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DRAC Issue Paper Comment

From: Craig Patterson

Representing: Self

Dear Northwest Power Planning Council and staff,

I appreciate the opportunity to address conservation and demand response resources and how best to achieve them. I think there are a number of critical and interrelated issues which require understanding;

- the lessons of the past,

-the bubble of the present

-and the challenges of the future.

I will briefly address each of these and then talk about priorities as I see them.

Lessons of the past are numerous but most grew out of the need for growth and increasing supply. In the 1980's the region rushed head long into the nuclear plants at WPPSS on a whim and a prayer. While many opposed them, the opportunity for centralized profits on a source once thought too cheap to meter was too lucrative to pass up. The reality was it became a source too expensive to comprehend both in present and future time as costs and leaks attest.

Other externalities and unintended consequences include attempting to mitigate for dams that have significantly impacted Salmon and other species. identify and mitigate wasteful consumption leading to conservation programs. And understanding rate structures that attempt to balance rates with regional benefits and jobs. Or as in the DSI case where massive use garnered cheaper rates even though the jobs benefits to the region were disproportionately low.

As one who has participated (hands on) with many conservation measures, I have concern that the way we model savings maybe masking additional use. Since energy savings are largely 'projected' and not validated at the end user meter, its difficult to know whether we are in fact using less. If conservation was measured, verified and validated the saving with the customers bill over time we would know the direct effects of our measures. Without this kind of verification one never knows if the 75 dollar rebate for the energy efficient washing machine went to a bigger space heater for the Winnebago. This approach certainly doesn't capture creating an 'ethic' of conservation as part of the conservation measure. It's critically important that rate design strongly supports conservation through inclining block rates that are significant and numerous. Significant enough to get the big users attention and numerous enough to

create the ethic and consciousness of conservation with achievable rewards for improvement. I would like to see some form of this as a condition of sales to utilities to get everyone on the same page overnight.

Currently although rates are at all time highs, we seem to be living in a bubble of adequate supply to meet current need even in a climate of closing coal plants, subsidizing biomass, enjoying the boom of fracking until the consequences show up. Currently there is no immediate end to the bubble in sight. But there will be an end with vastly unknown consequences. The more centralized systems the more vulnerable with potentially huge long lasting impacts.

This is precisely why we need to support decentralized and distributed generation and not see it as a justification for higher basic charge as the cooperatives are crying.

Ultimately I do not believe technology will save us as the consequences of technology that ultimately pop our bubble. We must face finite limits on a finite planet. And we must face the changing face of energy with typically less embodied energy, greater transportation distances and a significantly less EROEI (energy return on energy investment). The future will not be like the past. It's time to understand that and seek long term solutions.

I will end by sharing a guest view point I just submitted to the Register Guard regarding rate structure, conservation and cooperatives.

Energy conservation has been a priority in the Pacific Northwest since the first regional energy plan was developed over 35 years ago. However, it is questionable what we have actually conserved given electricity rate structures that undermine conservation.

Recently, Lane Electric Co-Op increased it's basic charge by over 33% (from \$18.00 to \$24.50 per month). What is the justification for this increase in the basic charge?

I requested a copy of the COSA (cost of service study), but Matt Michel, the new general manager, denied my request to email a copy and said I could drive there (130 miles round trip) if I wanted see it. (This strikes me as a disconcerting lack of cooperation from a 'cooperative'.)

Mr. Michel stated in a phone conversation that he didn't want to send me the COSA because I would "shoot holes in it" or that I wouldn't understand it and make inferences that weren't accurate.

I've been active in energy and conservation issues for over three decades and know that a high basic charge directly undermines conservation. For example, this month my basic charge is three dollars more than my kilowatt hour charge or 53% of my total bill. An indoor marijuana grow that used 5000 KWH a month would only pay 5% of its total bill for the basic charge. When rates fail to progressively discourage consumption, they certainly do not promote conservation, and the increased basic charge amounts to a subsidy for high-usage members by low-usage members.

I take issue with both LEC's lack of transparency and a pricing policy more representative of the investor owned utilities that are regulated by the Public Utilities Commission. Recent trends include increasing rates 11 times in 16 years (5 KWH increases and 6 basic charge increases). For historical reference, from 1939 to 1990 the rates increased only 4 times (3 KWH increases and 1 basic charge increase).

Some of this may be explained by the fact that Lane's managerial salaries and board compensation have increased to the point that three years ago the general manager's total compensation was \$317,000. In 2015, one board member was paid more than \$20,000 and most received approximately \$15,000. If you request LEC's Tax 990 form, you can see the figures for yourself.

Another consequence of high bills is disconnection for non-payment. In the last 13 years more than 3100 members have been disconnected.

What if rate structures nudged customers toward an ethic of conservation by increasing KWH rates as consumption increased? This would produce additional revenue by charging big users rates high enough for them to get serious about conservation. For example, why not have a basic charge of \$10.00 which might include the first 100 KWH (a lifeline rate) and then have KWH rates increase progressively as usage exceeded higher and higher levels?

While cooperatives grew out of a desire to help dispersed rural users, today's rate structure reflects more of a shareholder mentality (with the board and management behaving like shareholders). With little transparency and sky-high rates Lane Electric appears more concerned with protecting board and management compensation than serving their members with affordable rates.

By comparison, the Springfield Utility Board (SUB) has a \$12.30 basic charge and a voluntary board. It seems that SUB has the more cooperative perspective, holding rates low while LEC has adopted an investor mindset with no oversight by the PUC and with ever increasing management salaries and board compensation.

While EWEB recently saw its credibility with its ratepayers damaged by an inexcusable lack of transparency in its dealings with Seneca, Lane Electric seems to be heading down the same path with unjustified rate increases, pronounced lack of transparency and a rate philosophy more consistent with an investor owned utility.

Thank you for this opportunity to comment.

Sincerely,

Craig Patterson