

Citizens' Utility
Board of Oregon

610 SW Broadway
Suite 400
Portland, OR
97205

(503)227-1984
oregoncub.org



The Bear Facts

QUARTERLY NEWSLETTER OF THE
CITIZENS' UTILITY BOARD OF OREGON

SUMMER 2016

CUB Mission:

As directed by Oregon voters in 1984, the Citizens' Utility Board of Oregon (CUB) represents the interests of Oregon's residential utility customers before administrative, judicial, and legislative bodies.

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Good Policy: A View Behind the Scenes

Protecting utility ratepayers and finding the way forward to good energy policy is what CUB and the CUB Policy Center (CPC) are all about. You probably know that we represent you on almost a daily basis when regulation and legislation come into play, but you may not realize that we also spend a great deal of time helping to form Oregon's energy policy long before it goes to a legislative or regulatory process. This involves hours of conversations with utility, environmental, renewable, regulatory, and political leaders sharing diverse perspectives and listening to one another.

Just this spring, we worked with groups representing all these areas; sharing, listening, negotiating, and compromising until we reached agreement on what became the landmark Clean Electricity and Coal Transition Act. We are now meeting with these same groups and having similar conversations to come up with regulations that everyone can sign off on. This is the kind of work it takes to develop energy policy that is both forward thinking and good for consumers.

As part of our tradition of listening, CPC facilitates an important policy conversation each October: The CUB Policy Conference. Now in its sixth year, the conference brings together energy leaders from across the industry to grapple with the challenges of providing reliable and affordable energy to Oregonians. Sharing information and listening to each other is an important aspect to this conference, therefore we set it up in panel-style presentations with time for questions from the participants. CPC staff members serve as moderators for these panels, lending their expertise and insights to the conversations.

Given that the conference is all about the interaction, this year I sat down with long-time conference participants and stakeholders to ask them what they thought we should be talking about in October, 2016. They shared their thoughts and we listened. While this process was time consuming, it resulted in great topics that will guide panel conversations that our stakeholders really care about.

And since we are speaking of conversations, we realized that it has been a long time since we've listened to you. Please **find an energy-related survey inside, take a few minutes to tell us what you think**, and send it back in the enclosed envelope. We will publish the results online and in the November newsletter.

In closing, let me say that your insight and opinions matter to me and the staff. We hope you will join the conversation and tell us what you think. You might also want to check out the conference at www.cubpolicycenter.org/conference.

Always open to your thoughts,

Energy Update:

Pensions, Regional ISO Governance, Coal Contracts & More

Another Win on Pensions

A year ago, CUB announced that the PUC ruled in our favor and rejected a proposal by several Oregon utilities that would have raised rates by \$20 million, so utility shareholders could earn a profit on their employee pensions. We recently won a second victory on pensions when the PUC rejected PGE's request to charge customers more than \$16 million to cover pension expenses from 2012 and 2013. The pension expenses that were forecast into rates were lower than the actual pension expenses that PGE incurred. CUB had pointed out that our forecasts of pension expense are sometimes high and sometimes low, and there are never refunds when we over-forecast pensions. The PUC agreed with CUB and rejected PGE's request.

Utilities Want to Take On the Risk of Natural Gas Drilling - CUB is Skeptical

NW Natural and PGE are proposing ongoing programs to invest in natural gas reserves which would then be tapped over the next 30 years, providing natural gas to serve their customers or fire their power plants. While the utilities claim these programs are a form of "hedging" and reduce the risk of changes in natural gas prices, CUB is skeptical. These deals bring a whole new set of risks to both utilities. Risks related to drilling dry holes, production levels, environmental damage, royalty challenges, and technological changes.

CUB understands that shareholders would make a good deal of profit by investing in these reserves and earning a relation return, but does not believe that there is evidence that customers will benefit from them. And there is a lot of evidence that the risks associated with these deals will fall heavily on customers and could lead to higher rates.

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CUB Criticizes Regional ISO Governance Proposal as Not Good for Customers

PacifiCorp is proposing merging its transmission system with the California Independent System Operator (CAISO). CAISO operates the transmission systems of the three biggest California utilities. This new Regional ISO would control the dispatch of power plants through PacifiCorp territory and California in an attempt to meet load as efficiently as possible. CUB recently submitted comments criticizing the proposal for how this new entity would be governed, pointing out that they were designing a large complicated stakeholder process without any representation for customers. A Regional ISO will impact a lot of powerful economic interests who will have an incentive to try to influence the ISO. But how would residential and small business consumers ensure that their interests are protected? The draft governance proposal failed to address this point. CUB called for changes to make this entity accessible to all customers.

CUB Questions Coal "Take or Pay" Contracts

In utility rate cases, CUB has recently noticed that utilities are having to operate coal plants when the plants are uneconomic because they have signed contracts for coal supply that require them to purchase a certain minimum level. These are called "take or pay" contracts since the utility has to pay for a minimum volume of coal regardless of whether that amount is needed. Since they have to pay for the coal regardless of need, the utilities end up operating the coal plants to burn this coal. However, if they did not have to purchase this coal it would be cheaper to meet load with other resources. At least a couple of these "take or pay" contracts have been signed recently when the utilities should have understood that coal is no longer a cheap, baseload resource. CUB is challenging these contracts. Customers should not pay higher rates because utilities ignored the evidence that the economics of coal were changing.

The nature of our telecommunications advocacy work is different from CUB's other work because the Oregon Public Utility Commission (OPUC) does not regulate Internet service providers in the same way that it does the State's private, investor-owned electric and gas utilities. Our approach in this particular industry is to track and report on federal policy while pushing for local change. On both fronts, June and July brought some major announcements.

Open Internet Order Upheld

An "open" Internet with enforced "network neutrality" is one where consumers can access any lawful content when, where, and how they want. A vital feature is that internet service providers cannot discriminate against content shared with consumers.

A critical step toward achieving that goal came in June when the D.C. Circuit Court of Appeals upheld the Federal Communication Commission's (FCC) ability to regulate broadband through common carriage rules outlined in the 2015 Open Internet Order. CUB and other consumer advocates hope this court decision ends the debate around the federal government's authority to ensure fair access to the Internet by implementing utility-style regulations.

Until June's court decision, the debate was largely about amendments made to the Communications Act of 1934, which spells out several "Titles" under which

communication services are regulated. Title I regulates "information services" and Title II regulates "telecommunication services." This is hugely important because in 2002, the FCC designated service providers as "information providers", making the imposition of even basic common carriage regulation under Title II impossible.

Therefore, the FCC issued the 2015 Open Internet Order, authorizing the agency to reclassify broadband as a telecommunications service and internet service providers as telecommunication carriers. The Order also gives the FCC new powers to regulate both fixed and mobile broadband, monitor interconnection agreements, and prevent "blocking" (cannot block access to lawful content, applications, services, or non-harmful devices), "throttling" (cannot disrupt lawful Internet traffic), and "paid prioritization" (cannot favor some lawful traffic in exchange for consideration).

(Telecom Report Continues on Page 4)

Au Revoir to CUB Utility Analyst Nadine Hanhan

It is always bittersweet when one of CUB's staff moves on, even when the change they are making is a really great opportunity; and so it is with the departure of Utility Analyst, Nadine Hanhan.

Nadine began her four-plus year tenure at CUB in 2012 and worked on a number of issues pertaining to solar energy, integrated resource planning, and costs of generating electricity. Most recently she was CUB's representative at the NW Energy Coalition, and acted as the Chair of the Public Utility Commission's (PUC) Portfolio Options Committee.

While she was with us, Nadine also finished her Masters in Applied Economics where her thesis focused on estimating the cost-effectiveness of Oregon residential solar photovoltaic systems; comparing tax credits and other incentives, Oregon's volumetric incentive rate pilot program, and third-party installation. Whew, try saying that three times!

Nadine began her new position with the PUC as a Utility Analyst, on July 5. We are excited for the opportunities that

await her there, but will certainly miss all she brought to CUB. And, we wouldn't be telling the whole story if we said we would miss only her important contributions to our economic analysis.



The truth is, Nadine made our office environment more fun with her edgy sense of humor and the fabulous anime drawings occasionally left as gifts on the conference room white board. We all will miss seeing her eyes get big with disbelief as she drawled, "Shuuut-uuup" whenever someone told her something she found surprising. Nadine sees the world through glasses colored with irony and she helped us laugh with her droll sense humor. To wit, we share with you the inspirational quote in her bio, "A computer once beat me at chess, but it was no match for me at kickboxing."

In closing we would like to say one thing, something to which she cannot utter "Shuuut-uuup", because it cannot be much of a surprise: Nadine, you will be truly missed! So au revoir, we wish you the absolute best in your new endeavor.

Telecom Report Continued (from pg 3)

(Open Internet Order Upheld Continued from page 4)

For now the Open Internet Order appears safe and, to his credit, FCC Chairman Tom Wheeler firmly stated that the ruling “is a victory for consumers and innovators” and that it “affirms the Commission’s ability to enforce the strongest possible Internet protections...[to] ensure the Internet remains open, now and in the future.”

CUB is in full agreement with this decision and is committed to following and reporting on these developments.

Digital Inclusion and Google Fiber

CUB is a key participant in the Digital Inclusion Network (DIN). The DIN group led a two-year strategic planning process to create a Digital Equity Action Plan (DEAP) for the City of Portland and Multnomah County.

The DEAP’s mission is to bridge the digital divide for excluded Multnomah County residents by improving broadband access and the tools to take advantage of that access. Therefore, it is critical that Internet providers support these community-based efforts.

Google Fiber, for instance, promises Portland-area digital equity advances, but their deployment timeline continues to be uncertain. (An FYI to address a common confusion: Google Fiber is a separate entity from Google – though the same holding company, Alphabet, owns both.)

Google Fiber offers gigabit Internet service over a fiber-optic infrastructure. How fast is gigabit service? The Federal Communications Commission (FCC) currently defines “high-speed” broadband as download/upload speeds at or exceeding 25mbps; gigabit service is 1000mbps.

Google Fiber expressed interest in entering the Portland-area market almost three years ago. Since then, both the City and State have all but jumped through a ring of fire to woo them and their ultra-fast Internet service by adopting new City ordinances and even a statewide tax incentive for “eligible” fiber projects.

While remaining coy about their timeline, the company hired staff and worked with City officials to re-negotiate the original franchise agreement to include a “Digital Equity” fee earmarked for DEAP initiatives.

Google Fiber announced last month that an official rollout is on hold until further notice. The news is disappointing because of the delay for DEAP funding as well as the company’s other touted efforts like free gigabit service in affordable housing and well-below market-rate prices for “lower-speed” (25-100mbps) service. CUB continues to monitor this situation, so stay tuned for updates.

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Comcast-Federal Partnership

In July, Comcast announced a joint-partnership with the U.S. Department of Housing and Urban Development (HUD) and the White House’s “Connect Home” initiative that will open its “Internet Essentials” program to all HUD-assisted households within its national service territory.

In 2011, as a condition of their purchasing NBC Universal, Comcast launched the Internet Essentials program – offering reduced-cost high-speed Internet service for low-income households with children eligible for the free National School Lunch Program.

Comcast – to their credit – has updated the program several times, bringing speeds up to the current 10mbps, piloting initiatives for low-income seniors and community college students, as well as broadening the eligibility requirements. This most recent expansion could provide service to as many as 2 million households nationwide.

CUB Creates Advocacy Team



CUB is pleased to announce that Janice Thompson has been promoted to Advocacy Director. Janice will continue her work monitoring Portland's water and wastewater utilities, but will also now direct CUB Connects and other telecom advocacy, create

advocacy and alliance building work in the energy arena, and facilitate CUB's important legislative work in Salem.

In addition to the having the support of our legal, economic, and technical staff, Janice is joined by Advocacy and Development Associate, Samuel Pastrick, who will expand his focus from telecommunications to include Portland utility issues back-up and working collaboratively with Janice on energy issues.

CUB is pleased that we have such talented staff whose skills and depths of knowledge make promoting from within a strategic option to grow our capacity. This is good for the organization and demonstrates the value we place on staff development.

Portland Public Utilities Budget Victory

CUB is proud to announce that we **saved Portland water, sewer, and stormwater customers \$3.2 million** this fiscal year that ended June 30. These savings resulted from ending a developer subsidy that the City Council had authorized during the recession.

Portland City Council also adopted CUB's fiscal year 2016/17 budget recommendations that emphasized ending another developer subsidy. Projected savings for customers are \$4.5 million. This means that by July 2017, CUB's advocacy will have kept over **\$7 million** in customers' pockets.

CUB Policy Conference Announces Inaugural Consumer Champion Award

October 14 is the date for the 2016 CUB Policy Conference, *The Future Starts Now* at the Downtown Portland Hilton. As it draws closer, we are pleased to announce the presentation of the inaugural Consumer Champion Award. This new award honors individuals who, through their industry leadership, policy innovations, and public service have contributed in a substantial way to the well-being of Oregon's residential utility ratepayers. Registration is now open.

The award will be given to **Margie Harris**, who has been the Executive Director of the **Energy Trust of Oregon** since its inception in 2001. Throughout her tenure in our industry, Oregonians have benefited from her vision, her passion, and her leadership in establishing significant policies and programs that have both protected and benefited energy consumers. Harris will offer the ending Keynote and a post-conference reception will be held in her honor. Tickets for her speech and the following reception are included in the price of the conference, or may be purchased separately for \$25 by selecting "Consumer Champion's Ceremony/Reception (ONLY)" on the registration page.

The opening panel, *The View From The Top*, will feature a conversation between NW utility CEOs from BPA, Idaho Power, Pacific Power, PGE, NW Natural, and moderated by Bob Jenks. Additionally, breakout session panels include conversations about recent energy legislation, the establishment of ISO's and EIMS, solar, consumer needs and wants, rate design, and alternative transportation options. For a full schedule of events and to register, go to www.cubpolicycenter.org/conference.





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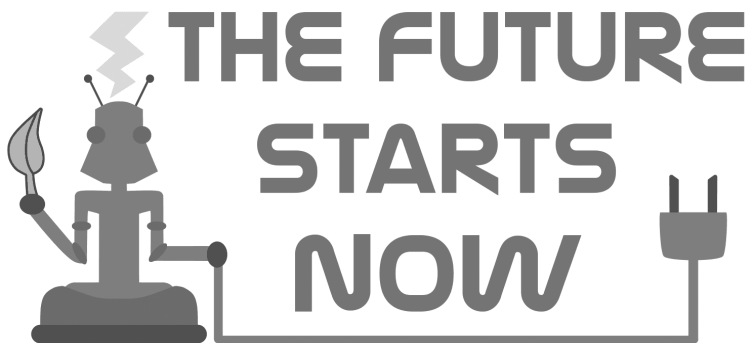
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