

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

Spring 2018

CUB Leads Charge as Oregon Becomes a Trail Blazer

CUB was the chief consumer advocate for HB 4155, which instates net neutrality protections for Oregon Internet customers. After bipartisan votes in both the House and Senate, the Oregon Legislature sent the bill to Governor Kate Brown in early March. Given her past support of net neutrality, at the time of this writing we expect her to sign the legislation into law. We extend gratitude to all supportive legislators, particularly to the bill's chief sponsor, House Majority Leader Representative Jennifer Williamson.

Thanks must also go out to our primary lobbying ally, Oregon ACLU, as well as all other organizations that sent messages urging legislative support. An important step along our advocacy journey was a net neutrality rally, which saw high crowd turnout and reinforced national polling demonstrating strong bipartisan support for net neutrality. We also extend gratitude to the almost 300 CUB members from across Oregon who "signed on" to our testimony urging the legislature's support for a net neutral Oregon.

HB 4155 was CUB's top legislative priority this session because, as Oregon's leading advocate for residential utility customers, we firmly believe that the 21st century Internet is an essential utility service much like electricity or water. Without net neutrality rules, service providers can filter or even wall off content, slow speeds, or digitally redline customers by payment category. Such activities erode the underlying principles of a free, open, and equitable society.



Sam and Janice wield campaign signs with Kimberly McCullough, Policy Director at Oregon ACLU



House Majority Leader Jennifer Williamson with Sam Pastrick and Janice Thompson at the Salem rally for House Bill 4155

Oregon is now one of a handful of states to take decisive action to protect customers from Internet service providers that could otherwise seek to block legal content, throttle Internet traffic, or prioritize certain content for payment. State-level intervention is necessary due to the Trump FCC's elimination of the latest round of net neutrality rules adopted in 2015.

HB 4155 uses governmental procurement powers to ensure net neutrality. The bill took this tack because federal law currently limits states' ability to regulate the Internet directly. While some states have either proposed or already passed broad net neutrality policies, via legislation or Executive Order, they are far more vulnerable to legal challenges compared to Oregon's strategic use of state and local government contractual influence.

This is how the new policy works: The State of Oregon, which owns a physical network asset, and public bodies within the state (cities, towns, political jurisdictions and the like) contract with private Internet service providers to deliver "last mile" service to residents. Through those contracts, Internet service providers gain access to transportation and utility infrastructure, or public right of way. HB 4155 stipulates that in order for a public body – such as the City of Portland, Coos Bay, or La Pine – to contract with a last mile provider (allowing the company to use their infrastructure),

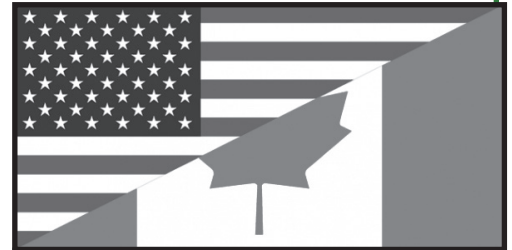
(More on HB 4155 and other Legislative News on Pg 4)

Canadian Company Wants to Buy Oregon Natural Gas Company

Avista Utilities is the provider of natural gas to much of southern and eastern Oregon. While providing natural gas service in Oregon, Avista provides electricity and natural gas in Washington and Idaho, and electricity in Juneau, Alaska. Hydro One, a large electric utility from Ontario Canada, wants to buy Avista. Hydro One's largest shareholder is the Province of Ontario which owns 47 percent of the utility.

Hydro One paid a large premium to secure Avista and will want to use customer rates to recover its investment. The deal is heavily financed by debt, which creates significant risk for customers as Hydro One will need to ensure significant profits from Avista to cover debt payments. In addition, because the government owns almost half of the company, there is a risk that political interference from Ontario could cause problems for Avista. Finally, Hydro One does not currently provide natural gas, and has little expertise that could benefit Oregon customers.

In order to get Oregon PUC's approval, Hydro One will have to prove that their purchase of Avista creates a net benefit to Oregon customers. CUB recently filed our analysis of the deal, which showed that as proposed this acquisition has a lot of risk, and is not even close to providing a net benefit.



CUB has concerns about Avista Utilities' acquisition by a Canadian company with little expertise in natural gas service

PGE Wants to Raise Rates

PGE has filed a request to raise rates by \$86 million. For residential customers, bills would increase by an average of 6.3 percent. The company claims the driver of the case is new capital investments, including a new customer billing system.

PGE is requesting that residential and small business customers take on the largest share of this increase. CUB's analysis suggests that this is because the company is misallocating costs. Costs that are designed to help provide energy or meet peak load are being labeled as distribution costs, allowing them to be assigned to residential and small business customers, rather than large commercial and industrial customers.

\$2.6 million of the increase comes from 25 new Qualifying Facilities, a type of power purchase contract. Historically, these contracts are often delayed. CUB won an adjustment in Pacific Power's power cost case last year to account for forecasted delays and believes a similar adjustment makes sense for PGE.

PGE is asking for a change in Oregon's policy that requires electric utilities to assume the risk of load variation due to weather. When winters and summers are mild, customers use less electricity and the company does not make as

much money. PGE is proposing to change this, so they are allowed to make the same profit regardless of weather conditions. Currently, the PUC allows PGE to recover profits that are lost due to energy efficiency (this is called "decoupling"). When this policy was established more than 20 years ago, it was decided that the risk of weather should stay with the utility. PGE offers no good reason to overturn this policy.

NW Natural Wants to Raise Rates

NW Natural is also seeking a rate hike of \$52.4 million. Residential customers would see their bills increase by 8.3 percent. NW Natural claims that this increase is necessary in order to compensate the company for investments in its gas distribution system and general cost increases. CUB's analysis suggests that the company is asking for more than it needs. For example, it is asking for a higher profit margin than PGE is requesting, even though gas utilities are considered less risky than electric utilities.

NW Natural is trying to avoid consideration of its asset optimization program. A few years ago, the PUC ordered hiring a consultant to review this program and that consultant's findings were in line with what CUB had been saying: NW Natural retains a greater share of the benefits from this program for its shareholders than similar programs around the country. CUB believes this rate case should be used to adjust the program so customers are treated fairly.

CUB's analysis suggests that PGE's request for residential and small business rate increases is because the company is misallocating costs.

(More Energy News On Pg 5)

Taking Regulatory Matters into Oregon's Hands

Unfortunately, the first year of the Trump administration has been hard on utility consumers. The EPA halted implementation of the Clean Power Plan, which requires reductions in carbon emissions from coal plants, and the FCC repealed the Open Internet Order, which had ensured “network neutrality” by prohibiting Internet service providers from blocking legal content, throttling Internet traffic, or prioritizing certain content for payment.

Both of these issues are important to CUB.

In 2009, CUB endorsed federal cap-and-trade legislation. At that time, we had just finished opposing Pacific Power's plans to build more coal plants to serve Oregon customers. Oregon utilities were investing billions of dollars in new power plants that would serve customers for the next 50 years. CUB concluded that if utilities made the wrong investment decisions, customers would have to live with those mistakes for decades. We believed that getting carbon regulation in place before we spent billions of dollars would help insure that customers' money is invested wisely. While the US Senate was unable to pass cap-and-trade, CUB continued to advocate for federal climate policy and supported the development of the Clean Power Plan by the EPA, requiring reductions in carbon emissions by utilities.

CUB's advocacy for net neutrality goes back to the City of Portland's effort to enforce “open access” Internet requirements as part of its cable franchise agreement with AT&T. CUB advocated for the open access requirements, and when AT&T sued, joined Portland to defend the requirements in court. After the 9th Circuit Court of Appeals rejected Portland's Ordinance, CUB continued to advocate for Open Access (now commonly referred to as Net Neutrality) at the federal level, including strong support for FCC's net neutrality rules.

Last year, the Trump FCC voted to eliminate the 2015 net neutrality requirements, and the Trump EPA dismantled the Clean Power Plan. In essence, the federal government is taking the side of big coal, cable and telecommunication companies. Consumers no longer have an ally in the federal government.

However, CUB did not give up. Instead, we turned to state policies to protect customers.

Both the Oregon House and Senate introduced, but failed to adopt, Clean Energy Jobs bills during the 2018 session. The proposed legislation took a cap-and-trade approach to reducing carbon emissions in Oregon. CUB has been working with environmentalists, social justice advocates, utilities, regulators, and legislators to find common ground. Our primary goals include clear emissions reductions and protections for electric utility customers, especially those with low incomes. We have made a lot of progress and believe Oregon is poised to enact cap-and-trade legislation during the 2019 legislative session. It was however exciting to see legislation for state-level net neutrality pass the Oregon legislature with bipartisan support in March. CUB worked hard to support this bill.

Ultimately, CUB still believes that addressing climate change and net neutrality at the national level makes the most sense. But if doing so is not possible, we will continue to propose Oregon solutions.

Sincerely,



Bob Jenks
Executive Director
Oregon CUB



(HB 4155 and Other Legislative News Cont'd From Pg 1)

that company must now attest to neutral network management in delivery of service to all of their customers.

CUB applauds the courage of Oregon legislative leaders in the face of industry opposition. The new contract and public disclosure requirements will be straightforward, and with the bill going into effect on January 1, 2019, public bodies will have adequate preparation time.

Almost everyone nowadays requires fair, unencumbered, and affordable Internet service to participate in society in any meaningful way. Education at every level; business large or small; civic and social engagement; new or sustained employment; medical and emergency assistance: The common denominator is a steady reliance on high-speed Internet access. Thankfully, HB 4155 now ensures that customers, content creators, and service providers receive unbiased and equal treatment under Oregon law.



Crowd at the HB 4155 rally listens to remarks by chief bill sponsor Jennifer Williamson and other advocates

Opportunities Expand for Rural Broadband

CUB supported HB 4023, legislation that seeks to leverage the state-owned fiber network, used by Oregon's four research universities (OSU, Uofo, OHSU and PSU) and overseen by the state's Office of the Chief Information Officer (CIO) to improve high-speed Internet connectivity in un-or-underserved parts of rural Oregon. This was a lower profile bill than HB 4155, but it faced stiff opposition from Internet service providers and infrastructure developers. Because HB 4023 will bolster the power of the State as a developer and market participant, private industry players objected to what they saw as the potential for unfair competition.

Initially, private industry did express some valid concerns. The bidding process for new broadband infrastructure contracts must be fair and transparent, and the Office of the CIO should award contracts to the bidder that can get the job done for the least cost and the least risk, while also prioritizing un-or-underserved rural areas. The trouble, however, is that industry continued their loud objections, even after the Joint Committee on Information Management and Technology adopted amendments to address their complaints.

Without 21st Century Internet capability, currently underserved communities in Oregon will only lag further behind.

and Nancy Nathanson (D). CUB appreciates the courage and vision of HB 4023 because the reality is that far too many communities in Oregon are still without adequate Internet connectivity. What's more, these areas are already at an economic disadvantage. Without 21st century Internet capability, they will only lag further behind.

Home Weatherization, Retrofit, and Affordability Program - HB 4121 - Dies in Committee

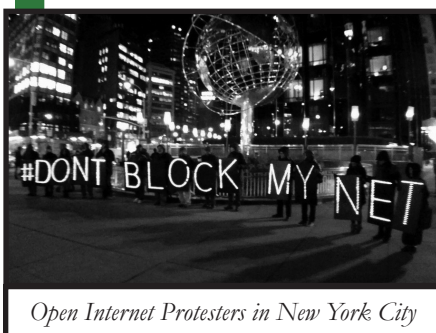
In the wake of last year's Renewable Energy Tax Credit sunset, Representative Pam Marsh and many stakeholders developed a new approach to incentivizing energy efficiency and renewable energy

investment, with an emphasis on affordable housing and the needs of low-income Oregonians. CUB's supportive testimony stressed the need for a statewide incentive program with a particular emphasis on the value of energy efficiency. HB 4121 moved out of the House Economic Development and Trade Committee with only one "no" vote, representing significant bipartisan support; nevertheless, the bill died in the Ways and Means Committee. CUB anticipates a second attempt of this bill in 2019.

Looking Ahead to 2019

Digital Privacy for Oregon Internet Customers

CUB, along with our partner ACLU of Oregon, will work between now and the 2019 legislative session to develop strong legislation ensuring that Internet service providers protect the privacy of their customers' sensitive personal data. House Majority Leader, Representative Jennifer Williamson introduced data privacy legislation in 2017, and we anticipate her championing this issue again in 2019. CUB looks forward to continued work with this Oregon legislative leader.



Open Internet Protesters in New York City

HB 4023's legislative implementation includes rule making, which CUB will monitor closely as an invited member of the "Broadband Services Advisory Committee", to ensure an open and fair rulemaking process.

It is worth noting that the amendments to HB 4023 resulted in unanimous support in the House, and bi-partisan support in the Senate; and acknowledging in particular the leadership of Representatives Pam Marsh (D), David Brock Smith (R),

(More Legislative News On Pg 5)

Under CUB's founding statute, a full Board of Governors includes three CUB members representing each of Oregon's five Congressional Districts. CUB welcomes and is looking forward to working with these four incredibly qualified board members. To meet the rest of the team, visit www.oregoncub.org/about-us/board.



Saul Chavez Hernandez, District 3, Seat Two; Elected October 2017

Saul resides in Hillsboro and represents members in Congressional District 3. He has worked in the non-profit social service sector for more than 12 years, ten of which have been at Community Action Organization (CAO) of Washington County where he has been a Housing Specialist and is presently a Program Supervisor in Energy Assistance. We look forward to the insights Saul's long-time social service and advocacy background will bring to the CUB Board.



Hector Dominguez, District 1, Seat Two; Appointed January 2018

Hector hails from SE Portland and represents members in Congressional District 1. He has a Doctorate in Mechanical Engineering and 20 years of experience developing industrial and research projects in manufacturing, sensor networks, and data analysis. Hector is a SmartCity Project Coordinator for the City of Portland's Bureau of Planning and Sustainability. We are excited to add his breadth of knowledge and experience to the Board.



Dave Gilman, District 5, Seat Three; Appointed February 2018

Dave lives in Happy Valley and represents members in District 5. He is a 1984 founding member of CUB (that is 34 years folks), an electrical engineer, and a recently retired BPA energy transmission expert. Dave's long career at BPA included offering guidance for developing transmission rates and contracts, participating in policy development, business strategy, and analysis for transmission ancillary services and associated business practices. We welcome Dave's deep understanding of energy issues and related business practices, as well as his strong financial acumen.



Ian Davidson, District 5, Seat One; Appointed March 2018

Residing in Salem, Ian represents District 5. He has an extensive background in water and energy related policy research and analysis, including stints at the Oregon Legislature, BPA, and Oregon Watershed Enhancement Board. Presently, he is a Public Safety Coordinator at the Oregon Association of Counties, where he supports Polk and Yamhill counties in identifying and addressing local safety issues, goals, and planning needs. Ian brings a strong passion for water and energy issues; we are pleased to have his expertise on the team.

(Energy News Cont'd From Pg 2)

Utilities Investing in Energy Storage

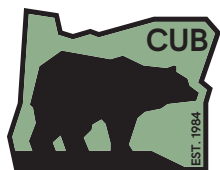
PGE and PacifiCorp have submitted proposals to invest in energy storage. With the growth of renewables like wind and solar, energy storage is becoming a major issue for electric utilities. In 2015, the Oregon legislature passed HB 2193 that required PGE and Pacific Power to make some limited investments in energy storage systems, so the utilities would start to gain some experience with managing these systems. In the future as renewables grow, and fossil fuel plants retire, storage is expected to play a major role in meeting customers' demand for electricity.

CUB has finished our analysis of PGE's proposal and is working on our analysis of Pacific Power's proposal. While CUB likes much of what PGE is considering, CUB is concerned about the size and scope of the program and is urging the utility to consider reducing some of its proposals.

(Legislative News Cont'd From Pg 4)

Cap and Price on Carbon

CUB will work through the rest of this year with a broad range of stakeholders on the utility component of anticipated 2019 legislation to cap greenhouse gas emissions in Oregon and put a price on carbon. One vehicle for sharing CUB's utility regulation expertise will be an interim Joint Committee on Carbon Reduction, chaired by Senate President Peter Courtney and House Speaker Tina Kotek. Additionally, we anticipate working with Governor Kate Brown's new Carbon Policy Office, which is also dedicated to passing strong and comprehensive climate change legislation in 2019.



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CUB: an Organized and Productive Steward of Your Donation

It's been a pretty exciting first quarter of 2018 here at CUB, protecting the internet and working with other energy leaders towards good carbon policy (we're not there yet – but we think it's coming.) Just like every other quarter of every other year, we are doing what CUB was created to do: protect Oregon utility customers from ridiculous rate hikes and unreasonable utility (and/or government) decisions. We reached an exciting new milestone: **nearly \$8 billion saved for Oregon customers since 1984!** And along the way, we also do the things you always do in an office; things like change the toner in the printer, wash the dishes in the staff room, and oh yes, close the PO Box.

That's right – CUB has decided to make our main address, well, our main address. In fact, back in January when we did our yearly printing, we put our street address on all envelopes, effectively closing our PO Box (which technically we won't do for a few more months).

So, if you have been stockpiling envelopes to send us a donation later, you should probably do it now, otherwise it may come right back to you (and that is definitely not good for us!) Instead, please use a new envelope with our street address (see below) when mailing us your membership fee or donation. In fact, you should just send those **old envelopes** directly to the **recycle bin** rather than to CUB.

So enjoy the spring and remember, you can find our offices AND mail your donations to:

Oregon CUB
610 SW Broadway, Ste. 400
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