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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 2018

The Watchword of Oregon's Carbon-Free Future

Decarbonization. This word seems to be dominating energy policy discussions these days. In order to successfully combat climate change, science says that we have to reduce carbon emissions by 80 percent from 1990 levels. Policy discussions and studies are examining creative ways to decarbonize the energy sector, and ultimately, our economy.

At CUB, we have been involved in decarbonization for over two decades - though we did not always call it that. The Pacific Northwest has led the country in making investments in energy efficiency, because we discovered it is cheaper to save a kilowatt hour than to produce a new one. Consequently, the average Portland General Electric (PGE) residential customer in 2018 uses 20 percent less electricity than they did in 1990.

Today, energy efficiency is one of the keys to decarbonization. We must continue to invest in making our homes and businesses more energy efficient. We also have to make our utility grid more efficient, both locally and regionally. On a local level, this will require more demand response programs, in which utilities can reward customers who can shift some demand off of peak hours, hot water heaters and electric vehicles can be used to store nighttime electric generation, and other programs can focus on matching up customer demand with energy produced, rather than only focusing on adding generation to meet customer demand. Finally, we will see batteries and other energy storage being added to our local grids to increase their efficiency and flexibility.

CUB has also been active in reducing coal generation – another key to decarbonization. Coal plants produce more carbon emissions than any other source of electricity generation. One of the easiest ways to reduce carbon emissions is to reduce coal generation. CUB has long recognized that expanded carbon regulation is coming, and therefore coal plants are an economic risk; future regulation (such as carbon pricing or taxes) will raise prices for utilities that are dependent on coal. We fought additional coal plants being added to Pacific Power's system in 2007-09. We helped create the agreement to phase out Oregon's only coal plant, PGE's Boardman, by 2020, avoiding an additional $500 million upgrade to the plant and saving customers money. In 2016, we helped pass the Clean Electricity and Coal Transition Act (SB 1547) that will phase out all coal generation being used to serve Oregon customers.

Renewables are the third key to decarbonizing the electric sector. CUB worked to create Oregon's Renewable Portfolio Standard, later on increasing it to 50 percent, and supported policies that allow utility customers to directly invest in renewables.

These efforts have been successful. Carbon emissions from Oregon's electric sector are declining, and this trend will accelerate as more coal is removed and replaced with renewables and energy efficiency.

(Letter from the Director resumes on Pg 2)

Hydro One Agrees to Pay Benefits to Oregon Customers

Hydro One is a Canadian electric transmission and distribution utility that has been in the process of purchasing Avista Utilities, which provides natural gas service to customers in Southern and Eastern Oregon. Beyond its Oregon natural gas service, Avista serves electric customers in Washington, Idaho, and Alaska. Oregon is the only state where Avista does not provide electricity.

In order for the acquisition to be successful, it must be approved by the Public Utility Commission (PUC) in every state where Avista serves customers. The proposed deal quickly won support from parties in Washington and Idaho. Much of that support was due to Hydro One's expertise as an electric company and the commitments it was willing to make related to electric service. However in Oregon, where Avista does not provide electric service, the acquisition was having trouble gaining support.

In February, CUB filed testimony opposing Hydro One's acquisition of Avista. Oregon judges mergers by a net benefit standard, meaning benefits to Oregon Avista customers must outweigh risks. CUB's analysis found that the risks associated with the deal outweighed the benefits. However since that time, Hydro One, CUB, and other parties to the case have met in a series of settlement conferences. Due in large part to CUB's advocacy, Hydro One has agreed to provide substantially more benefits to Oregon customers and CUB now agrees that the benefits outweigh the risks. A settlement in principle has been reached, pending Oregon PUC final approval.

Specifically, at CUB's request, Hydro One agreed to:

- Pay Oregon customers a rate credit of more than $7.5 million over the next five years.
- Increase its support for low income weatherization by more than $1.2 million.
- Increase its support for low income bill payment assistance by $500,000.
- End the practice of charging security deposits to customers.

Cascade Natural Gas Requests Rate Hike

Cascade Natural Gas recently requested a rate hike for the customers it serves in central and eastern Oregon. Cascade is seeking an increase of $2.3 million, which would raise residential rates by 4.94 percent or about $2.40 per month.

Cascade claims that the primary driver of this rate hike is pipeline replacement costs, particularly in the fast-growing area around Bend.

CUB is just beginning our review of the case. We do note, however, that unlike Northwest Natural's rate case (see article on Page 4), Cascade is not asking for an increase in its return on equity. CUB will take the next several weeks and dig into this rate request to identify any costs that are inappropriate for Cascade to charge customers, and to ensure that costs are allocated in a fair manner.

(Letter from the Director Cont'd from Pg 1)

Importantly, we've done all of this while keeping rates affordable. Adjusted for inflation, the average Oregon household pays $100 less monthly for electricity than it did in 1980.

CUB has seen a lot of studies on decarbonizing the grid, and we have participated in many of the planning processes of Oregon's investor-owned utilities as they wrestle with providing service in a carbon constrained world. It certainly looks like we can decarbonize the electric sector without significantly increasing electric bills. In the long run, most analysis says a clean, decarbonized grid will be less expensive than trying to maintain the current fuel mix.

However, we need to decarbonize not only the electric sector, but the *economy as a whole*; and the key to decarbonizing the economy is decarbonizing the electric grid. We can then use clean electricity to decarbonize the transportation sector as electric vehicles replace gas-powered vehicles. Clean electricity can be used to produce hydrogen, which then can be used to decarbonize our natural gas sector, or electricity can replace natural gas for heating. With advances in technology, policy, and the economics of cleaner and more efficient generation, CUB believes that a decarbonized future is well within the realm of possibility.

Sincerely,
Bob Jenks

Executive Director
Oregon CUB

Oregon Carbon Reduction Policy Development Underway

Though carbon regulation did not pass during the 2018 short session, both the Governor's office and legislative leadership have signaled commitments for success next year. Policy development during the last half of this year is essential for the 2019 enactment of a comprehensive bill to put a price on carbon. The Legislature's Joint Interim Committee on Carbon Reduction first met in May and will meet monthly in 2018. The Governor's Carbon Policy Office, with assistance from many state agencies, has also launched research and consultation with key stakeholders. This coordinated effort by the Legislative and Administrative branches of government bodes well for passage in 2019 of significant carbon reduction legislation.

One signal of the importance of this issue is that Senate President Peter Courtney and Speaker of the House Tina Kotek are co-chairs of the Joint Interim Committee on Carbon Reduction. Given that the transportation sector emits more carbon dioxide than electricity production, another important signal is that several members of the Committee on Carbon Reduction have extensive transportation policy experience.

Oregon House Speaker Tina Kotek (left) and Senate Pesident Peter Courtney (right)

CUB will continue to be a resource on effective strategies to address carbon reduction linked to electricity produced to serve customers of our state's major investor-owned private utilities, PGE and Pacific Power. These efforts build on the Clean Electricity and Coal Transition Act (SB 1547) enacted in 2016 that moves Oregon off of coal-fired electricity by 2035.

Transportation electrification is another important carbon reduction policy issue. CUB has been a leader in the development of utility pilot projects to advance vehicle electrification as part of the implementation of SB 1547. This expertise will also come in handy during upcoming policy development discussions.

The Governor's Carbon Policy Office will inform interim legislative work in several ways. For example, this office is managing research studies on forest carbon sequestration, energy intensive-trade exposed industries (EITEs), and economic impact analysis. White papers will be prepared on implications of cap-and-trade for highway cost allocation and impacted communities.

The Carbon Policy Office and pertinent state agencies will staff three working groups: natural and working lands, low-income utility programs, and a business advisory group. Targeted conversations with affected stakeholders will focus on the following topics:

- Customer Electricity Rate Protection
- Point of Regulation (Electricity)
- EITEs and Leakage Risk and Protection
- Natural Gas Regulation
- Transportation Fuels
- Agriculture
- Transportation Highway Trust Fund and Infrastructure Investment
- Impacted Communities
- Labor and Just Transition

CUB Joins Net Neutrality Roundtable Discussion

Editor's note: The following information was accurate at deadline for this publication. However, things may have changed by the time it is distributed. Please watch the CUB blog for ongoing updates on net neutrality.

On May 25, CUB Outreach Manager Samuel Pastrick joined a roundtable discussion about net neutrality organized by Oregon Senators Ron Wyden and Jeff Merkley, and Oregon Congresswoman Suzanne Bonamici. Oregon House Majority Leader Jennifer Williamson, representatives from ACLU, AARP, and the Oregon Library Association also participated.

First, a quick definition: A network is neutral if the provider delivering Internet service treats content, traffic, and customers without discrimination.

Net neutrality is back in the news because, on May 16, the US Senate took a step toward reinstating the 2015 "Open Internet Order" rules that the Trump-appointed Federal Communications Commission (FCC) voted to repeal in December of 2017.

52 US Senators – including Oregon's long-time net neutrality supporters Ron Wyden (D) and Jeff Merkley (D) – forced a successful vote to block repeal of the Open Internet Order. "Aye"

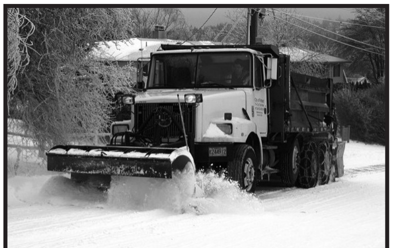
(Net Neutrality News Resumes on Pg 5)

CUB Is Working to Reduce PGE's Rate Hike

In its recently filed general rate case, PGE has requested an $86 million increase in rates, with residential rates increasing by an average of 6.3 percent, large commercial rates increasing by 3.8 percent, and industrial rates increasing by about 2 percent. CUB recently submitted our analysis of the case in the opening round of testimony after PGE's initial filing.

CUB is proposing to remove several items from rates that do not benefit customers, such as providing stock incentives to members of the Board of Directors.

CUB is proposing that PGE change how it allocates costs between classes of customers. CUB's analysis shows that the reason PGE is proposing a larger increase to residential customers is because when it is assigning costs, PGE takes smart grid investments that provide broad system benefits to all classes of customers, and assigns these costs on a per-customer basis. Consequently, most of the cost is placed on residential customers. CUB believes this is inappropriate and is asking that a set of costs be reassigned. In addition, CUB is asking the PUC to require an independent third party analysis into PGE's assignment of smart grid costs. As it stands now, certain smart grid costs that benefit all customers are being assigned to residential customers only.



Like many other businesses affected by weather, utilities are normally expected to absorb weather risk rather than passing costs onto their customers.

CUB also criticized PGE for proposing to shift the risk of weather-related costs from shareholders to customers. The rates customers pay are based on a forecast that assumes normal weather. However, weather is rarely perfectly normal. This means that PGE's corporate earnings vary. If the weather is cold in the winter, they sell more power and earnings are up; if the weather is mild, they sell less and earnings fall. This is pretty common among a wide range of businesses that sell products that are affected by weather. PGE, however, is trying to shift this weather risk by proposing that cost variations caused by weather be identified and charged to customers in the following year. In this model, the basic per-kilowatt-hour charge would be based on normal weather. In addition to this charge, the bill would include an extra charge/credit associated with the previous year's weather.

PGE's general rate hike is in its early phases, but CUB looks forward to engaging with stakeholders throughout the process to ensure an equitable outcome for residential customers.

CUB Pushes Back on NW Natural Rate Hike

In April, CUB filed its testimony in the NW Natural (NWN) rate case. NWN is asking to raise rates by $52.4 million with the average residential bill increasing by 8.3 percent. CUB's analysis found many problems with this proposal.

NWN is asking to increase its shareholders' return on equity. This represents the profits shareholders earn off the utility business. CUB believes the increase NWN is seeking is out-of-line with market conditions and with what other Oregon utilities receive.

CUB is also concerned with the level of compensation being given to officers and charging customers for stock options provided to employees. Stock options are a tool to align the interests of managers and officers with shareholders. It is inappropriate to charge these to customers, as there is no direct link to providing better retail service.

CUB is also calling for a reduction in the forecasted advertising. Oregon utilities are expected to limit advertising to .125 percent of their gross revenue, but NWN is asking to charge customers significantly more for advertising. CUB also reviewed recent NWN advertising expenses and found that much of it did not provide any real benefit.

We expect that the PUC will rule on this rate case sometime in October. Watch our blog and coming newsletters for updates.

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 27, 2018**. Applications will be qualified in August, and ballots will be sent in the Fall Newsletter. For an application and complete information, go to

www.oregoncub.org/about-us/board

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

Hello and Goodbye: Summertime Staff Changes

Liz Jones, a CUB Staff Attorney since September 2016, has departed to Munich, where her husband accepted a three-year assignment earlier this year. It is always hard to say goodbye, but this time we can't help but celebrate this great opportunity for Liz and her family. Prior to joining CUB, she was an Assistant Attorney General at the Minnesota Attorney General's office where she represented the Minnesota Public Utilities Commission in a wide variety of energy and telecommunications dockets.

While at CUB, Liz worked on PGE's Integrated Resource Plan (IRP) and rate cases, the PUC's rulemaking dockets on the Resource Value of Solar and Community Solar, and telecommunications price plans that attempt to further deregulate local telecommunications services. Liz represented CUB on the board of Renewable Northwest and was a member of the Energy Trust's Conservation Advisory Council.

The CUB staff and board appreciate Liz's impactful contributions to our work. We will miss Liz's curious and insightful nature, strong work ethic, and perpetually positive outlook, all of which made working with her a true pleasure. Auf wiedersehen Liz!

Though we hated saying goodbye, we are pleased to say hello to contract attorney, Ben Swerdlow and welcome him to our staff. After obtaining a B.A. in Biochemistry and Molecular Biology from Cornell College, Ben received a certificate in Environmental, Natural Resources, & Energy Law at Lewis & Clark Law School. He is currently a member of the Oregon Bar.

Ben gained an interest in CUB while doing green energy policy work in law school. His interests in green technologies, conservation, and environmental justice were a natural entrée into CUB's energy regulatory program. Ben's arrival at CUB is perfectly timed and we are excited to have his expertise on hand for the next few months.

Ben grew up in Highland Park, Illinois but his chosen home is Oregon. In his free time, Ben loves backpacking with his partner Mary and their dog Niko, and is an active member of Portland Mountain Rescue. Welcome Ben!

(Net Neutrality News Cont'd from Pg 3)

votes from John Kennedy (R) of Louisiana, Lisa Murkowski (R) of Alaska, and Susan Collins (R) of Maine indicate the bipartisan nature of this issue and the influence of grassroots advocacy.

The vote on this measure required a simple majority because of a rarely used procedure called the Congressional Review Act (CRA). While the May 16 action sends an important signal about the need to undo lousy decision-making on the part of the Trump FCC, the next step in the House of Representatives is challenging.

Net Neutrality Roundtable attendees (l-r): Multnomah County Commissioner Sharon Meieran, Sen. Ron Wyden, Rep. Suzanne Bonamici, House Marority Leader Jennifer Williamson, AARP OR Dir. Jerry Cohen, ACLU OR Leg. Dir. Kimberly McCullough, Oregon CUB Outreach Manager Sam Pastrick

- **Unfortunately:** Speaker of the House, Paul Ryan, controls the flow of bills to House floor, and signals zero interest in holding a CRA vote on net neutrality.
- **Thankfully:** Speaker Ryan may have no choice because 218 House Members signing a "discharge petition" can overrule his authority.
- **Unfortunately:** Republican votes on even bipartisan issues like net neutrality are extremely hard to come by.
- **Thankfully:** Over 160 of the needed 218 House Members expressed support for the vote as of May 25.
- **Unfortunately:** Even if the CRA makes it to the House floor, such a vote is likely to fail. And if the House were to pass a same or similar measure – thereby reinstating provisions of the 2015 Open Internet Order – President Trump is expected to veto.
- **Thankfully:** Regardless of what happens at the federal level, earlier this spring, CUB worked with Majority Leader Williamson and key allies at ACLU Oregon to pass HB 4155, legislation that protects Oregon Internet customers by requiring the state and other public bodies (cities, counties, etc.) to only contract with service providers that maintain neutral networks for their customers. CUB is proud of this effort, and anticipates further Oregon-specific legislative action on customer data privacy in 2019.

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Join Us in Supporting an Affordable, Carbon-Free Future

Decarbonization is at the forefront of many of the policy conversations we have at CUB. This is because over our 34-year history we have found that decarbonizing energy, either through efficiency or through a decrease in coal burning and an increase in renewable generation, is both least cost and least risk for consumers.

In fact, the questions are no longer about whether or not we can get our carbon footprint to zero…instead we are asking ourselves and our colleagues to think about what methods we will use to get to a carbon-free society and how quickly. Questions like: How do we go beyond homes and business solutions, and become more energy efficient across communities, utilities, and regional transmission agencies? Should we or should we not utilize existing natural gas infrastructure by generating "clean" gas via electric power (known as "Power to Gas")? How do we keep the energy technology we are using to decarbonize our systems from widening the digital divide and leaving low/fixed income individuals and families behind?

We hope that we are helping you think about these things as well. CUB's mission is to represent Oregon consumers at both the Public Utility Commission and the legislature with the goal of keeping our utilities affordable, accessible, reliable, and clean. We can only do this when you are informed and supporting the work we do.

Please take the time to read what we have written here, and if we have not heard from you in a while, use the envelope inside to send a donation to support our work. You can also keep up with our work by following the CUB blog on our website, **www.oregoncub.org**, where it's easy to donate by credit card. Remember, CUB exists to protect consumers and facilitate good utility policy, so please join us in creating an affordable and carbon-free future that is accessible to all Oregonians.