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.

Inside This Issue:

The Bear Facts

QUARTERLY NEWSLETTER OF THE OREGON CITIZENS' UTILITY BOARD

SUMMER 2017

CUB Makes an Impact During the 2017 Legislative Session

CUB has been active in Salem during the 2017 Legislative Session. Due to statewide budget pressures and the 2016 Clean Electricity and Coal Transition Act (SB 1547), the session was quiet from an energy perspective. CUB did have a particular impact on telecommunications-related legislation.

Energy

As in the past, CUB defended public purpose funds raised from a small surcharge on Portland General Electric and Pacific Power customer bills. The Energy Trust of Oregon (ETO) uses these funds to run energy efficiency and renewable projects for the utilities. CUB successfully opposed two bills that would have increased ETO administrative costs and several others that would have reduced or diverted funds for unrelated projects. Our testimony emphasized how public purpose dollars used by ETO save customers money since the utilities avoid paying for electricity that is more expensive.

Unfortunately, a bill that CUB supported to strengthen code requirements for energy efficiency in new building construction did not advance. Energy efficient new construction reduces costs for utility customers, and CUB will continue to work for this change administratively or in future legislation.

Bills that were alive in mid-May: HB 2020 has Oregon Department of Energy emphasize climate change and ensures a voice for residential utility customers on an advisory committee. HB 2681 extends the Residential Energy Tax Credit for six years and includes new evaluation and other accountability requirements. HB 2134 ensures up to $20 million in low-income bill payment assistance through a small assessment on all customers served by Portland General Electric and Pacific Power.

("Legislative Session" Continues on Pg. 5)

CUB Works to Get Utilities to Make Smart Investments

A large part of every utility bill is the cost of capital investments utilities have made in the past. Typically, utilities recover the cost of an investment over its lifetime, and they earn a profit on the capital they invest. Since many investments have useful lives of 30, 40 and even 50 years, a large portion of utility bills reflects decisions that were made decades ago. And, just as importantly, the decisions being made today will affect us for the next several decades. A major theme of CUB's work over the last few months has been trying to get utilities to invest money wisely.

PGE's New Gas Plants

CUB is challenging PGE's proposal to invest in new natural gas plants. These new gas plants would have useful lives of at least 30 years. CUB criticizes PGE's analysis because it assumes the electric industry is stable for the next few decades, when there are a lot of indicators that change is happening. Customer loads have been steady for the last decade after growing for more than half a century. Customer generated solar is increasing in PGE's service territory. Climate change concerns are making fossil fuel investments riskier. Modern digital communications are allowing many utilities to adjust customer loads to meet supply rather than the other way around. Instead of massive new investments that carry a lot of risk, PGE should focus on medium term contracts from existing – mostly hydro—resources. These will be cheaper, cleaner, and will avoid locking customers into specific investments for decades.

("Energy Update" Continues on Pg. 2)

("Eergy Update" Continued from Pg. 1)

Avista Utilities

Avista, a natural gas utility serving customers in Southern and Eastern Oregon, has proposed a 9% rate hike for residential customers, mostly driven by capital investments. CUB's analysis suggests that the investments seem driven by the desire to meet earnings targets, rather than the needs of the system. As CUB has analyzed Avista's capital spending, CUB has become concerned that the company is constantly shifting dollars around in a manner that is inconsistent with their investment plans. CUB has had settlement discussions with Avista and other parties to the rate case, and we are hopeful that the large increase can be significantly reduced and the company's capital spending program can be reduced.

EVs can benefit the electric grid by absorbing intermittent wind and solar, if a utility is proactive. However, if a utility ignores the impact, EVs can be harmful.

Electric Vehicles

CUB recently submitted comments on PGE's Electric Vehicle Plans and will comment soon on Pacific Power's plans. Electric vehicles sales are growing. Oregon is a national leader in EV sales. PGE projects that its service territory will have more than 100,000 EVs by 2025. CUB is concerned that PGE's plan is too focused on making capital investments in charging stations. Additional new EVs will cause the need for more charging stations, but Oregon is the national leader in charging stations per capita.

CUB is urging PGE to focus on how the EVs interact with the electric grid. There have been several studies in recent years which demonstrate that EVs can benefit the electric grid by absorbing intermittent wind and solar, if a utility is proactive. However, if a utility ignores the impact, EVs can be harmful, by adding demand during the early evening summer peak. PGE should be running programs that help customer charge their EVs at night, when PGE could use additional load.

An Oregon Response to Anti-Consumer Federal Telecommunications Policies

Troubled by the idea of Internet service providers sharing your personal data? CUB sure is, and wants to do something about it in Oregon. But how did we get here?

The Internet came to prominence in the 90s. Unlike the landline telephone, it had no obvious technological predecessor. This made it difficult for policy makers to determine the best way to ensure fair, affordable, and consistent service.

Nevertheless, it eventually became clear that Internet access is an essential utility service. This is what the Federal Communications Commission (FCC) said in the 2015 Open Internet Order that grants the FCC legal authority under Title II of the Communications Act to impose consumer safeguards and regulate service providers like common carrier public utilities. This is the idea behind "net neutrality".

Critics argue that regulations stifle growth and innovation and degrade service. Proponents like CUB believe that without basic consumer protections, service providers will do only what is in the best interest of their investors.

In early 2017, President Trump nominated Ajit Pai, a conservative FCC Commissioner and prominent Title II critic, as FCC Chair. This signaled that Obama-era policies were on the chopping block.

FCC Chairman Ajit Pai, who recently announced plans to roll back Title II classification of broadband internet services

First to go were digital privacy rules slated to go into effect this December that would have prevented service providers from sharing consumers' web browsing and application usage history without consent. Shortly thereafter, Pai stated his goal to roll back the Open Internet Order. In late April, he released a Notice of Proposed Rulemaking (NPRM) that would: remove the Title II label; tell service providers to create voluntary rules; and pass regulatory authority to the Federal Trade Commission (FTC).

On May 18, the Commission voted 2-1 along party lines in favor of the NPRM. This set into motion the "Restoring Internet Freedom" docket on which the public can comment until August 16. Submit comments at **oregoncub.org/get-involved/action-alerts**. After a lengthy review period, the Commission will vote on a final order.

("Fed. Telecom Policies" Continue on Pg. 4)

Empowering What's Possible

A Letter From Bob Jenks

It may come as no surprise to you that economists and industry leaders alike say that despite the rollback of the Clean Power Plan at the federal level, coal production will continue to decline. This is encouraging, because I strongly believe that coal is a financial risk to consumers. In fact, just this year, we have gotten Pacific Power to propose closing 14 coal plants.

But what happens next is critically important. If utilities simply replace coal plants with new large long-term gas plants, then much of the economic risk of carbon regulation remains. This is particularly troublesome because it comes at a time when we stand on the precipice of a new era of flexibility where utilities use multiple tools to meet customer loads: renewables, energy efficiency, demand response and storage. This flexible system designed for the 21st Century should have lower costs and lower risks while being cleaner and more reliable.

Getting there, however, is challenging. One part of the problem is that traditional utility investment strategies do not effectively support the use of emerging technologies. Many utilities see large capital investments in power plants as the best way to ensure that investors get the desired dividend growth. For example, neither PGE nor PacifiCorp have made much effort to realign their business models using the tools that are available for a 21st century utility. Demand response programs that help move load away from peak time periods are not well developed. Rooftop solar is seen as a threat, rather than an opportunity. Large investments with long useful lives still drive utility planning. Utilities get to "rate base" these large capital investments and earn a profit over the life of the investments.

PGE's business model is, in fact, built around rate basing gas reserves and gas power plants. Last year, PGE began running a new gas plant with a 45-year useful life. Even though CUB recently defeated a proposal by PGE to become a natural gas developer by investing in, drilling, and producing natural gas for the next 35 years, PGE continues to advocate for these investments in their IRP. Clearly, we have our work cut out for us to get them, and other utilities, to build their business models around the more flexible approach offered by a 21st century model.

CUB is encouraging PGE to change its focus from long term resources (30-45 year useful life) to shorter term resources (10 years and less). Shorter term resources allow the utility to meet its reliability requirements, while retaining the flexibility to adapt to changes that will occur in the electric industry in the next couple of decades.

Other 21st century tools that are needed include the integration of transportation and energy consumption, distributed solar, demand response, storage alternatives, distribution planning, and community solar projects.

Fortunately, CUB is the organization that regularly and effectively engages in ratemaking and the IRP processes with major utilities serving Oregon customers. As such, CUB is in a unique position to effectively move the needle on new ways of doing energy. Our economic analysis, legal expertise, and negotiation acumen make us the ideal stakeholder to play a strong leadership role. In fact, our October Policy Conference will address these very issues.

As you know, the CUB staff and I feel strongly about our role of bringing cutting edge policy to Oregon. Therefore we will make sure regulation in Oregon requires utilities to integrate new technologies, and will insist that utilities wisely use existing infrastructure and/or prudently invest in appropriate new infrastructure. Guaranteeing low cost/low risk energy policy is what CUB does and with your support, we'll ensure that good 21st century energy policy becomes a reality.

Sincerely,

Bob Jenks
Executive Director
Oregon CUB

2017 Policy Conference

Friday October 13, 2017

www.oregoncub.org/CubCon17

CUB invites you to join us for *Utility Regulation 2.0: Empowering What's Possible* - an important conversation about utility business models, regulation, and what (if anything) needs to change.

Utilities are in a tough spot in 2017. Traditional utility regulation encourages investment in large long-term assets like power plants. But many people, including regulators and customers, believe that the future will be built around energy efficiency, demand response, distributed generation, and flexibility.

It is perhaps an understatement to say that the utility business model of today is balancing precariously on a precipice. The question is: Do we give it a quick shove, send it tumbling into the ravine of history, and start over? Do we pull it back from the edge and apply regulatory first aid? Do we leave it alone and see what happens? Can we maintain traditional regulation but get different results? Or do we need a change in the regulatory approach?

CUB Welcomes Two Newest Board Members

Ankur Doshi

District - 3, Seat Three

Ankur Doshi is a corporate attorney practicing litigation, corporate law, and employment law for the past twelve years. Currently, he practices in-house as the staff litigation counsel for R.B. Pamplin Corporation, a privately held corporation operating in multiple industries, including AM 860 KPAM, Sunny 1550 AM KKOV, the Portland Tribune, and 27 other Community Newspapers throughout Oregon. Prior to that, Ankur was civil rights investigator with the Bureau of Labor and Industries in Oregon. Ankur received his B.A. in Political Communications from The George Washington University, and his J.D. from Cornell Law School.

Maggie Tallmadge

District - 1, Seat Two

Maggie Tallmadge is the Environmental Justice Manager at the Coalition of Communities of Color, an alliance of 18 culturally specific community based organizations. She came to CCC in March 2015 after working with EcoDistricts. She serves on the City of Portland's Planning and Sustainability Commission, Board of Governors for the Oregon's Citizens' Utility Board, City Club of Portland's Friday Forum Committee and the Native American Youth & Family Center's Community Leaders Council. She is also a participant in the 2017 Emerge Oregon program and 2015 LEAD Native American leadership development cohort. Maggie is a Citizen of the Cherokee Nation who brings a background working in indigenous communities and social services within Oregon and internationally. She is a graduate of Wellesley College.

CUB Announces Upcoming Elections

Do you care about energy issues? Do you believe that Oregon's residential utilities should be affordable, accessible, reliable, and clean? Are you an Oregon CUB member in good standing? If so, please consider submitting an application to join Oregon CUB's Board of Governors.

The filing deadline is 5:00pm Friday July 21, 2017. Applications will be qualified in August, and elections will be held by mail in September/October. For an application or more information, go to

https://oregoncub.org/about-us/board

Or call Pamela White at 503-227-1984 x10.

("Fed. Telecom Policies" Continued from Pg. 2)

Concurrent to this effort is one led by nine GOP Senators. The "Restoring Internet Freedom Act" would prohibit the FCC from labeling Internet service providers as common carriers under Title II. This is troubling because such an action would prevent a different FCC Chair from later reinstating Title II classification.

In summary – Policy decisions made in Washington affect Oregonians because states can enact good policy independent of the White House or Congress. A prime example is digital privacy.

Not long after President Trump eliminated digital privacy rules, a number of bipartisan bills popped up in state legislatures all over the Country. In fact, CUB has already begun researching what digital privacy laws in Oregon might look like, and we look forward to tapping into CUB members for ideas and support.

Turning Waste Into Profit

In April, Portland City Council approved a Bureau of Environmental Services (BES) plan to turn unused methane from the Columbia Boulevard waste treatment facility into renewable natural gas (RNG). CUB supports the project after almost two years of questions and analysis.

Sewage treatment plants typically include methane emitting biodigesters. BES was already converting methane to electricity, but the biogas project ensures 100 percent beneficial methane use. The RNG sells at a high price, and there is an economic benefit given the reasonable payback schedule. Ending methane release reduces greenhouse gas emissions. Using RNG for transportation, especially when displacing diesel, benefits air quality. CUB was pleased that our analysis helped move this project forward with multiple economic and environmental benefits.

("Legislative Session" Continued from Pg. 1)

CUB continues to monitor the transportation bill, especially as it relates to the Clean Fuels program that implements low carbon fuel standards and provides incentives for renewable transportation fuels.

Telecommunications

CUB supported two bills - one that "fixed" and one that repealed tax incentives aimed at luring Google Fiber to bring their high-speed broadband product to Oregon. Once Google Fiber cancelled deployment, CUB endorsed a repeal of that incentive, or at least a fix to address an unintended use of the original incentive by other companies.

HB 2091 allows the Public Utility Commission to use Universal Service Fund dollars to support broadband projects. This fund's original focus was to ensure landline phone service in high cost (often rural and other underserved) areas. The Governor has signed this bill.

CUB opposed early versions of HB 3268 as they would have irreparably harmed the Residential Service Protection Fund (RSPF) that supports two programs for individuals with hearing, visual, mobility, and cognitive handicaps, as well as the Oregon Telephone Assistance Program (OTAP) that reduces phone bills for low-income households. CUB always supported the underlying goal to increase participation in the OTAP program and its federal Lifeline counterpart. An amended bill creates an advisory committee on which CUB would serve.

CUB endorsed repeal of an incentive intended to attract Google Fiber, after the company canceled deployemnt of the servuce in Oregon.

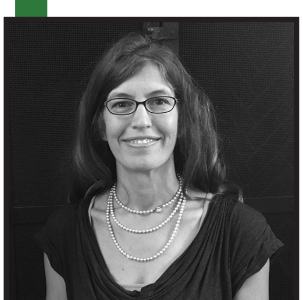
While there is typically more energy than telecom-related action in the Legislature, CUB plays an important role as the only statewide consumer advocate for telecommunications issues.

Check our blog for a final legislative update in early July.

Bidding Farewell to Treasured Staff Members

This spring has seen a number of staff changes at CUB. April brought a bittersweet transition when Operations Manager, Leslie Murray, left to pursue other opportunities. Leslie came to us in 2014 with an extensive resume of nonprofit and public service. During her tenure she kept the office machinery and technology running effectively; oversaw budgeting, financials, and payroll; and offered all levels of administrative support from the mundane folding of a mailing to the complex process of overseeing our annual audit. Leslie also deftly handled several special projects during her three years with the organization including several policy manual updates, co-leading a team process of comprehensive improvements to our benefits package, and playing a crucial role in strategizing and executing our organizational merger.

Many people know CUB for the work we do, but without strong organizational management, our advocacy would not be possible. An organization is dependent on the behind-the-scenes work of people like Leslie. Leslie was a key part of CUB's success. Simply put, because of Leslie's work, CUB has instituted strong, professional operational systems that will serve us well for many years. Thanks for your excellent work, Leslie, we will miss you.



Toward the end of May we bid farewell to Senior Economist, Jaime McGovern, who came to CUB in summer 2013. With a PhD in Economics and a background as both a college-level instructor, and as a utility analyst, Jaime's expertise was critical to a number of CUB's 'wins' during her tenure. Most significantly, Jaime spearheaded the complex economic analysis that resulted in CUB saving Oregon utility customers $24 million and an additional $20 million per year, by convincing the PUC to reject Oregon utilities' request to be allowed to earn a profit on their prepaid pension assets.

Jaime was never satisfied until she fully understood an issue. She developed expertise on how costs are allocated between joint owners of a coal plant, how the benefits of energy efficiency flow through to customers, how to forecast benefits associated with the Energy Imbalance Market, and many other issues. Often she ended up with a better understanding of an issue than the experts working for the utility. Customers in Oregon have directly benefited from Jaime's work - their rates are lower because of her. In addition, her work has forced utilities to improve how they plan and document capital investments. Her thirst to get to the bottom of what the utilities are doing has been a real asset and will be missed.

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Charting Our Own Utility Future

As an Oregon specific non-profit organization, CUB's mission is to protect the wallets and values of Oregon's residential utility consumers. Unfortunately, many of Oregon consumers' interests are being compromised at the federal level.

Programs like Energy Star are being threatened with extinction, important environmental protections are being reviewed and repealed, coal leasing on public lands has been reinstated, and regulations to keep the internet accessible to all have been revoked. Fortunately, despite what happens on the national level, CUB is a strong and independent consumer advocate that works to protect what is important to Oregonians.

CUB pioneered the economic analysis that convinced PGE to close Boardman. We were a key facilitator of the agreement that led to the Clean Energy and Coal Transition Act, eliminating coal-fired electricity generation by 2035 and increasing the use of renewables to 50% by 2040. As part of that bill, we pushed for a community solar program with carve-outs for low-income families. And we play an ongoing active role in digital accessibility and inclusiveness regionally. But we can't do this work alone -- we need supporters like you.

Your membership and donation dollars allow CUB to participate in policy discussions and decisions that are critical to Oregonians. So please, take a few minutes to fill out the enclosed envelope or give online at **www.oregoncub.org**. Whether you give $25 or join the Anniversary Club at $100, your donation ensures that CUB will continue to chart a course towards a utility future that is good for all of us.