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THE BEAR FACTS

Citizens' Utility Board of Oregon...because the utilities bear watching

CUB Fights Plans to Deregulate and Expand Telephone Monopolies

US West and Other Phone Companies Ask Congress for Deregulation; CUB and Other Groups Say "No!"

CUB and other consumer groups won one round recently in US Senate hearings on the telecommunications bill in Washington, D.C. The Senate adopted an amendment that would allow utility regulators, such as Oregon's PUC, to take into consideration local phone company profit margins when setting telephone rates.

This amendment to the Senate Telecommunications Bill is just one of several amendments which are necessary to protect consumers.

As currently written, the bill would raise rates and expand the monopoly power of local telephone companies or Baby Bells, as they are known. If this language were allowed to stand, residential phone rates could nearly double within the next five years, according to a national study on the impacts of the Senate Telecommunications Bill.

General consensus exists between consumers, telecommunications companies and political leaders that the Communications Act of 1934 needs to be updated. However, CUB and other consumer groups are concerned that utility companies are lobbying for provisions designed to increase their profits at the expense of ratepayers.

Included in both the House and Senate telecommunication bills are the following provisions, which could be detrimental to consumers:

BPA Drops Bombshell on Oregon Customers

At press time, the Bonneville Power Administration (BPA) has just proposed a "rate reduction" for their customers--a cost savings to be paid for by 75% of residential consumers in Oregon.

Under BPA's "reduction" plan, PGE's residential customers will see a 10-12% increase in their electric rates, while PP&L customers will see rates rise 3-5%.

So, who's going to actually save money on their electric bills? Customers of some publicly-owned utilities may see a rate reduction, but the biggest break goes to BPA's largest industrial customers.

According to their proposal, BPA will fund these savings by gutting the residential exchange--the mechanism in the Northwest Power Act which shares the benefits of federal hydropower with all Northwest residents regardless of their utility company.

"If we're going to change regional energy policy, we should have an open process and listen to what the public has to say," noted Jason Eisdorfer, CUB legal counsel. "BPA administrators are hired to carry out public policy, not to make it." (See "Program Briefs," p. 3.)

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From the Executive Director

Dear CUB member,

This is an exciting time for us here at CUB, both programmatically and organizationally. In addition to our eternal battles on behalf of consumers, we are now navigating in cyberspace and are also scouting for new Board members.

CUB is involved in a giant chess game with the utilities: they try to get Congress and the Oregon Public Utility Commission (PUC) to deregulate them, while trying to wiggle out of their commitment to renewable energy and energy efficiency; CUB, meanwhile, tries to ensure that consumers receive a fair shake and that energy production doesn't degrade our environment.

It's a challenging time to be a consumer advocate. As Congress moves closer to a radical deregulation of telephone companies, politicians need to get beyond soundbites about "competition, regulation and the free market" and begin to think about the consequences of unregulated monopolies providing essential services.

At the same time, the electric companies in the Northwest are responding to cheap power on the wholesale market by abandoning plans to build renewable resources and by reducing their investment in energy efficiency. This sort of short-sighted thinking shows the need for consistent and intelligent regulation.

Organizationally, this year marks the beginning of CUB in cyberspace. CUB now has an e-mail address (it seems like only yesterday we got a fax machine). If you would like to respond to something in this newsletter or send us a message about how we are doing, send us a note at cub@teleport.com.

CUB's annual elections are coming up soon, and an application to run for our Board of Governors appears on page 5. If you are interested in helping CUB continue with the high rate of growth and rapidly increasing visibility we have been enjoying for the past few years, consider running for the Board. Give me a call at 503-227-1984 or E-mail me at cub@teleport.com and I'd be delighted to fill you in on the details.

Executive Director

Bear Facts is the quarterly newsletter of the Citizens' Utility Board of Oregon (CUB).

CUB is a non-profit organization established by Oregon voters to advocate on behalf of Oregon's utility ratepayers.

CUB is governed by a Board of Governors elected by Congressional Districts throughout Oregon.

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Deregulation/Expansion of Phone Industry

⌘ **Deregulate the rates of most cable consumers.** Congress tried this once, and rates went through the roof. Congress was forced by public pressure to reregulate the cable industry. Does Congress understand how a monopoly will act in a deregulated marketplace?

⌘ **Allow the phone and cable companies to merge.** Congress is presenting telecommunications reform as a way to promote competition. In the short run, however, the only competitors for residential service are likely to be the phone and cable companies competing against each other. How can a bill promote competition while encouraging competitors to merge and form larger monopolies?

⌘ **Prohibit state regulators from using "rate of return" regulation.** "Rate of return" regulation is the traditional way utility rates are set, based on pricing services so a company can cover its costs and shareholders can make an adequate profit.

While many states (including Oregon) have experimented with new forms of regulation, there is no consensus that any one form of regulation leads to either lower rates or better service.

⌘ **Shift much of telecommunications regulation from the states to the federal government,** while making no provision for consumer representation before the Federal

Communication Commission (FCC) or any other decision-making bodies.

CUB has been working through the National Association of State Utility Consumer Advocates (NASUCA) to win support for amendments which could elimi-

nate these anti-consumer provisions and, thus, greatly improve the federal telecommunications bill.

"Unless amended, this bill will harm consumers and lead to higher telephone rates," read a letter sent to US Senators by NASUCA executive director Debra Berlyn.

CUB Program Briefs

BPA Proposes Raising Rates and Cutting Conservation Programs

CUB has intervened on behalf of ratepayers in the Bonneville Power Administration's (BPA) planned rate increase. BPA is the region's largest electricity generator.

Due to huge nuclear debts, rising salmon recovery costs and wholesale power competition, BPA is shifting costs and slashing their expenses. BPA has proposed backing out of the residential exchange program.

This would deny customers of investor-owned utilities (such as PGE and Pacific Power) access to low-cost federal hydropower. CUB is concerned that this violates the rate fairness policy of the Northwest Power Act.

CUB is also interested in verifying that BPA complies with federal law by maintaining con-

servation and renewables in the region's energy portfolio.

Idaho Power Requests 23% Rate Hike for Oregon Customers

Idaho Power Co., which serves approximately 12,000 residential customers in Eastern Oregon, recently asked the Oregon PUC to allow it to raise residential rates by 23% or approximately \$13 per month.

According to Idaho Power, the increase is due to inflation, increased demand, the increased cost of generating power, and the cost of energy efficiency programs.

CUB has begun an analysis of Idaho Power's request and is intervening on behalf of ratepayers. The size of this increase makes it one of the largest in CUB's history and necessitates close scrutiny.

CUB Appeals PGE Rate Increase

Allowing a Utility to Charge for a Closed Power Plant is a Dangerous Precedent

Should ratepayers be forced to continue to pay PGE a profit on the closed Trojan nuclear power plant?

The answer to this question is at the heart of CUB's recently filed law suit against the Public Utility Commission of Oregon.

The PUC ruled in March 1995 that PGE could raise residential rates 7.7% to off-set costs associated with shutting down the Trojan plant.

CUB opposed the rate hike, arguing that ratepayers have already spent years paying for a plant which often was not producing power, and that now is the time for stockholders to contribute their fair share of Trojan costs. CUB's pro-

posal would have led to a 3.3% rate decrease.

Instead of following CUB's proposal, the PUC decided to make ratepayers pay for 87% of the outstanding investment in Trojan and to allow PGE stockholders to continue making a profit on the plant.

"It is absurd to allow a stockholder to profit on a plant which is not producing electricity," said Bob Jenks. "This decision will allow PGE to keep making a profit on Trojan until the year 2011."

"In every other industry," Jenks pointed out, "a failed investment of this magnitude would be borne by stockholders. In no other industry do clients get billed for cor-

porate failure the way utility ratepayers do."

CUB's suit charged that the PUC decision violated a 1978 Oregon law, established by a vote of the people, which prohibits charging ratepayers for any installation "not presently used to provide utility service to the customer."

"This decision sends the wrong message to Oregon's utilities," said Jenks. "And that message is that in Oregon, you can build and profit from power plants, regardless of whether or not they work."

"In other words," Jenks explained, "there is no risk in building power plants here. If the plant is a flop, the rate payers will pick up

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PGE Rate Case: Mixed Results for Consumers

The Good:

♣ The PUC accepted several recommendations from CUB's economist Tom Power, which reduced PGE's Trojan-related revenue requirement by \$73.9 million.

♣ The PUC instituted a concept called "decoupling," which eliminates some of the disincentive to PGE for investing in energy efficiency instead of new power sources.

The Bad:

♣ The PUC rejected CUB's proposal that PGE be held responsible for the consequences of its original decision to build Trojan, including its decision to use an unproven technology and an unreliable contractor.

♣ The PUC gave residential customers four times the rate increase they gave industrial customers, in spite of CUB's arguments that PGE had failed to prove that this division was either fair or reasonable.

Continued from p. 4

CUB Appeals PGE Rate Increase

the tab anyway."

The PUC interpreted the 1978 initiative, which prohibited charging for the costs of a power plant that was not in service, as only applying to a power plant *before* it is placed into service. Since Trojan had been in service for many years, the PUC reasoned, it did not fall under the voter-approved statute.

CUB attorney John Stephens disagrees:

The statute "is not just limited to property 'before' it is used for service. Instead, the statute asks the question whether the property is 'presently used for providing utility service to the

customer'....If the answer is no, then the property cannot be included in the rate base."

"The statute does not care if it will be used in the future or was used in

the past. The statute only cares if it is used now, at the present time."

Stephens filed CUB's appeal before the State Court of Appeals on June 15, 1995.

PGE Cuts Back on Energy Efficiency

As part of its current "least cost plan," PGE is proposing to cut back on energy efficiency investments.

Current Oregon rules require a utility to invest in energy efficiency programs whenever they save power at a cost which is less than the cost of generating new power.

Citing the cost of electricity on the

wholesale market, PGE recently announced that they are scaling back on the amount of energy efficiency investments they are planning in the future.

CUB is concerned that cutting back on long-term investments for short-term returns could set utility customers up for higher rates at a later date.

Filing of Candidacy for CUB Board of Governors

Directions: In order to run for the CUB Board of Governors, you must be a member of the Citizens' Utility Board of Oregon and must fill out this to certify your eligibility to run. Filing forms must be received at the CUB office no later than 5:00 pm on September 8, 1995.

Name of Candidate _____
Residence Address _____
City _____ State _____ Zip _____
Congressional District _____ Telephone _____
Mailing address (if different from 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 Oregon 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 of Oregon which furnishes electric, telephone, gas, or heating service.
4. I do not hold 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.

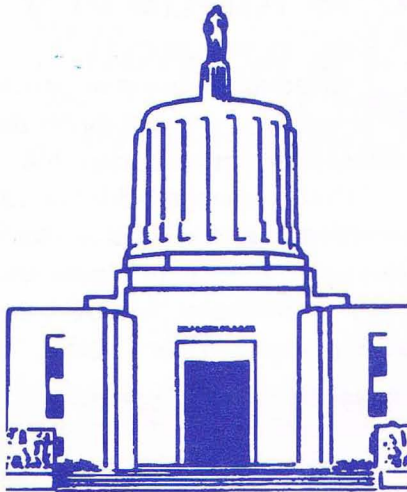
My signature attests to the accuracy of the foregoing statements and affirms my agreement to abide by the election regulations established by the Citizens' Utility Board of Oregon.

Signature of Candidate _____

Date _____

Mail or deliver completed applications to: CUB Elections, 921 SW Morrison #550, Portland, OR 97205, by 5:00 pm on September 8, 1995. All candidates are invited to submit a 300 word typed statement giving their qualifications and reasons for running. This statement will be included in a voters' pamphlet mailed to CUB members. Voters pamphlet statements must also be received by 5:00 pm on September 8, 1995.

CUB's 1995 Oregon Legislative Briefs



CUB Defeats Telephone Refund Grab

SB 419. Government officials saw a pot of money that could be used to fund telecommunications programs in the public schools, but CUB saw Measure 5 savings they had fought so hard to win being snatched away from US West customers.

In the waning days of the leg-

islative session, CUB led the successful fight against SB 419 and stopped this raid on US West ratepayers refunds.

SB 419 would have taken approximately \$15 million which US West is required to refund to customers, but which had not yet been returned, and given that money to the Oregon Dept. of Education to pay for telecommunications education in the public schools.

"These may have been laudable goals," said Bob Jenks, CUB executive director, "but taking this pot of money constitutes an unfair and unequal tax on just one class of customers--US West ratepayers.

"Not only is this terrible public policy," Jenks continued, "it is also likely unconstitutional."

CUB informed legislators that it "is unfair to tax a Medford telephone consumer to pay for telecommunications in Coos Bay schools, when telephone consumers in Coos Bay are not being asked to contribute."

In addition, CUB pointed out what should have been obvious to legislators, that "passing a flawed bill, which creates an unfair new tax, in the final days of a session dedicated to 'no new taxes' will encourage voters' cynicism toward the legislature."

As compelling as CUB's arguments were, the real turning point came when the mainstream media got wind of SB 419. "Once the media reported our concerns," Jenks observed, "legislators started hearing from constituents. That's when SB 419 became a vampire and withered in the light of day."

State Creates Telecommunications Council

SB 994, which passed the legislature unanimously, is one of the few good consumer bills to come out of the legislature in 1994.

CUB supported this measure which creates the Oregon Telecommunications Forum Council. The Council will include telecommunications providers as well as consumers to help plan for the development of modern telecommunications in Oregon.

The Council is designed to continue the grassroots approach of the Oregon Telecommunications Forum, a series of regional meetings held throughout Oregon to determine the needs and barriers to developing modern telecommunications in Oregon.

The Bear Facts is printed with soy-based ink on 50/35 recycled paper.



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