

Wednesday, February 12, 2018

For the Record, my name is Dennis Linthicum - Senator District 28

I'm am here today to recommend passage of **SB 1552** known as the **Ratepayer Protection Act**.

I'll be the first to admit that **our electric grid is extremely reliable, well-integrated and complex**. Today's grid system was designed for efficiency, reliability, safety, ease of operation, and it was designed to meet consumer needs at minimum cost.

And, certainly... the **grid of the future must maintain these characteristics while meeting a number of new requirements:** such as, supporting the integration of various clean and distributed energy technologies, meeting the higher power-quality demands of modern digital devices, and enabling consumer participation in distributed generation, or community storage markets.

Please do not mistake SB 1552 as naive balder-dash that has made it to your committee for a "mere courtesy" hearing. This is a serious legislative request and it represents more, much more, than **mindless pleading**.

Currently, PUC schedules include:

- Rates to encourage **acquisition of cost-effective conservation resources**
- Rates may **encourage tree planting programs** as offset to carbon dioxide emissions
- Rates based upon **income taxes paid** by utility
- Rates to ensure **compliance with greenhouse gas emissions standard**,

While the rates are accounting for these investments and returns on investments they do not prevent any public utility from giving free service, or reduced rates to:

(a) Its officers, directors, employees and members of their families;

(b) Former employees or members of their families, retirees or deceased employees of public utilities.

You have heard the phrase, **“Give an inch and they will take a mile,”** **only this time** it is coming from **our state’s energy racketeers.**

After decades of mission creep, there is virtually no aspect of **“infrastructure spending,” carbon mitigation or conservation** that has **not wormed** its way into these public utility rate schedules.

This means of course that these costs are getting passed directly onto ratepayers’ backs.

Oregon’s electric utility users and ratepayers deserve a break.

The primary consumer advocate for OPUC regulated utilities is the **Citizen’s Utility Board (CUB)**. The Board is supposedly elected by utility consumers to represent their interest against the interests of the monopoly utilities. However, these board members **do not, necessarily, represent Oregon’s household users, small farmers, business owners, boutique manufacturers or ag producers.**

SB 1552 is designed to protect Oregon’s economic backbone. The typical ratepayer is in need representation from the legislature.

The average Oregon citizen is **timidly watching his own cash flow.** He is constantly scanning the horizon for new opportunities, but **the state’s burdens are heavy.**

There are income taxes, corporate taxes, the possibility of a new carbon tax, annual permit fees, licensing requirements, gasoline tax increases, annual property tax assessments, vehicle registration fees, continuing education requirements for their specific trade, minimum wage and scheduling burdens, sexual harassment training requirements and many, many more chances for **our cadre of the pick-pockets.**

At the national level, the current level of **economic expansion** is fast becoming long in the tooth and despite all of the robust projections, and recent Wall Street records, current trends may well be **headed for correction**.

It is not a case of “if”, but when?

You may be thinking, “**So, what?** – What does that have to do with Ratepayer Protection?”

Here are some details: with a recent peak near **2850**, the **S&P 500’s reported a \$110 per share 10-year growth rate** which compares to just **2.4% per annum** since the \$85 per share prior cycle peak in June 2007.

Yet, the PUC Rates of Return have been well over 7% for that entire period.

Additionally, they have been savaged by the Zero Interest Rate Policy (ZIRP) policy on their saving while their **wage growth has been flat** over that same 10-year period.

The data for all US production and non-supervisory workers (**80% of all employees**), who generally do not get bonuses, received year-over-year hourly wage growth of **2.4%**



in January 2018 compared to **2.3%** last January and **2.4%** in January 2015.

Wages are barely keeping up with the CPI (2.1% year-over-year).

The annual hourly wage growth has been flat-lined and has

averaged nearly **2.2%** per year since January 2010.

To combat this dilemma millions of Americans have turned to trillions in debt. The debt totals are breathtaking:

- Total mortgage debt – **\$13.6 trillion** (\$9.9 trillion residential)
- Total credit card debt – **\$924 billion**
- Total auto loan debt – **\$1.0 trillion**
- Total student loan debt – **\$1.3 trillion**
- Other consumer debt – **\$300 billion**

With 118 million occupied households in the U.S., that comes to \$145,000 per household. But, when you consider only 74 million of the households are owner occupied and approximately 26 million of those are free and clear of mortgage debt, that leaves **millions of people with in excess of \$200,000** in mortgage debt.

These are national statistics, but Oregon is no different and there is no excuse for this committee to **ignore the plight of the Oregon ratepayers' demographic trend.**

Lastly, there is no better evidence for the harm perpetrated by perverse policies than the utter collapse of the **net national savings rate – the sum of household, corporate and government net savings.**

Compared to an average of **11% of national income** between **1954 and 1970**, it has been in steady decline. **At present, the net national savings rate is barely 2%**, but with the ill-timed explosion of fiscal deficits, it is destined toward the zero bound and through to the negative side.

If **Oregon cannot generate net savings** within our own jurisdictional boundaries then we will never grow, **or** even remain stable.

I call on the legislature to provide relief by lowering PUC regulated utilities expectations. **My recommendation is to limit ROR to 4.5%, for the foreseeable future.**

Here is a list of various Rates of Return provided by **Legislative Fiscal Office**:

Idaho Power:

7.757 percent ROR since 2012

PacifiCorp:

7.655 percent ROR effective January 1, 2013,
and reduced and held to 7.621 percent ROR since January 1, 2014.

PGE:

8.033 percent ROR effective December 18, 2010,
reduced to 7.646 percent ROR effective January 1, 2014,
reduced to 7.560 percent ROR effective January 1, 2015,
reduced to 7.475 percent ROR effective January 1, 2016,
reduced to 7.352 percent ROR effective January 1, 2018

Section 8 of the bill would stop the collection of the Klamath Dam removal surcharge from ratepayers' utility bills. The devil is always in the details, so here is some background information.

For nearly two decades, disparate **factions struggled** to implement their respective irrigation, power and water-related interests with regard to the Klamath River Basin. Their efforts resulted in the Klamath Basin Restoration Agreement (KBRA) and the Klamath Hydroelectric Settlement Agreement (KHSA). These agreements were part of a major push to remove the four PacifiCorp dams on the Klamath River.

The stage was first set via a 2008, Agreement in Principle, which compelled the Federal Government to assess the costs and benefits of dam removal and either designate a non-federal dam removal entity (DRE) to remove the dams, or “**decline to remove the dams at which point PacifiCorp will return to the Federal Energy Regulatory Commission (FERC) for relicensing.**”

Although a DRE has been designated, Klamath River Renewal Corp. (KRRC), the **KBRA and KHSA** agreements **have long expired** due to congressional inaction. A third agreement, the Upper Klamath Basin Comprehensive Agreement (UKBCA) has also been terminated by the DOI.

The time has come for Oregon’s legislature to call the dam removal effort, whether good or bad, a failure. The agreements have little chance of being resurrected and it is time to exercise the last clause (above) where PacifiCorp declines dam removal and returns to FERC for relicensing.

SB 1552 would require PacificCorp to discontinue the assessment of dam removal surcharges that appear on ratepayers’ electric bills. Specifically, if the Klamath Dam removal has not started by Jan. 1, 2019, the dam removal surcharge will be discontinued, and funds collected by PacifiCorp would be returned pro-rata to ratepayers with a 4 percent interest on the monies which have been held in trust.

The Dash-1 Amendment allows the monies to be used for **fish ladders or fish passage alternatives, mitigating PacifiCorp’s** main difficulty with FERC relicensing requirements.

Alan Mikkelsen, deputy commissioner for the U.S. Bureau of Reclamation has said BOR will not interfere with the FERC process and believes the dams will be removed. However, there are still **plenty of environmental, legal and financial hurdles** to deal with.

First, is the long-term liability for unknown and known problems, such as dealing with the **20 million cubic yards of accumulated sediment that will pollute the river** after the dams are removed. Turbidity, water quality, and long-term fish habitat are all big environmental issues at stake.

Lastly, a host of legal problems associated with the tentative dam removal agreement between Oregon and California will become **tangled in strategies** to find **non-federal funding sources**.

Prior dam removal cost estimates, for the four dams, range from **\$950 million to \$1,400 million** and possible funding streams have not yet been identified.

It’s time to stop the appearances of our dueling “good cop/bad cop” viewpoints with all their endless questioning, challenging changing, redefining and reinterpreting important issues at hand.

The opposing sides are **arguing about what the definition of “water” is**, and it should be **as plain as the snow on Mount Shasta’s slopes**.

Here’s the straight scoop:

Oregon’s hydro-electric power generation facilities are the most cost-effective base-load power sources for our state’s growing electric needs. Let’s use them with wisdom and get back to using **real-world economics, science and common-sense** to steer Oregon’s natural resource policies in the right direction.

Lastly, I in OLIS I have provided some quick facts regarding other features included in the Ratepayer Protection Act.