Fall, 1993

The Bear Facts

from The Citizens' Utility Board of Oregon

CUB Wins Five Year Battle Over $15.5 Million US West Refund

Most US West customers will see a credit on their October phone bills of $10.83 due to CUB's five year effort to obtain a refund for overcharges in the late 1980's.

In September of this year the Oregon Supreme Court refused to hear US West's last-ditch appeal to escape refunding $15.5 million to its customers, and the Public Utility Commission ordered the refund to commence October 1.

The battle began in May, 1988, when CUB attorney Rion Bourgeois petitioned the PUC to reduce US West's earnings by $5 million per year and to refund overcollected money. The overcollection grew out of a 1987 order by Commissioner Charles Davis that US West must reduce their revenue by $45 million per year. However, $5 million of that reduction was not implemented for reasons unrelated to Commissioner Davis' order.

According to Bourgeois, "This is an important victory for ratepayers. US West has done everything they could to avoid refunding this money. The Supreme Court decision upholds the principle that when the utility overcharges its customers, they have to give the money back."

The refund includes the original $8.4 million which was overcollected between May 1987 and December 1988, and another $7 million in interest. The refund will appear on US West customers' October bills with most residential customers seeing a refund of $10.83 and some, those with measured service, of $5.39.

US WEST REFUNDS

Customer Group	Refund
RESIDENTIAL:	
FLAT RATE	$10.83
MEASURED SERVICE	5.39
BUSINESS:	
FLAT RATE	$26.13
FLAT RATE -- COMPLEX	30.37
MEASURED SERVICE	15.23
CENTREX	4.10

"It was clear in 1988 that Commissioner Davis' order to reduce US West's revenues had not been fully implemented." said Bob Jenks, CUB executive director. "It is amazing, however, that US West has been able to use the courts to delay refunding this money for 5 years." The delay means that the refund will go to current customers, rather than the

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CUB Calls for Cable Rates Investigation

Citing evidence that cable rates have not decreased in Oregon as intended by the federal Cable TV Act, CUB has called for an investigation into cable television rates in Oregon.

The Cable Television Act, which passed Congress last year, established a regulatory structure allowing the Federal Communications Commission to investigate complaints of overcharges by cable companies.

According to the FCC, the new regulations were expected to lead to cable bill reducations for more than two-thirds of customers. Instead of rate decreases, customers on some Oregon cable systems have seen their bills increase.

However, according to FCC regulations, an investigation will only begin after an individual consumer or a government agency files a rate complaint.

In a letter to the Attorney General's Office, CUB raised concerns that average citizens will find it nearly impossible to wade through hundreds of pages of FCC rules to learn how to file rate complaints. Instead, CUB is advocating that the Attorney General file a complaint on behalf of all cable companies' customers in the state.

Consumer protection officials in Wisconsin and Connecticut have filed FCC complaints for all cable systems in their states. Filing such a complaint is the only way to ensure that the FCC will investigate cable rates throughout the state of Oregon.

What are today's hot utility issues? CUB wants your opinions. Check out CUB's member survey, inside.

Key to Stable Electric Rates Within Reach

THE WAY IS CLEAR, NOW WHERE IS THE WILL?

The Northwest will enjoy stable electric rates once regulators can determine how much electricity will be needed and from where the power will come. So far, predicting energy use and the sources of supply has been difficult at best. But it need not be so.

It doesn't take a crystal ball to see that the problems which produce unstable rates are exactly the same as those which threaten our environmental health: over-consumption and power plants generated by polluting fuels.

Clearly, the answer to over-consumption is to reduce the demand for power through conservation and efficient use. The remedy to polluting power sources is just as clear: reduce or eliminate the use of polluting fuels by switching to renewable resources to supply electricity. Because both conservation and renewables offer an unlimited supply of clean energy, the effect of their use is long-term stable rates.

Unfortunately, the Northwest region uses electricity at a rate about twice the national average, due to a history of abundant supply from the hydro system, low rates, and a plethora of power-gobbling industrial plants. We have a long way to go on the problem of over-consumption; there is no painless way to withdraw from what has been a seemingly endless supply of kilowatts. Like kids in a candy store which gave away free samples to keep us coming back for more, we've become dependent upon the store to keep us satisfied. And we haven't much cared how the candy was made, or at what cost.

But the candy store (read: utility) has been oblivious to the obvious: after having established a fully-dependent clientele of candy-scarfing kids to which it sells mountains of sugar processed at the expense of a third-world country, the kids' teeth fall out, their parents forbid them to patronize the store any longer, and the store is left holding the bag, so to speak. With just a little foresight and business expertise, the candy store would have long since "retooled" to sell a diverse number of products all priced to reflect the true costs of doing business with a third-world population. Kids would buy less candy, but more of the other products offered by the store: toys, gifts, cards, etc. The store thrives, kids keep their teeth, and parents have one less thing to worry about -- everyone wins.

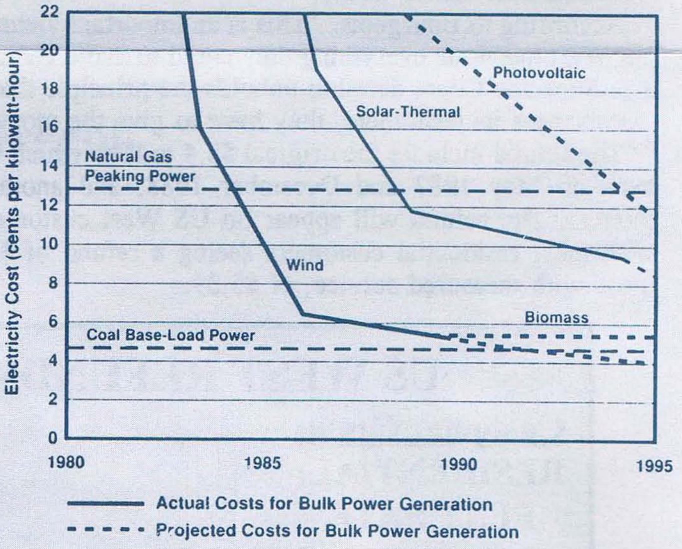
For the most part, the region's utilities (including the Bonneville Power Administration) have made minimal investments in conservation. Utilities haven't yet seen conservation as a "growth opportunity", missing the point that there is an entire energy service industry at hand, begging to be developed, and that the utility industry is perfectly positioned to take full advantage of a waiting market place. Most utilities continue to believe that being fiscally robust depends upon how many large power generating plants you own. So far, those plants have been powered by waste-producing, resource-depleting fuels.

Which brings us to renewable resources.

Because renewables are powered by an infinite, on-site fuel supply -- sunlight, wind, water, geothermals, even our (unlimited supply of) waste -- their operation depends only upon how well the technology works, and how efficiently the power gets from the plant to your house or business. And because renewables plants tend to be small projects which contribute only a fraction of a utility's power, the loss of a plant neither interrupts service, nor does it affect rates. Most important, once renewables are in place, electric rates will no longer be subject to fuel shortages or abrupt price escalation.

There are no longer any reasons for the region to put off investing in renewables; renewable energy costs will continue to fall as economies of scale develop and efficiency improves. Fossil fuel costs, on the other hand, are expected to rise as supplies decrease and environmental impacts become more obvious (and penalized accordingly).

Cost of Emerging Renewables in Perspective



This chart, published in 1991 by *Scientific American*, compares the costs of coal and gas with several renewables. Even then, renewable resources looked increasingly cost-effective each year. Now, two years later, the prognosis for renewables is even better than predicted.

The simple formula, conservation + renewables = stable electric rates, is the key. But do the region's utilities and regulators have the strength of will to face the future and open the door?

New Natural Gas-Fired Generating Projects

The entire Northwest region, including Oregon, Washington, Idaho, and Montana, presently uses less than 20,000 megawatts of energy. That is expected to climb to about 25,000 by the year 2000. Oregon will need about 3,800 new megawatts by 2000. New gas-fired projects under construction, in service, being negotiated, currently planned, or "potential":

IN THE NORTHWEST REGION
Number of Projects: 68
Megawatt Capacity: 13,000
Of these 68 project, 32 are "cogeneration" plants. How much of the fuel on the cogenerating projects will actually be used to generate factory power is unknown.

IN OREGON
Number of Projects: 17
Megawatt Capacity: 4,000
Of these, 11 are cogenerating plants.

BPA
Number of Projects Regional: 11
Megawatt Capacity: unknown
Number of Projects Oregon: 5
Megawatt Capacity: 1,800
BPA projects in Oregon are at St. Helens, Springfield, and Hermiston.

Because current numbers were not available as we went to press, these numbers are approximate, but reasonably close enough to provide a sense of the enormity of the natural gas influx in Oregon, and in the region.

CUB is working with the Northwest Power Planning Council to obtain accurate information, and will compile a report on the location, type, and size of all gas-fired projects in the State. That report will be published in the next edition of *The Bear Facts*, January, 1994. The information can be obtained from CUB as early as December 1.

US West Refund *continued from front page.*
customers who overpaid in 1987 and 1988. According to the PUC staff report which recommended the refund tariff, "...there is no way to find all the customers who received service some time during 1987 and 1988 when the $8 million overcollection was accruing."

"It is unfortunate," said Jenks, " that because US West delayed this refund for five years, thousands of customers who overpaid but now do not live in US West territory will not get their money back."

SUN DAY '94

Earth Day, celebrated every April 22 for the last two decades, will be joined by SUN DAY on April 24, 1994. Dedicated to renewable energy, energy conservation and efficiency, SUN DAY will focus public attention on the benefits of those, such as creating jobs and protecting the environment.

Supported by a wide array of groups -- from the Union of Concerned Scientists to the United Steelworkers of America and CUB's own national affiliate, the National Association of State Utility Consumer Advocates -- Sun Day represents a strong new initiative in transforming the vision of a "sustainable energy future" into a "sustainable energy present".

Future editions of *The Bear Facts* will keep CUB members informed about Sun Day activities. Further information may be obtained from the SUN DAY campaign, 315 Circle Avenue, #2, Takoma Park, MD 20912-4836; phone 301-270-2258; fax 301-891-2866.

CUB GOES TO SAVANNAH FOR NATIONAL RENEWABLES CONFERENCE

by Christeen O'Shea

After spending four days in Savannah, Georgia, last month attending a national conference on renewable resources, I know not only a great deal about renewables, but an interesting fact about Savannah, as well. During the Civil War, General Sherman spared the city when razing the surrounding southern territory. He claimed Savannah was "too beautiful to destroy". It is appropriate that a major conference on renewables should have been sited there, since the primary reason renewable energy resources must eventually replace coal, gas, and nuclear power plants is that North America is *too beautiful to destroy*.

Despite the fact that my hotel room faced a power plant, probably gas-fired, I have nothing but praise for Savannah (great architecture) and the conference (excellent, the best). The "National Regulatory Conference on Renewable Energy" was sponsored by the national association of utility regulators and the Department of Energy. I attended courtesy of CUB's affiliation with the National Association of State Utility Consumer Advocates.

It's astounding to me that there are any regulatory barriers to the development of renewables, given our nasty regional and national experience with conventional power sources like nuclear and coal, but we attended the conference to learn how to overcome those barriers, and did.

The non-stop schedule featured excellent speakers (such as the legendary Dave Freeman of Sacramento Municipal Utility District, Denis Hayes of the Bullit Foundation, Albert Bartlett of the University of Colorado) and top-notch presenters (too many to list). The high quality of participants from all over the country, including Oregon's own Commissioners Eachus and Hamilton, flushed the conference with an intensity seldom seen at such gatherings.

The chief lessons (brilliantly taught) were that renewables are technologically ready to operate and can compete with gas or any other conventional fuel source today, particularly when measured against such costs as fuel price escalation and air pollution taxes. Even without those "external" measurements considered, renewables are clearly the best ultimate choice for electric supply at reasonable cost. (See accompanying story on stable electric rates.)

My faith in the future of renewables was itself renewed by this conference of over 300 state utility commissioners and staff, consumer advocates such as myself, utility staff, and public activists. After all, when utilities, regulators, and the public can work together in close quarters for any purpose, the odds for success have to be pretty good. Maybe even great.

CUB BOARD MEETINGS OPEN TO MEMBERS

CUB Board of Governors meetings are open to the public, and CUB members are encouraged to attend. Time for public comment is always reserved on the agenda. The Board meets on the third Friday of each month, at 6:00 pm. in various locations around the State.

Because some meetings defer to bad weather or holidays, please call the CUB office for date and location.

CUB MEMBER SURVEY

CUB would like to provide helpful information to its members and subscribers. Please take a moment to tell us what you are most interested in. Your advice helps us choose *Bear Facts* feature articles and decide the focus of our advocacy and research. Check as many topics as you wish.

UTILITY SERVICE AND RATES ☐

ELECTRIC☐ TELEPHONE☐
CABLE☐

UTILITY REGULATION ☐

ENERGY CONSERVATION ☐

RENEWABLE ENERGY RESOURCES ☐

SOLAR☐ WIND☐
GEOTHERMAL☐
HYDRO☐ BIOMASS☐
OTHER☐__________

CONVENTIONAL POWER SOURCES ☐

NATURAL GAS☐ COAL☐
NUCLEAR☐

TOPICS OF INTEREST:

THE POLITICS OF UTILITY REGULATION ☐
THE BIG BUSINESS OF TELECOMMUNICATIONS ☐
THE IMPACT OF INDUSTRIAL CUSTOMERS ON YOUR ELECTRIC RATES ☐
THE POWER OF THE UTILITY CONSUMER ☐

Suggested topic(s)______________________________

Please clip and return this survey in the envelope provided or to CUB, PO Box 6345, Portland, OR 97228.

CUB Challenges PUC's Trojan Decision

On October 8, CUB filed a request with the Public Utility Commission that ratepayers not be charged more than $1 billion for the Trojan nuclear plant.

The request challenges the PUC to reconsider its August 9 decision that a 1978 Oregon initiative does not apply to Trojan. The 1978 initiative prohibits utilities from charging customers for any facility "not presently used for providing utility service to the customer."

The PUC decision signals its approval for PGE to continue collecting Trojan charges from ratepayers. Those costs are:

$ 291.55 million....decommissioning (site clean-up)
$ 350 million.......return of investment (depreciation)
$ 507.5 million.....return on investment (profit)
$ 1.149 billion.....total Trojan costs in rates

According to CUB's request, the PUC made several errors in its decision to allow charging ratepayers for Trojan:

- The PUC misinterpreted statements in the 1978 Voters' Pamphlet to suggest that the initiative only prevented ratepayers from paying for utility facilities before they are operating, when the initiative's clearly states that it applies to facilities "not presently used for providing utility service to the customer."
- The PUC misinterpreted a 1991 law as repealing the 1978 initiative, even though there is little evidence that the legislature intended to repeal the initiative.
- The PUC did not make an adequate case for violating the ratemaking principal that "customers are only called upon to pay the costs of providing service to them."
- By basing their decision on the premise that closing Trojan was the "least cost alternative", the PUC established the precident that, if a utility builds a defective plant and is forced to abandon it, the utility is guaranteed a profit on that plant. This creates an incentive for utilities to take on risky investments.

GOOD NEWS FOR CUB'S LEGAL DEFENSE ON TROJAN COSTS

CUB has recently learned that contributions to support the fight against Trojan costs are tax deductible. While CUB membership dues are not an authorized tax deduction because of our lobbying function, support for legal defense work can be.

With the PGE rate case to determine the allocation of Trojan costs right around the corner, this news comes none too soon. We are pleased that attorney John Stephens, who has considerable experience with regulatory legal work for CUB and is highly respected by both the PUC and utilities, has consented to represent CUB in the upcoming rate case.

Contributions to the Trojan legal effort should be earmarked "Trojan legal" (write on check or attach a note) and made payable to the **CUB Education Fund**. Because this fund is an established part of CUB's operation, administrative costs will not exceed 10%.

Natural Gas Prices, Rates Going Up

Not surprisingly, natural gas is becoming more expensive with every passing day. Anticipating a skyrocketing new demand from utilities and independent power producers, the gas industry is taking every opportunity to move prices up.

As approved by the Oregon Public Utility Commission (PUC), on October 1 Northwest Natural Gas residential rates climbed by 2.5%. The increase is to amortize costs of access to transmission.

WP Natural Gas recently applied for a rate increase. WP serves about 54,000 residential, commercial, and industrial customers in Oregon. If approved, the increase should kick in on December 1 and will average about 10% for residential customers. The revenues will pay for the gas supply and to expand pipeline capacity.

In December of 1992, natural gas rates for Oregon customers of WP Natural gas increased by 3.03%, primarily to compensate for increased wholesale natural gas prices.

Just last May, three natural gas utilities serving Oregon -- NW Natural Gas, Cascade Natural Gas, and WP Natural Gas -- received rate increase approval from the OPUC to pay increased charges for interstate transportation (pipeline) service by Northwest Pipeline Company. The increases ranged from 5 to 10 percent for residential customers.

CUB has not opposed these increases. With the demand for gas and pipeline capacity rapidly escalating, natural gas retailers' costs are indeed going up, and efforts to keep gas rates down will be futile until the buyers (utilities) start investing, instead, in alternative energy sources.

The demand for natural gas is expected to continue climbing. In the region, utilities are planning an increase of over 3,000 megawatts of new generating facilities to meet "expected load growth". Oregon's forecasted electricity supply, at the current rate of planned utility acquisition, will make the State dependent upon natural gas for nearly half its electric power needs by the year 2000. Industrial customers in Oregon presently gobble 55% of the natural gas supply, but that will change as utilities rely more heavily on gas to power residential and commercial customers.

Touted by utilities as the cheapest energy resource available, and being used to justify the construction of a new wave of combustion turbine plants and "cogeneration" projects in Oregon, natural gas may be the region's next energy headache. This year alone, the Energy Facility Siting Council has received applications or "intent to apply" statements for at least 17 new gas generating projects representing some 4,000 megawatts.

The gas industry must be jumping for joy.

See center inside page for the latest news on proposed gas-fired generating plants in the region. (You may want to sit down first.)

The Citizens' Utility Board of Oregon

CUB Board of Governors

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CUB Staff

Bob Jenks
Executive Director
Christeen O'Shea
Administration/Energy Program
Anita Russel
Administrative Asst.

Telecommunications Law Project

J. Rion Bourgeois, Portland
222-7466
Michael F. Sheehan, Scappoose
543-7172

CUB Office

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

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