

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 2020

Resources for Utility Consumers During the Coronavirus Crisis

During this unprecedented and challenging time in our world, it is more imperative than ever that utility consumers be **guaranteed equitable, affordable, and reliable utility services**. As your independent customer advocate, CUB has been tracking these issues via our blog - visit Oregoncub.org for more info, and see Page 4 of this newsletter for a special report on the critical importance of accessible and high-quality internet service during this pandemic.

Climate Change Bill Failed by Walkout – CUB Applauds Executive Order *a letter from Bob Jenks*

It is not possible to overstate my disappointment in the Oregon legislature. The Republicans walked out of the recent session in order to prevent a vote on SB 1530 which would have regulated greenhouse gas (GHG) emissions and committed Oregon to a path of declining emissions.

This disappointment is especially deep, since bipartisan energy policy victories have been a hallmark of my work at CUB since 1992. In 1999, Republicans controlled the Oregon Senate, but CUB worked tirelessly on bipartisan legislation that set the stage for Oregon's national energy efficiency leadership that continues today. And in 2007, CUB and other stakeholders secured passage for the renewable portfolio standard (RPS) with a bipartisan vote in both the Oregon House and Senate.

This collaborative spirit was vital to the development of SB 1530, which responded to concerns raised about last year's climate proposal. CUB was honored to advise on the energy utility and consumer protection aspects of this bill. But I am dismayed at the walkout's erosive impact on democracy, especially since extensive modifications addressed the concerns of many rural constituents. (See Page 4 for our report on other CUB priority bills halted by the walkout.)

I applaud Governor Brown's leadership in issuing an Executive Order on Climate on March 10, 2020 that includes:

Emission Reduction Goals: Establishes a target of reducing Oregon's GHG emissions by 45 percent by 2035 and 80 percent by 2050.

Clean Fuel Standard: Raises the Clean Fuel Standard, which will now require GHG emissions from transportation fuels to decline by 20 percent by 2030 and 25 percent by 2035.

Building and Appliance Codes: Update codes and standards for new buildings and appliances.

Sector Caps: Establishes GHG emissions caps for the transportation, natural gas, and industrial sectors.

Oregon Public Utility Commission (PUC) Direction: Given our authority to represent residential

"[In addition to disappointment in SB 1530's demise] I am dismayed at the walkout's erosive impact on democracy, especially since extensive modifications addressed the concerns of many rural constituents."

(Letter from Bob Cont'd on Pg 2)

Pacific Power filed a general rate case in mid-February asking for a rate increase of \$70.8 million or 5.4 percent. The new rates would go into effect in Oregon on January 1, 2021. This rate request is partly offset by a decrease of \$49.2 million in the company's annual power costs. But it is still a big increase and CUB has already begun to dive in, especially since we are concerned that Pacific Power may be asking for more than it needs.

A quick note on terminology is that PacifiCorp is a multi-state electric utility that does business as Pacific Power in Oregon, Washington, and California, and as Rocky Mountain Power in Wyoming, Idaho, and Utah. Pacific Power provides electric service to approximately 615,000 retail customers in Oregon. In Oregon Public Utility Commission (PUC) matters, there are references to both Pacific Power and PacifiCorp.

(Regulatory News Cont'd on Pg 3)

(Letter from Bob Cont'd from Pg 1)

customers in the regulatory arena, CUB is pleased with the following directions to the PUC in the Executive Order:

- When evaluating utility resource portfolio and customer programs, the PUC must consider Oregon's GHG reduction goals. Because GHG emissions are an economic risk to customers, CUB believes that this requirement will help keep utility costs low.
- The PUC should support investments in transportation electrification (TE) infrastructure that support GHG emissions reductions and benefit customers. CUB believes this will facilitate an innovative approach we have recommended to evaluate utility TE investments.
- Prioritizes decarbonization. The PUC faces many demands including pressure from power marketers and large industrial customers to deregulate the utility system, which would reduce investment in utility decarbonization. The Executive Order clearly tells the PUC to focus on GHG emissions reduction.
- Establish a process to address and mitigate the energy burden on our low-income neighbors. This may not replace the need for the equity and affordability legislation, supported by CUB but halted in the 2020 session, but it is a helpful step toward addressing environmental justice and affordability concerns.

Though the Executive Order is impressive, CUB recognizes that due to executive order limitations it can't be as comprehensive as the cap-and-trade bills we supported in the last two legislative sessions. For example, the Order can't include targeted programs, such as SB 1530's requirement that low income customers of natural gas utilities would be fully protected, or the geographical phase-in of the bill's transportation elements. Ironically, these legislative provisions would have been especially helpful to rural communities and our most vulnerable neighbors.

However, CUB strongly believes that it is necessary to proactively begin the process of reducing GHG emissions

now, and in that light, we recognize that the Governor was forced to act. Science tells us that we can't wait five or ten more years; starting now facilitates a more gradual approach that is helpful for consumers.

The Governor's Climate Change Executive Order will also save utility customers money in major PUC proceedings. Oregon utilities are investing billions of dollars in their systems. For example, Pacific Power is currently seeking a \$78 million annual increase in rates to recover the yearly costs associated with billions of dollars in new investments in renewable resources, coal plant upgrades, transmission, and fish passage improvements. Due to the Executive Order, we can now evaluate this set of investments knowing the carbon regulation rules in Oregon and ensure optimal investments.

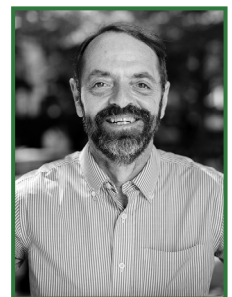
A second example is Portland General Electric's (PGE) Integrated Resource Plan (IRP) that envisions investing billions in new solar, wind, and storage resources while it closes the Boardman coal plant and maintains five natural gas peaking power plants. The Executive Order enables us to better evaluate this set of investments. Think of these PUC proceedings like sporting events. It is better to know the rules before the game begins.

The Oregon legislature should still adopt a comprehensive and economy-wide cap-and-trade bill, but the Governor's Executive Order helps keep our state on the decarbonization path deemed necessary by science and for Oregonians who are facing the impacts of climate change right now.

Sincerely,



Bob Jenks
Executive Director, Oregon CUB



Pacific Power's rate increase rationale cites higher costs related to new investments in generating facilities, wildfire mitigation, and coal plant retrofits. Pacific Power has also proposed changes to its pricing structure, including the charges and rate structure for its Oregon residential customers. CUB anticipates that this proceeding will command much of the regulatory team's attention throughout 2020, as it is likely to be a fully litigated case before the PUC. Our analysis will diligently assess the proposed capital costs and policy changes to see whether the costs are eligible for recovery, and whether the policy changes serve the interests of the company's residential customers.

For example, Pacific Power is seeking cost recovery of hundreds of millions of dollars in pollution control equipment at several of its coal plants. In order to keep thermal coal

units in operation, PacifiCorp has installed emission control equipment to comply with Federal environmental regulation. In recent years, CUB has shown that major investments in coal plants are not cost effective, and it is usually cheaper for customers to retire the coal plant. Our new analysis may lead to a CUB recommendation that the PUC reject the coal investments.

Because this is the company's first rate case in seven years, we will be issuing extensive discovery requests to get the needed information from the company and engaging in initial workshops followed by full engagement at the PUC. The PUC has the final say, but CUB will be working for residential customers to ensure that only costs that are eligible for recovery are allowed and that any policy changes are reasonable.

NW Natural Seeks Big Rate Increase

In December, NW Natural filed a request for a rate increase of \$71.4 million, or about an 11.5 percent increase. This jump is substantial, and CUB is confident that we will be able to significantly trim NW Natural's request. The company is also seeking a substantial increase to the profit margin that its shareholders would earn on capital investments needed to serve customers. CUB will be paying close attention to this element of the company's rate case to ensure that its profit margins are reasonable and consistent with comparable utilities.



One Pacific Square in Old Town Portland, the site of NW Natural's current corporate headquarters. The company is seeking compensation from residential rates for a move to downtown.

NW Natural's primary impetus for filing a rate case is to recover costs associated with its corporate headquarters relocation. NW Natural's current headquarters and operations center is in Portland's Old Town neighborhood at One Pacific Square. Since the company's lease at One Pacific Square was scheduled to expire in 2020, it has been conducting assessments of different viable options for relocation. However, the company argues that a variety of factors - including concerns related to seismic resilience - have forced a move to 250 SW Taylor in downtown Portland. CUB will be thoroughly reviewing relocation costs to ensure adequate consideration of all available options and the prudence of their relocation decision. And we plan to work hard to ensure that customers only pay for costs that are essential to the provision of utility service.

Portland General Electric (PGE) Renewable Adjustment Clause (RAC)

For those following along, CUB's Fall 2019 Newsletter included a discussion of Pacific Power's 2019 RAC filing. Similar theme here, with a different utility and, of course, different resources at issue. The RAC allows utilities to bring the costs of new renewable investments into rates without a general rate case that would systematically look at all the utility's costs. Therefore, a RAC differs from a general rate case in that it only concerns costs related to specific utility renewable investments, rather than system-wide costs. PGE filed its RAC in December 2019 and, along with the aforementioned rate cases, it will occupy a lot of CUB's attention this year.

PGE's RAC includes two main investments, the first of which is its Wheatridge Renewable Energy Facility. Wheatridge is a first-of-its-kind combined proposal with a 300MW wind generating facility, a 50MW solar facility, and a 30MW four-hour duration energy storage facility located in Morrow County, Oregon. 100 MW of the wind generation facility will be owned

Only three bills were enacted during the 2020 Oregon Legislative session cut short by the Republican walkout. There is a long list of short-circuited bills. In addition to the contentious climate change legislation, CUB's three other priority bills were failed by the walkout even though they all had bipartisan support.

HB 4079

This bill, the "Rural Telecommunications Investment Act", sought to address broadband access inequality, which is a growing and pervasive threat to the economic and social wellbeing of rural, coastal, and frontier communities, as well as people with disabilities, low-income families, and the elderly. HB 4079 would have also ended a 20-year handout to out-of-state wireless companies by ensuring that they pay their fair share of network usage to the Oregon Universal Service Fund. (Adopted with bipartisan support in 1999 when Republicans controlled the Oregon Senate, this fund supports local providers to ensure that basic telephone service is available at reasonable and affordable rates in higher-cost rural areas throughout the state.) The bill would have earmarked additional revenue for infrastructure and planning grants in rural communities with limited or no



internet access. Two of the bill's four chief sponsors were Republicans. After receiving bipartisan support in the House Revenue Committee, HB 4079 passed through the joint budget committee, but did not receive a vote in the full House due to the walkout.

HB 4067

This bill sought to inject long-overdue equity and affordability considerations into energy utility regulation at the PUC. The bill would have allowed advocacy groups representing communities historically left out of public utility proceedings to enter into agreements with regulated energy utilities, with the objective of setting aside resources to bolster their participation in the regulatory process.

(Legislative News Cont'd on Pg 5)

Accessible, High Quality Internet Connection Paramount in the Age of COVID-19

The new Coronavirus, COVID-19, has upended the way we navigate our lives. Social distancing will likely be a prominent feature of our day-to-day experience for many weeks to come.

Social distancing requires access to, and the ability for home-bound people to use robust and reliable telecommunications networks and digital electronic devices (phones, computers, etc.) to connect with them. Remote education, telemedicine, food and other service deliveries, entertainment, and social interaction all require enhanced network and device capacity.

CUB has long called for innovative policy approaches to bolster access to broadband (highspeed internet), especially in rural Oregon. Another policy issue is that not all Oregonians can afford digital devices. Internet speed is also a concern documented by a recent Oregon Business Development Department study, which estimates that only 64 percent of Oregon households use a service capable of what the Federal Communications Commission (FCC) deems broadband speeds. These findings are troubling under normal circumstances, let alone in the midst of a global pandemic.

In light of COVID-19, the FCC has developed the "Keep Americans Connected" pledge, which calls for 1) a moratorium on phone and internet service termination for residential and small business customers due to late payment; 2) waiving late fees incurred by residential and small business customers; and 3) free public access to Wi-Fi hotspots. To CUB's knowledge, all Oregon providers have signed the pledge (either themselves or via a trade association), and some are implementing measures such as waiving home internet data caps and expanding access and speed thresholds for low-income home internet products.

CUB will continue to offer blog updates on measures taken to ensure that folks stay connected during COVID-19 social distancing. And we will continue to advocate for broadband policies that have long been needed, but whose importance COVID-19 has thrown into sharp relief.

HB 4067 would have also allowed the PUC to accept new rate designs from regulated utilities, including discounts, to lower the energy burden of low-income customers. HB 4067 passed the Oregon House with significant bipartisan support, and moved through the Senate Environment and Natural Resources Committee, but did not receive a vote by the full Senate due to the walkout.

HB 4066

HB 4066 would have allowed regulated electric utilities to invest in the infrastructure needed to manage the significant electric load growth associated with widespread adoption of electric vehicles (EVs), and better incorporate clean energy onto the modern electric grid to meet Oregon's GHG reduction goals. EV use is increasing and utilities need to be empowered to manage that load. HB 4066 received bipartisan support from the House Energy and Environment Committee and on the House floor. It passed through the Senate Environment and Natural Resources Committee but did not receive a vote in the full Senate due to the walkout.



Despite the disappointing outcome of the 2020 session, CUB is determined to continue working on these proposals. We're not going anywhere, and neither should you. We've already begun to prepare for the 2021 legislative session, so stay tuned to the CUB blog and look for our Summer and Fall Newsletters previewing our 2021 legislative policy priorities.

(Regulatory News Cont'd from Pg 3)

by PGE, while the remaining project's output will be sold to PGE under two long-term contracts. PGE is requesting approximately \$26.5 million for the Wheatridge project, although a portion of this will be offset by the sale of renewable energy credits that are generated at the facility.

As with any large capital investment that may impact residential customers, CUB will conduct a deep dive to ensure all costs associated with the generating facility were prudently incurred and, therefore, eligible for recovery. Due to Wheatridge's first-of-its kind status, it is especially important to fully examine the project costs to confirm that PGE's desire to be innovative aligns with the best use of customer money.

Second in PGE's RAC filing is its proposal to recover the costs associated with its Beaverton Public Safety Center and Anderson Readiness Center energy storage microgrid projects. Both projects build on-site battery storage capacity, for which the utility is entitled to cost recovery. But the RAC mechanism was developed to allow electric utilities to recover costs associated with complying with Oregon's Renewable Portfolio Standard (RPS), created in 2007. CUB is concerned by the company's inclusion of these projects in the RAC because they do not qualify

as RPS projects. This means that CUB will be looking carefully for evidence that the costs associated with these projects were prudently incurred and are recovered through an appropriate mechanism.

The Beaverton and Anderson projects were completed after passage of Oregon HB 2193, a 2015 bill that required PGE to procure a certain amount of energy storage before 2020. The idea behind HB 2193 was to compel Oregon's electric utilities to engage in energy storage pilot projects to test the technology on their respective systems and determine the benefits it can provide. CUB was involved in the passage of that bill and the subsequent proceedings that examined various energy storage technologies.

While HB 2193 enables the utilities to recover the prudently incurred costs associated with these pilot programs, CUB does not believe that the RAC is the appropriate mechanism to use. Though this issue has arisen in a few proceedings, CUB believes PGE's proposal in this proceeding is premature. Beyond pursuing this argument, CUB will once again be analyzing the costs to discover whether or not they should be recovered from ratepayers.

CUB has concerns with PGE's inclusion of energy storage microgrid projects in its Renewable Adjustment Clause filing, because such projects do not qualify as RPS-eligible.



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What Does It Really Mean to Be a CUB Member?



What does it mean to be a CUB member? How do I benefit from joining? We hear these questions from both new and long-time members. Joining CUB or maintaining an annual membership is unlike the experience at other membership-based organizations. We pool your resources and think of ourselves as having been hired to advocate for you and millions of other residential customers. We work for you. We work for all Oregonians. And while you may never receive a stylized tote bag or hoodie sweatshirt from CUB, you will always get our very best research, analysis, and advocacy. You will always know that we have your and the public's economic wellbeing at heart. You will have confidence in our promise to follow the facts, dig for details, and make our best case for consumers in both regulatory and legislative arenas.

If your 2020 membership is already up to date, thank you and please consider increasing your support level using the enclosed envelope, or online at oregoncub.org/get-involved/donate. If you have not yet contributed this year, now is the perfect time. Whatever the amount, and whenever you're able, please understand that every single dollar counts, and we promise to put your money toward nothing other than effective advocacy on behalf of Oregonians.