The Bear Facts

from The Citizens' Utility Board of Oregon

Summer 1994

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Residential Electric Customers Being Overharged

According to a CUB investigative report, the Public Utility Commission has allowed PGE and PP&L to shift the benefits of the BPA's Residential Exchange to commercial and industrial customers.

> *"The Oregon PUC has allowed PGE and PP&L to manipulate the way they allocate the costs of their distribution system."*

The Residential Exchange was created by Congress, as part of 1980's Northwest Power Act. It was designed to bring the benefits of the publicly-owned federal hydosystem to residential consumers of the large investor-owned utilities. According to the Congressional Record, the Northwest Power Act "requires that the benefits of this exchange be passed directly through to residential customers."

The total benefit to PGE and PP&L from the Exchange has been more than $1.3 billion. However, according to CUB's report, *The Incredible, Disappearing Residential Exchange Benefit,* the amount used to offset residential rates has been considerably less. The Oregon PUC has allowed PGE and PP&L to manipulate the way they allocate the costs of their distribution system in order to shift hundreds of millions of dollars in benefits from the Exchange to their large industrial customers.

In their current rate case, PGE is projecting to receive more than $100 million from the Exchange that is supposed to be used to offset residential rates, yet they are proposing that residential customers pay 20% higher rates than commercial and industrial customers. In 1980, before the Exchange, residential customers paid 18% higher rates.

"If PGE and PP&L were complying with the law and using the money from the Exchange to reduce residential rates, then our rates would be lower in comparison to the large industrial customers," said Bob Jenks, CUB Executive Director. "Instead, rates have gone in the wrong direction."

The Residential Exchange worked well for its first couple years, but since 1984, utilities have been raising residential rates, while rates for large industrial customers have been cut by as much as 25%. When Congress created the Exchange, PP&L residential customers were paying 19% more for power than commercial and industrial customers. Today, they are paying 26% more even though PP&L is getting tens of millions of dollars annually from the BPA to use to offset residential rates.

See "Residential rates" next page.

CUB Releases Gas Influx Report

CUB STUDY FINDS ELECTRIC SUPPLY, RATES AT RISK FROM NEW AND PROPOSED GAS-FIRED GENERATORS

As electric utilities in the Pacific Northwest seek out new power resources in response to increasing population, decreasing hydroelectric access, and the Trojan closure, they are finding a deceptively attractive answer in new gas-fired combustion turbine plants. In *Burning the Bridge to Clean Energy,* CUB reports an alarming trend among utilities to invest in natural gas over the clean energy alternatives.

Christeen O'Shea, CUB's energy program director, comments: "Utilities are scrambling for the cheapest new generating resource around. Unfortunately, the gas CT looks good right now, especially in the short term. But this short term view is causing utilities to slack on their commitments to conservation and renewables, and will cause serious rate problems in the future."

CUB's report documents 22 new gas-fired projects at or beyond the ground-breaking stage in the Northwest, with a combined power output of over 3,000 average megawatts, enough to light up three cities the size of Seattle. There are another 55 projects up for licensing, permitting, or sale to a utility -- their output would be nearly half the electricity currently used by the entire region.

Because most northwest utilities already depend upon coal, adding natural gas to the mix creates a "fossilfolio" out of many utility resource portfolios. According to O'Shea, "This 'putting all your eggs in one basket' approach to electric supply is risky for consumers who are expected to pay fuel costs. When fuel prices escalate because every other utility in the region needs gas and drains the domestic supply, or the price of oil takes a leap, or an energy tax is imposed, consumers will take the financial hit."

> *The decade of the 1990s was to have been the "bridge" to a clean energy supply in the Northwest -- a bridge from polluting and expensive sources such as coal, oil, and nuclear power to the "fuel free" resources of conservation and renewables, established as priorities by the 1980 Power Planning and Conservation Act. It now appears that the bridge is being constructed not from clean resources, but from yet another fossil fuel -- natural gas. Without action to prevent it, the bridge will burn before it can be crossed.*
>
> *-- Burning the Bridge to Clean Energy*

See "Gas Influx Report" on center page.

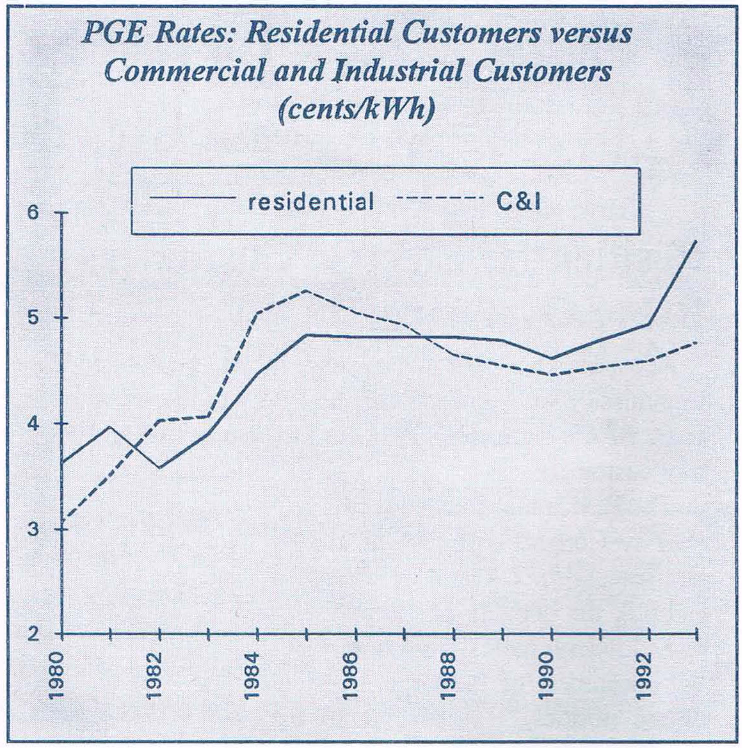
Residential rates, *continued from page 1*

The report documents how PGE and PP&L have shifted costs to residential customers as a way to reduce the benefit and cut rates to industrial customers. Specifically the report suggests that the utilities have manipulated their cost of service studies to overallocate the cost of the distribution system to residential customers.

"Rather than allocating real costs of their real distribution networks, PGE and PP&L allocate projected costs of theoretical systems which no utilities in the world actually build," said Jenks. "The result is that consumers pay twice for some of the distribution system, they pay for other parts which they do not use, and the utility is able to pretend that such basic laws of economics as supply and demand have been suspended."

CUB also demonstrated that this system would not be allowed in most other states. CUB was not able to identify a single state which would allow a utility to divide up costs in the manner used by PGE and PP&L. However, the report documented at least 15 states where their approach would clearly be rejected.

Copies of *The Incredible, Disappearing Residential Exchange Benefit* can be ordered from the CUB office. The price is $5.00 for CUB members ($7.00 for non-members).



CUB Board Meetings Open to Members

Meetings of the CUB Board of Governors 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 p.m. in various locations around the State.

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

Gas Influx Report *continued from first page*

The new and proposed plants are to be sited mostly along the I5 (Seattle-Eugene) corridor. While most will be constructed in Washington state, the most recent count in Oregon is 21 plants, with a potential power output of over 4,000 average megawatts, and carbon dioxide emissions of more than 18 million tons a year -- quadruple the state's 1990 carbon dioxide level from electric power production.

With future energy taxes and/or carbon dioxide penalties a near certainty, utility investments in fossil fuels could cost the region far more than was spent to build the plants themselves. If just the Coyote Springs and Hermiston plants operate, for example, a tax of $25 per ton of carbon dioxide would add $120 million to their cost each year.

Public policy on the region's energy resources is not up for debate. It was set in 1980 with the passage of the Pacific Northwest Power Planning and Conservation Act (The Regional Act), which clearly pointed the direction to "...conservation and efficiency in the use of electric power, and the development of renewable resources..." The natural gas influx is a signal that the region's electric providers, including the Bonneville Power Administration, are straying off course.

"This report is a wake-up call that the natural gas strategy is unacceptable," said O'Shea, "particularly since the Northwest has ready alternatives -- there is a potential for some 5,000 average megawatts of conservation, and plenty of cost-effective renewables. These 'free fuel' alternatives won't leave consumers holding the bag in a few years when the cheap gas runs out, but will offer a clean, sustainable, affordable supply of energy over the long-term."

Burning the Bridge to Clean Energy offers these recommendations for avoiding a fossil fuel energy future:

1. Energy resources must be acquired according to the principles of the 1980 Regional Act, and regulated in line with the Northwest Conservation and Electric Power Plan. Access to the hydro system through the Bonneville Power Administration should be contingent upon adherence to regional planning.

2. State regulators should take positive steps to improve the quality of utility power sources by requiring utilities to: acquire a minimum amount of renewables, ascribe real dollar amounts to damaging environmental effects, insure against fuel price increases, and evaluate conservation and renewables on the basis of a 30-year life, as is now the case for conventional resources.

3. Reaffirm the purposes of the Regional Act by supporting the 1994 "Campaign to Take Back Our Energy Future", as led by the Northwest Conservation Act Coalition (NCAC).

4. Provide stable and continuing support for consumer advocacy on behalf of the region's residential power customers. Because the BPA Exchange affects the entire regional customer base, CUB's efforts are critical to ensuring that the goals of the Act are observed. CUB should receive access to state mailings and other stable means of gaining support from the public at large.

New and Proposed Natural Gas Generation: Regional Northwest*

	# Plants	MWa
Assured constr. or operating	7	1,066
Washington	5	577
Oregon	1	441
Idaho	1	48
Montana	0	0
Planned	15	2,050
Washington	6	900
Oregon	6	976
Idaho	2	109
Montana	1	65
Being considered/negotiated	12	2,637
Washington	7	1,687
Oregon	4	556
Idaho	0	0
Montana	1	394
Potential	43	7,302
Washington	27	4,317
Oregon	10	2,353
Idaho	3	302
Montana	1	17
Unspecified Sites	2	313
Totals:	77	13,055

*April, 1994.

The CUB report, Burning the Bridge to Clean Energy, released June 23, 1994, can be obtained from CUB at $7 ($5 for CUB members) per copy. Call 503-227-1984 or send an order to Citizens' Utility Board, P.O. Box 6345, Portland, OR 97228.

WHAT YOU CAN DO:

Consumers can help stop the influx of gas-generated electric power plants by writing or calling their electric utility, the Energy Facility Siting Council, the Public Utility Commission, Bonneville Power Administration, Northwest Power Planning Council, or elected representatives. Remind these folks about public policy spelled out in the Northwest Power Act of 1980 that electric power must come from conservation and renewable resources, and not fossil fuels.

Michael Grainey, Assistant to the Director
Oregon Energy Facility Siting Council
625 Marion Street NE/Salem, OR 97310
1-800-221-8035

Randy Hardy, Director
Bonneville Power Administration
905 NE 11th/Portland, OR 97232
503-230-3000

Angus Duncan, Member or
Ted Hallock, Member
Northwest Power Planning Council
620 SW Fifth Ave, Ste 1025/Portland, OR 97204
502-229-5171

Joan Smith, Chair
Oregon Public Utility Commission
550 Capitol Street NE/Salem, OR 97310
1-800-522-2404 or 503-378-6611

Dick Reiten, President
Portland General Electric Co.
121 SW Salmon St./Portland, OR 97204
503-464-8000

Fred Buckman, President
PacifiCorp /Pacific Power & Light
920 SW 6th Ave./Portland, OR 97204
503-731-2000

Governor Cuomo Launches CUB Funding in New York -- Where is Governor Roberts?

Utility companies across the country are allowed to charge consumers for the full cost of lobbying for higher rates. However, forty-three states balance this by granting funding or other support to organizations which protect consumers.

Oregon CUB is the only group in the country which has the formal responsibility to represent the interest of consumers before the PUC, yet receives neither direct funding from the state or assistance from the state in reaching consumers.

In 1984, Oregon voters passed Ballot Measure 3 which created the Citizens' Utility Board of Oregon. The first paragraph of that measure stated its purpose:

> "...utility consumers need a convenient manner of contributing to the funding of such an organization so that it can advocate forcefully and vigorously on their behalf."

That measure would have allowed CUB to place an insert in utility bills letting consumers know that CUB had been set up to represent their interests, and how they could join CUB.

Oregon's big utilities, which had broken campaign spending records in opposing the CUB initiative, went to court and won a ruling that the voters could not require them to carry CUB information in their bills. This had the effect of deleting the funding provisions of the initiative.

Recently, New York joined Illinois by allowing a CUB to place inserts in state mailings. CUB will be required to pay any additional expenses the state incurs in postage or handling because of the inserts, and utility consumers across the state will receive information on how they can join together to protect their interests.

Oregon CUB has saved ratepayers more than $300 million, but because CUB does not have anywhere near the resources of the utilities or their large industrial customers, consumers are being overcharged many millions more (see cover story on the BPA Residential Exchange).

CUB has requested that Governor Roberts follow Governor Cuomo's lead and sign an Executive Order allowing CUB to communicate with utility consumers by placing inserts in state mailings at no cost to the state.

According to Bob Jenks, CUB Executive Director, "this is the perfect chance for Governor Roberts to leave a strong legacy for Oregon consumers. Oregon is one of a handful of states which allows a utility to charge their full cost of lobbying for higher rates to ratepayers, but does nothing to assist ratepayers in defending themselves.

ACTION ALERT - CUB Members - ACTION ALERT

Urge Governor Roberts to sign an Executive Order allowing CUB to place inserts in State mailings. Call her at (503) 378-3111 or write her a letter.

sample letter:

Governor Barbara Roberts
State Capitol
Salem, OR 97310

Dear Governor Roberts,

The State of Oregon guarantees a profit for utility companies and allows them to charge ratepayers for the full costs they incur lobbying for higher rates. At the same time, Oregon is one of just 7 states that has no state-supported program to ensure that consumers are represented on utility issues.

The states of New York and Illinois have solved this problem by allowing CUBs to place inserts — at no cost to the state — in state mailings.

In 1984, Oregon voters created CUB and voted to allow it to raise money and communicate to consumers through inserts. It is time for state government to implement that ballot measure.

Please issue an Executive Order allowing CUB to communicate with consumers by placing inserts in state mailing.

In addition, please respond and let me know whether you intend to issue such an order.

Sincerely,
name
address

Statements of Candidates for Election to the CUB Board of Governors

DISTRICT 1

Kirk Roberts

As current chair of the Board of Governors, I would like to continue in my capacity as a Board member and continue my commitment to ensure: (1) CUB's "watchdog" function over regulated utilities, and (2) push for more long-term planning by utilities to ensure that only the "least cost resources" are brought on line over the next 5 years.

I believe my six plus years' experience on the Board will help ensure these goals and aid in facilitating the transformation of CUB into a larger member-based organization with even more clout!

DISTRICT 4

Jack J. Craig

I have had considerable experience with utility operations and policy making as an 8-year EWEB elected board member. During that period I was a member of the Info & Education Committees of both the Northwest and American Public Power Associations.

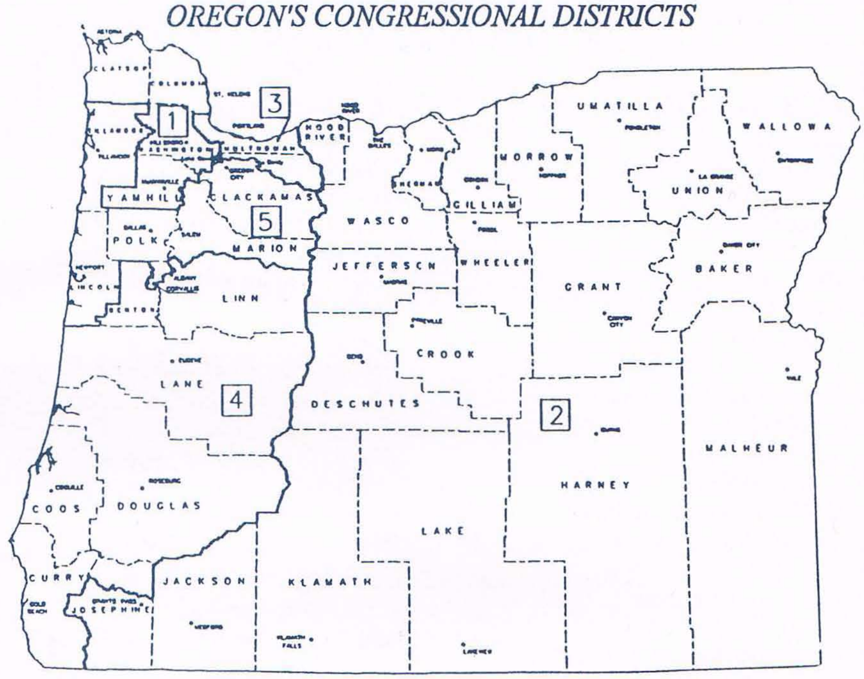
I lobbied in Congress to help bring about changes in the Northwest Planning Act and was instrumental in getting EWEB out of a contract with PGE in the operation of the Trojan nuclear power plant, turning over the EWEB 20% to BPA. The result was the saving of millions of dollars for EWEB ratepayers in the sharing of decommissioning costs to EWEB customers, and maybe avoiding a bankruptcy of the Eugene utility.

I also served as an Oregon legislator and as an Oregon legislative administrative staff member, including executive assistant to the Speaker of the House and administrator of both House and Senate legislative committees.

I would hope through my membership on the CUB Board to prevent the take-over of BPA, the proposal of the plutonium fueling of the old WPPSS plant, as well as the protection of consumers of both public and private utilities in rate matters.

I ask your support for election to the CUB Board, and feel I can make a contribution based on my background and knowledge of Northwest utility operations.

OREGON'S CONGRESSIONAL DISTRICTS



CUB Board of Governors
BALLOT

Please follow these instructions when casting your ballot:

> Vote only for a candidate in your Congressional district.

> Mail this ballot to Citizens' Utility Board P.O. Box 6345, Portland, OR 97228.

> Ballots must be received at the CUB office no later than July 31, 1994.

District 1
(vote for one) Kirk Roberts ___

District 4
(vote for one) Jack J. Craig ___

Note: Vacant Board seats remain in Districts 2, 3, and 5. The Board of Governors will be accepting applications for these positions and will appoint members after the current elections. If you are interested in serving on the Board, please contact the CUB office.

Citizens' Utility Board of Oregon

CUB Board of Governors

DISTRICT 1
Kirk Roberts, Portland
246-3385
Bruce Gelman, Portland
274-2527
DISTRICT 2
Mark Becker, Bend
382-2467
DISTRICT 3
Margot Beutler, Portland
282-0285
Tim Goss, Portland
280-8806
Kathleen Sullivan, Portland
236-9435
DISTRICT 4
Jack J. Craig, Eugene
686-0812
Chuck Mundorff, Eugene
683-7697
Eben Fodor, Eugene
345-2747
DISTRICT 5
Steven Gorham, Salem
364-6494
Lloyd Marbet, Boring
637-3549

CUB Staff

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

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
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. If you are not financially able to pay for your membership you are still entitled to join.

All CUB members get the quarterly newspiece, The Bear Facts, and the satisfaction of knowing their support has yielded over $300 million in rate reductions and refunds over the past 10 years.

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

Citizens' Utility Board of Oregon
P.O. Box 6345
Portland, OR 97228

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ADDRESS CORRECTION REQUESTED

CUB

Because Utility Companies Bear Watching