

Annual Report

2015 - 2016



Citizens' Utility Board
of Oregon

CUB Policy Center



Collaboration Gets The Job Done

A Year-End Letter from Bob Jenks

Though 2016 has ended up being one of intense political divisiveness, I am grateful that CUB's year began very differently; negotiating and eventually coming to agreement with a diverse group of energy stakeholders to hammer out the terms of Oregon's historic 2016 Clean Energy and Coal Transition Act (SB 1547). This bill is historic not only in the fact that it makes Oregon coal-free by 2035 and increases renewable energy to 50% by 2040, but also because the participants had to both listen and share their views while exploring the ideologies and actualities of Oregon's energy future.

I want to take a minute to reflect on the idea of finding common ground, but first let me give a shout-out to our unlikely collaborators: Climate Solutions, NW Energy Coalition, Oregon Environmental Coalition, Pacific Power, Portland General Electric, Renewable Northwest, Renew Oregon, Natural Resources Defense Council, and Sierra Club. Representatives from these organizations came to the table with a proclivity to listen, an inclination to negotiate, and the willingness to reach a mutual understanding. Granted, the stakes were high for all, with an aggressive coal transition ballot measure already in the pipeline.

In our process we were called upon to honestly imagine what somewhere in the middle might look like; we all had to think about what that reality meant for our constituency. It should be no surprise that these conversations were challenging, in fact one might even call them grueling, still in the end we did find common ground. In fact, so much was accomplished that even the most optimistic of us were surprised.

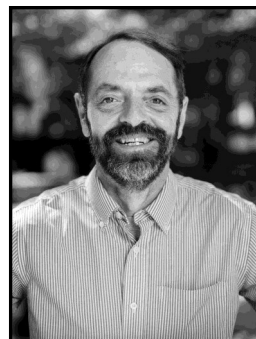
This joint endeavor which is now heralded as hallmark legislation was no small accomplishment, and I will tell you

I spent more than one sleepless night as we progressed. Still, when I think of the profound impact we have made not only on Oregon but on US energy policy; it seems like a small price to pay. Which brings me to my point: Finding common ground is what good policy is all about.

Sure, we have lawyers on staff to keep the utilities in line; litigating their foolish moves and protecting customers from their foolish mistakes. But the truth is getting to good policy sometimes takes months, maybe even years of talking, and listening, and arguing, and listening, and compromising and.... Well, you get the picture.

For 32 years CUB has been involved in helping Oregon make good energy policy that moves us forward with clean energy production, while keeping rates affordable. It has required thoughtful, measured efforts that include standing our ground when absolutely necessary, and finding common ground whenever reasonably possible.

And as this year of polarization comes to a close, I am grateful to you all for your support. I hope you have a great holiday season however you might celebrate, and may 2017 be clean, bright, and affordable.



Warmly yours,

Bob Jenks

Moving Oregon's Energy Policy Forward

There is little doubt that history will record 2016 as a remarkable year for energy policy in Oregon.

Long-Term Affordability and Stability

Oregon Clean Electricity & Coal Transition Legislation

CUB played a critical role in negotiating and passing the Oregon Clean Electricity & Coal Transition legislation which phases out the use of coal by electric utilities over the next 20 years and replaces it with renewable energy. By doing this over two decades, we can plan carefully to ensure we are doing this at the lowest cost to customers, and we can time the new renewables investments and coal retirements so rate stability is not jeopardized. Most importantly, by reducing carbon emissions, we protect customers from the high costs associated with carbon regulation and air quality requirements. And we were able to do so while still keeping rates affordable. The analysis of the legislation projects minimal impact on customer rates.

Electric Vehicles

Carbon emissions from generating electricity are going down and are now less than carbon emissions from transportation. Increasingly climate activists are focusing on electric vehicles (EVs) as the climate change solution to transportation. But how will EVs impact the electric grid? As utilities work to develop EV plans, CUB is pushing to integrate EVs in such a way that they support the electric grid and help reduce costs for all customers. For example, cars that are recharging at night can be used to help balance wind energy. Utilities can vary the charging as the wind increase and decreases, thereby reducing the cost of integrating the wind onto their system.

Natural Gas Reserves

CUB led the successful fight against PGE's proposal to invest millions of dollars of ratepayer money into natural gas reserves which can be drilled to supply fuel for PGE's power plants. PGE's proposal would have committed customers to more than 30 years of gas drilling and production risk – gas drilling is much riskier than running a utility. As climate change regulation threatens the economics of fossil fuels, buying untapped reserves of fossil fuels seems misguided.



Governor Brown displays newly signed copy of SB 1547, with legislation negotiators (l-r): Angus Duncan (OR Global Warming Commission), Doug Moore (OLCV), Bob Jenks (CUB), Rachel Shimsbak (Renewable NW), Jim Piro (PGE), Kristen Sheeran (Climate Solutions), and OR Representative & Chief Petitioner Jessica Vega Pederson

(Energy Program Update Continues on Page 3)



CUB Staff and Board at the 2016 Annual Board Retreat, Portland OR. Bottom row (l-r): Pamela White, Leslie Murray, Samuel Pastrick, Janice Thompson. Middle row (l-r): Sarah Ryan-Knox, Rob Brading, Kelly Cowan, Jaime McGovern, Nadine Hanban, Amelia Lamb, Paula Pyron. Back row (l-r): Fred Huette, Dan Jaynes, Suzanne Leta Liou, Bob Jenks, Margaret Springer, Mike Goetz

Energy Program Update, Continued From Page 2

Rate Cases

CUB participated in rate cases involving all of the major electric utilities and two of the natural gas companies, saving customers over \$82 million in this year alone.

Gas Utilities Get Less Than They Want: Avista Utilities and Cascade Natural Gas, gas utilities which serve much of southern and eastern Oregon both came in requesting large general rate increases. CUB, working with other parties, was successful in slashing these rate hikes. Avista's rate hike was cut in half and Cascade's by more than 60%.

Another Year, Another Win on Pensions: Last year, CUB had a big victory when the PUC ruled against an effort by most of Oregon's utilities to raise rates and allow the utility shareholders to earn a profit off of their employee pensions. This year PGE was back, asking the PUC to allow it to raise rate by \$18 million in order to recover pension expenses incurred in 2012 and 2013. CUB pushed back pointing out that between 1997 and 2004, the Company overcharged customers for pension expense by \$84 million. The Commission ruled in our favor.

New Advocacy Team in 2016 and Looking Ahead to 2017

In summer 2016, CUB promoted Janice Thompson and Samuel Pastrick to create a new Advocacy Team. Janice had previously led CUB's advocacy efforts for City of Portland water, sewer, and stormwater customers, whereas Sam had focused on telecommunication services.

Telecommunications policy, including improving broadband access and equity, plays out in legislative, administrative, and regulatory arenas at federal, state, and local governmental levels. This means Sam has a big job tracking this topic on behalf of CUB members. Janice and Sam take a team approach and strategically tap the expertise of other CUB staff members. CUB also takes this approach in our continued work for Portland public utility ratepayers.

Both Janice and Sam expanded their purviews, taking on energy topics involving coalition allies, and getting involved when the Oregon Public Utility Commission (OPUC) tackles policy

questions, especially those likely to involve state legislative action.

The Advocacy Team's efforts in the energy arena often employ CUB's legal expertise. A prime example is the current OPUC investigation into the feasibility of Oregon introducing a Percentage of Income Payment Plan (PIPP) to provide energy assistance to low-income Oregonians. (See Page 4 for more details.)

Looking ahead to 2017, the Oregon legislative session will be challenging as elected officials scramble to fill major budget gaps. CUB will remain vigilant to protect dollars for cost effective renewable and energy efficiency projects raised from the regulated utilities via a "public purpose charge". With your help, CUB will build on our strong record of preventing raids on public purpose funds. We will keep you posted on future action steps.

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Energy Assistance and Low Income Customers

The OPUC recently opened a docket to investigate the feasibility of providing energy assistance to low-income customers using a Percentage of Income Payment Plan (PIPP) approach. Implementing PIPP in Oregon would require eventual legislative action, which is why CUB's Advocacy Team is working this policy docket.

Seven states currently offer PIPP or similar programs. A percentage-of-income approach allocates energy assistance funds in relation to a household's income. The goal is for households with the highest energy burden and lowest income to receive the greatest benefit.

The model splits a household's energy bill into two categories: 1) the "affordable" portion, determined as a percentage of household income (the customer's responsibility); and 2) the remaining "shortfall payment" (the total bill minus the customer portion).

A combination of federal and state funding then covers shortfall payments. In Oregon, this would mean a pairing of federal Low Income Home Energy Assistance Program (LIHEAP) funds and a mix of other sources, including the state-run Oregon Energy Assistance Program (OEAP).

OPUC's PIPP investigation will continue well into 2017 with the Advocacy Team leading CUB's research and policy analysis. CUB will work to ensure that an Oregon PIPP would make the most efficient use of resources to help low-income customers.

PIPP implementation would likely require legislative action in 2018. CUB's Advocacy Team will take the intervening time to educate key players inside and outside of Salem – including CUB members – to build towards legislative success.

Portland Public Utilities - Continued Victories



Your Consumer Advocacy Team: Janice Thompson (l), and Samuel Pastrick (r)

In the 2015 Annual Report, CUB informed you about our efforts to end a ratepayer subsidy of developers that had been implemented to encourage new development in Portland during the Great Recession. The City Council agreed with our argument and raised the developers' sewer development charge, payable to the Bureau of Environmental Services (BES), back up to levels allowed under state law.

At that time, this change was projected to keep \$2 million in the pockets of Portland ratepayers. However, by July 2016, after the end of the City's fiscal year, those savings ended up totaling \$3.2 million because Portland's growth rate exceeded conservative BES projections.

This was a big victory, but CUB did not stop there. We convinced City Council to end an additional developer subsidy.

In this case, Council wasn't allowing BES to charge fees that covered their costs of reviewing development plans to ensure compliance with environmental standards.

Ending both these developer subsidies will provide ongoing savings, with \$4.5 million in savings projected by mid-2017.

Meanwhile, CUB will continue to look for savings while also ensuring prudent spending on the main drivers of Portland's water and wastewater rates: major construction projects.

CUB Welcomes New Board Members, Recruitment Continues

We were happy to confirm three new members to the CUB Board of Directors at the October meeting: Gulcan Cil, Gordon Levitt, and Michael Moody. Here's some background about our three newest board members:



Gulcan Cil

Board Member At Large Representing Congressional District 4

Gulcan is an environmental and public health economist with a particular focus on using modern statistical analysis techniques in policy evaluation and non-market valuation. After completing her PhD in Economics at the University of Oregon, she worked for the U.S. Environmental Protection Agency Western Ecology Division as a post-doctoral research fellow. Gulcan currently teaches econometrics and environmental economics in the Department of Economics in the University of Oregon and works on research projects as a member of the Mikesell Environmental and Resource Economics Lab in the same department.



Gordon Levitt

Board Member At Large Representing Congressional District 5

Gordon is a Climate Law Fellow at Our Children's Trust. He earned his J.D. and M.S. in Conflict and Dispute Resolution from the University of Oregon School of Law in 2016, and his B.A. in Political Science from the University of Oregon Robert D. Clark Honors College in 2012. His Master's thesis explored strategies that local governments in Oregon could use to reduce greenhouse gas emissions and address climate change. Gordon enjoys backcountry skiing, rock climbing, gardening, and volunteering with a variety of environmental organizations around Oregon.



Michael Moody

Board Member At Large Representing Congressional District 1

Michael's career has spanned over 30 years in the energy industry primarily in the areas of commercial business, marketing, trading, generation, transmission systems, power contracts and fuel procurement. He holds a B. A. from Arizona State University. Michael most recently worked with Avangrid Renewables, formerly known as Iberdrola, where he was responsible for sales and marketing activities of renewable energy in Southern California, and throughout the Rocky Mountains, including Colorado, New Mexico, and Arizona. Michael retired in October 2016.

CUB was created by statute, which requires that our board be comprised of three Board members from each of Oregon's five congressional districts. Board members are elected by the CUB membership or may also, if seats remain unfilled, be appointed by the current board. In either case, the potential board member must run for or be elected to a seat corresponding to the Congressional District in which s/he resides.

Currently CUB has the following openings for board members:

- District 2: Seats 2 & 3
- District 4: Seat 1
- District 5 Seats 1 & 3

We would love to talk with you about board service! Please contact Pamela White, Development and Communications Director, at pamela@oregoncub.org to receive more information about our Board.

CUB Policy Conference Continues to Set Tone for Pacific NW Energy Policy

The energy industry is swiftly changing - growing ever more variable, integrated, high-tech, and responsive to the preferences and behavior of customers. In light of these fluctuations, CUB takes our role as a consumer advocate ever more seriously. One of the ways we are raising to meet these challenges is to host the annual CUB Energy Policy Conference.



Bob Jenks (left) addresses Darrel Anderson (middle - CEO, Idaho Power) and David Anderson (right - CEO, NW Natural) during the Opening utility CEO Panel "The View From The Top"

This conference, now in its 6th year, is one of the few venues available for decision-makers from all sectors of the Pacific NW energy community (law and regulation, policy, home performance, economic analysis, environmental stewardship, low-income advocacy, etc.) to come together and engage in spirited debate on how to tackle the big problems facing the sector today. Our goal is to foster collaborative conversation, always in the interest of keeping utility services reliable, affordable, and clean.

This year's conference, *The Future Starts Now*, held on October 14, brought the energy community's attention to an assortment of issues that just a few years ago were framed as futuristic projections. Examples include: the development of community solar; the complete phase-out of coal plants serving Oregon customers by way of the Clean Electricity and Coal Transition Act; CAISO's efforts to evolve into the West's first-ever regional independent system operator (ISO); and the development of electric vehicle infrastructure that allows EVs to feed energy into the electric grid.

On the topic of coal, CUB has seen a marked change over the past several years in how coal was discussed at the annual CUB conference, and those changes were reflected in the advancement of public policy. In 2011-2013, coal was being gradually deemphasized but was still very much part of the major electric utilities' resource strategies.



Rachel Shimshak (Executive Director, Renewable NW) made waves when she asked the utility CEOs during Q&A after the Opening CEO panel to articulate their plans to increase opportunity for diverse candidates to fill C-level roles at their companies

(Conference Report Continues on Page 7)

CUB Policy Conference Report (Continued from Page 6)

Then, at the 2014 CUB Conference, all members of the opening CEO panel declared to the audience their shared belief that coal was a “fuel of the past” and their utilities would likely refrain from building new coal plants in the future.

Fast forward to March of 2016, where CUB worked with the utilities as well as environmental agencies and advocates in the legislature to pass SB 1547, the Clean Electricity and Coal Transition Act. This historic legislation both codified and sped up the projection made by the utility CEOs at the CUB Conference 18 months earlier: coal plants will stop serving energy to Oregon customers by 2035, and renewables investment will double to 50% by the year 2040.



Paula Pyron (left - Board Chair, CUB) and Bob Jenks (Executive Director, CUB) pose for the camera with Lisa Hardie (Chair, Oregon Public Utility Commission) after her midday keynote address



CUB Conference panel on “The Intersection of Electricity and Transportation” (l-r): Jeff Allen (Drive Oregon), Bill Edmonds (NW Natural), Jana Gastelum (OR Environmental Coalition), Vivian Satterfield (OPAL Environmental Justice Oregon), Brian Spak (PGE)

This is just one example of how the CUB Policy Conference reflects and pushes forward the evolution of energy policy in our region. CUB added another element to that legacy this year by introducing the Consumer Champion Award, which honors individuals who, through their industry leadership, policy innovations, and public service have contributed substantially to the well-being of Oregon’s residential utility ratepayers. This year’s award was given to Margie Harris, founding Executive Director of the Energy Trust of Oregon. We look forward to recognizing achievements by other Consumer Champions in the years to come.

“I am proud of what we have accomplished [on behalf of customers], but proud is not the same as satisfied. I am not satisfied. There is much more work to be done.”

- Margie Harris, 2016 CUB Consumer Champion Honoree



Jeff Bissonnette (left - Executive Director, Oregon Solar Energy Industries Association) chats with Tim Miller (right - CEO, EnHabit) during a break at the sixth annual CUB Policy Conference, The Future Starts Now



**Citizens' Utility Board
of Oregon**

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Support The CUB Policy Center

As a busy year of consumer protection comes to a close we want to thank you for your support. Your generous donations have assured that CUB is able to make a powerful impact on utility policy and regulation in Oregon.

We began the year by crafting and passing the Clean Energy and Coal Transition Act and have gone on to protect customers from unreasonable rate hikes and foolish infrastructure investment, represent consumers as new energy regulations are being formed, all while educating consumers and stakeholders AND saving customers more than \$83 million in this year alone.

That is what we have been doing consistently for 32 years; protecting the pocketbooks and the values of our members and the people of Oregon, while keeping our overhead reasonable and our investment in programs high.

Now it is the time for year-end giving and we want you to

know that your gift can make a real difference for CUB this year. Like everyone else, we are unsure of what the next four years will mean for energy policy. Please use the envelope inside to donate or go to www.cubpolicycenter.org. Your gift is tax deductible and will mean that, regardless of what happens next, we can continue to stand for what we know our members want: utilities that are affordable, reliable, and clean.

**CUB and CPC Combined 2015 Audited
Financial Statements**

■ Programs ■ Fundraising ■ Administration

