Spring, 1993

The Bear Facts

from The Citizens' Utility Board of Oregon

IN THIS ISSUE

PGE's Least-Cost Plan to Replace Trojan...NOT Least Cost

The Trojan closure gets Portland General Electric out of the nuclear power business, but the company is trading one risky venture for another. To replace Trojan and meet anticipated customer demand, PGE is lining up enough gas resources to fill over half its power supply system by the year 2000. The local energy future could be spelled FOSSIL FUELS, and it's being done all in the name of least-cost planning.

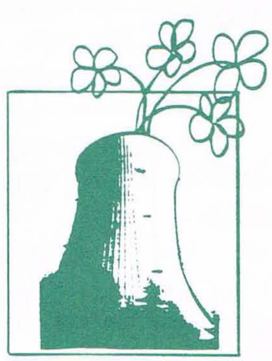
CUB CHALLENGES PGE'S LEAST COST PLAN

For more than a year, CUB has challenged Portland General Electric's least-cost plan on two major points. First, CUB argued that Trojan's continued operation was not a least cost option. Second, CUB has opposed the company's intention to invest in natural gas. PGE saw the light on Trojan, but has not waited for the ink to dry on its *1992 Integrated Resources Plan* before plowing ahead to acquire gas-driven energy sources.

As originally conceived, least-cost planning is a great idea. It was ordered by the Public Utility Commission in 1989 as a way to force Oregon's electric utility companies to account for the consequences of their actions on the next twenty years. The utility is expected to supply power from sources that will be cost-effective over the long haul -- clean, affordable power for future generations.

Unfortunately, despite some advances through least cost planning, utilities appear to be motivated by the same old question: How can we get more power, and get it cheaper and faster?

The trick to successful least-cost planning is to know that, while we can't predict the future, we must take responsibility for it. That takes foresight, and a healthy respect for the lessons of the past.



THE TROJAN LESSON: IT LOOKED LEAST-COST WHEN BUILT

When PGE decided to construct Trojan two decades ago, nuclear power was promoted as a source of cheap electricity. The plant would supply power for at least 30 years. But Trojan never lived up to expectations, particularly as the hidden costs began showing up -- faulty design and construction, management and equipment failures, heavy fines for safety violations, frequent unscheduled shut-downs, expensive inspections and repairs, replacement power costs,

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CUB Takes Consumer Agenda to Legislature

CUB is proposing that the Oregon legislature pass a package of bills which protect consumers' privacy, provide consumers with necessary information, increase competition among telephone companies, and encourage utilities to invest in conservation.

SB 844, The Utility Customer Privacy Act, would prohibit utilities from selling personal information about their customers. Currently, utilities and their subsidiaries are allowed to compile and sell such personal information as a customer's estimated income, whether they have credit cards and whether they buy products through direct mail. This information is then sold to companies which use it for telemarketing and direct mail solicitations.

SB 595, The Telephone Unit Pricing Act, would require that telephone companies provide customers with comparative billing information so customers can determine the best option for local phone service. Currently customers have a variety of choices between measured, flat-rate and extended area service, but are not provided the necessary information to make the choice.

SB 605, The Intervenor Funding Act, would balance Oregon's PUC process by allowing intervenors to be compensated for their cost of opposing utility rate hikes. The PUC acts as an independent judge in determining utility rates, but typically only hears from the utilities. Oregon is one of just 7 states that does not

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LEAST-COST PLAN *continued from front page.*

millions spent to fight public campaigns to close the plant, and no way to dispose of the nuclear waste.

Now that these hidden costs have been illuminated for all to see, it's obvious even to PGE that Trojan was a lot of things, but "least-cost" was not one of them.

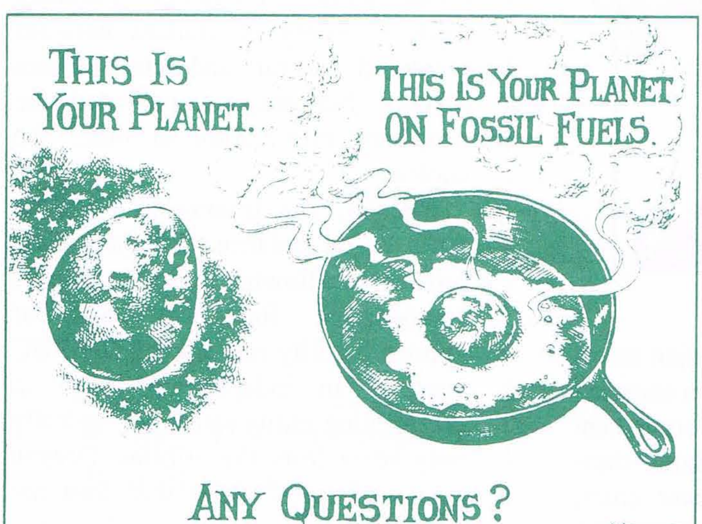
POWER BY FOSSIL FUELS: HIGH-COST PLANNING

PGE power planners say caution is driving the decision to invest in gas resources; understandably, the company wants to recapture a feeling of safety after its wild ride on the Trojan machine. PGE's infrastructure is based upon building and operating fuel-powered plants -- it's comfortable territory. But should PGE's comfort level determine what is least-cost?

Natural gas looks cheap today because its environmental and societal costs have not yet been included in the price. But those costs will catch up with us soon enough -- as greenhouse gas taxes and use restrictions are imposed, the pipeline structure expands, competition for a limited supply increases, and as ratepayers find themselves picking up the tab for yet larger gas-fired plants. Gas is tempting utilities today because they are smart enough to look for an alternative to coal, which is so polluting as to be the most expensive choice available. Gas is clearner than coal, but that's not saying much. In fact, gas and oil production inflict about the same amount of environmental harm. About 90% of natural gas is methane, a global warming gas more potent than carbon dioxide.

The supply of natural gas does not exist in the United States. The North American supply, while it lasts, will be extracted mostly in Canada, and piped southward. The U.S. is being forced into a world marketplace for its energy supply -- and price volatility is the inevitable result.

Since the entire continent appears to have similar designs upon natural gas, estimates of demand are moving up at an alarming rate, and the suppliers will dictate prices. The United States consumed <u>20 trillion</u> cubic feet of gas in 1992. Predictions increase U.S. consumption by 15% by the year 2000. As a result of increasing demand, massive investments to expand the pipeline system are planned. One company alone, Westcoast Energy, Inc., will spend $1.5 billion over the next five years. Must we wait for the cost of our gas and electric utilities to skyrocket before making the decision to <u>use energy sources that are not driven by fossil fuels</u>?



THE REAL LEAST COST CHOICES: STILL GOOD IN 20 YEARS

Energy conservation is a resource, as effective as any power plant and far cheaper. Conservation alone could eliminate PGE's need to expand its power supply. And PGE loses nothing by investing in conservation and energy efficiency measures because the Public Utility Commission is encouraging PGE to "decouple" company profits from its level of sales.

Renewable resources, such as wind and solar power, are now available at competitive prices. The National Energy Act, passed just last September, grants hefty credits for the use of certain renewables such as wind power and biomass. Solar and wind technology have been "proven", thanks to California's investments over the past decade or so where enough electricity is generated by solar power to supply a city the size of San Francisco.

Renewables are truly "sustainable" resources -- that is, the fuel supply never dries up. With power sources like conservation and wind energy, you get exactly what you bargained for. There are no hidden costs.

A utility which invests in an efficient power plan accomplishes two important goals: diversity of the power supply and the ability to absorb losses. The ideal supply relies on many different resources, localized wherever possible, and purchased in small quantities from outside contractors.

Conservation and renewables projects are relatively small and manageable. The utility can easily withstand the loss of a 25 megawatt wind farm or conservation project; on the other hand, losing a 220 megawatt gas-fired generator, or access to a fuel supply sufficient to power it, will throw the company into brown-out hysteria, not to mention financial turmoil.

LEAST COST PLANNING: BETTER THAN NO PLANNING

Least cost planning is either a very good way to do utility resource planning or a mighty slick way for the utilities to justify their choices to the Public Utility Commission. Once acknowledged by the PUC, PGE's 1992 plan will be used as a "benchmark" to evaluate the company's performance. If the plan is to rely heavily on natural gas, the PUC has no choice but to allow all natural gas investment decisions to be incorporated into

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rates -- ratepayers carry the risk and pay the consequences.

Part of the problem is that least-cost planning is still in its infancy, and no one is quite sure how it's supposed to work. So the utility makes all the right moves, conducting exhaustive technical analysis and involving the public in its decision making. But so far, PGE's decisions have been based on what it perceives to be "prudent" choices, based mostly on short-term economics.

The PUC cannot create a good least cost plan for PGE; it can only evaluate the plan based upon the information supplied by the company. The PUC does not judge the plan's merits outside of economic certainties. So far, least-cost planning is up to the utility itself.

PGE must produce a sound policy commitment to move away from fossil fuel dependence and toward energy efficiency. The policy decisions made by PGE's executive board and management team drive planning, as they must. The critical question is: In which direction will PGE go?

CREATING A SUSTAINABLE ENERGY FUTURE: PLANNING WITH OUR EYES OPEN

Like it or not, PGE is a social engineer. With our collected millions in rates at its disposal, the company has the power to make or break our energy future with its investments. PGE's status as an electric utility monopoly comes with an enormous amount of responsibility -- to its customers, society, the environment, and the future. PGE's decisions now, in 1993, either condemn us to a costly, polluted future of fossil fuel use, or advance us to a clean and cost-effective energy supply. There is not much room for compromise, and no time left to borrow from the future.

CUB is an intervenor in LC-7, Portland General Electric's Least Cost Plan docket before the Public Utility Commission, and participated in PGE's public process to develop the plan.

> *The Trojan closure puts Portland General Electric at a crossroads: it can continue down its familiar route, now paved with nuclear waste, coal pits, and gas pipelines, or it can use this rare opportunity to take the energy efficient path, the true least-cost option.*
>
> *Please take a few minutes to send a note to Portland General's Chief Executive Officer, Ken Harrison (121 SW Salmon Street, Portland, OR 97204). Tell the company not to use the '92 Least-Cost Plan to invest in natural gas resources, but in purchased power, conservation, and renewables. Send a copy of your comments to Commissioner Ron Eachus, Public Utility Commission (550 Capitol St. NE, Salem, OR 97310).*

Who Will Pay for Trojan?

PGE WANTS CUSTOMERS TO PICK UP TAB

Whether operating or not, Trojan's costs are enormous. It's the nature of nuclear power that investments are in the hundreds of millions of dollars, operating standards are necessarily strict, and nondisposable waste is created.

The latest estimates are $541 million to decommission and $340 in sunk investment costs. These numbers will be moving targets for some time, but the bottom line is likely to be around a billion dollars.

If Portland General Electric customers are required to pay, their bill is over $1,000 each. Because a third of Trojan is owned by the Bonneville Power Administration and Pacific Power & Light, the impacts of Trojan will be felt not only by PGE customers, but by all electricity users in the region.

PGE believes its customers should pick up the tab for Trojan. Trojan's primary owner, Portland General has already requested that the Public Utility Commission issue a "declaratory ruling", sort of an official blessing that the company won't be penalized for prematurely retiring Trojan by having to pay the costs. If PGE's shareholders have to pay the remaining investment costs on any plant, goes the argument, the company has no incentive to close a plant before its expected life is over.

Translation: PGE wants the PUC's approval to charge Trojan's costs to ratepayers.

But Trojan isn't just any power plant which failed despite the best efforts of its owners, was properly constructed and maintained, was closed down at the first signs of serious trouble, and cost ratepayers a few million dollars. Trojan doesn't qualify on any of those points, and a billion dollar price tag does qualify it as a unique power plant, which must be addressed as a separate and unique problem. A "principle of cost recovery" might be appropriate in some instances, but Trojan is not one of those.

Does it matter when the plant closed in terms of who should pay? Yes. Six or seven years ago, when cost overruns, management problems, and safety violations were apparent, PGE should have taken the same kind of hard look at Trojan that resulted in January's permanent closure decision. Instead, PGE elected to close Trojan only after a forced safety shut-down, combined with the economic facts uncovered through least-cost planning, made the decision unavoidable.

Westinghouse Corporation constructed the steam generators which have caused consistent cost overruns at Trojan, and which finally closed the plant. Replacing those generators would have cost $250 million. PGE filed suit against Westinghouse for an undisclosed amount last month; if PGE pursues the suit with vigor, a favorable settlement or court judgment should relieve a good portion of Trojan's $340 million in sunk investment costs.

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As for the more than $500 million to decommission Trojan, PGE has been lax in its collection of funds for that purpose over the plant's seventeen-year life. Back in the early seventies, PGE estimated the cost to decommission Trojan at $20 million. Since then, the estimate slowly climbed to $250 million last year, then doubled just two months ago. In just under half of Trojan's expected life of 35 years, PGE actually collected some $40 million, far short of the needed $540 million.

The PUC is also culpable for being lax on this issue. Why did the PUC let PGE slide on collecting the decommissioning fund? Probably because Trojan's operating costs were so much higher than projected. To charge the ratebase for the true cost of operating Trojan, including decommissioning, would have caused rateshock, would have caused rebellion.

The question of who will pay for Trojan can only be answered within the context of a formal rate case, filed by PGE, before the Public Utility Commission. CUB intends to represent ratepayers in that case, arguing that PGE must assume its fair share of the responsiblility for Trojan.

And we must all learn the lesson of Trojan. Knowing what we now know about Trojan, none of us would have supported its construction two decades ago.

We all bear some responsibility -- the company for investing in a single power plant that would supply almost a quarter of its needs, the PUC for allowing it and then for not enforcing collection of the decommissioning fund, and the public for not being involved enough in the decision-making process.

CUB Board Elections Set

In 1984, Oregon voters frustrated over high utility rates approved Ballot Measure 3 and created the Citizens' Utility Board. The idea was simple: Let's form an organization to represent the ratepayer in utility rate hearings. The membership would be open to all ratepayers, and its Board of Governors elected by the members.

This Spring CUB will hold Board elections. Board members are elected to four-year terms. Three members represent each one of Oregon's five Congressional districts. Board seats are open in each district this year.

The two most important qualities for Board members are leadership skills and a commitment to building CUB as as organization. Knowledge of utility issues is helpful, but one need not be a utility expert. Board members attend meetings, serve on committees, and participate in CUB projects and campaigns.

If your are interested in running for the CUB Board, please fill out the accompanying form and send it to the CUB office. If you have questions about serving on the Board or want a copy of the election rules please call the CUB office at 227-1984 in Portland.

Citizens' Utility Board of Oregon
Filing of Candidacy for Board of Governors

Directions: If your are a CUB member interested in running for the CUB Board of Governors, you must fill out this form to certify your eligibility for candidacy. Candidate filing forms must be received at the CUB office by 5:00 pm on May 1.

Name of Candidate ____________________

Residence Address ____________________

City ____________________ Zip ____________________

Congressional District ____ Telephone ____________________

Mailing address (if different than above) ____________________

____

I certify that:

1. I am at least 18 years old, I am a utility consumer and I am a member of the Citizens' Utility Board.
2. I am a resident of the Congressional District stated above, from which I am seeking election to the CUB Board of Governors.
3. I am not employed by a utility regulated by the Public Utility Commission which furnishes electric, telephone, gas, or heating service.
4. I do not hold an elective public office and am not a candidate for an elective public office.
5. I am not a state public official.
6. I do not own or control, either singly or together with any immediate family member, utility stocks or bonds of a total value in excess of $3,000.

My signature attests to the accuracy of the foregoing statements and affirms my agreement to abide by the election regulations established by the Citizens' Utility Board of Oregon.

Signature of Candidate ____________________

Date ____________________

Mail completed applications to: CUB elections, 921 SW Morrison, #550, Portland, OR 97205.

All candidates are invited to summit a typed 300 word statement giving their qualifications and reasons for running. This statement will be included in a voters' pamphlet to CUB members. Voter's pamphlet statements can be enclosed with this form or can be sent separately, but they must be received by May 1.

Caller ID Comes to Oregon

CUB WINS NOTIFICATION TO UNLISTED CUSTOMERS

In spite of privacy concerns raised by CUB and other groups, US West announced plans to offer CALLER ID in Oregon starting this May. CALLER ID provides the name and number of the person placing a phone call even if that person has an unlisted phone number.

CALLER ID is a new service for customers who buy a display device which attaches to their phone and pay an additional monthly charge. Evidence from other states suggests that CALLER ID is primarily used by businesses to develop lists of potential customers.

When major telephone companies first proposed CALLER ID in Oregon, they were unwilling to offer line blocking. CUB opposed these early proposals and submitted testimony to the PUC about the chilling effect CALLER ID could have on citizens who wished to protect their name and phone number when making a call -- whether that call is to the police to report a crime or to an insurance company to get a price quote.

CUB also released a study which showed that in every state with CALLER ID there were complaints from citizens about the release of their name and phone number. The most common complaint has been from consumers who have unlisted and unpublished numbers.

CUB won a significant victory when the PUC ordered US West to offer line blocking to anyone who wants to protect their privacy and not release their phone number.

In addition, because CALLER ID will identify unlisted customers, CUB was able to get US West to agree to send those customers a letter notifying them that CALLER ID would release their numbers and explaining how they can sign up for line blocking.

CUB's intervention led to one of the better CALLER ID orders in the country. The Oregon PUC agreed with CUB that phone companies must offer line blocking to allow customers to block the release of their number for all calls they make, and call blocking which allows a customer to dial "*67" and block the release of their number for a specific call.

However, CUB was disappointed that the PUC is allowing US West to charge customers for line blocking if they do not order it before August 2, 1993.

Remember, line blocking is only available free of charge until August 2. To protect your privacy and order line blocking, call US West at 1-800-637-9393.

Memorial Fund to Honor Early CUB Volunteer

CUB and the Shaich family have set up a memorial endowment to honor Eric Shaich, a volunteer who helped in the creation of CUB. Interest from the Memorial Fund will be used to fund an internship program bringing students in to work with CUB on energy and telecommunications issues.

While a student at University of Oregon, Eric Shaich volunteered on the initiative drive which created CUB. Later he went to work for the Bonneville Power Administration. After his death in 1991, his family decided to use money from his estate to set up a memorial which would allow other students to get involved in grassroots utility work.

"Eric believed that utility and resource issues should be decided democratically with consumers directly involved," said Kevin Masterson, a friend of Eric's. "This memorial is the perfect way to honor his vision."

CUB will be holding a fundraising dinner to build the endowment on Saturday, May 15th in Portland. For more information about the dinner or to make a tax-deductible contribution to the Eric Shaich Memorial Fund contact Bob Jenks at the CUB office.

Agenda *continued from front page*

have a program which insures that consumers are represented before the PUC. CUB is proposing that for every dollar utilities spend to lobby for higher rates, they be required to give a nickel to the intervenor compensation fund. This fund would then allow consumer groups to bring in experts to counter utility arguments and to push for lower rates.

HB 2203, The Telephone Competition Act, would encourage competition for local phone service by giving the PUC authority to allow additional telephone providers into an area. Currently, customers have the option of only one local phone company. By allowing additional options, HB 2203 would create competition for prices and services.

SB 544 and HB 2204, Decoupling bills, would encourage utilities to invest in conservation by severing the link between profits and energy sold by a utility. Currently, the more electricity a utility sells the more profit it makes. These bills will give the PUC the authority to adopt systems similar to California, Washington, and Maine which encourage utilities to invest in conservation as a way to meet new energy demands.

Utilities companies have lobbyists swarming the capitol to oppose these bills. CUB can only win on them if legislators hear from citizens. Write or call your legislator today:

Senator or Representative ____
State Capitol
Salem, OR 97310
1-800-327-7389

If you are unsure who your legislators are call Bob Jenks at CUB: 227-1984.

The Citizens' Utility Board of Oregon

CUB Board of Governors

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Judy Schilling, Gaston
648-6646
Bruce Bishop, Portland
245-4747
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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
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