Oregon CUB

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CUB Mission:

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

Inside This Issue:

The Bear Facts

QUARTERLY NEWSLETTER OF THE OREGON CITIZENS' UTILITY BOARD

Fall 2017

CUB Helps Drive EV Planning

Electric vehicles sales are increasing. In July 2017 there were 34 different EV models purchased in the United States. More than two percent of new vehicles sales in Oregon are electric vehicles. This is the third highest rate in the country. PGE conducted an analysis that predicted more than 100,000 EVs in its service territory by 2025. Since that study, the Oregon legislature adopted a transportation bill that included a rebate of $2500 for most customers who buy EVs.

EVs are coming and electric utilities need to be ready. Last December PGE and PacifiCorp filed plans with the Public Utility Commission (PUC) proposing programs to deal with EVs. CUB's analysis of the utilities' plans criticized them for not focusing enough on the impact that EVs will have on the electric grid. CUB argued that, if managed correctly, EVs can support the grid and help customers, but if managed poorly, EVs will cause problems on the grid, increasing costs.

After several months of discussions, settlements on the utility program proposals were reached. A key element of both utility plans is public charging stations. As EVs grow, there is a need for places to charge. While Oregon already has the most extensive public charging network (on a per capita basis) of any state, there is little doubt that as more EVs are added there will be more need for public charging.

But the bulk of EV charging is at people homes. This isn't surprising; if drivers could fill up their gas tanks at home, they would rarely use gas stations. The initial utility programs largely ignored this fact, but recognizing where and when EV charging is happening is key to managing grid costs. At home, EV drivers have a choice: they can charge their cars on a standard 120V plug and charge their vehicle at a rate of two to five miles per hour – meaning it can take 10-15 hours to charge a car enough to go 25-30 miles; or they can install a 240V Level 2 charger and charge the car twice as fast.

During the recent August heat wave, PGE set a new record for demand on its system. The peak time for summer demand is between 4pm and 8pm. Unfortunately, this is also the time when families with EVs are getting home from work and plugging in their vehicles, thus adding more stress to the electric system. Because EVs are more common in some communities and neighborhoods than in others, the impact will be localized rather than spread out across the utility's territory. Consequently, some neighborhoods might find their transformers overloaded and in need of upgrades.

CUB was able to get both PGE and PacifiCorp to add elements to their plans to address this issue. PGE agreed to develop a home charging pilot that would offer incentives to get customers to adopt Level 2 charging and charge their EVs off-peak. PacifiCorp agreed to do a study to determine the potential impacts that EV charging will have on its local distribution system, so programs can be designed to ensure that EVs benefit the grid rather than harm it.

The EV industry is growing at a quickening pace, and Oregon's utilities must prepare by developing programs that effectively manage EVs' impact on the grid. CUB will continue working to make sure they do just that.

Sincerely,

Bob Jenks
Executive Director, Oregon CUB

Utilities Keep CUB Busy

Oregon's regulated utilities have kept us very busy on a number of important issues relating to rates, resource planning, and mergers and acquisitions.

CUB Reaches Settlement Which Slashes Avista Rate Increase

Avista Utilities, which provides natural gas service to parts of southern and eastern Oregon, proposed raising rates by 9.3 percent for residential customers in order to increase revenues by $8.5 million. CUB challenged Avista's rate proposal and was able to reduce the rate increase to 2.8 percent for residential customers. CUB evaluated Avista's proposed capital spending on a project-by-project basis, and worked diligently to reduce these capital spending levels. CUB also cut the amount of the Company's new meter data management investment that is allocated to Oregon, because the primary need for the investment was to serve the smart meters of its electric operations outside of Oregon.

CUB challenged Avista's rate proposal and was able to reduce the rate increase from 9.3 percent to 2.8 percent for residential customers.

CUB Working to Reduce PGE Increase

Earlier this year, PGE requested a rate increase of $99.9 million, which would have led to a 7.08 percent increase in residential rates and an overall increase of 5.6 percent. CUB has challenged this rate increase and is working to reduce it. CUB has significant concerns about the utility's plans to dramatically increase its number of employees, and believes that the Company is generally overestimating its costs and underestimating its revenues. CUB is also concerned that part of what is driving the larger increase for residential customers is PGE misallocating costs by asking residential customers to subsidize energy efficiency and smart grid programs that should be funded by commercial and industrial customers instead.

Pacific Power Overcharging Costs

Pacific Power has a rate case that deals with variable power costs and is proposing a 1.5 percent rate increase. CUB's primary concern is that Pacific Power is systematically overcharging customers for the cost of power produced under PURPA contracts. PURPA is a federal law which requires, under certain circumstances, that a utility purchase power from independent generators. CUB's analysis shows that Pacific Power is forecasting these new contracts to come on line many months before their actual operation date, so customers are systematically paying for the contracts before the contracts are delivering power.

PGE Resource Plan: Dropping Gas and Adding Hydro

For months, CUB has been pushing the company to move away from the gas plants, which would have an expected useful life of 30 to 45 years, and seek shorter-term hydro contracts instead. From CUB's perspective, there is a lot of uncertainty around how the electric industry will respond to climate change; it does not make sense in light of that uncertainty to add further fossil fuel generation that will last until 2060.

PGE wind resources in the Columbia Gorge are already plentiful.

In May there was an overflow crowd at an evening public meeting set up to hear from PGE's customers on the company's resource plan to replace the Boardman coal plant, which is retiring in 2020. They resoundingly delivered the message that they were opposed to PGE building new natural gas plants to replace Boardman coal. The grassroots activism on this issue was important and has helped moved the utility, which is now working to secure contracts for available hydro output from existing dams as a better alternative.

Along with the gas plants, PGE was proposing to add a new wind project in the Columbia Gorge to its resource base. While CUB has generally been a supporter of utility investments in renewables, we are unable to support this proposal. PGE does not need additional renewable resources to meet Oregon's Renewable Portfolio Standard until 2028-2030, which was the primary purpose of this resource. Part of the problem is PGE has already developed a series of wind facilities in the Gorge. The key to meeting load through renewable resources is diversity. With a great deal of gorge wind, this additional project would not add diversity and would contribute little to meeting customer loads. Yes, utilities need to make significantly more investments in renewables. But to deal with climate change, while keeping rates affordable, utilities must make the right investments.

(More Energy News on Pg 4)

2017 Legislative Wrap up and Next Steps

As expected, the 2017 Oregon Legislature did not adopt any energy legislation comparable to the 2016 Clean Electricity and Coal Transition Act. However, Senator Lee Beyer shepherded through one bill that will prove significant in 2018 and beyond. Senate Bill 978 originally focused on expanding renewable energy purchasing options for large energy users, but Beyer's amendment require the Oregon Public Utility Commission (OPUC) to investigate how industry trends, new technologies, and other policy drivers affect the existing energy utility regulatory system and incentive structure. The significance of this bill could rival that of earlier legislation because it offers a venue for extensive conversations by CUB and other stakeholders about the future of Oregon's energy system.

Another energy bill success was the passage of HB 2134 to ensure up to $20 million in low-income customer bill assistance via a small assessment on all Portland General Electric (PGE) and Pacific Power customer bills. CUB worked together with Community Action Partnership of Oregon and the two utilities to pass this bill and it reflects CUB's priority to address the critical needs of low-income Oregonians.

The Legislature's major bipartisan achievement was a transportation bill that retained the Clean Fuels program and included electric vehicle purchase incentive rebates. CUB successfully lobbied against an initial provision that inappropriately diverted public purpose dollars collected for energy efficiency programs from PGE and Pacific Power customers to electric vehicle charging infrastructure. CUB also defeated several other attempts to raid public purpose dollars this past session.

Major energy bills that didn't move in 2017 included retaining the residential energy tax credit, revamping the Oregon Department of Energy, and climate change. CUB is involved in next steps on each of these topics. Legislative sessions in even-numbered years are short, so bandwidth in Salem in 2018 will be limited, but climate change legislation is shaping up to be a top priority.

A telecommunications success was HB 2091, which allows the OPUC to use Universal Service Fund dollars to encourage new investments in rural broadband projects. CUB will also serve on an advisory committee created through HB 3268 to increase participation in programs that provide phone and Internet bill assistance to low-income households.

A telecom-related bill that didn't move in 2017 was a repeal of tax incentives aimed at encouraging Google Fiber to bring their high-speed broadband product to Oregon. Google Fiber broke their agreement with the City of Portland because of a change in their business model, so CUB endorsed a repeal of that incentive. The repeal bill was alive up until the end of the session, but ultimately failed. CUB is exploring options to revisit this legislation. It's clear that CUB provides an important consumer advocacy voice at the Legislature on telecommunications in addition to energy topics.

Telecom Advocacy Ranges From Local to National and Back Again

The Federal Communications Commission (FCC) found itself in the news a lot in 2017, but not in a good way. In early April, Congressional Republicans passed legislation to revoke Internet privacy rules slated to go into effect this December. The FCC response was basically "good riddance". Later that month, the Commission began the process of repealing the 2015 Open Internet Order.

Sam Pastrick and Senator Ron Wyden at a July 2017 Press Conference supporting Net Neutrality

Given the serious damage to consumer interests, CUB took two strategic opportunities to advocate for Oregon customers. First, CUB's Consumer Advocate, Samuel Pastrick, supported a City of Portland resolution highlighting the important of net neutrality at a press conference with Oregon's Senior Senator, Ron Wyden, and Portland City Commissioner, Dan Saltzman. Second, CUB submitted comments to the FCC with the backing of over 300 CUB members and other individual supporters.

CUB foresaw these consumer protection rollbacks coming after the 2016 Presidential election and the hiring of Ajit Pai – a former Verizon attorney and staunch anti-regulation proponent – to lead the Commission. It seemed clear that the 2015 Open Internet Order, which codified basic net neutrality rules and cleared the path for strong Internet privacy rules, was in imminent danger. April's highly unpopular congressional action and Pai's decision to open a "Restoring Internet Freedom" docket to review and repeal the 2015 Order, of course, confirmed CUB's concerns.

FCC Campaign Wrap-Up Cont'd on Pg 4)

FCC Campaign Wrap-Up Cont'd from Pg 3)

Samuel Pastrick with Senator Ron Wyden and Portland Commission Dan Saltzman

The first step in the docket process is a "Notice of Proposed Rulemaking" (NRPM) outlining the Commission's policy objectives – in this case, all-out repeal. Fortunately for CUB, the NRPM process requires public comment opportunities. Soon after Pai released the NRPM, CUB invited individuals to "sign on" to our comments with the hope that their voices would strengthen our message to the FCC.

Commissioner Saltzman's office invited Senator Wyden and Pastrick to offer press statements in support of the City's resolution. CUB jumped at the opportunity to discuss Internet freedoms and consumer protections. Two weeks later, Commissioner Saltzman invited CUB to testify at the July 12 hearing on the resolution. CUB ultimately recruited 316 Oregonians to endorse our comments, which you can view by visiting **www.oregoncub.org/documents-research/**.

In the wake of the Congressional decision to repeal the Internet Privacy rules, several states enacted rules of their own. In advance of a 2018 push for Oregon-specific digital privacy legislation, CUB wants to hear from broadband customers. Do you think service providers should ask before selling your personal information? What other concerns do you have? Tell us what you think by emailing samuel@oregoncub.org and stay on the lookout for more information this fall.

Energy News Cont'd from Pg 2)

Pacific Power Resource Plan Offers Surprise

Utility resource planning normally involves months of technical advisory committees that discuss the assumptions that are being used to evaluate resources, and the resource actions that are being considered. By the time the resource plan is filed with the PUC, most stakeholders have known for months what is in the plan. For the last year, advisory committee meetings for Pacific Power have been uneventful largely because the company did not expect to make any significant new resource investments for many years. Suddenly, just before filing the resource plan, Pacific Power produced a new plan which spends billions of dollars on repowering existing wind facilities, building a new transmission line in Wyoming, and adding a new wind farm. CUB is concerned with this process. Pacific Power has been looking at these resource actions for months but did not bother sharing this information with the stakeholders that spent hours discussing the resource plan. Pacific Power's s original modeling supported the investment in the wind repowering, but did not support the new transmission line and the wind it could bring to its system. Pacific Power has updated that analysis and CUB is examining the update.

Hydro One to Acquire Avista Utilities

Hydro One is an electric company in Ontario Canada. It recently proposed purchasing Avista Utilities for $5.3 billion. While Avista is a natural gas utility in Oregon, it does offer electric service in Washington, Idaho, and Alaska. CUB has several concerns. First, Hydro One is paying a 24 percent premium for Avista. How do they expect to recover this premium? Avista customers should not have to pay higher rates in order to help finance the acquisition, and CUB assumes that ratepayers in Ontario will not want to bear that cost either. Hydro One is an electric utility only, and may offer some cost-saving synergies with Avista's electric service, but in Oregon Avista only offers natural gas service. In order to get approval from the Oregon PUC, Hydro One will have to prove there is a net benefit to Oregon customers. It is not clear how they will demonstrate that benefit exists.

NW Natural to Acquire Something

NW Natural has a proposal before the PUC to reorganize its corporate structure to create a holding company. CUB has some sympathy for the utility. Addressing climate change may reduce opportunities for natural gas utilities. For example, Eugene and Ashland have discussed discouraging natural heated homes as a way to reduce their cities' carbon emissions. Forming a holding company would allow NW Natural to diversify by acquiring another company. Like the Avista acquisition, this filing requires the utility to prove that its reorganization will provide a net benefit to customers. After weeks of discussion, CUB has settled with NW Natural and other parties after NW Natural agreed to 50 different conditions that reduce the risks that a holding company or an acquisition can place on the utility or its customers. The company also agreed to provide $500,000 annual rate credits to customers for the next three years, and to guarantee that any cost savings associated with an acquisition will flow through to customers and not be used to finance that acquisition.

Saul Chavez-Hernandez
District 1, Seat One

My name is Saul Chavez-Hernandez and I am running for election for CUB's Board of Governors in District 1. As a fellow CUB member, I am asking for your vote.

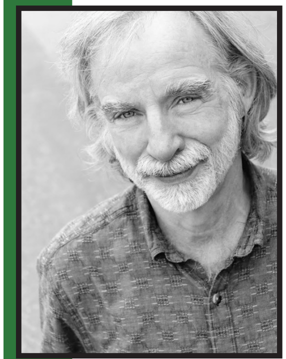
I am a supervisor in the Energy Assistance Program at Hillsboro's Community Action Organization, where I have worked in various positions since 2007.

I believe that my experience working with low-income families in Washington County gives me the understanding needed to advocate for their needs and represent them on the CUB board.

I admire the work of CUB because it provides a voice to the millions of utility customers that depend on such services.

My hope for my time on the CUB Board is to provide a voice and advocacy to the ratepayers in my district.

I ask for your vote so that I can serve you and other members of our community on the CUB Board of Governors. Thank you.



Rob Brading
District 3, Seat One

My name is Rob Brading and I am running for CUB's Board of Governors in District 3. I was originally appointed in 2013 and have enjoyed serving on the board. As a fellow CUB member, I am asking for your vote to be able to continue my service.

I was the Chief Executive Officer of Metroeast Community Media from 1992 until 2016 as part of a long career devoted to giving people the skills to actively and effectively participate in a democratic society. In addition to helping to build democracy through media, my work at Metroeast was also centered on advocating for progressive telecommunications policy at the state and federal level.

My hope for my time on the CUB Board is to bring my experience on telecommunications issues to the organization to extend that part of CUB's mission. I also have extensive experience in organizational development and I want to bring that experience to bear as CUB continues to grow.

I have been a long-time admirer of CUB's work and I'm happy to have the opportunity to serve on the CUB Board to help continue its long record of success and results for utility consumers. I ask for your vote to continue my work representing you as a Board of Governors member elected by CUB members. Thank you.

2017 CUB Board Election Ballot Instructions

Cut on Dotted Lines and Return Ballot to CUB in the enclosed envelope. *(Turn Over for Ballot.)*

According to CUB's bylaws, members of the Board of Governors are elected for 4-year terms by CUB's members within each of Oregon's five U.S. Congressional Districts. CUB board candidates must run for a position that is in the congressional district in which they live. The candidates shown in this newsletter have been certified as living in the districts they seek to represent.

In order to vote you must:

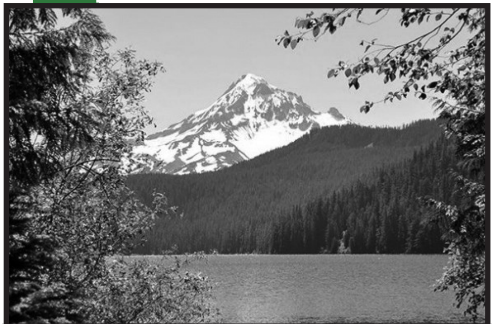
- be a current CUB member. (If your membership has lapsed, you can join by sending a donation of $5 or more with your ballot in the attached envelope.)
- live in the congressional district of the candidate for whom you are voting.

If your congressperson is **Representative Suzanne Bonamici** then you live in **District #1**. Please vote in District #1 only.

If your congressperson is **Representative Earl Blumenauer** then you live in **District #3**. Please vote District #3 only.

If you live in any other district, we have no candidates at this time.

Cryptosporidium Treatment:
One Trick Pony or Long term Comprehensive Approach



The relatively pristine Bull Rull watershed previously obtained a Cyrpto treatment variance, but that variance has since been revoked.

On August 2, the Portland City Council met a public health requirement by selecting filtration to treat for Cryptosporidium (Crypto). Ultraviolet (UV) treatment was the other option, but Multnomah County Public Health Officer, Dr. Paul Lewis, called UV "a one-trick pony" because it only treats for Crypto. CUB documented the additional benefits of filtration, particularly addressing turbidity (dirt in the water) due to winter storms or a forest fire within the watershed. We supported filtration after the City Council adopted cost containment oversight requirements including regular reports from the Water Bureau to CUB.

Crypto is a parasite that can cause gastrointestinal distress, and is particularly risky for infants and people with compromised immune systems. The Environmental Protection Agency and the Oregon Health Authority (OHA) have required treatment since 2006. Given the relatively pristine Bull Run watershed, Portland had obtained a Crypto treatment variance. The OHA variance, however, required careful testing, and Crypto levels found earlier this year triggered revocation of the variance. Portland was required to select a treatment option in August. It was clear to CUB that regulators would not extend the variance and that either UV or filtration treatment was required.

Filtration is more expensive, but the value of filtration benefits over UV was calculated at $99 million over 25 years. And while filtration plants also require upgrades, they last significantly longer than the 25 to 30-year lifespan of UV plants. A risk analysis indicated a 50/50 chance that within 27 years, stronger environmental regulations or other risks such as a forest fire could make UV obsolete and require filtration treatment. Finally, the Council resolution requires improvements in programs addressing the needs of low-income Portlanders, a key point for CUB.

...the value of filtration benefits over UV was calculated at $99 million over 25 years. From a least cost/least risk perspective, filtration is the best long-term investment.

From a least cost/least risk perspective, filtration is the best long-term investment. CUB will diligently monitor project planning, design, and construction throughout the ten-to-twelve year process. Of particular concern is the initial scoping to stop any impulse to overbuild and ensure the optimal size of the filtration plant.

2017 CUB Board Election Ballot

Please fill out the form below, cut or tear, and return in the enclosed envelope.

All ballots must be received in the CUB office by 5:00 PM Monday, October 23, 2017.

District #1, Seat One (Representative Suzanne Bonamici)

☐ **Saul Chavez-Hernandez** **Other** ______________________________

District #3, Seat One (Representative Earl Blumenauer)

☐ **Rob Brading** **Other**______________________________

2017 Consumer Champion: Senator Lee Beyer

CUB Policy Conference
Friday October 13, 2017

We are pleased to announce Oregon Senator, Lee Beyer (Springfield) as the winner of CUB's 2017 Consumer Champion Award. In its second year, this 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. The award ceremony will take place at CUB's 7th Annual Policy Conference, Utility Regulation 2:0: Empowering What's Possible on October 13 at the Downtown Portland Hilton.

With a degree in management from University of Oregon, Senator Beyer has been a life-long community leader serving as a workforce development specialist, an agency and non-profit executive, a Springfield City Councilor, a PUC Commissioner, and both a State Representative and Senator.

Oregon Senator Lee Beyer
District 6 - Springfield

As a Senator, Beyer strongly supported SB 1149 that enacted the Public Purpose charge in the 1999 legislative session. In 2016, as chair of the Energy Committee he was instrumental in the passage of the Clean Electricity and Coal Transition Act (SB 1547). Both of these bills enacted strong energy efficiency and renewable energy legislation that protects and empowers consumers.

During his nine-year tenure at the PUC, it is estimated that the Commission saved consumers $600 million, and decisions made during this time allowed and encouraged wide-spread adoption of energy efficiency and renewable energy. In 2005, when PGE was in the clutches of Enron's bankruptcy, Chair Beyer led the commission to make a very difficult and highly publicized decision to deny Texas Pacific's buy-out of PGE, which was in the best long-term interest of consumers. It was the first time in Oregon's history that the PUC rejected a utility merger or acquisition.

Throughout his long and prestigious career, Senator Beyer has been a true friend to Oregon's residential energy customers; he is often tough, but always fair – a visionary who is willing to take chances on new ideas, and a genuine public servant who is willing to take a stand to protect and benefit consumers.

CUB will present the award to Senator Beyer at the October 13 Policy Conference during an 11:30am ceremony, with the Senator offering the Mid-day Keynote directly thereafter. There will be a luncheon immediately following his remarks.

For more information about the Consumer Champion Award ceremony and luncheon, or to purchase tickets to the CUB Policy Conference, visit **www.oregoncub.org/cubcon17/**.

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Bringing Your Voice to the Conversation

Sometimes, the many stakeholders working on energy policy in Oregon – consumer advocates like CUB, state and local policy makers, regulators, utilities, climate justice, environmental, and renewable groups – are many miles apart. But sometimes, like when we worked together to see the Clean Electricity and Coal Transition Act (SB 1547) passed, these groups work hard to find a path to consensus. That is the case right now, as increasingly we all agree that Oregon's energy utility-regulatory structure is in need of radical transformation.

As always, CUB is actively engaging stakeholders in meaningful ways in order to advocate for residential utility customers. For example, our Seventh Annual Policy Conference, Utility Regulation 2.0: Empowering What's Possible (see more at **www.oregoncub.org/cubcon17**) will bring together many thought leaders and decision makers to talk about what's next. We will be a strong voice at the table as the Public Utility Commission investigates the effect new utility industry trends, technologies, and policy drivers are having on the current regulatory system and incentive structure.

We are confident that we can make your voice heard – just as we did when we led major policy reforms including the Energy Trust in 2000, the initial Renewable Portfolio Standard in 2007, and PGE's decision to close the Boardman coal plant by 2020. After all, protecting the interests and wallets of residential energy utility customers is what we do best.

The truth is, Oregon is standing on the precipice of a paradigm shift in energy policy and your voice is important. Your membership provides not only financial support, but significant clout. When our membership is strong, the voice at the table is strong.

So if you are a current member – THANK YOU! If you have not renewed recently, perhaps now would be a good time to pull out the enclosed envelope and get back in the conversation! You can also join/donate (and see more recent CUB news) by going to **www.oregoncub.org**. Thanks in advance for helping us make YOUR voice heard.