The Bear Facts

from The Citizens' Utility Board of Oregon

Fall, 1992

IN THIS ISSUE

A CUB Special Report on the Trojan Nuclear Plant

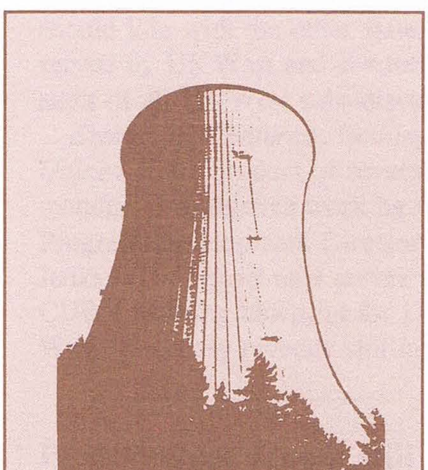
TROJAN DOWN FOR THE COUNT

Portland General Electric has announced that it will close the Trojan nuclear plant by 1996. The doomed plant, a source of contention since its first year of operation in 1976, has been touted by its owners as a source of cheap, clean electric power. PGE now acknowledges that the Trojan plant has been an expensive mistake.

No one can say for certain when PGE first began taking the idea of a Trojan closure seriously, but Portland General's 1991 annual report to the shareholders rang Trojan's death knell with its statement that, "We expect to face two ballot measures in November aimed at closing Trojan. And for the long term, we may have to decide whether to replace the steam generators, currently estimated to cost PGE up to $135 million. Is it in the best interest of our customers and shareholders to invest further in Trojan? Would it make better sense to invest in other resources?"

What we do know is how and when the closure decision was made. PGE looked at the Trojan question through its least cost planning process.

In 1989, with CUB's full support, the Public Utility Commission ordered all regulated electric utilities in Oregon to produce a "Least Cost Plan" every two years. The plan must show how the utility intends to supply electricity for the least cost to customers, to the environment, and to the company itself, for the next twenty years. By revising its plan every two years, the utility is forced into continuous self-analysis. Furthermore, the plan gives regulators a yardstick for measuring the utility's interim proposals for rate increases and facility construction against its least cost ideals.



Least cost planning also requires that the utility include the public in the process to develop the plan. Because PGE's 1992 planning process, begun in January, included Trojan opponents, and because PGE itself had begun to question Trojan's economic viability, the company

Please turn to next page.

US West Working Hard to Weaken Caller ID order

In May, the Oregon PUC issued an order which would allow phone companies in Oregon to offer Caller ID and related services as long as consumers' privacy was protected. US West is now appealing that order and proposes to weaken the privacy protections.

Under US West's proposal, Caller ID will provide your name and phone number to anyone you call, before they pick up the phone. Caller ID will work even if your number is unlisted or unpublished.

Although US West would offer a blocking service called "line blocking" which would allow you to prevent your number from being released through Caller ID, it wants customers to pay for this service.

US West believes that because people value their privacy, it has a right to charge people to maintain that privacy. And US West is working hard to convince the PUC of its "rights".

CUB opposes US West's proposal. If telephone customers want to withhold their numbers to avoid getting on additional telemarketing lists, they should not be forced to pay for their basic right to privacy.

To help protect telephone privacy, write or call the PUC and urge them to reject US West's proposal to weaken Caller ID rules. Write to:

Commissioner Ron Eachus, Chair
Oregon Public Utility Commission
550 Capitol St., NE
Salem, Or 97310-1380

TROJAN DOWN continued from first page.

was forced look honestly at the Trojan question. The facts were impossible to ignore -- **Trojan simply failed the least cost test.**

PGE'S TROJAN HORSE TURNS ON ITS MASTER

Trojan's troubles began while still just a blueprint on a drafting table. Bechtel Corporation's flawed construction design led PGE to sue and the two companies reached an out-of-court settlement in 1981. The records from the suit were sealed by the court, so that whether public health and safety have been at risk from Bechtel's construction is not known.

In succeeding years, Trojan has suffered from serious management and safety problems. The plant was first closed by the Nuclear Regulatory Commission for safety violations in 1978, and fined at least five times over the following ten years, capped by a record $280,000 fine in 1989. The same year, Oregon's Department of Energy threatened to close down the plant.

Meanwhile, PGE, like the other nuclear plant owners, has discovered the severe and seemingly unsolvable problem of nuclear waste disposal. Sites chosen for permanent storage have narrowed to the State of Nevada, where local opposition to hosting radioactive waste is growing. The prospects for disposing of Trojan's waste outside of Oregon are dim.

More recently, Trojan has been off line while cracks in its steam generator tubes, built by Westinghouse Corporation, were repaired with temporary sleeves. The bill for new steam generators, needed within four years, is estimated at a minimum of $130 million. PGE has reserved the right to sue Westinghouse, currently being sued by a dozen U.S. utilities for faulty steam generators, but has not yet instituted legal action.

Trojan's demise is ultimately the result of these impending repair costs and, just as important, public demand. Campaigns to close Trojan by voter initiative were waged in both 1986 and 1990. Given PGE's nearly unlimited access to campaign funds, the measures stood little chance. The 1992 general election in November will present voters with two ballot measures to close Trojan. The spectre of continuing public opposition to Trojan has finally forced PGE to pull its head out of the (radioactive) sand.

THE 1996 PHASE-OUT DECISION

PGE's benchmark "1996" is the closure date chosen to satisfy a number of parties concerned about replacing Trojan's power without threatening the regional power supply. Among those are the Bonneville Power Administration, the Oregon Department of Energy, and the Northwest Power Planning Council. The BPA, which owns 30% of Trojan, would not accept a date earlier than 1996 -- their "zero risk" year -- and fought with the US Department of Energy for the OK to endorse PGE's plan.

In part due to these outside pressures, PGE has avoided the question of closing Trojan prior to 1996. Despite repeated suggestions from the public involved in the least cost planning process that PGE "do its homework" on an earlier closure, the company stonewalled, delayed, and effectively postponed the question.

At the heart of the '96 phase-out decision, though, is this: PGE has spent 16 years in brisk defense of its Trojan power source. A long-standing defensive posture, like an old family feud, is not easily overcome. To the company, the phase-out choice was a major -- and radical -- decision.

But PGE's 1996 date is a deadline, not a target; between now and then, the company could seek an earlier shut-down. Because of its own least cost planning process calling for the plant's demise, PGE can no longer justify Trojan's continued operation.

BATTLE OVER TROJAN COSTS JUST BEGINNING

Now that the plant will close, and assuming no accidents occur before it does, the big question is, "Who will pay?"

The costs of closing Trojan include PGE's undepreciated investment of some $350 million, called "sunk costs", and the projected decommissioning expense of $250 million. Waste disposal costs are yet another factor.

How Trojan costs will be allocated is now a matter of speculation and cannot be decided until the plant is either closed by public initiative or about to be closed by the company. At any time, PGE can institute a rate case on Trojan costs at the Public Utility Commission, signalling its intent to close the plant within a year. And PGE will ask ratepayers to pick up the tab.

CUB would intervene in such a rate case to argue that cost relief can and should come from Westinghouse Corporation, whose faulty steam generators caused forced closures and expensive repairs. If CUB did not succeed, and Trojan's costs were put into PGE's rates, Westinghouse would no longer be liable for paying damages (since the ratepayers will have paid them!).

By seeking damages from Westinghouse, PGE can show its willingness to bear its fair share of the responsibility for bad investments. Investments like Trojan are a businessman's worst nightmare and, in the real world of business enterprise, customers are not expected to pick up the tab.

If either or both ballot measures win, PGE may file suit against the State in an inverse condemnation

Continued next page.

action, asserting that the people took an income-producing facility, and now must pay for it. And when the company filed with the PUC for cost recovery, that issue, too, would likely end up in court, regardless of how the PUC ruled. Both court battles would be expensive and lengthy.

Above and beyond the cost issues, though, Trojan's continued operation for **any period** presents increasing safety hazards. PGE will have to work overtime, even with safety-based employee incentives, to operate the plant without serious risk. The brain drain that started with the closure announcement, with key personnel already sending out their resumes to prospective employers, multiplies the risk factor.

THE CRUX OF THE MATTER: REPLACING TROJAN'S POWER

PGE can close Trojan as quickly as replacement power can be obtained. Will PGE's choices advance the region onto the "soft energy path" of conservation and renewable resources or increase our dependence on fossil fuel use?

PGE's initial reaction to the Trojan shut-down decision is to invest in combustion-fired turbine plants, using natural gas to produce electricity. But this is yet another ill-advised major investment. More gas is needed to produce electric power than is required for direct application -- that is, using gas to generate the electricity to heat a home is far less efficient than simply heating the home with gas. Furthermore, the price of gas is now comparatively low, but will increase with demand as pipeline siting and other transportation (primarily from Canada) problems surface. Gas is not a renewable energy source, nor is it the least costly way to replace Trojan power. It's an expedient choice and a bad investment.

PGE's Least Cost Plan includes some added investment in conservation, the cheapest energy resource, but not enough. The Plan also points to acquiring some renewable resources: wind power from wind mill farms, geothermal from natural subterranean heat sources, biomass from converting organic waste to energy, and cogeneration, which uses power generated by existing industries to supply energy to the region. However, the company's targeted amounts of these resources are much lower than what is either available or achievable.

Conservation and renewable resources are not just sound from an environmentally sensitive perspective, but are based on solid economic reality as well. The positive impacts on the U.S. economy from a soft path energy policy are clearly illustrated by a look at jobs: Generating the same amount of electricity requires 100 workers in a nuclear power plant and 116 in a coal-fired plant, but 248 in a solar thermal facility and 542 on a wind farm. Similarly, the implementation of energy efficiency measures is very labor intensive.

PGE's decision for a voluntary Trojan closure spells the end of nuclear power in Oregon, and the significance for the region's energy future is of immense importance. But PGE must aggressively pursue those resources -- conservation and renewables -- which represent a legacy we can be proud to set in place.

NUCLEAR POWER DECLINING IN U.S.

The Trojan closure represents the first time in US history that a decision to close a nuclear plant came out of a utility's least cost plan. This break-through encourages other electric utilities around the county to put the **whole value** of a nuclear plant, or any other energy source, into the least cost pot -- when cooked and served up, nuclear plant economics are meager fare next to the sumptuous potential of conservation and renewable resources.

Nuclear power plant construction in the United States has bottomed out. No new reactors have been ordered since 1973. All U.S. nuclear plants completed between 1980 and 1988 had cost overruns ranging from 200 to 2,400 percent. Nuclear power has priced itself out of competition, primarily due to its "hidden costs". The costs of nuclear power (which will be truly quantified and experienced by our children) include waste disposal, plant decommissioning, health costs, accidents, and nuclear proliferation.

Those of us with a sense of urgency about the regional and global energy future view PGE's energy resource choices not just as irritatingly slow, but potentially dangerous as well. The resource depletion engendered by electric consumption over the past 50 years leaves precious little time to reverse the trend. There is no need for despair, and no time for retribution. Instead, by joining forces, there is just enough time, enough energy, enough money, enough environmental resilience, and enough human virtue to bring about the needed changes.

Trojan has polarized the public too long, and our combined efforts are now needed to get out from under its awful weight. Please read the following article and respond to CUB's poll on the Trojan closure.

Shut-Down Decision Blindsides Voter Initiatives

Until August 8, PGE was unable to complete a draft of its least cost plan, and convince its Board of Directors to close Trojan. By then, two Ballot Measure initiatives to shut the plant down had been filed with the State and would appear on the November ballot.

The campaigns to close Trojan are based on safety and cost. Trojan's safety reputation could hardly be worse, nor could a more expensive power source be found.

Those who have worked so long and hard to close Trojan, and who foretold the plant's demise by stating the truth before many were able to accept it, deserve respect for their perseverance and praise for their victory. Their expertise will be of value as the battle over Trojan shut-down costs is waged in the years to come.

PGE has thrown in the towel on Trojan, but should we celebrate or remain skeptical? Perhaps some of both.

Just two months ago, PGE's pro-nuclear position was legendary and seemingly unshakable. The voting public has to wonder: If PGE can defend Trojan one day and decide to close it the next, is this company really capable of managing our electric supply? Or should we see PGE's decision as a signal that it is willing to acknowledge its mistakes and start making better choices?

If either or both ballot measures win, PGE's decision to close Trojan will no longer matter. This voter mandate takes Trojan's fate out of PGE's hands.

If the ballot measures fail, and PGE operates the plant one day longer than is economical or safe, resorting to fossil fuels to replace Trojan's power, we all lose. At the same time, if PGE closes the plant earlier than 1996, does not sacrifice safety for profits, and replaces Trojan's power with conservation and renewables, we all win. Such a voter decision keeps PGE in the driver's seat.

Until August 8, the question for voters was an easy one: Shut down Trojan or let it run? Now voters are given a difficult choice: Shut down Trojan or allow PGE to phase it out?

CUB urges you to read the arguments in your voter's pamphlet, consider the issue, and vote in the general election on November 3. Whatever choice you make, your vote counts.

CUB's Member Poll on Trojan

Before PGE made its announcement to close Trojan, CUB's Board of Governors voted to endorse Ballot Measures 5 and 6. CUB has been a committed anti-Trojan organization for many years, and its opinions on cost and safety have proved correct.

Now CUB wants your opinion. Because we are a member-based organization, CUB relies upon the wisdom of its members. Please respond to the CUB poll on the Trojan closure and, if you can, include a small contribution to help defray the costs of this issue of *The Bear Facts*.

Ballots must be postmarked by Monday, October 26. You can get the poll results starting Friday, October 30, by calling CUB at 227-1984 weekdays after 5:00 pm and before 9:00 am, and on weekends 'round the clock.

CUB guarantees ballot anonymity.

CUB TROJAN POLL

Vote for one:

____ Trojan should be shut down immediately by voter initiative.

____ Trojan should be phased out by 1996 by PGE.

If you voted for PGE's phase-out, should the company work toward an earlier closure date than 1996?

___YES ___NO

Clip and send to CUB, P.O. Box 6345, Portland, OR 07228, or use enclosed envelope.

CUB Report Nails US West on Revenue Shifting

On September 3, CUB released a report entitled, *Everything Ventured, Nothing Gained*, which showed how US West had systematically used subsidiaries to overcharge ratepayers more than $34 million.

Among the report's findings:

♦ US West used customer revenues to develop a business which sells lists of customers to telemarketers. When this business became profitable, US West shifted it to a subsidiary, US West Marketing Resources, so none of the profits would go to ratepayers. This has cost Oregon ratepayers approximately $10 million and is in direct violation of an order from the PUC.

♦ US West uses ratepayers to subsidize the publication of the yellow and white pages by its US West Direct subsidiary. This subsidiary was created so US West did not have to share yellow pages advertising revenue with ratepayers. This has cost ratepayers $80 million, of which $56 million has been refunded to customers.

♦ US West used ratepayers to bail out its bad investments in commercial real estate in Denver. This is costing ratepayers across the West millions of dollars.

♦ US West used ratepayers to subsidize the staff of two subsidiaries, Knowledge Engineering and Applied Communications.

The report presents four public policy recommendations to safeguard ratepayers:

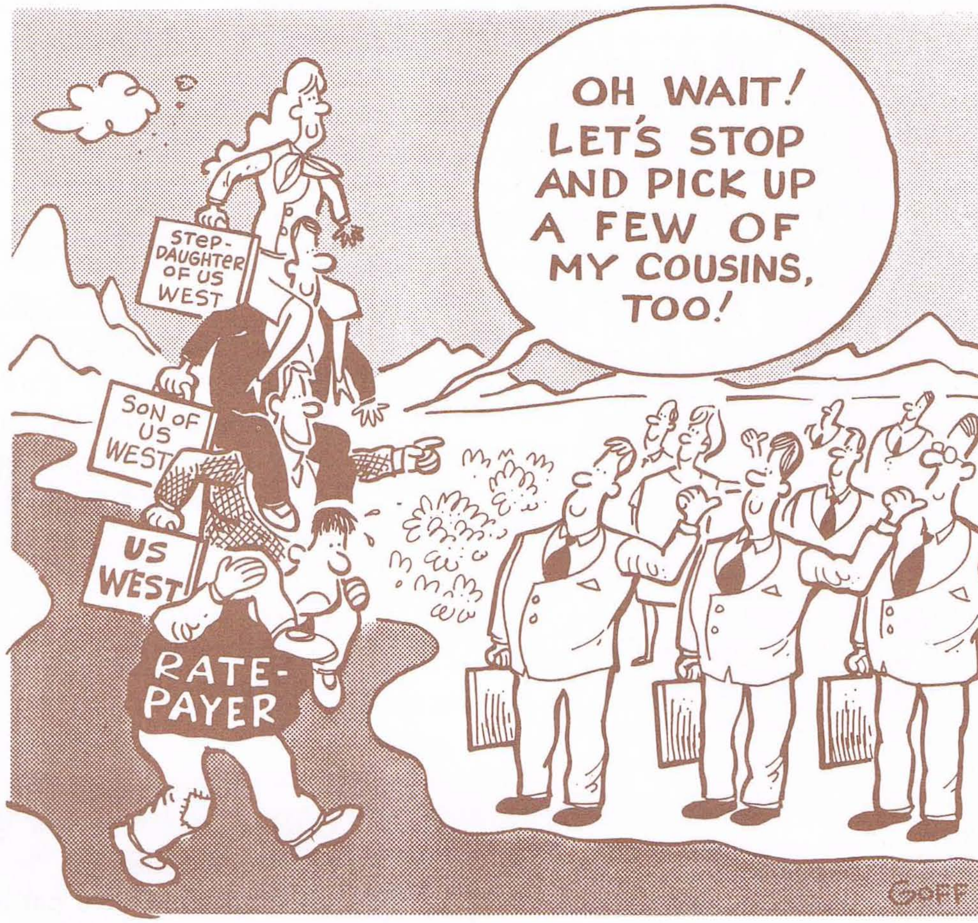
1) Congress should pass HR 5096, the Brooks Bill. HR 5096 will prohibit US West from using customer rates to finance new ventures in interstate long distance, equipment manufacturing and information services.

2) US West must refund lost revenue. The Oregon PUC should determine the actual amount of diverted revenue and require that it be refunded to ratepayers.

3) US West must comply with PUC orders. The PUC and the Attorney General's office should ensure that US West complies with the PUC order on selling customer lists.

4) A regional audit of US West needs to be conducted. Oregon should join with the other states served by US West and conduct an audit of all US West subsidiaries.

Everything Ventured, Nothing Gained is the product of several months' investigative work by CUB Program/Development Director Bob Jenks. The report now serves as CUB's working blueprint for US West subsidiary revenue shifting.



Bush Vetoes Cable Bill

Overwhelming congressional support for a bill to allow local regulation of cable rates was vetoed by President Bush on October 3. The bill goes back to the Senate October 5; after the expected veto override there, it goes to the House. As of this *The Bear Facts* deadline, the fate of Bush's 36th veto is not known. If the bill has not yet passed when you read this, please write or call your U.S. Representative in support of the cable bill.

Brooks Bill Moves Toward Vote in Congress

HR 5096, the Brooks Bill, which is designed to prohibit local phone companies from using rates to subsidize new business ventures, is nearing a vote in the US House of Representatives.

The bill, which is supported by CUB and a coalition of senior and consumer groups, is expected to come up for a vote in early October.

US West has been working hard to defeat this bill and the vote will likely be close. Rep. Les AuCoin (D-Portland) is expected to support the bill, while Rep. Mike Kopetski (D-Keizer) is expected to opposed it. Other members of Oregon's delegation have yet to state a position on the bill.

The Citizens' Utility Board of Oregon

Location and Phone

921 SW Morrison, Ste. 550
Portland, Oregon 97205
(503) 227-1984

CUB CAN'T WORK WITHOUT YOU!

Not a government agency, CUB was created by Oregon's citizens and exists solely due to their support. CUB's members are the ratepayers of Oregon's utilities -- that's most of the state's population. More than likely, that's you!

If you're not yet a CUB member, join. It's easy. Use the enclosed envelope to send your annual membership dues. In return, you'll get CUB's quarterly newspiece, The Bear Facts, and you'll keep your utility watchdog healthy and alert.

And members, to help CUB produce and distribute The Bear Facts, please mail your contribution today. ***Because utilities bear watching!***

The Citizens' Utility Board of Oregon

P.O. Box 6345
Portland, OR 97228

Non-Profit Org.
U.S. Postage
PAID
Portland, OR
Permit No. 2134

ADDRESS CORRECTION REQUESTED

CUB

Because Utility Companies Bear Watching