CUB
Special Edition
1996
THE BEAR FACTS
Citizens' Utility Board of Oregon...because the utilities bear watching

Governors' Committee Calls For Deregulation of Electric System

Plan emphasizes utility and industry profit, not needs of Northwest citizens or the environment

The electric power industry in the Northwest may look significantly different if a draft Northwest Energy Plan is enacted.

The centerpiece of the proposal is to give large industrial customers lower rates at the expense of most residential ratepayers. In addition, the plan would reduce the Northwest's long-standing commitment to rate fairness, energy efficiency, renewable energy and protecting salmon.

Northwest residents who should be concerned about these changes will have a chance to make their voices heard at regional hearings to be held in October.

The draft Northwest Energy Plan is the work of a regional committee appointed by the governors of Oregon, Washington, Idaho and Montana. The committee's mission was to respond to the impact of deregulation and to lay out a new framework for the electric power industry in the Northwest.

CUB attorney Jason Eisdorfer, who served on the 20 member steering committee, expressed concerns about the committee's report:

"While the report could be considerably worse, Northwest residents deserve an energy plan which is much more focused on promoting long-range solutions rather than short-term profits."

The key element in the energy plan is a proposal to deregulate the electric industry and allow customers to buy their power from any supplier. But as Eisdorfer pointed out, this approach is shortsighted:

"Our energy policy must respond to such problems as air pollution, endangered species and ensuring the ability of low-income families to heat their homes when we have unusually harsh winters. Deregulation cannot be used as an excuse to sweep these issues under the rug."

The steering committee's draft is the first step in the process of changing the energy system. After public hearings, a final report will be developed and sent to the four Western governors, who will use it to propose federal and state legislation.

According to Bob Jenks, CUB Executive Director, the key to improving the plan is for ratepayers to attend the public hearings and to send written comments to the steering committee and to Gov. John Kitzhaber.

"The steering committee was dominated by the utilities and their largest customers. Now is the time for the public to be heard," said Jenks. "The next few weeks may well decide whether the region has an energy policy which reflects the concerns of the majority of citizens or one which is designed primarily to protect the interests of utilities and their largest customers."

For details of CUB's concerns, see pages 2 and 3.

Action Alert!

Eugene, October 9: Hearings in Eugene will be held on Wednesday, October 9, at 6:00 P.M. at the Eugene Water and Electric Board, located at 500 E 4th Ave.

Portland, October 23: Hearings in Portland will be held on Wednesday, October 23, at 6:00 P.M. at the State Office Building, 800 NE Oregon St., Room 140.

Copies of the draft report, entitled *Draft Comprehensive Review of the Northwest Energy System*, are available at no cost by calling 1-800-222-3355. Ask for document 96-CR18.

What You Can Do

Attend the Oct. 9 or Oct. 23 hearings and let the steering committee members know what you think!

Write to Gov. Kitzhaber and the steering committee expressing your views. See back page for details.

CUB's concerns about the draft

CONSUMER CHOICE

The draft Northwest Energy Plan suggests that all customers should have the ability to choose their power suppliers by the year 2001, but large industrial customers may get this option much earlier.

If residential and small business customers are held "captive" while the large industrial customers have first crack at choosing an electric supplier, the utilities will have a huge incentive to cut their industrial prices to compete for large customers and to make up this revenue by raising residential rates. (This is just the tactic US West has recently tried to follow in Oregon and Washington.)

While the draft report does includes several consumer protections, residential and small business customers will still be at a competitive disadvantage to large users.

As increasing competition forces utilities to cut long term investments in order to reduce costs, we can expect to see utilities slash programs that serve long-term regional interests such as energy efficiency, weatherization and low-income assistance programs.

For a preview of what electric industry deregulation might look like, consider the problems consumers have encountered with US West under telecommunications deregulation.

LOW-INCOME CITIZENS

While making decisions which will cut rates to the largest industrial customers and raise rates to many residential customers, the committee failed to take action to protect low-income Oregonians.

Utility companies are facing increasing pressure to eliminate their unprofitable energy assistance programs, and the federal government continues to cut its commitment to low-income energy assistance.

Currently, state governments contribute nothing towards low-income energy assistance, relying instead on utility and federal programs to fill this need.

Despite the states' prior lack of involvement in energy assistance, the steering committee rejected proposals for regional low-income energy assistance guarantees. Instead, the draft Northwest Energy Plan suggests that states consider funding such programs in the future.

NUCLEAR AND OTHER DEBT

To protect shareholders of companies like PGE, which have hundreds of millions of dollars of nuclear (i.e., Trojan) debt, the draft energy report would allow PGE and other utilities to continue charging their ratepayers for such costs. BPA, however, was denied the opportunity to recover its bad nuclear debt from the large aluminum companies which make up a large part of the BPA's customer base.

In short, the report proposes protecting the owners of investor-owned utilities (stockholders), while denying that same protection to the owners of BPA (taxpayers).

ENERGY EFFICIENCY

In 1994, the Northwest spent $332 million on conservation programs like weatherizing older homes. The draft report recommends reducing this to just $170 million annually. In addition, the committee lets utilities collect this on a *voluntary* basis.

This ignores the competitive pressures utilities face to cut costs and the fact that in the long run energy efficiency is our cheapest source of power.

Under the proposed plan, voluntary conservation programs are likely to be one of the first things to be cut or even eliminated, thereby abandoning the Northwest's 20-year old commitment to energy efficiency.

Northwest Energy Plan

RESIDENTIAL RATES

The draft Northwest Energy Plan virtually guarantees that residential rates will increase for customers of Portland General Electric (PGE) and other investor-owned utilities.

Under the Northwest Power Act, passed by Congress in 1980, customers of these utilities had access to low-cost federal hydropower through the Bonneville Power Administration (BPA). Last year, however, BPA announced cancellation of this program. The draft energy plan fails to address the rate hikes associated with this.

In addition, if the committee's plan is enacted, utilities may raise residential rates so they can fund sharp rate decreases for industrial customers.

PGE's recent cost allocation study lays the groundwork for this by proposing to shift millions of dollars of costs from large industrial to residential customers. If enacted PGE's plan would raise the winter heating bills for customers with electric heat by $35/month.

SALMON

Even the protection of endangered native salmon species, a widely shared value throughout the Northwest, would take a hit under the draft energy plan. While utility purchasing power from BPA did agree to pay a higher price to cover salmon recovery costs, this surcharge would be capped.

The draft plan also fails to address the fundamental issues of a unified salmon restoration plan and how the Columbia River is operated for the benefit of salmon, rather than as a source of power and irrigation water.

B.P.A.

The proposal radically redefines how the Bonneville Power Administration sells power. BPA is the federal agency that sells the power from the federal dams on the Columbia River system. BPA's rates are currently above the going market rate, but as it pays off $7 billion of nuclear debt, its rates in the future are expected to be a bargain for Northwest consumers.

The committee's draft proposes that a number of regional interests get the opportunity to buy long-term contracts for BPA power. The problem is the order in which these interests get to buy power.

The first to buy are the publicly-owned utilities. The next round would include the direct service industries—mostly big aluminum companies—and residential and small farm customers of investor-owned utilities like PGE.

However, the large aluminum companies use so much power that there may not be enough power to accommodate both the residential customers of the investor-owned utilities and the big aluminum companies. There are less than 15 direct service industries and, combined, they use almost 3 times as much power as the residential customers of PGE, the largest power company in the state.

These dams were built by taxpayers, and CUB believes that the benefits of the dams should be spread as widely as possible, rather than go to a handful of very large companies.

IRRIGATION SUBSIDIES

While opposing energy assistance to low-income residential ratepayers, the committee was more than generous in continuing hundreds of millions of dollars in outdated subsidies for irrigators, may of whom are wealthy corporations.

Irrigation subsidies are one more example of how the steering committee tried to please powerful special interests, while ignoring the concerns of the general public.

RENEWABLE ENERGY

Like energy efficiency, participation in renewable energy programs would be a voluntary activity under the recommendations of the draft Northwest Energy Plan. The result? Less investment in clean energy, more investment in fossil fuel-burning electric plants which pollute the environment.

By gambling on the future of fossil fuels, the draft energy plan ignores the public and private economic benefits of maintaining a diversity of sources of power. Here again, short-term economic gain could have unintended public costs.

Oct. 9 and Oct. 23
CUB Members Speak Up for Fair Energy Rates and Environmental Protection

Regional hearings on the draft Northwest Energy Plan will take place in Eugene on October 9 and in Portland on October 23. After public input, the steering committee will then draft a final report to the governors of Oregon, Washington, Idaho and Montana.

This energy plan is designed to lay out a new framework for the region as the electric power industry is being reshaped by deregulation. See page 1 of *The Bear Facts* for details.

"So far, the committee has heard primarily from the special interests--the utilities and large industrial customers," said Bob Jenks, CUB Executive Director. "Now is the time for the public to be heard."

What You Can Do

CUB members will be attending hearings in both Eugene on Oct. 9 and in Portland on Oct. 23. Call the CUB office at 503-227-1984 for more information.

Here is what members of the steering committee need to hear from consumers:

1. Energy efficiency and investment in renewable energy sources must be mandatory, not voluntary. The alternatives are more pollution and additional harm to salmon.

2. Deregulation must not be used as an excuse to raise rates to residential and small business customers. Any savings caused by restructuring should be shared equally by all customers -- not simply given out to a handful of large industrial companies.

3. Residential customers, whose tax dollars paid for the Northwest's dams, should have priority for that power before the big aluminum companies are allowed to permanently tie it down with long term contracts.

Join other CUB members in sending this message to the energy policy steering committee and to Oregon's Gov. John Kitzhaber.

If you can't attend either hearing, send a letter raising these same three issues to:

Gov. John Kitzhaber
Office of the Governor
State Capitol
Salem, OR 97310

Send a copy of your letter to:

Comprehensive Review
c/o Public Affairs
851 SW 6th Ave., Suite 1100
Portland, OR 97204

Dear John ....

Sample letter to the Governor:

Governor John Kitzhaber
Office of the Governor
State Capitol
Salem, OR 97310

Dear Governor Kitzhaber:

I am writing to you to express my concerns over the Regional Energy Review Steering Committee's draft report. In too many ways, the report is a step backwards in energy policy:

1. Energy efficiency and renewable energy must remain a priority here in the Northwest. Making such investments *optional* for the utilities guarantees that energy efficiency and renewable energy will be the first *costs* to be cut in a competitive marketplace.

2. Residential customers must be protected from rising rates as utility companies compete for the business of large customers. Rate fairness must not be sacrificed.

3. Residential customers, whose tax dollars helped build the Northwest's hydroelectric dams, must be assured access to the low-cost power generated by those dams. Giving the aluminum companies equal access to BPA power is a prescription for higher electric rates.

As you consider the recommendations of the Northwest Energy Plan, I urge you to maintain the Northwest's traditional balance between fairness and environmental protection.

Sincerely,
CUB member

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