



The Spring 2012 newsletter of the
Citizens' Utility Board of Oregon
and the CUB Policy Center

CUB TAKES ON NORTHWEST NATURAL AGAIN

By Gordon Feighner, CUB Utility Analyst

Unlike oil and electricity, the price of natural gas these days is well below its historical average. In fact, gas is so cheap here that energy companies are scrambling to build export terminals on the west coast to ship liquefied natural gas (LNG) to Asia, where they can get a much better price (I've written numerous times on CUB's blog about why that's a terrible idea). So, when gas is relatively cheap, it's shocking to see that NW Natural is proposing a significant increase in rates for customers.

NW Natural filed a general rate case in Oregon on December 30, 2011, that seeks a **\$43.7 million increase** in the company's annual revenue requirement. This is nearly a 6% increase from its current revenue requirement. **Residential rates would increase by over 8%.** The company is also seeking an increase in its allowed return on equity (its profit, in other words) to 10.3%, even when utility commissions across the country have been holding profits down. NW Natural claims that this increase is necessary to support the cost of environmental remediation at some of its long-closed facilities, as well as to pay for ongoing operations and maintenance and its initiatives to improve customer service. Most of these fixed costs and payment obligations drive the part of rates that NW Natural could try to control. The piece they can't control - actual cost of gas - is what gets directly passed through to customers. So, if the cost of gas in national market exchanges increases in the future, then customers will be on the hook for another rate increase at that time.

Aside from the overall price increase, there is another, radical component of the rate case. NW Natural is proposing to **increase the monthly service charge for residential customers by nearly 500% over the next few years**, from \$6 a month to more than \$29! The company claims that this will not change the amount an average household pays for gas over the course of the year, since the amount charged per unit of gas consumed will decrease significantly. The idea is to spread costs more evenly throughout the year, rather than primarily over the high-cost months of the winter heat-

ing season. But this means customers must pay \$29 even in months when they use no natural gas!

CUB sees many, many ways in which this proposed change is bad for customers. For starters, it shifts the cost of maintaining a system (that generally operates at peak capacity only in the wintertime) to a higher customer charge every month. The need for peak capacity is driven by winter heating customers, so customers who do not heat their homes with gas will be subsidizing those who do. If a home does not have a gas furnace, for example, and only uses gas for water heating and cooking, the monthly base charge will likely become a burden that the homeowner will try to get out of by switching to electric appliances. In essence, NW Natural is likely to drive away many of its lower-usage customers with this new billing scheme.

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Another issue with the increased customer charge is that it will essentially put all residential customers on an equal-pay plan that will even out their bills over the course of the year. This billing option is already available to customers who want it, but many customers prefer to have bills

that reflect their lower usage during the summer months. Furthermore, the reduced volumetric charge for gas is likely to discourage conservation, since reducing consumption will not produce as much savings on a customer's bill.

We're hard at work conducting discovery and preparing testimony to challenge NW Natural in this docket. Our first round of testimony is due in May, and, barring an early settlement of the issues, the Oregon PUC won't rule on the case until October. **CUB will drive a hard bargain to protect customer interests and let NW Natural know that in these difficult economic times, customers deserve a break even more than shareholders do.**

Letter from ABOUT the Director:

Dear Members:

This space is usually reserved for Bob Jenks, CUB's Executive Director, to talk about key issues that are going on for the organization or in our work. This month, however, it's a little different.

The rest of the staff has hijacked the space to talk about, well, Bob. This year marks Bob's 20th year with CUB. That's a remarkable achievement in any organization, but especially for a group like CUB. The complexity and importance of issues that we deal with can be daunting, but Bob has become a leader in Oregon, regionally, and even nationally on a broad range of energy and utility issues.

Oregon consumers have been fortunate to have Bob's experience and technical know-how, helping to keep rates low (over \$4.9 billion since he started) and setting strong energy policy to make Oregon a leader in energy efficiency and renewable energy development as well as dealing effectively with climate change.

The world is a lot different in 2012 than it was in 1992, and the energy world is even more so. To recognize Bob's role in protecting consumers through all of those changes, CUB kicked off his anniversary year with a small gathering of close friends and allies. All year we'll be celebrating *Bob: Bearded and Boisterous for 20 Years*. We will be having events and happenings throughout the year to congratulate Bob and hear his perspective of where energy and utility issues may be heading in the future. Stay tuned for news about those events. You can sign up to receive that news as part of regular updates from CUB on our website: www.oregoncub.org.

In the meantime, there are a few things you can do to participate in the Bearded and Boisterous celebration. First, either renew your membership or make a donation in addition to your membership to keep CUB strong. Second, ask a friend to become a member to make CUB even stronger. Lastly, if you'd like Bob to come speak in your community, let us know and we'll set something up.

Bob is very clear that he's not retiring and that he's going to be around for years to come. So, if you get a chance, congratulate him on his first 20 and wish him luck on the next 20.

Just don't let him know we stole his newsletter space.

Thanks!

The CUB Staff

(JEFF, CATRIONA,
GORDON, SA, KAREN,
SOMMER, RAY,
EMMALINE, ANDREA &
GHASSANI!)



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

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CUB's board meets 8 times per year.

CUB

610 SW Broadway, Suite 400,
Portland, OR 97205

(503) 227-1984 (phone)

(503) 274-2956 (fax)

outreach@oregoncub.org

www.oregoncub.org

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



Harry receiving a CUB Founder Award on behalf of his son Eric from Shannon Floyd in 2004.

Remembering Harry Shaich: Activist, Father, Benefactor

By Bob Jenks, CUB Executive Director

For nearly 2 decades, CUB has hosted a number of interns for our policy and regulatory programs. These interns have gained valuable experience in the energy industry, helping our work tremendously and enabling us to help make a difference for Oregon utility customers. Their work is a fulfillment of Harry Shaich's vision—one that has benefited CUB and utility customers considerably.

All of us at CUB were saddened to hear that Harry recently passed away. Our hearts go out to his family, because we know that above all else, Harry cared for his family.

I first met Harry in 1992. He was coping with the recent death of his son, Eric. While at the University of Oregon in 1984, Eric Shaich had been a student volunteer on the initiative campaign that created CUB. Eric was interested in energy issues and went on to work for the Bonneville Power Administration. When Eric passed away, Harry and the Shaich family wanted to do something to honor Eric and create a lasting memorial for him.

After Harry contacted me, we began discussing whether CUB could create a living memorial for Eric. This led to the Eric Shaich Internship Program. The Shaich family contributed an endowment for the program, then worked with CUB to grow that endowment to a level that allowed us to sponsor paid student interns on a sustainable basis using its interest.

Harry was an activist who was very concerned about issues relating to peace, poverty, and environmental protection. And Harry loved his family. As a parent, you want your children to outlast you. You want to watch your children grow up

and make a difference in the world. Harry took his love for his son and helped create a program that allowed Eric's legacy and his desire to make the world better continue on as a lasting legacy. CUB and our many interns have greatly benefited from his generosity.

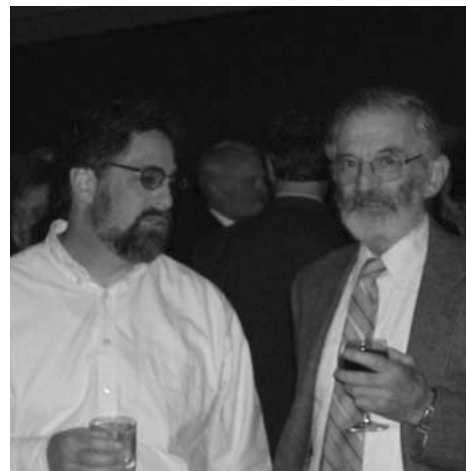
Shaich Interns Continue to Make a Difference

Many former Shaich interns have gone on to work in the fields of energy and public interest advocacy.

- Phillip Kelsven, a founder of the Association of Energy Professionals NW and currently a Program Analyst at the Conservation Services Group;
- Jed Jorgesen, currently the Senior Energy Project Manager at Energy Trust of Oregon;
- Linda Tomassi, CUB's Board Chair and the Executive Director of Oregon Women Lawyers.

Harry's family has graciously encouraged people to make a donation to CUB's Eric Shaich Memorial Fund as a way to honor two generations of a great Oregon family. Contributions can be made online (<http://cubpolicycenter.org/shaich>) or can be sent to:

Eric Shaich Memorial Fund
CUB Policy Center
610 SW Broadway, Suite 400
Portland, OR 97205



Harry and his son Joel at CUB's 20th Anniversary Dinner.



Citizens' Utility Board of Oregon
P.O. Box 6345
Portland, OR 97228

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Extra! Extra! CUB Connects is beginning to work with your local library, starting in Multnomah County! Here's the schedule of upcoming outreach workshops, FREE and OPEN to everyone.



Choosing the Right Phone Plan

at Woodstock Library, 6008 Southeast 49th Avenue
Portland, OR 97206
Sunday, March 18th, 2012 - 2:00pm - 4:00pm

Choosing the Right Phone Plan

at Capitol Hill Library, 10723 Southwest Capitol Highway
Portland, OR 97219
Tuesday, March 20, 2012 - 6:30pm - 7:30pm

Choosing the Right Phone Plan

at Kenton Library, 8226 N Denver Avenue
Portland, OR 97217
Wednesday, March 21st, 2012 - 6:30pm - 7:30pm

Protecting Yourself from Scams

at Midland Library, 805 Southeast 122nd Avenue
Portland, OR 97233
Monday, April 2nd, 2012 - 6:30pm - 7:30pm

Understanding Your Phone and Internet Bill

at Woodstock Library, 6008 Southeast 49th Avenue
Portland, OR 97206
Wednesday, April 11, 2012 - 6:00pm - 7:30pm

Choosing the Right Phone Plan

at St. Johns Library, 7510 North Charleston Avenue
Portland, OR 97203
Sunday, April 15th, 2012 - 2:00pm - 3:00pm

For more information visit this website:

cubpolicycenter.org/events

To request a workshop in your area, email outreach@oregoncub.org

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