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 2019

Oregon CAP: Achievable and Needed Climate Policy

a letter from Bob Jenks

I was recently invited to testify before the Joint Carbon Reduction Committee about HB 2020, which would establish the Oregon Climate Action Plan or "Oregon CAP". (HB 2020 is also known as "Clean Energy Jobs", the title of previous carbon reduction legislation.) From CUB's perspective it is especially significant that HB 2020 would set a declining statewide cap on carbon emissions. As an advocate for residential utility customers, legislators are interested in our analysis of the bill.

There is no doubt that reducing carbon emissions is essential. Climate change is real, and we are seeing the effects of it in Oregon, around the country, and around the world. It will only get worse unless we reduce emissions of carbon and other greenhouse gases (I'll use "carbon" as shorthand) down to a fraction of their current levels.

But we can do it. The technology exists and it's affordable. A variety of studies show that we can build a sustainable economy that produces a fraction of current emissions. We can generate energy with renewables. We can make our homes and businesses more efficient. Electric vehicles can replace internal combustion engines. We are already taking large steps in the right direction: Oregon has been investing in energy efficiency for nearly 40 years and adjusted for inflation, our electric bills have declined. Next year we are shutting down Oregon's only coal plant. We are adding renewables and storage to Oregon's energy supply. Oregon is second only to California in electric vehicle sales.

The truth is that reducing carbon emissions, especially in the utility sector, can be done while maintaining affordable energy and comfortable homes.

The real challenge in dealing with climate change is political. While there are political leaders ready to move forward, there are also politicians who want to protect special interests that profit from climate change. The federal administration has pulled the U.S. out of the Paris Climate Agreement, and the President claims that weather proves the science of climate change is wrong.

This is why Oregon's debate around HB 2020 is critical. Work on climate change policies for Oregon dates back a decade or more, including significant legislative attempts in 2017 and 2018. Beginning last March, legislative leaders chaired an interim Joint Carbon Policy committee that, with input from the Governor's Carbon Policy Office, has led to HB 2020. Oregon's elected leaders are clearly signaling the importance of HB 2020 and putting Oregon on a path to a decarbonized future.

HB 2020 requires Oregon's carbon emissions to decline by at least 80 percent from 1990 levels by 2050. The bill establishes a declining cap on carbon emissions. Allowances will be required for polluters to emit carbon; some allowances will be directly provided to key industries and others will

(Letter from Bob Cont'd on Pg 2)

CUB Trims PGE Rate Hike

Last year Portland General Electric (PGE) requested an $85.9 million increase in revenue which would have raised rates by almost 5 percent. When the rate case was fully completed, the increase was reduced to $32.7 million and rates were increased by just 1.76 percent.

One of the big drivers for the rate case was the installation of a new billing system. But PGE used the rate case to ask for significant changes in policy, such as shifting the risk of weather from the utility to its customers.

CUB Wins:

- Corporate tax reduction benefit passed through

- Weather risk stays with the utility

- Smart grid costs fairly billed to customers

CUB had significant concerns with several issues. First, we wanted to ensure that customers received the full benefit of the corporate tax reduction. Ultimately the tax benefits were passed through to customers and this significantly reduced the rate hike.

Second, we opposed PGE's request to inappropriately shift the risk of weather to customers. This proposal represented a big change to how Oregon regulates utilities. Currently, costs and revenues are forecasted and this is used to set rates. Instead, PGE was proposing that their costs and revenues be adjusted based on actual weather. So, customer bills would have either an annual surcharge or a credit to account for last year's weather. CUB successfully opposed this change.

The third issue was the allocation of costs associated with PGE's new billing system and the smart grid mechanisms that enable customers to sell energy products back to the utility. For example, a customer might get a credit for allowing their water heater to be adjusted during peak demand. CUB worked successfully to ensure that smart grid investments are being billed to all customers as energy service investments, rather than charged to residential and small commercial customers as distribution investments.

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be purchased. All can be traded in an open carbon market to ensure the most efficient pathway to reducing carbon.

The electric sector is the only significant source of carbon pollution in Oregon that already faces rigorous mandatory requirements to reduce emissions by investing in efficiency, eliminating coal, and investing in new renewables. CUB supports providing allowances directly to electric utilities, since customers will be paying for this sector's current carbon reduction mandates and additional steps to meet HB 2020 carbon emission caps. This approach will allow us to make our electric sector clean while mitigating impacts on residential customers. CUB also supports expanding and improving bill payment assistance and weatherization programs for low-income Oregonians. These actions are essential to an effective, economy-wide carbon reduction strategy.

Natural gas utilities are in a different place. There are no carbon reduction mandates on natural gas utilities so providing free allowances is problematic. Ultimately, as we reduce emissions, it is the carbon cap and the trading mechanism that will determine the best uses for our limited carbon budget. The long-term role of natural gas will be determined by this carbon market. Currently, natural gas customers – and I have a gas furnace in my home – are enjoying historically low gas prices, so the immediate price impact of HB 2020 will be minimal. In the long run as carbon allowances get more expensive, natural gas prices will increase. HB 2020 recognizes that this may create a hardship and accordingly provides direct carbon allowances for natural gas utilities that can be used to protect low-income customers.

HB 2020 is a serious and vital attempt to set good, comprehensive carbon policy for Oregon. CUB applauds our legislative leaders for their efforts to draft and solicit comprehensive input on HB 2020. Carbon regulation opponents will doubtless attempt to stop HB 2020 and CUB will watch for inaccurate or disingenuous opposition arguments. At the same time, others will claim that HB 2020 does not go far enough.

But we have to keep reminding ourselves that this is doable. From a technological and economic perspective, we can decarbonize Oregon's economy. As I told the legislative committee: "Climate change is real, and it requires significant regulation of carbon emissions."

Sincerely,

Bob Jenks
Executive Director, Oregon CUB

CUB Advocates for Voice and Internet Access in Salem

During the 2019 Oregon legislative session, which is now in full swing and ends on June 30, CUB is leading the way on four ICT-related bills. CUB uses the term "Information and Communications Technology" or "ICT" to describe the range of technologies facilitating interaction with(in) the digital world. ICTs are tools and resources used to create, store, and communication information, including digital electronic devices, the Internet (the global network), internet access service (the utility to reach the global network), live and recorded broadcasting, and voice and visual communications delivered through a cable, wirelessly, via satellite, or other means.

Public Utility Commission (PUC)-regulated telecommunication utilities such as landline telephone and unregulated utilities like internet access service both fall under the ICT umbrella. However, unlike landline telephone, internet access service and other ICTs operate with generally unregulated impunity and show little concern for customers or their interests. CUB examines ICT policy issues through this lens – to protect and advocate for consumers. The following bills represent our ICT legislative agenda in 2019.

HB 2866: Oregon Data Transparency and Privacy Protection Act

Companies have always sought to learn more about their customers. Market research once focused on an organization's ability to understand the "market" in which they operate: their customers' wants and needs, not hyper-granular intelligence about customers' lives. Nowadays, market research taps into a limitless 'datasphere' from which companies acquire and sell personal information as a product in and of itself.

Yet meaningful data transparency and privacy protections do not exist for consumers, either in Oregon or at the federal level. This is why CUB, with ACLU of Oregon and OSPIRG, authored HB 2866, Oregon's Data Transparency and Privacy Protection Act (DATPA). DATPA's key provisions include Oregonians' "right to know" about how companies collect and share their personal information and targeted protections around geolocation and audiovisual information.

CUB partnered with ACLU and OSPIRG to craft the DATPA because our three groups recognize an unaddressed policy issue. And while we anticipate steep opposition from industry groups, we're confident in our approach, and in the importance of representing the interests of Oregonians when it comes to their data transparency and privacy protection.

HB 2184: Modernization of the Oregon Universal Service Fund

In 1999, the Legislature created the Oregon Universal Service Fund (OUSF) and directed the PUC to facilitate comparable and affordable landline service by supporting telephone companies in high-cost (often rural) areas. Currently, only landline and some voice over internet protocol (VoIP) providers support the OUSF. In 2019, it is only fair that wireless and remaining VoIP providers contribute to the OUSF to maintain the statewide network and deliver high-quality, low-cost voice and internet access service for all Oregonians, particularly those living in higher-cost, rural communities.

Technology gains have shifted many consumers' expectations away from landline telephone and toward less- or un-regulated voice and internet access services. Internet access service is an essential utility on the same footing with electricity, home heating, and water. CUB still advocates for landline customers, who are typically older adults, low-income, and rural Oregonians, while developing new policy and consumer protection strategies. HB 2184 would both protect existing landline customers and support broadband infrastructure through grants for un-or-undeserved Oregon communities.

(Voice & Internet Access Advocacy Cont'd on Pg 6)

Hydro One/Avista Merger Terminated

On January 23, 2019, Avista and Hydro One officially terminated their proposed merger. Hydro One is a Canadian utility that was attempting to purchase Avista, an electric and gas utility in the Northwest. Hydro One's largest shareholder is the province of Ontario, which owns 47 percent of the utility. The merger seemed to be heading to approval until last summer's provincial election. Ontario elected a new government, led by Doug Ford, who had vowed during his campaign to fire the Hydro One CEO. Shortly after taking office Premier Ford demanded and got the resignation of the Hydro One CEO as well as the Board of Directors.

This raised concerns about political interference. CUB and other stakeholders had been assured by Avista and Hydro One that Ontario was a passive investor and would not interfere in the operations of the utility. CUB was concerned enough that it urged the Oregon PUC to reject the $5.3 billion merger.

Ultimately, the states of Washington and Idaho rejected the merger. Washington raised concerns about Ontario's interference, and Idaho claimed that Ontario's action demonstrated that Hydro One was still controlled by the provincial government. Oregon regulators never needed to weigh in: without approval from the other states, the merger could not be completed.

Utility Tax Savings Passed Through to Customers

The federal Tax Cuts and Jobs Act of 2017 reduced corporate tax rates (including rates for private, investor-owned utilities) from 35 to 12 percent. CUB immediately contacted PUC staff to ensure that proceedings were established to track utility tax savings so those dollars could be passed through to customers. After all, utilities recover their tax bills from customers, so it is only appropriate that customers benefit when utility tax bills decline.

CUB took a utility specific approach to ensuring that customers receive the benefit of the lower taxes. PGE and NW Natural both had general rate cases in which taxes could be examined to ensure tax savings would go back to customers. Meanwhile, Idaho Power was updating the depreciation schedule for a soon-to-be-retired coal plant, and that created an opportunity to pass tax benefits back to customers. Today there are agreements in place with all the utilities to ensure that the benefits from the tax act, which amount to tens of millions of dollars annually, are passed through to customers.

CUB Reduces Cascade Rate Hike, Eliminates Deposits

Cascade Natural Gas, a natural gas utility with customers in Central and Eastern Oregon, recently requested a 4.94 percent rate increase for residential customers. The main driver for this rate increase was increased investment in natural gas pipeline infrastructure. The Bend-Redmond Metropolitan area is one of the fastest growing population centers in the United States. In response to growing customer load, Cascade has decided to reinforce and install a large amount of capital equipment in order to maintain a safe and reliable gas distribution network for its customers.

CUB agreed to a settlement of the rate case which will limit the increase to about 2.8 percent for residential customers. Industrial customers will receive an increase of three times that percentage. In Cascade's initial filing, the company did not request a rate increase for commercial customers, but as part of the settlement, those customers will receive the same increase as residential customers. This redistribution of the rate increase to include commercial and industrial customers will lower the impact on residential households.

CUB Wins:

- 2.14 percent rate increase reduction

- Fairer distribution of increase among customer classes

- Two-year moratorium on customer deposits

CUB's analysis and testimony helped to lower the size of the residential rate increase. A significant portion of the rate revision was offset by a decrease in federal income taxes resulting from the 2017 federal corporate tax cuts. CUB successfully challenged several of Cascade's expenses, such as purchasing of major construction equipment, and the size of the company's payroll.

CUB was also able to convince Cascade to agree to a two-year pilot program, wherein the company will cease collecting customer deposits from residential ratepayers. Customer deposits can place a huge burden on low-income households, and other utility industries such as phone/Internet do not require them. CUB believes it is more equitable to not require customer deposits and will be carefully monitoring this pilot.

CUB Welcomes Economist Sudeshna Pal

CUB was pleased to welcome Sudeshna Pal in January 2019 as an Economist on the regulatory team. She comes to CUB from PSU, where she continues to teach on an adjunct basis. Sudeshna graduated with a Doctorate in Economics from West Virginia University. She then worked as an Assistant Professor of Economics at Georgia College and State University before moving to Oregon with her husband.

Sudeshna has several years of experience doing empirical economics research and teaching courses like Economics of Environmental Issues, Money and Banking, Microeconomics, and Macroeconomics to undergraduate students. She is thrilled to have made this transition to the dynamic energy sector where all the action happens; Sudeshna will play an important role with CUB as she helps analyze utility resource plans to ensure that new investments provide benefits to utility customers.

In her spare time (if she manages to get any after catering to her five-year-old daughter) she loves to read, cook, and spend time with her family. She also loves travelling and is an ardent Zumba fan. Welcome, Sudeshna!

CUB Bids a Fond Farewell to Pamela White

Pamela White departed from the CUB staff in January 2019 after almost five years as Development & Communications Director. Pamela leaves a strong legacy in many improved systems at CUB, including a fresh rebrand and relaunch of the CUB website, significant growth in the annual CUB Policy Conference, an expanded grants portfolio, increased board involvement in fundraising, and more.

Pamela also provided integral support for the organization beyond her department. She co-led CUB's process in developing a 2016-19 strategic plan, organized an effective and efficient board elections process, was instrumental in organizing our yearly board/staff retreats, and supported the Board Development Committee to empower a strong, active Board of Directors.

Pamela demonstrated daily through her work, attitude, and dedication to our mission, that she believed in what we do, for CUB's members and for residential utility consumers across the state. Her vibrant energy and supportive presence in the office will be missed. Farewell Pamela – we wish you well in all your future endeavors!

HB 2242: Making Oregon's Energy Future Equitable and Affordable

Bob's opening letter discussed CUB's top energy legislative priority, HB 2020. We're tracking other energy bills, but are particularly focused on supporting HB 2242. This legislation would implement equity and affordability findings from a rigorous PUC proceeding that evaluated opportunities to improve regulation of private, investor-owned energy utilities.

HB 2242 would facilitate rate design and programs to alleviate energy burden for low-income Oregonians. The legislation would also enable organizations representing environmental justice and low-income customer interests to participate in future PUC proceedings. Finally, HB 2242 would create a low-income and environmental justice advocate office within the PUC.

We see great value in the PUC dedicating a voice for low-income and environmental justice concerns. CUB has long supported low-income assistance programs, but it is not our sole focus. This new advocate does not present a conflict with CUB's residential customer protection role before the PUC and we look forward to learning more from the low-income and environmental justice advocate.

HB 2242 would also facilitate participation in Oregon's energy future among low-income households and frontline, climate change-affected communities. For example, new technologies like smart thermostats will improve customer participation and energy system innovation. Assistance for such tools is necessary to ensure that low-income customers are not left behind as Oregon moves toward more resilient and climate-appropriate energy systems.

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(Voice & Internet Access Advocacy Cont'd from Pg 3)

HB 2173: Create Broadband Office and Remove Sunset from Broadband Council

Oregon does not currently have a central coordinating office for broadband policy. Oregon is an outlier in this regard as states, cities, counties, and even smaller towns increasingly understand that effective public policy is critical to enhancing broadband internet technology. HB 2173 would codify something Governor Kate Brown already directed through Executive Order: the creation of an Oregon Broadband Office within the Oregon Department of Business Development. HB 2173 would also remove the 2020 sunset for the current Oregon Broadband Advisory Council and update the Council's mission and composition, particularly related to digital equity.

HB 2688: Oregon Right to Repair

Consumers today don't fully own many of the products they purchase, particularly digital electronic devices like phones and tablets, because product manufacturers withhold necessary information to repair their products in an attempt to maintain a monopoly on repair. Both consumers and third-party repair shops deserve access to the same repair information as manufacturers because consumers deserve the "right to repair" the products they purchase. HB 2688 would benefit Oregon consumers by ending product manufactures' inappropriate monopoly on the repair of their products while requiring them to share the repair information to which only they have access with consumers and third-party repair shops.

Sign on to CUB's endorsement of Right to Repair (along with Oregon CAP and DATPA) at **oregoncub.org/get-involved/action-alerts**