The Bear Facts

1984 - 2014

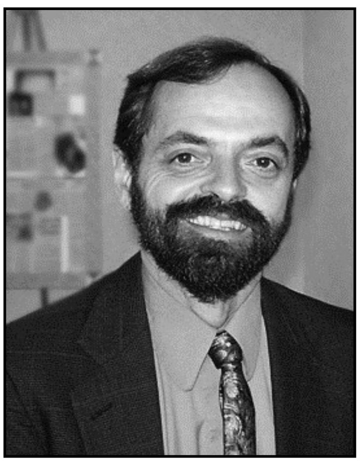
Citizens Utility Board of Oregon

30 Years and Counting

Fall 2015

Pensions Victory Achieved for Oregon Ratepayers

A Letter from Bob Jenks



As we come to the end of the year, we like to look back on our victories, and one of the truly great wins for us (and you) this year was the "pensions docket." It is a powerful victory because in 2015 alone we save Oregon ratepayers $24 million. More importantly, it will continue to save us all more than $20 million a year for many years to come.

Here's the deal. In early August the Public Utility Commission (PUC) ruled that NW Natural, PGE, Pacific Power, Avista, and Cascade Natural Gas could not charge ratepayers for the ratemaking treatment of their pension plans. Though much too complicated to explain here, what this means essentially is that the utilities proposed changing this system, so that an element of the pension contributions (called the "prepaid pension asset") would be added to the ratebase (capital investment), and then they would get to earn a rate of return on this portion of the contributions. Please note that this money was not being invested in the pension plan or in the utility system. This rate hike would have simply been an increase to the profits of utility shareholders, many of whom live out of state.

CUB collected approximately 20 years of pension data from each of the five utilities and then studied that data. We discovered that while the utilities' initial story had a great deal of appeal, we could show that this docket was not a simple policy dispute. In fact, CUB argued that it required a historic review of decades of pension funding since the prepaid pension asset has accumulated over the life of the pension plan. When we were finished we had statistical support for our argument that the utilities were creating a need that just was not there. And when everything was said and done – the PUC agreed.

It is as simple as that; though getting to that point was far from simple. The truth is that complicated data analysis and legal interpretation takes skill and dedication. It takes the kind of expertise and time that CUB staff is known for. So, I would like to give a big shout-out to Jaime McGovern, Senior Economist, Sommer Templet, Staff Attorney, and former Regulatory Director and General Counsel, Catriona McCracken who joined me in working on this issue.

I would also like to acknowledge the CUB Board of Governors who supported our time-consuming work on this seemingly obscure issue. And to the whole staff, as well as CUB members and supporters; thanks for making this work possible. After all, it takes every one of us to save all of us millions of dollars!

CUB's Regulatory Team Continues Fight for Fair Rates

CUB continue to spend a great deal of time this fall at the Public Utility Commission (PUC) representing residential customers. We have had some big victories, and are currently engaged in an important fight on behalf of Avista natural gas customers in Southern and Eastern Oregon.

Utility Pensions: In August, CUB won a big victory when the PUC sided with CUB and denied a utility request to earn profits on pensions. Since 2012, CUB has been opposing efforts by utilities to change the rules at the PUC, so the utilities would earn a profit margin on the contributions that are made to their employee pensions. Such a move would raise rates by $20 million or more each year, but would do nothing for the actual pension funds. It simply would have taken money from customers and transferred it to utility shareholders.

PGE rate case: Early in 2015, PGE filed a request to raise rates twice next year. CUB challenged portions of the case, and has now negotiated a settlement. Originally, PGE had asked for a $38.8 million increase in base rates in January 2016, before the new Carty natural gas plant came on-line, and an additional $84 million later in the year when Carty starts producing electricity. CUB was successful in getting an agreement to lower base rates by $15.1 million. This means that rates will decrease in January, followed by a modest increase when Carty begins producing electricity.

PacifiCorp coal plants: PacifiCorp's 2015 Integrated Resource Plan is now before the PUC. In it, PacifiCorp followed CUB methodology in analyzing new coal plant investment and concluded that it was not cost effective to spend between $400 and $500 million retrofitting coal plants. Instead, the company will close three coal plants.

Avista Rate Case: Avista is the natural gas company that serves parts of Southern and Eastern Oregon. Avista is proposing to raise rates for residential and small business customers by 8.9%, while simultaneously cutting rates for large industrial customers by 7%. CUB is vigorously challenging this proposal. CUB's analysis shows that the need to raise rates is coming from some investments made directly to serve industrial customers. It is unfair to raise residential rates when the costs at issue are not primarily serving residential customers. For more detail on CUB's position in this case, visit www.oregoncub.org/news/avista-2015.

These photos are from **CUB's 5th annual policy conference,**
***Utility 2025: Building the Northwest's Energy Future*.**
Check out the inside back page for the full report and
Visit www.oregoncub.org/news/Utility2025-wrapup for additional pics!

(L-R) Moderator, Jude Noland, Clearing Up; Stefan Bird, CEO-Pacific Power; Bob Jenks, CUB; Gregg Kantor, CEO-NW Natural; Elliot Mainzer, Administrator-BPA; Scott Morris, CEO-Avista Corp.; Jim Piro, CEO-PGE all agree that "Coal is in the past".

Closing keynote speaker Dr. Tom Potiowsky, Chair-PSU Economics Dept. and Director-Northwest Economic Research Center

Utility 2025 Gathers Energy Community to Envision the Next Decade

On Friday, October 23 at the Downtown Portland Hilton, we convened the fifth annual CUB Policy Conference, *Utility 2025: Building the Northwest's Energy Future*, to discuss the next ten years of energy policy in Oregon and the Pacific Northwest. This stimulating, day-long multidisciplinary gathering of 215 energy professionals and stakeholders brought forth a variety of discussions aiming to project today's trends onto the year 2025 and anticipate changes and innovations that must be pursued to meet the energy needs of tomorrow.


Bob Jenks thinks the future is so bright that he has to wear shades. He is joined here with board and staff (l-r) Jeff Bissonnette, Fred Huette, Theresa Gibney, Pamela White, Paula Pyron.

The conference opened with CUB Executive Director, Bob Jenks sharing what he is most hopeful about and what keeps him up at night. What frightens him is the pace at which climate change is progressing and the potential for instability in the region due to the ongoing price differential between investor-owned and public-owned utilities. He fears this situation may be aggravated if utilities decarbonize too quickly. However, new technologies in energy efficiency, reasonable prices for renewables, and forward thinking and collaborative NW institutions "make the future bright," Jenks said.

Jude Noland, Contributing Editor of *Clearing Up* moderated our first panel of CEOs from NW Utilities. Stefan Bird, Pacific Power; Gregg Kantor, NW Natural; Elliot Mainzer, BPA; Scott Morris, Avista; Jim Piro, PGE; and CUB's own Bob Jenks focused their conversation on the impacts of current and future climate regulation, and a variety of programs comprising the vanguard of adaptive utility strategies. Notably, the panelists reached consensus that, as Jude Noland said, "coal is in the past" and the task facing NW utilities today is to figure out how to divest of remaining coal resources as quickly as possible while maintaining viability and fair rates for customers.

The morning breakout session featured "They're Heere…111(d)'s New Regulatory Reality" discussing the final Clean Power Plan and its expected impacts in the region, and "Distribute This: Generation for a New Generation" which explored the friction and balance between the baseload utility model and various methods of distributed energy generation such as rooftop solar.

The second breakout session included the panels "Got Gas? Bridge Fuel or Bridge to Nowhere?" in which panelists examined the role of natural gas in the evolution of a carbon-constrained energy sector, and "The Customer Side of the Meter" which delved into the twin topics of energy efficiency and demand response.

Finally, the third breakout session offered "Let's Get Loaded: Weed, Web, Wheels and a Growing Load", a fascinating look at the emerging effects of indoor marijuana agriculture, electric vehicles, and server farms on Oregon's electric load, and "Beyond the RPS" which asked the critical question: "What comes next for renewables after Oregon's current RPS is reached?"

Oregon Public Utility Commission Chair Susan Ackerman offered the mid-day keynote, "What You Can Expect From Oregon Regulators" which described some of the utility model and distribution system adjustments being explored by other states, and Oregon regulators' perspective on adopting similar changes in the next ten years. We wrapped up the day with Dr. Tom Potiowsky, Chair of PSU's Economics Department and Director of the Northwest Economic Research Center who gave an articulate as well as entertaining presentation on the economics of climate regulation.

CUB is grateful to our sponsors and partners (listed on the back page) for their invaluable support of this year's CUB Policy Conference. We also extend our thanks to the speakers and panelists who brought their best ideas and insights, and to everyone who attended. We are already looking forward to doing this again next year so if you want to receive periodic email updates throughout the year about the conference, contact us at outreach@oregoncub.org.

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