



The Fall 2012 newsletter of the
Citizens' Utility Board of Oregon
and the CUB Policy Center

CUB WANTS PACIFIC POWER TO CONSIDER BENEFITS OF PHASING OUT COAL PLANTS, PACIFIC POWER SAYS: NOT INTERESTED

You may have already heard about this case in *The Oregonian*, but we want to give you the scoop. When a utility company makes bad investments, customers shouldn't have to pay for them. That's one of the guiding principles to protect ratepayers and that is what we're working so hard to enforce on Pacific Power. CUB is arguing in Pacific Power's general rate case that PacifiCorp (Pacific Power's parent company)'s analysis was flawed when it invested in a series of environmental upgrades for its fleet of coal-fired generation plants. As a result, some of these investments did not honor the least-cost/least-risk mandate that utilities are required to follow under Oregon law. While no one is saying environmental investments are a bad idea in general, CUB is arguing that Pacific Power should have looked at more cost-effective alternatives, such as phasing out the coal plants altogether.

EPA rules for Regional Haze at coal plants allow a utility to run the plant with limited pollution control if there is a commitment to shut the plant down in a few years. This reduces the cost of pollution control, and by phasing out the plant, total pollution is also decreased. A couple of years ago, CUB made similar arguments to get PGE to look at closing its Boardman plant early. The Oregon Public Utility Commission ultimately recognized that phasing out the Boardman plant would save ratepayers \$200 million. For Pacific Power's plants, CUB's analysis looks at alternative shutdown dates ranging from 2020 to 2025. CUB discovered that the company could have found a more cost-effective way to produce power through gradually phasing out three of the seven coal plants analyzed. Those plants are all located in Wyoming.

Pacific Power is legally required to prove that its investments are prudent. Here, its analysis was flawed and CUB thinks Pacific Power has failed to do that. First, Pacific Power assumed the alternative to investment

in pollution control was immediate shutdown of the plants—even though pollution controls were not required for several years. Pacific Power is stubbornly refusing to even consider a Boardman-style phase out analysis for its plants.

Second, Pacific Power should have updated its analysis as new information about future electricity prices changed. Pacific Power's planned environmental investments have become less economic over the last few years, but Pacific Power never went back and updated its initial work to find that out.

Third, Pacific Power could have considered the impact of falling natural gas prices for all its coal fleet. Pacific Power has decided to convert one of its coal plants, Naughton Unit 3, to be run on natural gas, but only one. Had Pacific Power opened its analysis of all its plants to more options, it could have avoided making unnecessary environmental investments at other plants and would have saved itself and ratepayers millions of dollars.

CUB is recommending that the Public Utility Commission either find that the investments at the three coal plants at issue in the rate case were not prudently made and therefore should be disallowed completely, or that Pacific Power's analysis was so flawed that the Commission should disallow 25% of the investments in all seven coal plants. CUB will continue to fight to make certain that ratepayers are not left holding the bag when it comes to bad utility investments.

UPDATE: As we went to press, Pacific Power filed its response to CUB's testimony, which was nearly 10 inches thick! But in all that space, the company is still only considering immediate shutdown or environmental upgrades in its analyses. It refuses to even consider a Boardman style phase out.

Letter from the Executive Director

Dear members,

Yesterday, I dropped my daughter off for her first day of middle school, which means summer is coming to an end. I hope you had a great summer.

At CUB, we had the busiest summer I can recall. Three of Oregon's big utilities - Pacific Power, NW Natural and Idaho Power - had big rate cases with really important issues. I cannot ever remember a time when CUB had three big rate cases happening simultaneously.

Over the last few months, we have reported on the NW Natural rate case. The company was seeking a big rate increase, (even though it has been earning more than its authorized rate of return (profit)), and was proposing to increase the monthly customer charge to nearly \$30 per month, meaning you would have to pay this regardless of whether you used any gas in a given month. Over the summer, we have pushed back hard on that proposal and expect some good results as the case moves forward.

Pacific Power and Idaho Power are refusing to consider Boardman-like phase-outs of any of their 27 coal units, even though closing Boardman in 2020 will save PGE customers more than \$200 million. CUB's analysis shows that such a phase-out of some of Pacific Power and Idaho Power's coal plants would also save millions of dollars for customers. Instead, these utilities want customers to pay billions to upgrade these plants and run them for decades to come. Phasing out a coal plant in an orderly fashion, when such a closure is the cheapest option, seems like a no-brainer to us.

But, these utilities have refused to even consider it. Because of this, CUB is asking the Commission to reject Idaho Power and Pacific Power's proposals to charge customers for the new investment in coal plants in the cases where it would be cheaper for customers to phase out the plants. This is a critical issue. There is a lot of money at stake, and if the utilities win, they will see it as meaning that they do not have to apply least-cost principles to the operation of coal plants. If that happens, customers could be forced to pour billions of dollars into these coal plants over the coming decade.

This is what we did with our summer "non-vacation." CUB's staff has worked incredibly hard this summer and produced really good analysis for these rate cases. I am proud of our staff and the quality of the work we have produced. It has been an exhausting, but satisfying, summer.



THANK YOU:

To all of you for rejoining CUB or giving an additional donation after receiving the newsletter in May. It makes a huge difference in everything we do. We need **650 more members** to join for the first time or rejoin by December 31st to make our membership goal for the year, we hope you'll all continue to be a part of that.

The Bear Facts is the quarterly newsletter of CUB and the CUB Policy Center.

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CUB is a member of the National Association of State Utility Consumer Advocates (NASUCA) and the Consumer Federation of America (CFA).

CUB Leads the Future of Energy Efficiency

As you may recall, last year the CUB Policy Center pulled off an amazingly successful policy conference. Not having much experience as a conference hosting organization, we were delighted to have a packed house for the entire day, and surprise guests including the Chairman of FERC (Federal Energy Regulatory Commission). Last year, we focused on the very relevant issue of Smart Grid, and found the feedback and participation more engaging and useful than we could have hoped. With generous support from the University of Oregon, we were able to hold the conference at its LEED-certified White Stag Block in Old Town Portland.

The CUB Policy Center is now gearing up for our second annual conference, **Energy Efficiency: The Next Generation**, taking place on October 26th. Finding our unique role between education, advocacy, and facilitation, and with more time to plan, we are bringing together a diverse range of voices and experiences, from utility analysts, to program managers, to lawyers.

In light of Governor Kitzhaber's 10-year energy plan, we thought it appropriate and necessary to convene the most experienced and prominent players to reflect not only Oregon's past successes in energy efficiency, but also to focus on how to creatively and effectively meet the challenges of the future. The Governor's energy plan calls for all new load growth in the next ten years to come from energy efficiency. While Oregon has been widely successful as a state and has even become a national role model for energy efficiency programs and policies, we know we have a lot of work ahead of us.

The conference aims to tackle how we will get that work done. Susan Ackerman, Chair of the Public Utility Commission of Oregon, will usher in the day, followed by our very own Bob Jenks, who will frame the discussion of the past successes of energy efficiency. The opening panel will include Margie Harris, Executive Director of the Energy Trust of Oregon, Bill Bradbury of the Northwest Power and Conversation Council, and Karen Meadows of BPA, who will set the tone connecting the past to the present. Our pre-lunch keynote speaker will be US Representative Earl Blumenauer, who has been a long-time champion for energy efficiency. Our afternoon panels will offer participants an opportunity to focus on more specific issues like: Smart Grid and Demand Response, Commercial Buildings, Building Financially Accessible Programs, and Engaging Customers in

Energy Efficiency.

We have built on the success of last year with new partnerships with groups including the Cascadia Green Building Council, Oregon BEST, and the Portland Institute for Sustainability. We are also offering continuing education credits for lawyers and home performance contractors. If you are interested in learning more about this conference, please visit our website (www.cubpolicycenter.org/conference) and keep an eye out for updates.



Sadly, our Staff Attorney Ray Myers retired this summer. We all miss him and wish him well in all his continuing great work. Sommer Templet (left) is now a full-time Staff Attorney for CUB. Nadine Hanhan (right) has come on board as Utility Analyst, starting with the Pacific Power case we've been talking about so much in this newsletter!

CUB Vows No Sleep 'Til Ratepayers WIN

A general rate case is a proceeding at the PUC where all of a regulated utility's operations are examined to determine overall rates and profit margins. They're a lot of work and take a lot of time and resources. As Bob Jenks notes in his Director's letter (page 2), CUB has dealt with 3 rate cases this summer. Let's just say that the

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TAKE ACTION: Election season is upon us and candidates are seeking your vote. Check out our insert in this newsletter for questions to ask your state legislature candidates. Make sure your legislators will watch out for ratepayers. Register to vote by OCTOBER 16, 2012 and remember to vote by NOVEMBER 6, 2012.

Continued from page 3: CUB's Summer Defending Customers

CUB staff's summer reading list hasn't been the latest New York Times bestsellers.

You'd think that after all this work, CUB would get a little rest. But it looks like there could be a rate case for Cascade Natural Gas and we're scheduled to start the process of how to replace the Boardman plant with an energy mix that's cleaner than just natural gas. Stay tuned.

One of the cases we haven't touched on yet is a very important one involving Idaho Power. Idaho Power is the electric company servicing part of Eastern Oregon, including Ontario and Vale. In 2009 and 2010, the IRS approved changes in income tax methodology that resulted in Idaho Power Company receiving tax refunds of approximately \$100 million. Idaho Power shared some of those benefits with Idaho customers through a sharing mechanism but it is taking the position in Oregon that Oregon customer should not receive even a penny of.

CUB's analysis shows that Oregon families and businesses are entitled to a little more than \$5 million of these tax refunds. With less than 14,000 customers in Oregon, this would allow for an average refund of about \$387 for each customer. This part of eastern Oregon has been hit hard in the current recession and there is no doubt that getting a significant utility refund would be a helpful boost to the economy.

More importantly, the refund is fair. Taxes are one of the utility's costs that are used to set rates. This IRS decision lowers the taxes of Idaho Power for the years 1989 to 2009. Since it was customers who were paying the tax bill, customers should receive the tax refund.

CUB Connects Marks 2 years Protecting Consumers

On August 28th, we filed the CUB Connects annual report with the Oregon Public Utility Commission, which then acknowledged the project for its second year. The PUC reviewed all the budgets and checked that CUB Connects met all of its goals - the project received a big thumbs up and no criticisms at all!

This year has been a very productive year for CUB Connects! We successfully ran our first round of educational workshops with the Multnomah County Library system and had a great time sharing our information with fellow Oregonians. We have fielded numerous phone calls through the CUB Connects Helpline, helping Oregon consumers to navigate their options for phone and internet, and helping them save money. We have also partnered with various organizations including; 211, Elders in Action, Home Forward, and most recently Portland Public Schools. These are exciting developments for the CUB Connects team, as we are assisting people in understanding their telecommunications service options, which is the underlying mission of this project.