THE CITIZENS' UTILITY BOARD OF OREGON

Because Utility Companies Bear Watching...

February, 1991

Ballot Measure 5 and the Utility Ratepayer

At the November '90 CUB board meeting, CUB's Executive Director, Kimberly Moore Webster, asked the CUB Board of Governors to consider the impacts of Ballot Measure 5 on utility ratepayers. In their December meeting, the Board authorized CUB attorney J. Rion Bourgeois to request deferred accounting treatment of local property taxes for all energy and telecommunications utilities under ORS 757.259(2)(c) and 759.200(2)(c).

What is deferred accounting? It is a procedure which allows the PUC to immediately take into account changes in a utility's costs, the rate treatment for which is deferred to the next rate case. It's a remedy not only for utility companies but for ratepayers and the PUC. When a utility experiences a cost decrease (or increase), CUB, the PUC's staff, or the company can apply to the Commission to set up a deferred account. It's a bookkeeping account to record cost decreases or increases until a rate case can be held.

In their next rate case, if the utility with the deferred account experienced a $15 million decrease in property tax cost due to Ballot Measure 5, that windfall could be refunded to ratepayers. In the case of a cost increase, in the next rate case rates could then be raised to account for the increase.

As Mr. Bourgeois wrote in a letter to the Commission pursuant to this request, "Recent passage of Oregon Ballot Measure 5, the Property Tax Limitation initiative, will result in a decrease in property tax costs for affected companies. This cost decrease should be passed on to ratepayers in the form of decreased utility rates. Insofar as it is difficult to initiate a rate case for all affected companies at once, deferred accounting treatment is appropriate."

CUB's concern in ensuring the establishment of deferred accounts in this matter stems, in large, from the UT-85 case, where Pacific Northwest Bell (PNB) was able to <u>avoid</u> passing along many millions saved when the 1987 income tax legislation was passed. From 1987 until the PUC's recent decision in UT-85 to compel PNB to apply income tax savings to rates, none of those funds had been subject to consumer refund in a rate case. (The statute establishing deferred accounting for telecommunications utilities was not passed by the Oregon Legislature until 1989, whereas the statute establishing deferred accounting for energy utilities was established in 1987.) CUB wants to ensure that ratepayers are protected from such an inequity again.

Just prior to CUB's request to establish deferred accounting pursuant to Ballot Measure 5, Assistant Commissioner Mike Kane sent a letter to all utilities seeking to gather information necessary for the PUC staff to evaluate the impact of the ballot measure. A meeting with all utilities, to which CUB was invited, was scheduled for January 14th.

At the January 8 PUC public meeting, where CUB's request was on the agenda, Maurice Astley, the lobbyist for the Oregon Independent Telephone Association, also argued that the application was premature. Mr. Bourgeois then questioned whether OITA opposed the establishment of a deferred account or simply felt that it was premature at this point, without taking into account other factors such as the increase in income taxes resulting from the loss of the property tax deduction. Mr. Astley confirmed that the latter was his concern.

Speaking on behalf of Northwest Natural Gas, Bruce DeBolt also opposed the application as premature, and in response to a similar question from Mr. Bourgeois, replied that the deferred account should not even be established on July 1, 1991. This quickly added credibility to CUB's concern about utility opposition; rather than dismiss the application as premature (though they declined to issue an order to set up deferred accounts pursuant to CUB's request),

(continued from first page)
the PUC directed that a docket be opened, so that the remedy will be available if the Commission staff is unable to reach agreement with the utilities.

CUB exec Webster and attorney Bourgeois attended the January 14th meeting with PUC staff and utility representatives to continue the discussion about proper treatment of Ballot Measure 5 property tax savings. PUC staff had compiled the information submitted by utilities prior to the meeting. (These figures are based solely on real property taxes, and Ballot Measure 5 may also apply to personal property taxes.)

As you see from the summary, for the 91-92 tax year, real property tax reductions for energy utilities amount to well over four million dollars and to more than five and a half million for the telecommunications utilities. Telecommunications customers could save up to $.32 per month per line (depending upon which teleco services your area) in 91-92 if this savings were passed on to ratepayers. By the 95-96 tax year, if the Legislature had not passed a sales tax or increased income taxes, the real property tax savings for energy utilities and telecommunications utilities is estimated to be $21,984,000 and $23,065,000, respectively. Telecommunications customers would save up to $1.19 per month per line (again depending upon which teleco services your area) in 95-96 if such a savings were passed on to ratepayers.

Discussion amongst the utilities at the January 14th meeting could not be characterized as enthusiastically supporting the establishment of deferred accounting. Maurice Astley stated, in discussing the merits of deferred accounting, "Our concern is if we're going to spend $50 chasing a dime." Though he agreed that consumers should ultimately receive the savings from Ballot Measure 5, he did not appear to be certain that, with other considerations taken into account, there would be any savings.

A representative from Pacific Power and Light commented that a portion of the property PP&L holds is not currently taxed at the $10 per $1,000 limit in the ballot measure. He expressed concern that the very passage of the measure might encourage increased property taxes in the instances where property is not currently taxed to the limit. He was not in favor of setting up deferred accounting.

Bob Hollis, an attorney representing the Oregon Exchange Carrier Association, pointed out that 70% of the savings could be passed on to ratepayers through OECA's carrier access charge rate setting mechanism already in place, and the other 30% could perhaps be taken into account in the pending EAS docket. CUB's lawyer Bourgeois pointed out that since big business customers are the primary beneficiaries of reductions in carrier access charges, CUB could not be satisfied with Hollis' proposal.

Assistant Commissioner Mike Kane posited that it might be premature to set up deferred accounting at this time because the Legislature, which had convened that day, might pass a sales tax or increase state income taxes, offsetting the Ballot Measure 5 property tax savings.

Bourgeois pointed out, after listening to a wide variety of utility company sorrows over cost increases which would offset their property tax decreases, that he had heard nothing about any petitions for rate increases from these utilities prior to the passage of Ballot Measure 5, and it would do the utilities no harm to establish the accounts, since no refunds could be ordered without a rate case. He also argued that it should not be presumed that the Legislature would do anything immediately about replacing lost property tax revenues. He further stated that what might seem an insignificant savings for consumers from the companies' perspective is, indeed, quite substantial in CUB's estimation.

It appears to us that the PUC staff is seeking deferred accounting as a

Estimated Utility Cost Savings From Ballot Measure 5

	91-92	95-96
Energy Utilities		
PGE	1,531,000	9,013,000
PP&L	1,725,000	7,275,000
Northwest Natural	997,000	5,222,000
Idaho Power	12,000	83,000
CP National (Gas)	71,000	391,000
Energy Utility Totals	4,336,000	21,984,000
Telecommunications		
Bell	3,939,000	15,860,000
GTE	1,391,000	5,179,000
Contel	41,000	317,000
CP National	20,000	195,000
Pacific Telecom	220,000	820,000
United	-0-	693,000
Telecommunications Totals	5,611,000	23,065,000
Cost savings per line:		
Bell	.24	.96
GTE	.30	1.13
Contel	.11	.86
CP National	.10	.97
United	-0-	.78
Pacific Telecom	.32	1.19

remedy to the Ballot Measure 5 situation, though on an informal basis, as opposed to CUB's formalized procedure.

After two hours of discussion, it was decided that the issues facing energy and telecommunications were significantly different in this instance, and meetings to follow-up ought to be held separately. We anticipate future meetings in about one month's time.

ACTION ALERT: WHAT YOU CAN DO

1. While the PUC is sensitive to the political importance of this issue, the utilities underestimate its importance. Write a letter to your utility company officials! Let them know that you want them to support the establishment of deferred accounting for Ballot Measure 5 property tax relief. Send a copy of your letter to the PUC and to CUB.

Public Utility Commission of Oregon
Labor & Industries Bldg.
Salem, OR 97310-0335

Citizens' Utility Board
921 SW Morrison, Ste. 550
Portland, OR 97205

2. If you wish to be apprised of future meetings where the PUC will discuss this measure, call the PUC (1-800-522-2404) and ask to be placed on the mailing list for the dockets relating to deferred accounting and Ballot Measure 5.

3. Write or call your state legislators and request that they support the Intervenor Funding bill (Senate Bill 229) which would give the PUC the authority to require the utilities to pay CUB's (and other intervenors') direct expenses for attorneys and expert witnesses in ratecases.

4. Support your Citizens' Utility Board in this issue -- the potential utility company windfall from Ballot Measure 5 -- and other issues of critical importance to ratepayers by sending a contribution.

CUB depends almost entirely on member support. Tell a friend about CUB. Or, purchase a membership for a friend as a gift. The minimum membership is just $5.00 per year. If every current member brought in just one new member, we could drastically increase our base of support in a very short time. So, invite a friend to join us. You can help the Bear roar more loudly and effectively.

THE HARD TRUTH: Recycling Can Cost $$$

Recycling is high on everyone's agenda, and CUB is joining other pioneers on the conservation trail. By the end of April, CUB will stop using plastic window envelopes for mailing renewal notices and appeals. By the end of this year, CUB will neither buy nor use any non-recyclable material and hopes to use all recycled paper.

This is no small trick; a tight budget makes purchasing recycled products tough when survival depends upon wide dissemination of the printed word. Recycled papers still cost considerably more than standard papers -- nearly twice as much -- and plastic window envelopes more than open window ones. As the demand for recycled and recyclable products goes up, prices will become more competitive. CUB is tightening its belt another notch to help increase that demand.

Members and supporters can help by contributing an extra few dollars to help cover these increased paper costs, whether at home or work. You can also help by writing to your utility companies still using plastic windows and non-recycled papers; implore them to use recycled and recyclable materials.

The hard truth is this: the only way to make recycled products less expensive is to buy them. The almighty buck might just have to share its throne with other considerations, like the survival of the planet's limited resources.

CUB is an independent non-profit organization established by Oregon voters in 1984. CUB is funded by voluntary membership contributions.

CUB represents the interests of Oregon consumers of the regulated utilities -- gas, electric, and telephone -- through participation in hearings and ratemaking proceedings before the Public Utility Commission and the Oregon state legislature. CUB also educates consumers through a variety of outreach efforts.

This Bulletin is the monthly newspiece of the Citizens' Utility Board of Oregon.

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THANKS

From time to time we like to say a special thank you to our friends who contribute to CUB financially and through volunteer work. You can support these businesses by patronizing them.

CUB thanks Bartlett Street Books, 16 Bartlett, Medford, for being a CIRCLE OF FRIENDS MEMBER.

And, as ever, special thanks to our hearty core of volunteers:

Mike Sheehan
Rion Bourgeois
Fred Heutte
Anita Russell
Bill Leidy
Austin Collins
Miriam Quaranto
John Seaman

And, all the folks who are helping us spread the word by delivering copies of the Bulletin all over Oregon!

Richard Pastega
Josephine Veysey
Osgood Munger
Victor Nielsen
Mrs. Norman French
Ron Esson
Leon Verhoeven
John Morse
Mark Wilk
Carolyn Lorenz

And, remember, every Tuesday night from 6:30 to 8:30 p.m. at the CUB office is volunteer night. Join us!

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