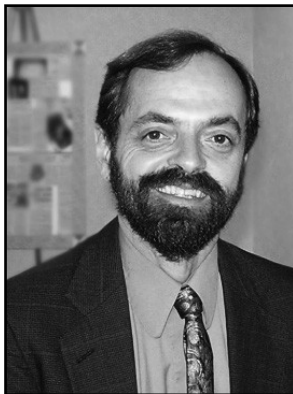


# The Bear Facts



**Citizens Utility Board**  
30 Years and Counting **of Oregon**

August 2015



## **The Future of Energy** *A Message From Bob Jenks*

Years ago, CUB posed a question that now seems obvious: *What is stopping us from convincing utilities that it is in their best interest, and that of their shareholders and consumers,*

*to close coal plants?* It turns out that the answer to this question is remarkably simple: *straightforward economic analysis showing that doing so saves money.* Starting with Portland General Electric's agreement to end coal operations at their Boardman plant by 2020, our work continues to influence an important national conversation about the future of energy.

This time last year, big news hit that the Environmental Protection Agency (EPA), laid out a new blueprint to cut carbon pollution from power plants by 2030. By acknowledging that burning coal is too expensive and often paid for at the expense of consumers and a healthy environment, the plan echoes what we have argued for decades.

Predictably, there is healthy conservative opposition to the Clean Power Plan, just as there has been to similar EPA actions to regulate air toxicity. Legal challenges aside, there is little doubt that we have entered an era where there will be more forceful carbon regulation at the federal level.

A new question, then, bears consideration: *What does the future of energy hold?* The answer to this question is decidedly more complicated. This much we know: With coal heading the way of the dinosaurs (the stuff is, after all, just as old!), renewable alternatives are be-

coming cheaper by the day – which is heavily affecting consumer demand. There is also a growing need for climate adaptation.

Recent trends, especially in our region, suggest that natural gas will play a meaningful role for the next decade or more. The trouble is that natural gas is itself a fossil fuel that emits carbon and methane. Thankfully, investments in renewable alternatives have ramped up in recent years, and will exceed \$9 trillion by 2040 – accounting for 60% of new power generation. This means that solar and wind-turbine technology will not only become cheaper, but also prompt greater investments from consumers in rooftop solar and demand for improved battery storage.

Decarbonizing the economy requires the grid to become more flexible. Smart grid investment in the distribution system will bolster demand response programs, allowing utilities to serve more customers when demand peaks and with fewer resources. Improved efficiency measures on both the supplier and consumer side will prove more important than ever in coming decades.

The key takeaway is that we are entering a new frontier in energy management. Major hurdles lay ahead – those that we know and those that we cannot yet imagine. With a recent announcement that the 200th modern U.S. coal plant will close early (Boardman was the first!), it is important to take pause and remark on all the progress that has been made. I am confident that with careful planning, and continued buy-in from all stakeholders, we will bridge the energy gap and confront the challenges of the future.

To learn more about the future of energy, and engage with experts from around the region, join me on October 23 for our fifth annual Policy Conference. Find more info at <http://cubpolicycenter.org/conference>.



## Fighting Rate Hikes and Planning Future Resources

This summer has been one of the busiest we have seen, with nearly every electric and natural gas company in the state proposing to raise rates. Here is a partial update:

**Portland General Electric:** PGE filed a rate case seeking \$66 million in additional revenue from its customers, amounting to two rate increases in 2016. PGE has asked for higher profit margins, even though its profits have doubled as it grows its rate base (capital investments on which it can earn a profit). CUB opposes an increase in the profit margin. CUB analysis has found that for years PGE has been systematically under-forecasting the revenue it will receive from non-customer sources such as rent from cable and telephone companies for space on PGE poles. Under-forecasting this revenue means customers have to pay more. CUB is working hard to reduce or eliminate this rate hike.

In addition, PGE has launched the resource planning process that will determine what will replace the Boardman coal power plant when it closes in 2020. CUB is concerned that PGE is becoming overly dependent on natural gas to fuel its plants and we will be pushing PGE to include clean resources in its replacement strategy.

**Pacific Power:** Pacific Power is seeking a \$5 million rate hike on residential customers in 2016 associated with the cost of supplying customers with power. However, most of this proposed increase has little to do with forecasting 2016 costs but is related to forecast errors over the last three years. Power costs are forecasted with an assumption of average weather and average hydro conditions. Pacific Power claims that its actual costs have been higher than what has been forecasted the last three years, and wants to build those historic shortfalls into current rates. CUB strongly opposes this. A forecast is about next year's costs and this should be done assuming normal weather and hydro.

**NW Natural:** NW Natural has a slew of dockets wanting to raise rates associated with the cost of hedging, the cost of cleaning up hazardous waste, the cost of reducing carbon emissions and the cost of replacing pipelines. In the case of the hazardous waste, NW Natural is proposing to allocate costs to Oregon customers that the PUC ordered it to allocate to Washington customers. NW Natural seems to want to get money from customers in any way it can and CUB is vigorously challenging many of their claims.

## CUB Wraps Up 2015 Legislative Session

The Oregon legislature adjourned its 2015 session on July 6. It was a unique session in many ways. Having a Governor resign and a new Governor inaugurated was at the top of the list of unique features.

CUB went in to the session with a focused agenda. With the help of our members, we got a lot of good things accomplished and prevented some anti-consumer actions. However, as we reflect back on the session, several issues are still ongoing conversations. Let's take a look at our agenda and the results. Here was the agenda that we took into the session:

**1. Climate** – includes coal-to-clean, assisting with the extension of the Clean Fuels Standard and monitoring anything else that comes up related to climate change and attending regulation.

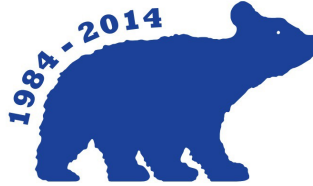
**2. Energy Efficiency** – includes continuing efforts to en-

sure that industrial customers pay their fair share for energy efficiency investments.

**3. Public Purpose Defense** – includes making sure that there is no diversion of public purpose funds away from their stated purpose.

**4. Appliance Standards** – establish new standards for appliances that have received standards in California and proposing to authorize the Oregon Department of Energy to adopt new standards administratively rather than having to go through the legislature.

**5. Renewable Energy** – support efforts to rebuild a taxpayer incentive program for renewable energy, including support for ODOE's effort to extend the Residential Energy Tax Credit (RETC) from its current sunset in 2018 to 2022. We also pursued a bill to increase incentives for solar water heating systems.



## CUB 2015 Photo Contest: the Winners

CUB held a photo contest in June-July to highlight the theme "Energy in the Northwest". Watch for submissions to appear as featured photos on the CUB blog in the coming months.

Congratulations to our winners, and thanks to all of our contestants for their contributions!

### 1st Place: "A Vanishing Point for Carbon Emissions"

Artist: Pete Lee



### 2nd Place: "Exalted Warrior"

Artist:  
Kyle Carnes

### 3rd Place: "Icy Waterfall"

Artist:  
Sherrie Pelsma



You can view more info about the contest and see the winning photos in full color at [www.oregoncub.org/photocontest](http://www.oregoncub.org/photocontest).

## Legislative Session (cont'd)

As our members know, climate change is the major policy issue of our time. CUB looks for comprehensive climate policy that defines how to reduce greenhouse gas (GHG) emissions that impact the planet's health and long-term climate stability. While we weren't expecting that comprehensive climate policy in this session, we were hoping to capitalize on the public consensus that coal needs to eventually be eliminated from our power system. However, despite working with a broad range of organizations, to move bills that would set us squarely on that path, we did not have the votes. We are currently exploring how to sustain the focus on eliminating coal in a way that both protects customers and helps the environment.

There was a serious threat to the newly-adopted Clean Fuels Standard. While negotiating a transportation package, the negotiators and the Governor tacitly agreed to consider repealing Clean Fuels. However, the agreement needed to guarantee GHG emissions reductions equal to or greater than those projected under the Clean Fuels law. This included a diversion of public purpose dollars (specifically, all funds dedicated to schools for energy efficiency and ~45% of funds dedicated to renewable energy development) to invest in electric vehicle infrastructure. The utilities had estimated emissions reductions based on providing incentives for EV purchases (not a good use of ratepayer dollars, by the way). But negotia-

tors rejected that proposal in favor of adding funding for charging stations. This does not directly lead to reduced emissions, yet the projections were not changed. CUB began a strong outreach effort outlining our concerns, and momentum faltered when it became clear that the projections of the "replacement package" didn't hold up. The whole effort collapsed and Clean Fuels will be left untouched for now – but opponents have filed ballot language to eliminate or weaken it, so the battle will continue.

In terms of renewable energy, our biggest focus was bringing state incentives for solar hot water systems on par with the incentives for solar electric systems. That proposal was passed by the legislature, and as of this writing it is awaiting the Governor's signature. All indications from her staff are that she will sign it.

We continue to push for fairness for energy efficiency within the industrial sector and, based on existing law, we will ask the Oregon Department of Energy to adopt efficiency standards for some appliances administratively before we seek to continue the legislative discussion. In all, CUB took away some solid successes this session, and as always we appreciate our members and supporters who helped push our pro-consumer agenda. Many thanks, and don't forget – the 2016 session is right around the corner!



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## YOU are CUB

Recently our staff and board have been talking about our organizational values and though there is a whole list of values that we hope to embody, one thing is very clear: We value our members! In fact, you are at the heart of what we do every day. Advocating on your behalf, protecting your pocketbook and environment, land lobbying your legislators; it is all about you, our member.

So, keep in touch with YOUR CUB by going to [www.oregoncub.org](http://www.oregoncub.org), where you can read our blog to find out what rate cases, IRPs, or legislative issues we are working on. You can also follow us on Facebook ([www.facebook.com/OregonCUB](http://www.facebook.com/OregonCUB)) or Twitter (@OregonCUB). And of course you can keep your membership current or make a donation either on-line or by responding with the envelope in this news-letter.

However you stay in touch, we are so glad you do; after all, without Y-O-U there is no C-U-B.

### **NOTICE OF ELECTION**

Members in good standing may file to run for the CUB Board of Governors.

The filing deadline for the current election is  
5:00 PM, Sept 11, 2015

For more information go to:  
[www.oregoncub.org/about/board](http://www.oregoncub.org/about/board).