

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.

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The Bear Facts

QUARTERLY NEWSLETTER OF THE
OREGON CITIZENS' UTILITY BOARD

Fall 2020

COVID-19 Utility Response: Immediate Help is Essential, Long-Term Reforms Necessary *a letter from Bob Jenks*

The COVID-19 pandemic has caused a great deal of harm in Oregon. Hundreds have died, thousands are out of work, and many businesses are struggling to survive. It has shown that thousands of Oregon households live on the edge, paycheck to paycheck. It has demonstrated that communities of color are most vulnerable, both to the virus and to the job losses associated with the economic fallout. And it has proved that we are unprepared for either a health crisis or an economic crisis.

Oregon utilities stepped up last spring and instituted moratoriums on shut-offs and late payments. But now, there is a desire by many to return to normalcy. Several publicly owned utilities have begun disconnecting customers who are behind on their bills and the big investor-owned utilities are talking about the need to send out shut-off notices to get customers to pay.

CUB has proposed a COVID-19 Energy Utility Customer Protection Plan to the Public Utility Commission (PUC). We believe that there is a real need to manage the crisis by extending the moratoriums, and helping customers deal with past due amounts. But we also need to discuss how to reform the system and build one that is more resilient and equitable.

Managing the crisis. CUB has proposed several measures to help in the short term, including:

- Oregon should mandate continuation of the current voluntary shut-off moratorium and join other states in extending that mandate through the winter heating season, unless the economy improves significantly.
- Oregon should create a \$100 million Customer Impact Fund that can be used to reduce past due amounts for customers and help avoid disconnections when the moratorium is lifted. Priority for the fund should go to low-income customers.
- Time payment agreements currently allow customers to pay off past due bills over a 6- to 12-month period. Utilities should allow time payment agreements up to three years.
- Utilities should allow customers to pay current bills but defer paying past due amounts for six months or longer.

Reforming the system. Our utilities cannot solve the broad issues of income inequality and structural racism that have been exposed in this crisis. But they should not be making it worse. The PUC does not believe it has the authority to require bill discounts for low-income customers, but it does have the authority to require deposits from low-income customers without good credit. It makes no sense to say we cannot address affordability, but we can make it worse. CUB believes that reforming the system requires us to address several issues:

"...there is a real need to manage the crisis by extending moratoriums, and helping customers deal with past due amounts. But we also need to discuss how to build a system that is more resilient and equitable."

(Letter from Bob Cont'd on Pg 2)

CUB Members, COVID-19, and the PUC

As economic impacts of COVID-19 continue, CUB and our members are pushing hard for strong utility consumer protections. In March, Oregon's major utility companies voluntarily stopped shutoffs for customers and waived late fees for those who cannot pay. This was commendable, but CUB raised a major concern about when these consumer protections would end at a special meeting of the PUC. The PUC then launched a COVID-19 Customer Impact process that recently wrapped up.

CUB initially pushed for data and a broad evaluation of effects on customers in the PUC process. This revealed a grim reality for many utility customers. For example, comparing the 90-or-more day arrears (money that is owed and should have been paid earlier) from May 2019 to May 2020 indicates that the total balance of unpaid bills increased by 133 percent, and the total number of customers with these unpaid bills increased by 110 percent.

Next, CUB researched and wrote a COVID-19 Energy Utility Consumer Protection Plan outlining strong actions CUB recommends should be taken by the PUC and the private or investor-owned energy utilities (IOUs) it regulates. CUB's Plan identified near-

and long-term customer protections to alleviate economic hardship on vulnerable IOU customers. This ranged from debt forgiveness options to linking the lifting of shutoff moratoriums to economic recovery metrics such as improved unemployment rates. CUB also urged the PUC to consider big ideas to address COVID-19, climate, and equity, and improve our energy systems beyond the pre-pandemic status quo.

Oregon voters created CUB to be a consumer protection advocate in legislative and regulatory arenas. CUB's COVID-19 Energy Utility Consumer Protection Plan illustrates our expertise in providing economic and legal analysis for Oregonians before the PUC. In addition, our newly hired Membership Organizer communicated with CUB members to give background on the PUC's process and identified steps for engagement. Members submitted "on the ground" comments to Commissioners and provided important consumer perspectives to this process.

Along with near- and long-term customer protections to alleviate economic hardship, CUB also urged the PUC to consider big ideas to address COVID-19, climate, and equity, and improve our energy systems beyond the pre-pandemic status quo.

If you would like to become more involved in taking action with CUB, contact our Membership Organizer, Charlotte Shuff, at charlotte@oregoncub.org or 503-227-1984 ext. 11.

(Letter from Bob Cont'd from Pg 1)

- The energy burden on low-income households needs to be addressed by implementing rate discount programs as several other states have done. This will evidently require legislation and CUB has supported previous equity and affordability bills. We will work even more vigorously for anticipated future legislation that is more needed than ever due to the pandemic.
- Low-income weatherization programs should be expanded and prioritized.
- Deposit requirements for utility service should be eliminated.
- When utility service disconnections are reinstated, they should only be allowed before noon, so customers can get service restored that day.
- Old manufactured housing that cannot be weatherized should be replaced.
- Smart thermostats and appliances which allow customers to sell energy services back to the utility should be made available to customers with limited income.
- Utilities should report a great deal more information about past due amounts, disconnection notices, disconnections, and

reconnections by zip code so we can identify best practices and track the impact of program improvements.

- Communities that have adopted climate and equity goals should be accommodated by both utilities and the PUC.
- Utilities should have incentives to minimize disconnections and keep rates affordable.

CUB doesn't claim to have all the answers either for managing the crisis or for reforming the system. But COVID-19 has demonstrated that business as usual is not acceptable.

Sincerely,



Bob Jenks
Executive Director, Oregon CUB



In 2019, the Oregon Legislature passed Senate Bill (SB) 98, a renewable natural gas (RNG) program to be implemented and overseen by the PUC. SB 98 requires the PUC to implement rules overseeing a program that sets permissive RNG procurement targets which Oregon's large and small natural gas utilities may meet. The targets step up gradually to 30 percent RNG by 2050.

SB 98 also treats large natural gas companies (NW Natural) differently from small natural gas companies (Cascade Natural Gas and Avista). The rules provide the larger utilities a framework for getting RNG onto their system, while the small utilities must apply to participate in the program and are subject to a strict rate cap to ensure that customers are not hit with high rates due to RNG procurement, which is more expensive than conventional gas.

CUB participated throughout the RNG legislative and rulemaking process. Our goal was to help design a program that would meaningfully lower the carbon intensity of the natural gas system, and not merely enable Oregon's natural gas utilities to invest capital to create profits. For example, NW Natural wanted to include an automatic adjustment clause (AAC) for the recovery of capital investments in the RNG rules. An AAC is a mechanism whereby utilities can recover costs in between general rates cases, and is generally subject to an expedited review timeline. CUB advocated not to include the AAC in the rules. The PUC struck a sound balance with a provision allowing an AAC at a later date, contingent on stakeholder review. The PUC found it is not necessary to include an AAC in rules at this time, due to the wide variety of regulatory mechanisms the agency has at its disposal.

After winning on this AAC issue, CUB believes that, overall, the rules advance disparate stakeholder interests. However, there are still big questions concerning the role of RNG that need to be answered over the next few years. How much is actually available? What are the costs and benefits to the environment and customers of procuring RNG versus switching to efficient electric heat pumps?



Methane capture power plant in the U.K.

Settlement Reached in NW Natural's General Rate Case

NW Natural filed the first of the four general rate cases brought by Oregon regulated energy utilities for 2020, on December 30, 2019. In its initial filing, NW Natural requested a \$71.4 million increase to customer rates in Oregon, representing a roughly 11.5 percent increase. CUB's opening testimony came after the onset of COVID-19 and we expressed significant concern with an increase of this magnitude, especially while NW Natural's customers are experiencing one of the worst economic downturns in recent history.

CUB raised several other issues in response to NW Natural's filing, including concerns about its advertising budget, concerns that the company's "Less We Can" campaign was more centered on enhancing corporate image than actually educating customers, NW Natural's proposal to increase compensation to its executives, and concerns related to several of the company's larger capital expenditures. A main driver of NW Natural's rate increase is its recently completed headquarters relocation, from One Pacific Square in Old Town to 250 SW Taylor in downtown Portland. After a thorough review, CUB

CUB would like to commend NW Natural - in light of COVID-19, the company quickly agreed not to attempt to increase its shareholders' profit margin, and worked with parties through the lens of our new economic reality.

and other parties determined NW Natural acted in customers' best interests in completing the move and minimized costs.

After initially requesting a \$71.4 million increase, NW Natural and parties agreed to a \$45.8 million increase, which represents a 7.37 percent overall increase. The parties memorialized this settlement in a filing with the PUC on July 31, 2020.

CUB would like to commend NW Natural for working in good faith to reduce its rate increase in light of the economic turmoil brought on by the COVID-19 pandemic. When NW Natural filed its rate case, the infectious disease had not yet stepped foot on U.S. soil. In the time since the initial filing, the health and economic impacts of the pandemic sharply escalated. NW Natural quickly agreed not to attempt to increase the profit margin its shareholders receive, and worked with parties throughout

the proceeding through the lens of our new economic reality. While CUB recognizes that any rate increase is difficult for customers to bear during this challenging time, we believe the outcome of this case is fair and reasonably reflects NW Natural's actual cost of doing business.

CUB has long prioritized fixing a fairness issue with the Oregon Universal Service Fund (OUSF) through legislation. Working with Representative Pam Marsh (D-Ashland), we finally won with passage of SB 1603 during the June 2020 special legislative session, and boosted rural broadband along the way.

The Oregon legislature created the OUSF in 1999 to ensure reliable and affordable advanced communications across Oregon. But 20 years ago, that primarily meant traditional landline telephones aka “plain old telephone service” (POTS).

The PUC carefully manages the OUSF, which helps cover the cost of maintaining advanced communication networks across the state by defraying the higher cost of providing service in low-density rural areas. OUSF dollars come from an 8.5 percent surcharge on all intrastate (within Oregon) landline service and certain voice over internet protocol (VoIP) customer “lines.” The 1999 legislation, however, exempted wireless companies due to the relative dominance of POTS at the time.

This wireless exemption is out of date and unfair because all wireless and VoIP carriers use the networks maintained by the OUSF. This means that a shrinking number of POTS customers - many of whom are older, rural, and low-income - have been unfairly subsidizing wireless companies.

SB 1603 solves the fairness issue by spreading a lower, 6 percent surcharge across the intrastate portion of all voice customers’ bills – including wireless and VoIP. This “lower assessment on all” approach raises enough money to stabilize and cap the OUSF at \$28 million.



CUB Advocacy & Development Manager Sam Pastrick awards OR Rep. Pam Marsh as CUB's 2019 Consumer Champion

In addition, this fix should generate approximately \$5 million annually for a new broadband infrastructure and planning grants program targeting rural Oregon communities. CUB was disappointed that legislator walkouts in 2019 and earlier this year halted action on Rep. Marsh’s legislation. Adoption of SB 1603 was overdue, but is especially timely now amidst the COVID-19 crisis, which has highlighted the importance of access to the Internet for tele-health, working and learning remotely, and mitigating social isolation.

Tens of thousands of Oregonians have limited or no internet service availability. Spotty infrastructure and low subscription rates, particularly in rural communities, reflect our state’s troubling digital divide. However, CUB also recognizes that rural broadband is not the only equity issue, as outlined in a recent National Digital Inclusion Alliance analysis which revealed the racial divide in home broadband service for reasons other than network availability. SB 1603’s passage is a positive step, but far from the only step needed to comprehensively address the digital divide.

Integrated Resource Planning 101

An Integrated Resource Plan (IRP) is a long-term resource plan that electric and gas utilities in Oregon are required to submit every two years. The IRP documents a utility’s analysis toward developing a set of resources that would serve customers from a least-cost, least-risk perspective. Notable features of a utility’s IRP include estimates of future load on the utility’s system and any possible resource shortfalls; and designing portfolios of both supply-side resources like generation and market purchases, and demand-side resources including energy efficiency and load management.

This least-cost, least-risk resource portfolio is the utility’s “preferred portfolio” or the one that the utility will aim to build going forward. The utility proposes a set of near term (five years) strategies, called Action Plans, to start investing in building the preferred portfolio.

The IRP is a lengthy process that can last for many months, involving several rounds of workshops and meetings among the utilities, PUC staff, and interested stakeholders. IRPs conclude with the PUC’s decision whether to acknowledge the utility’s Action Plans. The Order released by the PUC at the end of the formal IRP process provides guidance for the utility’s future capital

CUB plays an important role in Oregon’s IRP process, advocating for resources that would keep customer costs low, shield customers from exposure to undue risk, and reflect customer preferences.

(IRP 101 Cont’d on Pg 5)

The 2020 CUB Conference Is Moving Online: Friday, October 16



CUB's 10th anniversary energy policy conference will take place on Friday, October 16, from 9:30am-2:40pm. This year, for the first time, the CUB Conference will take place online. Details regarding registration, our program and

panelists, sponsors, and more can be found at:

oregoncub.org/cubcon20

We are pleased to announce this year's conference theme: ***Finding Hope: Improving our Energy Systems in the Age of COVID-19.*** COVID-19 has sent shock waves through our entire economy. Households across Oregon are facing economic hardship not seen in our lifetimes, with no clear end in sight either locally or on a global scale. Pre-existing social inequities have been exacerbated. And it's become clear that the effects of this virus will last for years. But we have a historic opportunity to come out of this crisis with a more sustainable, robust, and equitable utility system.

What can we do to assist and protect the customers who are hurting the most? How can we best meet statewide and local decarbonization goals while keeping bills affordable? What is needed to achieve the necessary mix of agility to respond to the pandemic's unpredictable stressors, and the stability required for smart resource planning? What post-COVID-19 future do we want to see, and how do we get there?

We look forward to exploring these questions and others with our expert panelists. The CUB Conference is designed to educate energy and utility policy analysts, attorneys, advocates, regulators, and others working in and around the energy industry. CUB plans to apply for Continuing Legal Education (CLE) credits for this event from the Bar Associations of Oregon and Washington. Contact Communications Manager Amelia Lamb at amelia@oregoncub.org or visit the CUB website to sign up for the CUB Conference email list to receive ongoing updates.

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CLEARING UP

(IRP 101 Cont'd from Pg 4)

investment projects. The utility's actual investments still must pass the prudence test before they can be included in customer rates.

CUB plays an important role in Oregon's IRP process, representing residential utility customers and advocating for resources that would keep customer costs low, shield customers from exposure to undue risk, and reflect customer preferences. CUB provides valuable comments and suggestions for the utility and the PUC's consideration that in turn are frequently included in the utility's analysis and the PUC's Final Order of Acknowledgement.

For example, CUB challenged PGE's IRP proposal to retrofit the Boardman coal plant and this led to the decision to phase out the plant instead. CUB's IRP analyses have also led to increased investment in energy efficiency and

renewable energy. More recently, much of CUB's analysis has focused on opportunities to close uneconomical coal plants.

Oregon's IRP process is also an opportunity to implement Governor Brown's Oregon Climate Action Plan (OCAP) Executive Order. Currently, IRP rules require assessment of future regulation of greenhouse gas emissions. Due to the Order, however, resource plans will now be required to reduce carbon emissions consistent with Oregon's carbon goals.

At all times, CUB will continue to advocate for Oregon utility customers in the IRP process and keep customers informed.



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Help CUB Weather the Storm

This year has been an incredibly busy one for CUB's regulatory team and our advocacy for fair and affordable energy utilities in Oregon. Four of Oregon's six private investor-owned utilities pushed to raise rates in 2020. In July, CUB successfully negotiated with NW Natural to save customers \$25.6 million in unnecessary rate increases.

NW Natural worked in good faith to reduce its rate increase in light of economic turmoil due to COVID-19, and Avista and Cascade Natural Gas appear to be adopting similar approaches. But unfortunately, not all of the utilities seeking rate increases have followed this path.

Pacific Power continues to protect its shareholders at the expense of customers. The company proposes to raise Oregon rates by \$12 million to put money in the hands of investors. It is also working to shift economic risks from shareholders to consumers. There is still a steep road ahead in the Pacific Power case, but CUB will not back down.

Protecting customers from corporate interests is truly the core of CUB's work. This work is made possible by thousands of members standing behind CUB. Consider supporting affordable utilities by renewing your membership by mail or online at oregoncub.org/get-involved/donate. Thanks, as always, for your support.

