Citizens' Utility Board of Oregon

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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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The Bear Facts

QUARTERLY NEWSLETTER OF THE CITIZENS' UTILITY BOARD OF OREGON

FALL 2016

Little CUB Makes A Big Impact

CUB has a good sense of our place. We are a relatively small nonprofit working diligently to protect utility customers of Oregon. We don't shy away from taking on big issues or little issues. The core concern for us is whether we think we can make a difference for Oregon customers.

Occasionally, we look up from our desks and realize that while our focus is protecting Oregon consumers, our work has national implications. Over the last few weeks, I have been reminded that **CUB is seen as a national leader** on several issues.

For example, we worked to get PGE to agree to phase out the Boardman coal plant because it saved a great deal of money by avoiding a $500 million environmental retrofit. Recently, an old friend that I haven't seen for 30 years came through town. She has been working for the EPA for much of that time. I asked her about the Boardman decision. She said it was a big, big deal. No one had closed a baseload coal plant before. And no one had proposed phasing out a plant as an alternative to an expensive environmental retrofit. Today, there are a bunch of coal plants that have closed in a similar fashion, because **WE established the template**.

In 2012, NW Natural proposed allowing shareholders to earn a profit on some of the money that they put into their employee pensions. Soon most of the other utilities jumped on board claiming that shareholders were not being fairly compensated for the money that they were putting up to fund their pensions. CUB economist, Jaime McGovern dug into utility pensions, examining almost 30 years of data from each of the six utilities serving Oregon, and found that the data did not match the story that the utilities were telling. It took a couple years, but CUB successfully fought back against this idea and won. Recently, I have received calls from folks who work on these issues in other states asking for advice because **WE put Oregon on the map** as the state that issued a clear order rejecting the utilities' proposals.

Another area where we are having impact is electric vehicles (EVs). Because EVs have the potential to add value, but also to add higher costs to the electric system, they will become an issue for utilities and their regulators as states develop policies to reduce greenhouse gas emissions. We helped write the Coal Transition Legislation earlier this year, which requires utilities to develop EV plans that consider how EVs can benefit the utility's system. Because of this folks are **looking to learn from CUB**, in fact, next month I will be speaking to the National Association of PUC Commissioners (NARUC) about electric vehicle policy.

You know CUB works for Oregon customers and we don't take on these issues because of their national implications. In fact, we often don't even realize the national implications until someone seeks us out. However, it is gratifying for us to know and I thought you would like to know too, that the work that you support has an exponential reach.

Sincerely,

Bob Jenks

Energy Update:

CUB Challenges Rate Increases & Natural Gas Drilling

CUB Opposes PGE's Proposal to Invest and Drill for Natural Gas

As this newsletter goes to print, CUB is submitting its final brief in opposition to PGE's plan to invest millions of dollars in natural gas reserves, which PGE believes can be drilled to provide a 30 year supply of natural gas.

CUB opposes this investment for several reasons. PGE shareholders would earn a return on the investment, but customers are taking a substantial risk. Oil and gas drilling is risky business: wells can have lower production than forecast, they can deplete more rapidly, they can bring environmental impacts that have to be remediated, and they can have higher production costs. This is NOT an appropriate place to invest ratepayer dollars.

In addition, CUB raised concerns that PGE supplied no analysis of how climate change regulations on methane could affect the value of these investments and that PGE had not identified its gas needs over the life of the investment. The PUC Staff and the organization representing industrial customers also oppose this investment. The Commission is expected to make its decision by November 4.

CUB Settles Cascade Rate Case

Recently, CUB and other parties filed a settlement agreement which reduced Cascade's proposed rate hike by 63%. Cascade is a small natural gas company that serves parts of central and eastern Oregon.

Earlier this year, Cascade requested an increase of $1.9 million. CUB, working with the PUC Staff and NW Industrial Gas Users, was able to eliminate $1.2 million of that increase, leaving the Company with an increase of just $700,000. However, that increase will be more than offset by Cascade's natural gas costs, which are expected to decline by about 12% this winter.

Cascade Natural Gas rate case settlement reduced proposed rate hike by 63%.

Additionally, CUB was able to get Cascade to reduce its financing costs, and allocate the increase across customer classes fairly, rather than place the rate hike primarily on residential customers. For residential customers, this agreement will increase rates by 3.1%.

CUB Challenges Pacific Power's Proposed Rates

CUB is concerned that Pacific Power's new coal contracts...may lead to higher costs for customers.

CUB is challenging tens of millions of dollars in Pacific Power's current rate case. We are concerned that the company is not properly forecasting the benefits of the Energy Imbalance Market (a regional sub-hourly market that allows utilities to balance their systems at a lower cost). We are also concerned that Pacific Power is forecasting higher costs for new renewable developments that are likely to be delayed. Finally, CUB is concerned that Pacific Power's new coal contracts, which require them to buy coal even when their plants are not economically viable, may lead to higher costs for customers.

CUB Works on Solar Programs

CUB is involved in several proceedings that will shape Oregon's solar policy for the next few years, or even decades. Community Solar is a program that will allow Oregon customers who do not have access to an owner-occupied south-facing roof to buy into solar projects together with other people. This will allow more customers to take advantage of rapid decreases in the cost of solar systems.

Separately, CUB is working on a docket that will determine the Resource Value of Solar for each utility. This will help us understand what compensation solar producers should receive for the value of the solar that they put onto the electric grid.

Communications Lifeline for the 21st Century

On December 2 in Oregon, eligible low-income customers can receive a subsidy to help pay for their access to the Internet. Here is the story.

In 1985, Congress created the Lifeline and Universal Service Fund programs, directing the Federal Communications Commission (FCC) to help low-income people pay for home telephone service. The FCC updated the program in 2008 to include mobile telephone service, and again in 2012 to raise the monthly subsidy up to $9.25.

Last year, the FCC released a new plan to include Broadband Internet Access Service (BIAS) in the subsidy program. The FCC approved the proposed rules this past May, and the program rollout begins across the country in December.

In a nutshell, here is how the program works: Subscribers must select one service to apply their discount. The three options include home telephone, wireless telephone, and BIAS. Subscribers choosing BIAS can apply their subsidy to one of three options: 1) stand-alone broadband; 2) fixed or mobile bundled voice-broadband packages; or 3) stand-alone voice service over the Internet.

Income determines Lifeline eligibility. An individual or household must live at or below 135% of the federal poverty line or participate in certain state or federal assistance programs – including but not limited to Medicaid; Supplemental Nutrition or Public Housing Assistance; Head Start; or support from the Bureau of Indian Affairs. Subscribers living on tribal lands receive a larger subsidy.

This revamped Lifeline program reflects the reality that, for most folks, accessing the Internet is more important than ever.

But not everyone is satisfied with the new order. Service providers are wary of new minimum service standards for download/upload speeds and usage allowance. On the other hand, many advocates and internet transparency groups argue that a monthly discount of $9.25 is too low, and that phasing out stand-alone voice service is unreasonable.

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The states administer Lifeline, so they have concerns of their own. Oregon, for instance, offers an additional $3.50 but this creates equity issues since so many folks today bundle their voice and internet service.

While CUB acknowledges issues with the new program, we maintain that a step in the right direction is far better than no step at all. The Oregon Public Utility Commission (OPUC) needs to lay some additional groundwork for December's launch. Nevertheless, CUB expects it to move smoothly as OPUC has a particularly strong track record in this area. Watch for continued updates on our blog.

CUB Welcomes New Staff Attorney Liz Jones

CUB is pleased to introduce Staff Attorney, Liz Jones who joined our staff at the beginning of September. Liz hails from Minnesota where she previously represented the Minnesota Public Utilities Commission as an Assistant Attorney General. In that capacity she worked on a wide variety of energy and telecommunications dockets, and on Minnesota's community solar gardens program, an expertise that will be beneficial as CUB works together with other stakeholders on a similar program made possible through the passage of SB 1547.

Liz also worked in tort and employment law with the MN Attorney General's office and clerked for a District Court Judge after graduating from Hamline law school.

Having spent a number of years working and travelling in Asia and the Middle East, Liz enjoys swapping traveler stories and hearing about new places to add to her travel wish list, especially places in the Pacific Northwest. Since moving to Oregon she and her family have been to the coast, have camped overnight at Silver Creek Falls, and look forward to lots more exploring as they settle in.

When asked what motivated her to move across the country to accept a position with CUB, Liz said "I feel like this is where my niche is. The work CUB does is interesting, always evolving, and gives me a good chance to work in the public interest."

Please join us in welcoming Liz to Oregon and to the CUB staff!

Terminal 1 and Public Utility Dollars in Portland

What is Terminal 1 and why should Portland public utility ratepayers care?

Terminal 1 is a warehouse in industrial northwest Portland along the Willamette River. The Bureau of Environmental Services (BES), Portland's provider of stormwater management and sewer services, bought Terminal 1 as a staging area during construction of the Big Pipe project to address sewer overflows into the Willamette. With that project's completion, BES declared Terminal 1 surplus property and put it on the market with City Council approval.

That sale process, though, stopped when the City Council narrowly decided to allow developer Homer Williams to use Terminal 1 for a homeless shelter. CUB does not have a position on whether or not using this site for a shelter is a good idea. CUB does protect BES ratepayer interests; Advocacy Director, Janice Thompson, emphasized two points in her testimony before the City Council.

First – BES needs to get a decent deal in their rental agreement. This is especially important since BES ratepayers lost the immediate financial benefit of selling this warehouse at a value estimated to be between $8 and $12 million. Also, part of the pitch from Homer Williams was that he would raise money for the shelter. That is great, but BES customers should not subsidize the rent when costs for the shelter are to be covered by private donors.

Second – Mr. Williams did not provide many details, causing reversal of several past City Council decisions with minimal due diligence. Of particular concern to CUB is possible skepticism by future buyers about the City's process for selling surplus property.

After all if the City backed out of selling Terminal 1, what might happen during the sale of other property owned by BES or any City bureau? Will future buyers really offer good bids?

City Council did not adequately address CUB's concerns. However, we are heartened to hear that the final lease includes an acceptable rent and protections to ensure that BES does not incur any costs related to use of Terminal 1 as a shelter. Unfortunately, only threat of a lawsuit seems to have bolstered acting on CUB's suggestions, which is not a good demonstration of the City Council's commitment to heeding oversight input. Nevertheless, we will continue to monitor this situation on behalf of public utility ratepayers.

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CUB Staff, Board members, and alumni reunite in celebration at *The Future Starts Now*. See Page 5 for our full report of the sixth annual CUB Policy Conference!

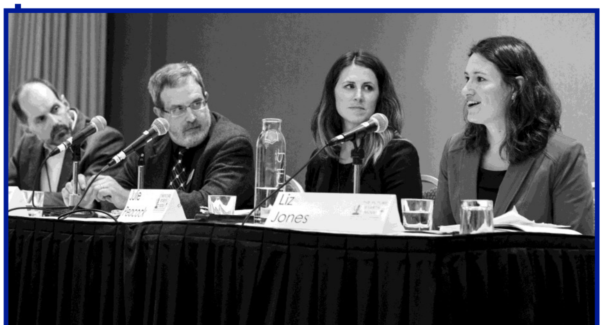
The Future Starts Now

Sixth Annual CUB Conference Draws Largest Crowd To Date

On Friday October 14, CUB held our sixth annual energy policy conference, *The Future Starts Now*, at the Downtown Portland Hilton. This was our most well-attended conference yet, and that success was mirrored in a full day of dynamic debate and conversation covering a wide range of energy policy issues currently facing the Pacific NW's utility industry.

"A View From The Top" Panelists, fr. left:: Darrel Anderson - Idaho Power; Bob Jenks - Oregon CUB; David Anderson - NW Natural; Stefan Bird - Pacific Power; Jim Piro- Portland General Electric; Elliot Mainzer - Bonneville Power Administration

Bob Jenks opened the day with a presentation outlining current trends that, just a few years ago, were futuristic projections: consistent record-breaking global temperatures, declining NW energy demand, coal plant closures, the emergence of the transportation sector as the US's "New Emissions Juggernaut", rapidly declining solar prices, the evolution of the California Independent System Operator (CAISO) into the West's very first regional grid, and the new mandates and programs resulting from the passage of SB 1547, the Clean Electricity and Coal Transition Act.



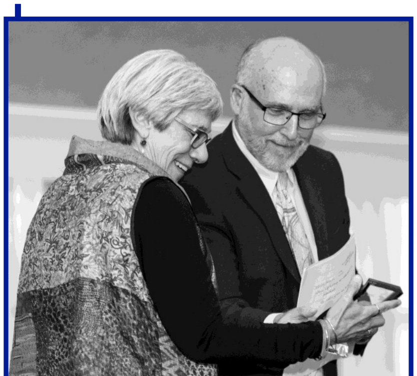
"How Will Our Solar Garden Grow?" Panelists, fr. left: B. McCarthy - PGE; J. Bissonnette - OSEIA; J. Peacock - OR PUC; L. Jones - A.G.'s Office, MN PUC (and new CUB Staff Attorney)

From there, the program segued into our third annual CEO panel "The View From The Top". With the aid of Bob Jenks' moderation, the audience got many meaningful insights from Idaho Power CEO Darrel Anderson, NW Natural CEO David Anderson, Pacific Power CEO Stefan Bird, BPA Administrator Elliot Mainzer, and PGE CEO Jim Piro.

PUC Chair Lisa Hardie gives Midday Keynote

PUC Chair Lisa Hardie illuminated the core issues of concern to utility regulators in her midday keynote address. Breakout sessions touched on topics as diverse as implementation of SB 1547 and specifically the Community Solar program, regulation of electric vehicles, the expansion of CAISO, modern rate design, and customer choice. (Speaking of customer choice, check out Page 6 for a preliminary results report from CUB's 2016 Consumer Survey!)

Bob Jenks chats with Lisa Schwartz - Lawrence Berkeley Lab (left) and Ruchi Sadhir - Governor's Office, State of Oregon



PUC Commissioner Steve Bloom presents Consumer Champion Award to Margie Harris - founding Exec. Director, Energy Trust of OR

We ended the day on a high note as PUC Commissioner Steve Bloom presented Margie Harris, founding Executive Director of the Energy Trust of Oregon, with the inaugural Consumer Champion Award. Ms. Harris then gave the closing Keynote on Oregon's past achievements in consumer and environmental advocacy, and where she envisions us going next. We are grateful to Margie Harris for all she has contributed to making Oregon a better place for energy consumers, and appreciate her participation in this year's conference.

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2016 Consumer Survey: Our Results

Back in July, CUB created an Oregon Utility Customer Survey to learn about the extent of our constituency's interest and background knowledge in a range of energy policy issues. We developed the survey with an additional goal in mind – to enhance and inform the conversation at CUB's annual energy policy conference.

It is important to note that CUB does not have expertise in survey science or, for that matter, the necessary financial or human resources to administer a survey that would pass muster with a group such as Pew Research or Gallup.

That said, CUB took the project seriously and paid careful attention to survey best practice with the ultimate goal of learning more about our membership and community of friends and "followers".

Our process, methodology, and response rate:

- The survey period began on July 15 and ended on October 3.
- We accepted results both electronically through a "Google Form" and physically on paper.
- We utilized email as the primary vehicle for encouraging electronic participation with a sample size of approximately 3,000 individuals.
- We utilized our Summer Newsletter as the primary vehicle to encourage physical participation with a sample size of approximately 4,500; participants returned their answers by mail.
- CUB staff encouraged additional participation with direct appeals to personal contacts with an unknown sample size.
- CUB employed Facebook advertisements throughout the summer with a sample size of approximately 21,000 (the number of screens on which the advertisement appeared).
- CUB received 417 independent electronic responses, 77 complete physical responses, and 38 additional incomplete responses.

In the end, the Oregon Utility Customer Survey project was a valuable exercise. We learned more about our membership and the many other folks who follow our work.

To view a full analysis of the results, visit:

www.oregoncub.org/news/Consumer-Survey-Results