



The Bear Facts

from The Citizens' Utility Board of Oregon

Summer 1993
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Electric Rates Going Up, But Bills Can Go Down

Electric utility rate increases do not necessarily mean higher bills. Customers can lower their own bills by using some simple, and painless, electric conservation methods. And consumers can do more than lower their bills, they can help change a destructive pattern of resource abuse by promoting conservation and the use of renewable energy sources. In the process, the individual consumer will contribute to stabilized rates in the long run.

Rate increases in the Northwest are inevitable, but not because the costs of providing power are going up. Rather, it's because we are just now discovering what electric power really costs. Today's electricity customers must pay for the resource depletion and pollution caused by past decades of thoughtless consumption. In essence, the bill has come due on short-sighted utility planning.

For too long, utilities have operated as if an endless supply of water flow and fossil fuels would sustain an energy surplus, and the region has been lulled into a false sense of security.

THE REGION'S ENERGY SURPLUS...NEVERMORE

The land of plenty -- the great Pacific Northwest -- has provided easy pickings for electric power from an extensive system of hydroelectric dams. Most of the remaining power comes from gas and coal -- fossil fuels.

Since the first hydroelectric dam was completed on the Columbia River at Rock Island 60 years ago, the Northwest region has enjoyed a plentiful source of electric power. And, according to the American tradition, "if one is good, more is better", the region's river flow has been dammed close to 60 times.

Hydropower has been cheap; the region's electricity customers have paid less than half of what others in the country pay. But cheap power isn't so cheap after all. Dams don't just generate power, they affect the pace of water flow, the wildlife habitat, the geologic structure, and the many ecosystems along river and stream beds -- that is, all the systems connected with rivers and their tributaries. As any hard-working beaver can attest, even minor dams in small streams make great changes.

The Bonneville Power Administration (BPA), controls most of the hydroelectric system, and supplies close to half of the Northwest's electricity needs. In recent years, the BPA's power supply has been curtailed by drought, depleting salmon stocks, debt remaining from

"The land of plenty -- the great Pacific Northwest -- has provided easy pickings for electric power..."

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CUB Wins \$14.9 Million Refund For US West Customers

The Oregon Supreme Court gave CUB a big victory when they ordered US West to refund nearly \$15 million to customers which US West overcollected before 1989. US West, however, has asked the court to reconsider.

"CUB won this refund in 1989, and US West has yet to give the money back to customers," said Rion Bourgeois, CUB's attorney. "US West admits that they received a windfall, but has spent five years resisting our efforts to recover it."

With interest the refund has grown to \$14,985,985. Residential customers should see a refund of more than \$8.00 and business customers will receive more than \$22.00 per line.

In 1987, Public Utility Commissioner Charlie Davis ordered US West to reduce rates by \$34 million per year. In 1988, CUB discovered that rates had only been reduced by \$29 million and asked the PUC to enforce a further reduction in rates and to refund an amount that was overcollected from customers. At that time the PUC ordered the further reduction but declined to refund the overcollected \$8.4 million.

In 1989, CUB asked the PUC to reconsider its decision on the refund; in October of 1989, the PUC finally agreed with CUB and ordered US West to refund the money, which with interest had grown to \$10 million.

US West appealed this decision all the way to the Oregon Supreme Court which upheld CUB's requested refund, now at more than \$14 million.

According to Bourgeois, "US
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Electric Rates continued from front page.

billions invested in the mothballed nuclear plants at Hanford, and declining aluminum prices. (The aluminum industry buys some 25% of BPA's power, and the industry's rates depend upon aluminum prices; keeping the aluminum industry happy has cost the region's residential and commercial customers plenty.)

BPA's mistakes are hard to miss; they affect the entire region. But local utilities are also asking customers to pay for past misadventures. The most obvious current example is PGE's Trojan nuclear plant -- a bad investment which will take (at least) 20 years to pay off without generating a single kilowatt of electricity.

This year, for the first time, BPA bought power from outside the region. The land of plenty has been picked clean. The surplus is over.

BREAKING THE CYCLE OF POOR UTILITY PLANNING

In 1993, spurred on by a combination of population growth, increasing electric consumption, harsh weather, and lost resources, utility planners face a crossroads: they can either invest in more fossil fuel plants or in conservation and renewable resources. Today, fossil fuels are available, utilities have the know-how to construct and operate the plants, and prices are deceptively low.

The question is, will future generations pay for today's utility planning, just as we are paying for yesterday's mistakes? Fortunately, the cycle can be broken. But only if utility planners change their perspective from short-term to long-term planning.

Short-term power planning calls for the use of fossil fuels and results in low rates for a few years, but with escalating rates into the future, and likely shortages. Long-term planning, on the other hand, requires incremental rate increases at a steady pace for a few years, but the result is stable rates and an abundant supply.

Rates depend upon the cost to produce energy, which

depends mostly upon the cost of fuel.

- **Fuel-driven resources.** Power plants that run on fossil fuel use three units of fuel to make one unit of electricity. Any power supply which uses fuel bears the costs of extracting and transporting the fuel to the plant where it must be converted to electricity and then transmitted to customers. That's four (very costly) steps.

- **Fuel-free resources.** For centuries, man has used energy from the sun, the wind, and subterranean thermals to heat homes, water crops, and grind grains. Over the past several decades, we have learned how to use these resources to produce electricity. Called "renewable" because the fuel is tapped at the site where the power is generated, no extraction or transportation of fuel is required.

Largely untried here in the Northwest, renewables are not unproven technology. California blazed the trail on wind and solar energy, took the brunt of high research and development costs, and established them as cost-effective energy supply. (There is enough wind power in California to power a city the size of San Francisco.)

- **Free resources.** Even cheaper than renewables, this resource uses no fuel and the individual electric customer directly participates in generating it. The costs of this resource are a fraction of building a new power plant, there are no operating costs, and it supplies more jobs than do conventional plants. In fact, once installed, it becomes "free energy". This remarkable resource is conservation.

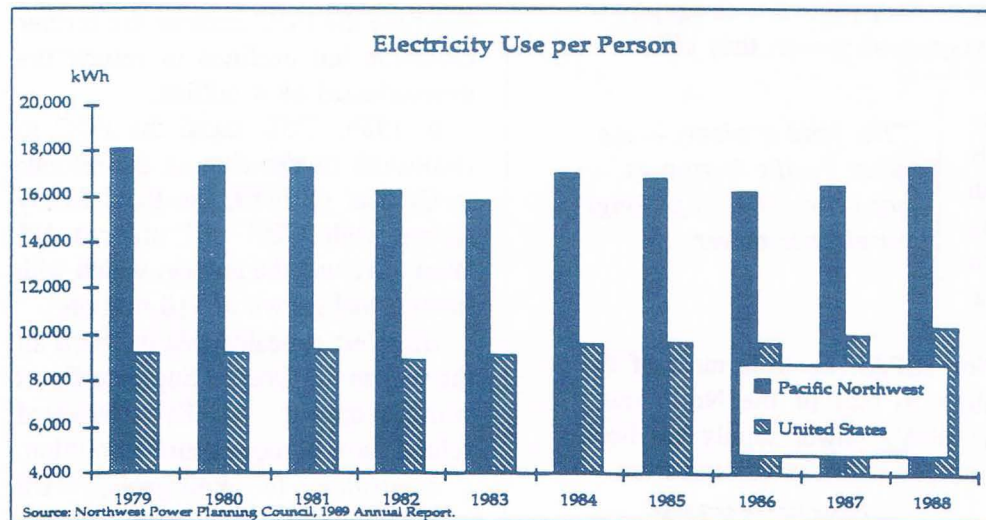
Clearly, the "fuel-free" and "free" resources are the answer to planning for long-term rate stability. Conservative, efficient energy use decreases the demand for electricity, allowing time to perfect and deploy renewable resources and provide more electricity to more people. Electric efficiency and renewable resources are natural partners.

"BEST BUY" ENERGY RESOURCES FOR LONG-TERM RATE STABILITY

Conservation and renewable resources are needed in large amounts now to avert a regional dependence on fossil-fuel burning to produce energy. Because the region's utilities have put off making the hard decisions on energy production, there is precious little time left. But with good utility management, and customer support, it can be done.

First, a few awful facts: (1) The region's utilities now have plans to develop at least 13,000 megawatts of new energy resources over the next two decades. (For scale, Seattle consumes just over 1000 megawatts of electricity.) (2) In the U.S. alone,

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some \$60 billion per year is now spent in expanding electricity supplies. (3) Most Federal subsidies directly promote the use of fossil fuels (58%) and nuclear power(30%). Subsidies for energy efficiency and renewable sources total 5%.

Now, the solution: Utilities will ultimately benefit from investments in renewables; after all, they are in the business of selling electricity. The question is, who will sell conservation?

Smart utilities are beginning to reexamine their purpose --is it to produce and sell electricity, or supply customer satisfaction? If it costs less to sell conservation than electricity, and customers are satisfied with the service they receive, energy efficiency will be in demand, not more electricity. Utilities who miss the opportunity to promote the efficient use of electricity will not survive.

But why spend money to reduce sales? Utilities can profit from efficiency. The first step is to recognize that conservation is a resource, capable of supplying electric power at a fraction of conventional power plant costs. Utilities can avoid operating costs in the short run, construction costs of new power plants in the medium run and replacement costs of old power plants in the long run. They can also earn profits by financing efficiency measures, just as a bank would.

Because utilities' profits have been based upon their costs of selling electricity, many states including Oregon are now adopting new regulations which recognize efficiency as a resource -- more valuable an investment than any power plant. The new rules would uncouple utilities' profits from their sales, removing a utility's disincentive to invest in efficiency. In effect, the utilities will be compensated for the revenue they would otherwise lose by selling less electricity -- and will get to keep part of the savings.

WHILE MAY RATES GO UP, BILLS CAN GO DOWN

If your electric utility bill claims a rate increase due to "investments in conservation programs, as allowed by the PUC", then your utility company is actually exceeding their conservation targets. It's part of the bargain struck between the PUC and utilities to encourage investments in conservation. In effect, the rate "increase" is an incentive for your utility to help businesses replace lighting systems or supply water heater wraps and low-flow showerheads to residential customers.

Think of it this way: Rather than paying, say, 3 cents per kilowatt hour for a new gas-fired combustion turbine, you're paying 1 cent for conservation. Now you can afford to weatherize your home, which will lower your bills.

There are many easy and inexpensive ways for consumers to lower their electric bills (and clean up the environment at the same time). For example, if you replace a single 75-watt bulb with an 18-watt compact fluorescent lamp, you save the electricity that a typical

power plant would make from 770 pounds of coal, and 1,600 pounds of carbon dioxide and 18 pounds of sulfur dioxide will not be released into the air.

Your bill will go down just a few cents a month, but it's enough to pay for the fluorescent bulb and reduce your bill.

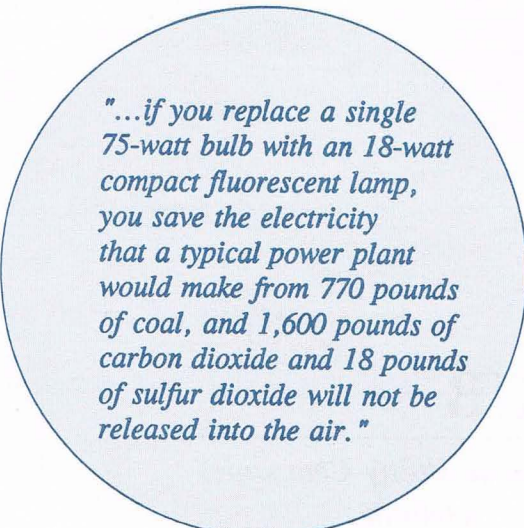
THE FINAL ELEMENT: AN EQUITABLE RATE STRUCTURE

So far, the regulated investor-owned utilities like Portland General Electric and Pacific Power and Light have based their rates on the cost of producing electricity from conventional power plants. That is changing as the Public Utility Commission seeks ways to encourage conservation and renewable resources, and allow shareholder profits to be gained from them. But there are other regulatory actions which could be taken to benefit customers.

First, a tiered rate structure would charge higher rates to the highest users of electricity, and reward those customers who conserve with lower rates. Second, low-income consumers, unable to buy home weatherization such as storm windows, should receive assistance to invest in conservation measures. Finally, "life-line" rates should be instituted -- that is, since electricity is no longer a luxury but a necessity of life, everyone should have access to a minimum supply.

If all this sounds expensive, imagine the expense of millions of units of gas flowing through more pipelines into more combustion turbine plants and releasing millions of pounds of pollutants into the air (we try to breathe). Of course, in a couple of decades the gas will run out, and will have to be imported, liquified, from countries much further away than Canada.

Encourage your electric utility to reject all notions of investing in natural gas to produce electricity; ask it to invest your money in conservation and renewable resources.



"...if you replace a single 75-watt bulb with an 18-watt compact fluorescent lamp, you save the electricity that a typical power plant would make from 770 pounds of coal, and 1,600 pounds of carbon dioxide and 18 pounds of sulfur dioxide will not be released into the air."

CUB Board Elections

Statements of Candidates for Election to the CUB BOARD OF GOVERNORS

DISTRICT 3

Kathleen M. Sullivan

I am presently active in the environmental grassroots movement as an organizer and fundraiser. I have held such positions for the past three years and would now like to offer my leadership skills to the CUB board. In the past three years I have run both state and national campaigns focusing on issues ranging from Campaign Finance Reform to the reauthorization of the Federal Clean Water Act in the states of Ohio, Washington, and Oregon.

I believe it is essential that citizens in Oregon have a voice in utility, privacy and resource decisions. Indeed, it is not only essential but a right: a right which I am empowered to uphold and further in our state. My motivation comes from the desire to empower others to take a stand against the obvious injustices which have plagued both the marketplace and our government. To fulfill this goal it is imperative that CUB grow as an organization in both scope and depth. Scope refers to our membership which has grown substantially in the last two years; we should continue the trend through further grassroots organizing. As exciting as the growth to our membership is the depth we have gained in the past two years in our program. The legislative agenda is both well thought out and aggressive, as is our strong stance on the decommissioning of Trojan.

As a board member I would look to further develop the organization so that citizens may obtain true equity in decisions that touch all of our lives. I should be greatly honored to serve our members and the citizens of Oregon as a whole.

DISTRICT 4

Eben V. Fodor

I have been a strong advocate for energy conservation, energy efficiency, and renewable energy sources and have a demonstrated commitment to public service and consumer advocacy.

I have gained extensive experience with both gas and electric utilities working as an energy engineer and energy consultant for 11 years. Since I moved to Oregon in 1990, I have testified before the Northwest Power Planning Council and Eugene Water and Electric Board on energy conservation and rate issues.

Formerly, as a resident of Washington, DC, I served as an Advisory Neighborhood Commission Chairman representing over 12,000 people. I worked to: increase citizen input to the land use planning process to increase public safety and to minimize the impact of new commercial development; developed a consensus transportation plan for my neighborhood; formulated local community positions on zoning changes and exemptions; and worked to preserve parkland threatened by roads and development.

As a member of DC Mayor's Energy Advisory Council, I assisted with the development of a five-year energy plan for the District.

I have been a strong opponent of unrestricted Caller ID telephone services and have testified against them both in Washington, DC, and Oregon. I was very pleased with the position CUB took in this matter and view the resulting PUC decision as an outstanding victory for the Board.

I believe that CUB provides an unmatched service to all residents of Oregon and a great value to its members. The millions of dollars saved by CUB for the ratepayers of Oregon represent only part of the important service provided. As a guardian for consumers' rights and watchdog for public utility policy, CUB insures that the interests and concerns of people come before the profits of huge corporations.

DISTRICT 5

Steven H. Gorham

As of press time, Steve Gorham had been unable to submit a candidate's statement. A member of the CUB Board of Governors for the past six years, Steve practices law in Salem. He has also served as Board President for several years of his tenure.

CUB Board of Governors BALLOT

Please follow these instructions when casting your ballot:

- Vote only for a candidate in your Congressional district.
- Cut out the ballot along the dotted line and mail to CUB, P.O. Box 6345, Portland, OR 97228.
- Ballots must be received at the CUB office no later than July 31, 1993.

District 3

(vote for one)

Kathleen M. Sullivan _____

District 4

(vote for one)

Eben V. Fodor _____

District 5

(vote for one)

Steven H. Gorham _____

Note: No qualified candidates filed for election to fill vacant seats still remaining in Districts 1, 2, and 5. Therefore, the Board of Governors will be accepting applications for this position and will appoint members after the elections. If you are interested in serving on the Board, please contact the CUB office for more information.

The 1993 Legislature: Good, Bad, and Ugly

The 1993 Oregon legislature has been a mixed bag for consumers. Some good bills have passed, but heavy utility lobbying combined with tens of thousands of dollars in utility campaign contributions have killed some good ideas.

The good: Two very good bills which CUB supported have passed both the House and Senate.

- **HB 2203, The Telephone Competition Act.** HB 2203 will encourage competition for local phone service by giving the PUC authority to allow additional telephone providers into a local area.

- **SB 544, Decoupling Legislation.** SB 544 will encourage utilities to invest in conservation by allowing the PUC to sever the link between profits and energy sold by a utility. Currently, the more electricity a utility sells, the more profit it makes.

The bad.

- **Consumer Privacy.** The legislature failed to seriously consider prohibiting utilities from selling personal information about their customers to the telemarketing industry. Committees in both the House and the Senate had a chance to consider this, and under pressure from US West, both refused to even hold a hearing to consider the issue.

- **SB 595, Telephone Unit Pricing Act.** SB 595 would require that telephone companies provide customers with comparative billing information so customers can determine the best option for local phone service. This bill received a hearing in the Senate Business, Housing and Consumer Affairs Committee, but phone companies attacked it claiming such information would confuse customers and the bill was never voted out of committee.

The ugly:

- **SB 605, Intervenor Funding.** SB 605 would balance Oregon's PUC process by allowing intervenors to be compensated for their cost of

opposing utility rate hikes. Oregon is one of just 7 states which places no limits on the amount of money a utility can spend lobbying for higher rates and has no program to insure that ratepayers are also represented in rate proceedings.

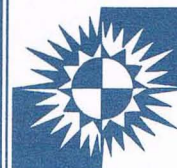
The utilities fought hard to protect the overwhelming advantage they have in ratecases and made killing SB 605 a top priority. After an intensive lobbying effort by the utilities the bill lost by one vote on the Senate floor. An analysis by CUB showed that Senators who opposed the bill received twice as much money in campaign contributions from Oregon's largest utilities as supporters of the bill.

After the session is over, CUB will provide a voting chart to show how legislators voted on the most important consumer bills.

US WEST REFUND
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West's latest request to the Oregon Supreme Court to reconsider its decision denying review of the case is simply an attempt to delay the refund. The ratepayers are clearly entitled to this refund and it is time for US West to admit it and refund the money."

The Light's On!



SESCO & OCF Present

IN-POWER
"93"

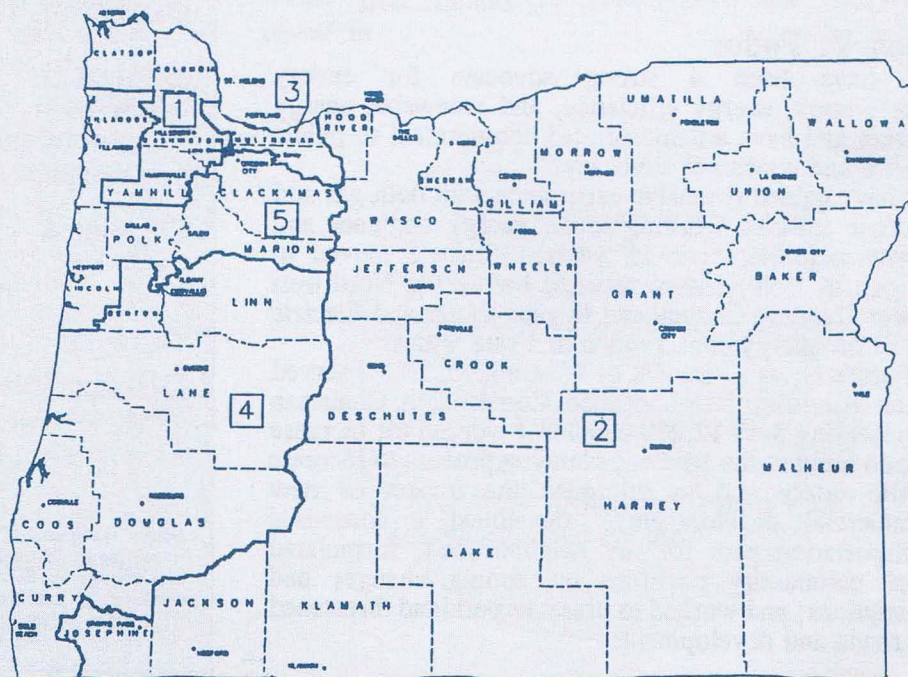
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OREGON'S CONGRESSIONAL DISTRICTS



The Citizens' Utility Board of Oregon

CUB Board of Governors

DISTRICT 1

Kirk Roberts, Portland
246-3385
Judy Schilling, Gaston
648-6646

DISTRICT 2

Nancy Helget, Pendleton
276-2811

Mark Becker, Bend
382-2467

DISTRICT 3

Margot Beutler, Portland
282-0285

Tim Goss, Portland

280-8806

DISTRICT 4

John-Erik Nilsson, Eugene
683-2371

Merton Saling, Eugene
485-0813

Chuck Mundorff, Eugene
683-7697

DISTRICT 5

Lloyd Marbet, Boring
637-3549

Steve Gorham, Salem
374-6494

CUB Staff

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Executive Director
Christeen O'Shea
Administration/Energy Program
Anita Russel
Administrative Clerk

Telecommunications Law Project

J. Rion Bourgeois
Michael F. Sheehan

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Portland, OR 97205
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
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