

Citizens' Utility Board of Oregon

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The Bear Facts

QUARTERLY NEWSLETTER OF THE
CITIZENS' UTILITY BOARD OF OREGON

SPRING 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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Transition From Coal: A Victory for Customers

In the first few months of 2016, CUB was deeply involved in the passage of SB 1547, The Clean Electricity and Coal Transition Act. As you probably know, this historic – first of its kind – bill did pass and was signed into law by the Governor at an event which I was privileged to attend. Let me tell you why CUB felt this bill was so important.

There are three reasons that CUB supported the passage of the Clean Electricity and Coal Transition Act.

- 1) Coal is an old, dirty, and increasingly expensive way to produce energy. Maintaining our current coal fleet will require more than \$2 billion in retrofits. CUB believes that raising rates to protect coal plants is a bad investment.
- 2) And while the cost of coal is slowly climbing, the cost of renewable energy has been and continues to go down dramatically, offering the opportunity for reasonable rates.
- 3) Independent polls done by environmentalists, as well as surveys done by PGE and PacifiCorp of their Oregon customers, show that a significant majority of Oregonians want clean energy.

Despite any claims to the contrary, I want you to know that CUB was there at the table as YOUR consumer advocate, making sure that the environmental groups and the utilities remembered that energy policy in Oregon is based on the premise of least cost and least risk to the customer. Believe me when I say that this disparate group of energy experts spent well over 100 hours together explaining ideas, listening to concerns, and making a real effort to find a middle ground that would best serve Oregonians. In an era of polarization,



Governor Brown at the SB 1547 bill signing with (L-R): OR Global Warming Commission Chair, Angus Duncan; OLCV Executive Director, Doug Moore; CUB Executive Director, Bob Jenks; Renewable NW Executive Director, Rachel Shimshak; PGE President & CEO, Jim Piro; Climate Solutions OR Director, Kristen Sheeran; OR Representative & chief petitioner Jessica Vega Pederson

this was no small feat. CUB as an organization and I personally are proud to have been an intricate part of the process.

So now it is time to do the hard work of setting up regulations that uphold this new law. As your ratepayer advocate, CUB will be at workshops and will submit testimony to the PUC making sure that this historic Act is appropriately integrated into the myriad of regulations already in place. As always, CUB will make sure that the pocketbooks and values of Oregonian's residential and small business ratepayers are protected so that our energy continues to be affordable, reliable, and clean.

Have a great spring!

Spring: The Season Utilities Ask For Rate Hikes

This is the time of year that utilities start putting in their requests to raise rates. Rate cases generally take up to 9 months, so utilities who want to charge higher rates in 2017 are beginning to ask for those increases. As these rate cases are filed, CUB will begin to analyze and challenge many aspects of them. 2016 is shaping up to present some interesting issues for utility customers:

PGE wants to invest in natural gas drilling.

Electric utilities like PGE increasingly rely on natural gas as a fuel to run power plants. Currently, nearly all electric utilities purchase natural gas in the wholesale market. In their power cost filing PGE is proposing investing in natural gas reserves and natural gas production in order to secure a 30-year supply of gas. As a producer of natural gas, PGE believes that it can reduce natural gas price volatility.

This proposal raises significant concerns. As a producer, PGE (and its customers) would be taking on the risk that the gas wells might not meet production targets. They would be subject to a series of environmental risks. They would be participating in a large investment that is outside of their expertise. PGE shareholders would make a significant profit on this investment, but benefits to customers are not as clear. In the short term, this natural gas will cost significantly more to produce than the current market price. But as the investment gets paid off, the natural gas will become more inexpensive. CUB is investigating this proposal, but we are very skeptical. PGE will need to prove that customers, and not just shareholders, will benefit from this program.

Pacific Power wants to join the California ISO.

California's electric system operates differently than our Northwest system. California has an Independent System Operator (ISO) which runs the transmission system and dispatches power plants. In the NW each utility does this independently. Pacific Power is proposing joining the California ISO, which would give the ISO control over PacifiCorp's transmission lines and would allow the ISO to decide which power plants were running. Joining the ISO essentially allows Pacific Power to join with other utilities and share resources. This means that the cheapest resource across multiple utilities will be used to meet load and should generally mean more efficient operation and lower overall costs. It could

lead to lower costs, but requires the utility to give up some control of its system. CUB finds the idea interesting, but there are a lot of serious questions about how the governance of the ISO would work (it cannot be the state of California operating it) and how costs would be allocated.

Idaho Power is subsidizing another utility. Idaho Power serves a number of Oregon customers in Eastern Oregon. In the Idaho Power rate case, CUB has discovered that Idaho Power is subsidizing another utility, NV Energy. The two utilities share a coal plant 50/50. NV Energy uses the plant more than Idaho Power, but under their contract, Idaho Power picks up half of the costs, including some costs that vary with production levels. This means that when NV Energy wants to use the plant, but Idaho Power does not, Idaho Power has to pay some of the costs associated with producing energy for NV Energy customers. Obviously this raises some concerns for CUB.

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Providing natural gas to unserved communities:

CUB is serving on a PUC Task Force looking into expanding natural gas service to communities that currently do not have gas service. Unlike electricity or landline telephones, natural gas utilities have never been asked to provide "universal service"—service to nearly every home and business. Instead, the natural gas model has been to only serve communities where it is cost-effective, where the revenue from the new customers will be enough to pay off the cost of the pipelines necessary to serve the community. There are several communities in Oregon that would like natural gas service and feel that it is an important tool for economic development. But the cost of serving a community is affected by the distance between that community and an interstate gas pipeline, and the geology of the area. There are some communities that would need a small subsidy to support gas service, some that would require a large subsidy, and some that are probably too expensive to serve. To the degree that a subsidy is needed, the question we are asking is who should pay? Local residents, the customers of the gas utility, the state of Oregon, or some combination?

Stay tuned to www.oregoncub.org and future newsletters for updates on these rate cases and the issues they present for customer interests!

CUB Welcomes New Staff Attorney:

Say Hello to Mike Goetz!

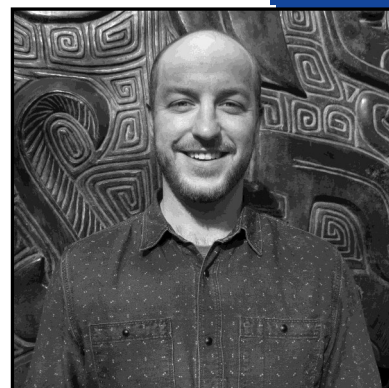
Towards the beginning of 2016—amid a flurry of legislative and regulatory efforts that culminated in the passage of the Oregon Clean Electricity & Coal Transition Act—CUB hired a new Regulatory Staff Attorney. Mike Goetz has been with us for just over a month, and he seems to be both conquering and enjoying the new challenges of working in the ever-evolving field of energy utility regulation.

A native of the Chicago area, Mike moved to the Pacific Northwest to attend the University of Oregon School of Law. He graduated in 2013 with a J.D. and a certificate in Environmental and Natural Resources Law. He then completed a post-graduate Energy Law & Policy Fellowship, which increased his desire to work as a public interest energy advocate. He is a member of the Oregon State Bar.

Though Mike's background is varied, he has never wavered in his desire to use his legal expertise to benefit the people, climate, and natural heritage of

Oregon and the Pacific Northwest. During and after law school, Mike worked as an attorney and law clerk at various environmental/conservation non-profit organizations. Prior to joining CUB, Mike worked with a Portland-based environmental attorney and also as an associate attorney at a plaintiff's side civil litigation firm.

When not at CUB, Mike says he enjoys hiking, backpacking, rock climbing, mountain biking, and honing his amateur backcountry skiing and mountaineering skills, while also enjoying the urban lifestyle that Portland provides. On weekends, you can find him seeking out a sunny ridge line, enjoying the food and culture of Portland, or spending time with friends.



Save the Date: CUB Policy Conference is on October 14!

It's hard to believe, but the CUB Policy Conference will be six years old this year! Taking place in downtown Portland, the CUB Policy Conference occupies a unique space in the energy industry, offering a chance for industry professionals and stakeholders to have engaging conversations about the big issues in energy and to envision solutions to emerging problems.

This year's conference will take place on Friday, October 14 at the Downtown Portland Hilton. Conversations are unfolding on the topics of our breakout sessions, which will be announced by early summer.

In the meantime, we are pleased to have the support of the following sponsors:

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Pacific Power
Portland General Electric

Grizzly Bear

Iberdrola Renewables

Honey Bear

Avista Corp.
McDowell Rackner & Gibson

Media Sponsor

Energy NewsData *Clearing Up*



Utility CEO Panel at the 2015 CUB Policy Conference (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

Sponsorships are still available at a variety of levels, as well as marketing partnership opportunities for those who want to help us spread the word! Contact Development and Communications Director Pamela White for more info, at pamela@oregoncub.org.

Watch for updates throughout the summer on the CUB blog, social media, and at the conference website: www.cubpolicycenter.org/conference!



The Ripple Effect

Quarterly Newsletter of CUB's Water & Wastewater Program

Spring 2016

Regulation of Water and Sewer Utilities

Most Oregonians get water and sewer utility services from municipal governments. Of course, some Oregon residents have private wells or they may get water from a municipal utility but use a septic tank for sewer. Relatively few Oregonians get both water and sewer services from a private utility though a bit more common are private utilities that just supply water. Typically these private water utilities are small and were often built to serve a specific development.

The Public Utility Commission (PUC) regulates private water utilities even though the bulk of their work is regulation of private energy and telecommunication utilities. The PUC does not have any authority to review rates or set service guidelines for municipal water or sewer utilities.

Municipal utilities operate under general guidelines set by the state legislature. For example local governments have to hold hearings on rate increases. Municipal utility customers can complain about service problems or rates with the utility staff or local elected officials.

But there isn't a third party like the PUC to handle municipal utility customer complaints or objections to rate increases.

Two years ago, however, the Portland City Council requested that CUB serve as a consumer advocate for residential ratepayers of the Portland Water Bureau (PWB) and Bureau of Environmental Services (BES). These two public utilities provide Portlanders with stormwater management, sewer, and water services. CUB is not paid by Portland though we are allowed to include membership appeals in public utility bills. CUB is also given access to any information we request to evaluate the City Council's management of PWB and BES. This information access is akin to the intervenor status that CUB has to ensure effective ratepayer advocacy in private utility rate cases before the PUC.

Our first success in Portland was stopping an inappropriate building industry subsidy, resulting in an ongoing revenue increase from developers beginning with \$2 million this year. Right now we're fighting

another developer subsidy and if we're successful, more money will be left in ratepayer pockets beginning with another \$1.4 million over the next fiscal year. We successfully advocated for a monthly billing option since the historic quarterly billing process in Portland is a household budgeting challenge, especially for those on fixed incomes.

We're open to water and sewer utility questions from customers in other communities. Our ability to help outside of Portland, however, is limited by not having the same access to information that we have since the Portland City Council requested that CUB play an outside oversight role. Nevertheless, we have helped with questions and identifying resources for customers of other municipal utilities. We've also fielded the occasional question from customers of private utilities whose rate cases are heard by the PUC, an entity that we're familiar with so we can provide coaching on their process and analytical approach. Contact Janice Thompson, CUB's Portland Water and Wastewater Consumer Advocate, at 503-227-1984 x24 or janice@oregoncub.org.



Save energy and keep cool!

Warmer temperatures are on the way, so keep cool using the CUB water bottle!

The energy benefit is summarized in the water bottle's informational tidbit:

The production and transport of water in plastic bottles requires about 2000 times more energy than tap water.

The CUB water bottle is BPA free and holds 20 ounces. Priced at \$23.99, your purchase of this water bottle also helps support CUB. Purchase at www.oregoncub.org/get-involved/merchandise.

Digital Inclusion: A Matter of Planning

There's much to update on the telecommunications front at CUB. But three topics stand out:

Lifeline: On the national policy front, the Federal Communications Commission made important updates to the federal Lifeline and Universal Service Fund program earlier this month.

First established in the 1980s to subsidize landline telephone service for lower-income households, and last updated about 10 years ago to accommodate upward demand for mobile telephone use, Lifeline was sorely in need of an update.

In these updates, the FCC wisely acknowledged the necessity for everyone to *access the internet*. As CUB

Access to the internet is a vital service; as important as the ability to flip a switch, turn on the tap, or adjust a thermostat.

continues to point out, access to the internet is a vital service; as important as the ability to flip a switch, turn on the tap, or adjust

a thermostat. We are encouraged by this recent change and will watch closely to see how Lifeline developments continue to play out. Check out www.oregoncub.org/news/modernizing-lifeline for an in-depth analysis of how the Lifeline program is evolving and what that means for Oregon customers.

DEAP: Beginning with 2014's Digital Inclusion Summit, and culminating with strategic planning workshops last fall, CUB had the pleasure of helping to create Multnomah County's Digital Equity Action Plan (DEAP). We will continue participating in carrying out the specific goals and objectives of the plan by working with the regional Digital Inclusion Network on an ongoing basis.

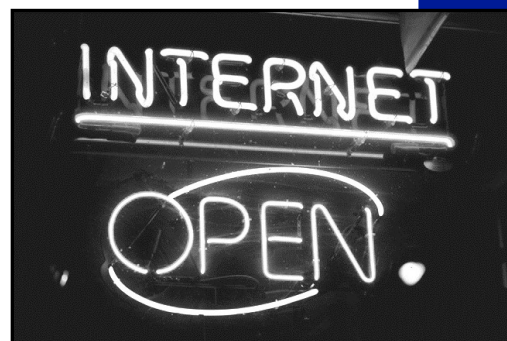
Broadband internet is largely unregulated, at least at the state level. Given the challenges entailed by this lack of regulation, CUB is particularly interested in advocating for fast, reliable, and affordable access for consumers. Fair inclusion in the digital world is critical for anyone needing access to employment, education, and medical services, as well as wanting to participate civically in any meaningful way.

CUB recently offered testimony in strong support of the DEAP before both Portland City Council and the Multnomah County Commission, and the separate Resolutions passed with unanimous support.

Portland Comprehensive Plan: The Portland Planning and Sustainability Commission developed several policies around digital inclusion during consideration of the City's new Comprehensive Plan. City offices and Commissioner Amanda Fritz proposed amendments that would significantly weaken the policy recommendations.

While the City's Comprehensive Plan is at its core a land-use plan, it's also a framework to inform innovative decision-making for the benefit of City residents over the long term. When comprehensive city plans were first being developed in the 1980s, transportation planning was often left out because it was considered an auxiliary issue. But it has become evident in the 21st century that transportation is critical to the capacity of cities to provide essential services. CUB believes that the same connection must be made with digital inclusion. Open data and equitable broadband adoption are necessary to ensuring that Portland remains an equitable place to live as its population and economy continue to grow.

Therefore, by removing key language around open data, broadband adoption, and encouraging regulatory investments in technology and communications infrastructure, neither the City's Comprehensive Plan, nor the DEAP carry the "teeth" necessary to protect equitable digital inclusion.



While we can't know precisely what Portland, or Oregon for that matter, will look like in 10 or 20 years, it's a safe bet that the internet and data-driven decision making will play a major role in building healthier, more vibrant, and equitable communities. CUB is urging a "no vote" on the proposed amendments.



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Your Giving Makes a Difference!

It is always a great time to **THANK YOU** for supporting CUB and in doing so we thought that we would share with you how we put your money to work.*

Did you know that...

...**\$1000** keeps the office doors open, the lights on, and the computer and telephone systems running for about a week?

...it costs about **\$500** for a CUB lawyer to prepare a complicated brief for a rate case?

...it takes about **\$250** to keep our websites up and functioning for two weeks?

...the cost of two regulatory staff members attending one hour of a workshop or hearing at the PUC is about **\$100?**

...**\$50** buys about four reams of yellow paper, needed to print confidential documents? (Our world is still not fully paperless!)

So thanks for supporting CUB! Your gifts really do help us protect your pocketbook and your values by keeping Oregon's energy affordable, reliable, and clean.

**These amounts are approximate; based on the 2015 budget.*