electric companies that are regulated by the PUC all saw disconnections increase by more than 30% this year.

The proposal before the PUC would require that utilities constantly evaluate the "benefits" of raising heating and cooling bills, with a goal of implementing such policies. The benefits that are supposed to be evaluated relate to reductions in peak energy usage on cold days in the winter and hot days in the summer. However, according to our expert, Barbara Alexander, there is little evidence to show that raising these costs will actually result in less energy demand, which is one of the reasons that no state in the country requires time-of-use rates for residential customers.

The Commission will hold a public workshop soon to allow groups to come discuss the proposal. CUB and our allies will be there to let the PUC know that this proposal will hurt real Oregon families. CUB will follow that workshop with additional written comments to the PUC to ensure that this policy is not adopted.

Letter from the Executive Director

Dear Members,

This is a tough time for Oregonians.

Utility disconnections are up more than 30%.
Arrearages, the amount that customers are behind on their bills, are up as much as 47%. Electric rates have increased by more than 60% since 1999, while household incomes have increased by only 10%. Oregon's unemployment rate continues to stay at 9.5%, and many unemployed Oregonians are losing their unemployment benefits.

As this Great Recession continues, we are seeing increasing numbers of customers who are no longer able to pay for basic services like electricity, gas, and water. I have been a consumer advocate for decades and I have never seen so many customers struggling. The statistics are ugly and the anecdotes we hear are even worse–stories of people trying to survive without heat in the dead of winter or sweltering in a metal trailer home because they can't afford to turn on their air conditioners.

With all of this, we are shocked that the PUC would consider a policy of increasing heating bills, or that utilities would ask customers to cover the cost of their irresponsible fuel hedging. Rather than reject the historic policy of trying to help customers manage their highest bills, Oregon should be looking for ways to strengthen that policy.

As a utility customer, you should consider getting a free energy audit from the Energy Trust of Oregon (www.eto.org) or your local utility. Before the winter heating bills hit, if you are having trouble paying your bills, you should consider signing up for an equal pay plan, which spreads that heating cost over the entire year.

If you aren't having trouble, consider making a donation to Oregon HEAT (www.oregonheat.org), which helps customers who are unable to afford heating their homes. I made my donation to Oregon HEAT today.

Thank You,

Bob Jenks

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

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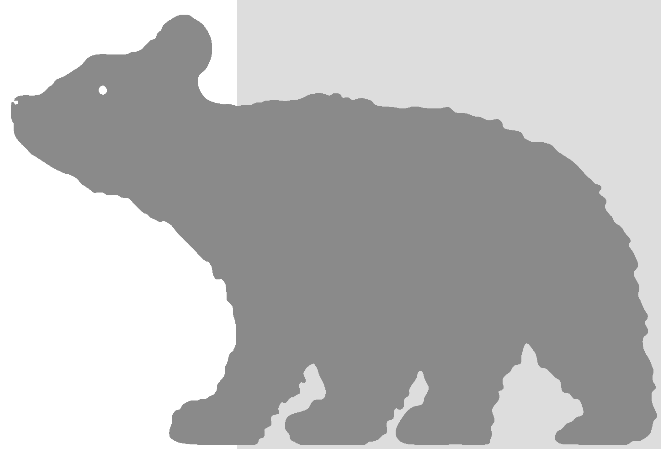
CUB is a member of the National Association of State Utility Consumer Advocates (NASUCA) and the Consumer Federation of America (CFA).



Regulatory Update

CUB Gets Pacific Power to Agree to an $8 million reduction

As this newsletter goes to print, CUB has reached an agreement with Pacific Power to reduce next year's rates by $8 million.

Each year Pacific Power forecasts and updates its power costs through a series of forecasts. Our review of Pacific Power's forecast of 2012 costs led CUB to the conclusion that Pacific Power could not demonstrate that its natural gas hedging strategy was consistent with its Risk Management Policy. CUB asked the PUC to remove the cost of these hedges from rates.

CUB never stops fighting for the lowest rates for residents.

Natural gas prices fluctuate a great deal. Good hedging practices allow utilities to lock in prices for part of the fuel supply ahead of the year that the fuel is needed. CUB believes that hedging is a reasonable strategy for a utility to reduce volatility in prices, but a good hedging practice requires a utility to layer on hedges over a period of 3 or 4 years. When a utility hedges a great deal in a short amount of time, it is betting on the direction of the gas market, and runs the risk that it could be driving up power costs if it is wrong.

Pacific Power claims that the details of these hedges are confidential trade secrets, so we are unable to report the value of the reduction in rates that we were seeking from the PUC. PUC rules allow the utilities to prevent public disclosure of confidential information. We can report that the settlement we reached with Pacific Power, if approved by the Commission, is a very a good settlement.

CUB Seeks Reduction in PGE Rates

Similar to Pacific Power, CUB looked at PGE's power costs and concluded that PGE did not prudently manage its hedging policy. Again, the utility is claiming that most of the information we were reviewing is confidential, so we are limited in our ability to identify specifically what we are proposing.

In 2007 and 2008, PGE began hedging it natural gas needs for 2012. In the simplest terms, CUB found that PGE hedged too much gas too early. It began hedging too far in advance and locked in too much of its gas supply with those early hedges. Since that time natural gas prices have declined and PGE isn't in a position to pass on this lower priced gas to customers, as the utility is committed to purchasing gas at the hedged price that was locked in years ago.

Because PGE claims all details are secret, CUB cannot disclose the reduction in 2012 rates that we are seeking. Considering how much customers are suffering due to current economic conditions, and how many are having trouble paying bills, customers should rest assured that it is a significant amount.

CUB expects a Commission decision on this case by the end of October.

CUB General Counsel Catriona McCracken working on the UE 228 legal briefs.

The filing deadline for the CUB Board election is October 19, 2011. For more information, go to: http://oregoncub.org/about/board.

CUB and Electric Vehicles!

By now you've probably seen one of the next-generation EVs plying the streets of Portland or cruising down I-5. As one of the American launch markets for Nissan's new LEAF (Low-Emission, Alternative Fuel) sedan, Portland and the Willamette Valley have been getting a good look at this new breed of auto. More electric vehicle models will be introduced in the market in the near future, including the Chevrolet Volt and the Mitsubishi "i." Nearly every major auto manufacturer has some sort of electric vehicle in the development stage, indicating that the EV revolution is finally becoming a reality. All of these developments are exciting for people interested in cars, energy efficiency, environmental activism, and more. They also are spurring a number of discussions on policies regarding how to integrate EVs into Oregon's electric grid and transportation network.


Utility Analyst Gordon Feighner working on one of our many, many rate cases.

A primary policy issue that has arisen regarding EVs and the grid is the impact of adding vehicle charging stations to homes, businesses, and parking lots that want to offer charging capabilities. If EVs eventually achieve a sizeable market share in Oregon, the grid is going to need to be able to handle the additional load that this shift towards electrified transportation is going to create. For example, commuters arriving home after rush hour will plug their EVs in to charge just as the evening peak-use period for electricity is occurring. If more of these customers don't need to use their vehicles again until morning, it may be helpful for the utilities to be able to communicate with the vehicles and charging units and manage the peak hour load by ramping charging up and down. EV owners could also opt for a time-of-use rate schedule that would allow them to charge their vehicles overnight at rates that would be significantly lower than what they would pay to charge during peak hours.

On the commercial side of the charging equation, there is also the question of what kinds of entities will be eligible to operate charging units. A number of companies are emerging in the EV charging industry, each scouting out locations and territory for installing charging infrastructure. Utilities need to establish a rate structure for EV charging that is fair to both customers and infrastructure operators. Furthermore, utilities entering the business of operating charging stations themselves should be required to do so under an affiliate ownership structure to ensure that the cost of the charging infrastructure does not get passed through to ratepayers. It is CUB's preference that utilities are not made to be the primary operators of charging units, but if they are, the rates at which these units are billed should be the same as the utilities charge to any other operator.

Meanwhile, charging stations continue to grow in number throughout the state, with the majority being along the I-5 corridor. In fact, Oregonians with range anxiety will be happy to know that just this month, ODOT announced its selection of AeroVironment Inc. to install and maintain 22 new fast charging stations in the state. These are the Level 3 DC fast charging stations that can take some EV models from 0-80% charge in under 30 minutes. A map of proposed sites for the charging stations is available on the ODOT website. While these are only proposed sites, this or a similar distribution would likely make all but the most remote parts of the state accessible for some EV models, allowing for use of the vehicles for more than mere commuting purposes.

A longer version of this article appeared in our blog.

CUB and AmeriCorps Work on Electric Vehicles

The CUB Policy Center is pleased to announce the kick-off of a new project focused on the development of Electric Vehicles in Oregon. As our state is the location of a pilot for electric car deployment and the charging infrastructure that makes EVs possible, CUB believes that connecting consumers with electric vehicle policy is key to making the best choices on this issue for the public interest. We're partnering with the Confluence Environmental Center and AmeriCorps to initiative this project, and are delighted to welcome AmeriCorps member Emmaline Pohnl to CUB to work on this! Check back with us here and at www.oregoncub.org for more information on electric vehicle policy and how it impacts you!

CUB Connects.org
Oregon Telecommunications Made Easy

CUB Connects Update!

Over the summer, the CUB Connects team finalized an Outreach Program that includes four workshops dedicated to educating consumers about issues that compliment the information on the CUB Connects website. Each workshop is designed to target challenges that consumers face and will give consumers an understanding of the challenge as well as the information and tools they need to protect themselves and save money. The featured topics will be Protecting Yourself from Phone and Internet Scams; Tips for Purchasing a Phone Plan; Internet Safety for Adults and Children; and Understanding Your Phone and Internet Bills. These workshops will be free of charge for consumers and hosted with local community groups, organizations, and libraries throughout Oregon.

If you are interested in having the CUB Connects team provide these workshops in your community, please give us a call at 503-477-4723 or email us at outreach@cubconnects.org.

Andrea Crosby, CUB Connects Project Manager

CUB Policy Center Updates!

Christopher Lee recently completed his Schaich Internship with the CUB Policy Center. His work focused on organizing and archiving CUB's boxes of newspaper clippings, newsletters dating back to the 1980s and things like pins, bear costumes and old photos. Christopher's attention to detail and strong work ethic created an impressive foundation for the Discovering CUB project, creating a comprehensive narrative of CUB's 27+ years of successes in Oregon.

CPC update number one: Organizing Director Jeff Bissonnette and the reason we haven't seen much of him around the office this summer.

CUB's Fall 2011 Smart Grid Conference

This conference, on October 21 in downtown Portland, is a landmark event for CUB, both regionally and in the energy community. CUB's staff has been working hard to plan this event and is looking forward to participating in some great discussion panels as well as showcasing our expertise. This conference will provide a platform for industry, environment, regulatory, and law professionals to come together to discuss the modernization of our electrical grid and everything that comes along with that.

Sommer Templet, a part-time staff attorney with CUB, has been instrumental in organization and development support of the conference over the summer. We're so thrilled to have her with us. Yochi Zakai spent 6 weeks interning with CUB over the summer and greatly assisted in the initial steps of the Smart Grid Conference planning. Board Chair Linda Tomassi will be the emcee at this event, and CUB staff will be participating in a number of panels. For a full list of speakers and topics, please visit the website www.cubpolicycenter.org/smartgrid. Don't worry, our next newsletter will have a full recap and pictures!

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CUB Calls for Pacific Power to Review Coal Investment

Pacific Power is in the process of making more than $4 billion of investments in its fleet of coal plants in order to allow those plants to continue operating for decades. CUB went before the PUC on August 19 and called for a review of those investments.

CUB reminded the PUC and Pacific Power of our experience with PGE last year. PGE had intended to invest $500 million in its Boardman coal plant in order to run that plant for another 40 years. CUB called for PGE to develop an analysis of the impact of closing Boardman in 2020. At first PGE refused, but we were persistent and were able to get the company to provide an analysis showing that phasing out Boardman by 2020 would save customers $200 million. Once that analysis was complete, even PGE realized that closing Boardman was in the interest of customers, and PGE became a proponent of closing its own power plant.

CUB wants Pacific Power to do the same thing. Pacific Power's coal fleet includes plants that date back to the 1950s. Let's look at whether we can save money by phasing out some of these coal plants rather than investing billions in upgrading them. We know that burning coal creates unhealthy air pollution and is a significant source of global warming pollution, so the environment will benefit if plants are closed early. What we don't know is whether it is actually cheaper to close some of these plants down. $4 billion is a lot of money. Before we allow Pacific Power to start charging ratepayers lots of money for old coal plants, the PUC must require that the utility provide a complete analysis of the potential costs and the alternatives. If we can work together to find a cleaner, cheaper way, then customers will benefit.

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