



The Spring 2013 newsletter of the
Citizens' Utility Board of Oregon
and the CUB Policy Center

CUB WORKS TO DEFEND RENEWABLE ENERGY STANDARD

Back in 2007, CUB took a leadership role with renewable energy advocates, elected officials from rural Oregon, county sheriffs, and many more to create Oregon's Renewable Energy Standard. This important law calls for the state to get at least 25 percent of its energy from new renewable resources by 2025. The law has worked well since its adoption, encouraging investment in a cleaner energy mix while ensuring that utility customers are protected from big rate increases. At the time of its passage, the law was supported by a wide variety of consumer, business and environmental organizations – a testament to how well-balanced it is.

Today there are several proposals in the 2013 legislative session that would seriously weaken Oregon's landmark Renewable Energy Standard. The most serious threat is a proposal to add all existing hydropower resources to the standard. This would mean that all of Oregon's share of the federal hydropower system would count toward the standard. In effect, this change would put an end to the requirement for further renewable energy investment in Oregon.

We in the Pacific Northwest are proud of our historic hydropower energy generation system. Our leaders in the 1920s and 1930s created a set of resources that have served us well for many years. The passage of the Renewable Energy Standard was about the design of our future energy generation system. Utilities have been making cost-effective investments to meet the Renewable Energy Standard by building the next generation of clean energy resources and by reaping the benefits of energy efficiency and conservation. All of that work needs to continue.

Some people believe that because energy from the existing hydropower system cannot be used to meet the Renewable Energy Standard, it means that hydropower is not considered renewable. That is not true. Hydropower is recognized as a renewable energy source within the standard, however only investments made after 1995 count toward the state goal of obtaining the 25 percent of its energy from renewable resources by 2025. Utilities can also get credit for doing efficiency upgrades to hydro plants (making them get more power from less water through the turbines) as well as by obtaining certification of some of their hydro facilities as "low impact hydro."

CUB believes that we, along with our broad range of allies on this issue, can defeat any of the proposals to weaken the Renewable Energy Standard. But we need your help to do that. Please contact your state senator and representative and request that they "Say NO to any changes to the Renewable Energy Standard." You can call and leave that message at 1-800-332-2313 or send it via e-mail at this link: <http://www.leg.state.or.us/writelegsltr/>.

Letter from the Executive Director

Dear member,

Oregon customers of Pacific Power will see a "Generation Credit" on their 2013 bills. While the credit is small enough that many customers may not notice (between \$1 and \$2 per month), its total amount of \$17 million for all Oregon customers, is hopefully large enough to have gotten the company's attention.

The credit was ordered by the Oregon Public Utility Commission in December 2012 when it found that Pacific Power had imprudently invested more than \$150 million in its coal units. The company failed to consider cheaper alternatives to investing in and extending the life of aging coal plants. CUB fought hard for this decision, and I devoted a great deal of my time to this case.

The drive for this kind of analysis for the Pacific Power case grew out of our experience with the Boardman case from a few years ago. We got PGE to consider alternatives to its proposed \$500 million investment in pollution controls at the Boardman coal plant. After we got PGE to agree to look at alternatives, it discovered that phasing the plant out was cheaper for customers than investing hundreds of millions of dollars in the plant for the proposed pollution controls. Because coal is the dirtiest fuel that is used to generate electricity, closing a coal plant removes tons of pollution from the atmosphere – more than would be removed by the pollution controls over the life of the plant.

Pacific Power uses 26 coal units located in multiple states to serve its Oregon customers. In order to comply with the Federal Clean Air Act, Pacific Power expects to spend more than \$4 billion on pollution controls. CUB had a simple request of Pacific Power. Before investing billions in pollution controls for aging coal plants, please conduct the necessary analysis to ensure that the proposed pollution control investments are in the interest of customers. Don't waste your customers', and our members', money. Pacific Power refused to conduct the analysis before investing in the first round of pollution controls. CUB then asked the PUC to penalize Pacific Power for failing to do the requested and required analysis. The PUC agreed with CUB and the other Intervenor and imposed the \$17 million disallowance.

The real benefit for residential ratepayers is not the \$17 million (though for Pacific Power customers, a couple of extra bucks in their pockets per month is nice), the real benefit is that the Pacific Power has now been told loud and clear that it must do the appropriate analysis and determine whether there are alternatives that are cheaper. Getting Pacific Power to answer the right questions has the potential to save customers hundreds of millions of dollars.

Bob Jenks

P.S. If you are a Pacific Power customer, your total refund this year will be about \$20 dollars – please consider donating some, or all, of your refund to CUB so that CUB can keep fighting for your best interests .

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 STAFF IS VERY BUSY LOOKING FOR SAVINGS FOR YOU

It's starting to get really busy again for CUB's extremely hardworking attorneys and analysts.

PGE: Last month PGE requested a 9.3% rate increase for residential customers. PGE already has the highest rates of any utility in the state that serves more than 5,000 customers. CUB is concerned that a rate hike will only make it more difficult for residential customers who are already struggling.

PGE claims that the need for a rate hike is being driven by higher pension and health care costs for employees along with new capital investment in power plants and on its distribution system. In addition, PGE is asking that customers pick up a bigger share of officer bonuses, and that it be allowed to earn a profit margin on its contributions to its pension fund.

CUB is just beginning to analyze the PGE case. However, there are some areas that are already troubling us. Asking customers to pay bonuses to officers who have not been able to keep PGE's rates at the same levels as other utilities in the region just doesn't seem fair. As for paying the utility a profit on its pension contribution, that would require a fundamental change in how pensions are treated. It would give the company the ability to increase its profits and rates at will by dumping money into its pension fund.

Examining PGE's costs and revenues will be a priority for CUB over the next few weeks. CUB hopes to maintain its record of reducing, and even on occasion entirely eliminating, unnecessary rate hikes.

PACIFIC POWER: Check out Bob's letter (page 2) to read about our triumph in December 2012 over Pacific Power. Unfortunately, within weeks of that rate case ending, PacifiCorp filed a new rate case seeking to raise residential customer rates by another 3% in January 2014 and then again later in 2014 by an additional 1.8%. As Bob told a reporter for Clearing Up, the newsletter for energy and utility news for the Northwest, this is "not what you would normally expect." In effect, the company is asking for a series of 4 general rate increases in a period of 2 years (2013 and 2014). The small increase in January 2013 will largely be offset by the rate credit customers are receiving this year as a result of the \$17 million penalty issued by the Commission in the last rate case for the company's poor analysis of its coal investments. But another increase is coming this summer and now the company is asking for two increases in 2014.

CUB has been critical of Pacific Power in the past for filing rate cases for rate increases nearly every year. But the 2012 rate case seems to have commenced a new scheme to ask for rate increases twice a year. This is confusing for customers and unnecessary for the company.

According to Pacific Power, the primary driver of the first 2014 requested rate increase is a change in the company's depreciation schedule, which pushes up rates by \$40 million. This increase does not come from an increase in costs, but from a change in the timing of how costs are collected. For example, rather than pay for a particular Information Technology investment over 7 years, the new schedule might collect the same costs over 5 years. While depreciation schedules get updated regularly, CUB cannot remember having a depreciation change lead to such an increase in rates.

Like PGE, Pacific Power is asking that the Commission allow it to earn a profit on the contributions it makes to its pension fund, which CUB believes is not appropriate.

NORTHWEST NATURAL: NW Natural, the state's largest gas utility, does not have a general rate case this year, but it is pursuing a variety of cases that are designed to lead to higher rates. First, like PGE and PacifiCorp, NW Natural is asking that it be allowed to earn a profit on contributions to its pension plan. It seems obvious that the three utilities have been inspired by one another's proposals and are working toward the same resolution on this issue. In addition, NW Natural continues to pursue recovery of costs associated with environmental cleanup of manufactured gas plants which date from the 1850s up to the 1950s.

RESOURCE PLANNING: Idaho Power, Pacific Power and PGE all have integrated resource plans that are under review this year. These are important dockets that look at the least cost/least risk way to supply power to customers over the next 20 years. These kinds of planning processes have been critical to our ability to keep utilities investing in energy efficiency as an alternative to more expensive new generation. CUB will of course be scrutinizing these plans for any proposed investments in coal plants to ensure that utilities are not pouring money into old, uneconomic

SO MANY DOCKETS continues in page 4.



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SO MANY DOCKETS continued from page 3.
plants.

There are many smaller dockets in addition to the above dockets, and we know that the utilities will come up with more and newly creative ways to seek additional recovery because they always do. CUB is watching!

WHAT'S UP WITH CUBCONNECTS!

CUBConnects.org, Oregon's telecom consumer information center, and a project of the CUB Policy Center, has been busy following all the latest happenings in telecom this year. One big topic is the recent change in the law that has made it illegal to unlock your cell phone and take it to another carrier. Due to public outrage, and a number of different petitions circulated online, the FCC, the White House, and members of Congress have stated opposition to this new law and are currently working to reverse it with a bill being introduced in Congress. To be clear, the recent change in the law only applies to newly purchased phones, and unlocking can still occur if you have the permission from your current carrier.

But, for safety's sake, until this change is reversed, you should ask permission from your current carrier if you plan on unlocking any recently purchased phone. If you have questions about this new law, please contact us at info@cubconnects.org or call us at 1-855-892-4314.

Have you heard about the recent phone scam affecting customers of PGE? Customers have reported that they've been called by someone demanding money for past due amounts on bills and threatening to shut off their power if they don't pay. PGE got in touch with us to help spread the word about this scam. If you are in fact facing shut-off, you will not be called by an individual asking for payment. Rather, you will receive notices by mail and then be called by PGE's automated phone system. Read more about this scam on our website here: <http://bit.ly/PGEscam>.

If you ever have any questions about your phone or internet bills, if you need help finding a new plan, or if you are interested in seeing if there is any way to cut down on the costs of your phone bills, check out CUBConnects.org, or call our toll-free helpline at 1-855-892-4314. That number, by the way, goes straight to the CUB Connects team, located in the CUB Policy Center office!