Fifteen Years
CUB
Fall, 2000
THE BEAR FACTS
Citizens' Utility Board of Oregon...because the utilities bear watching

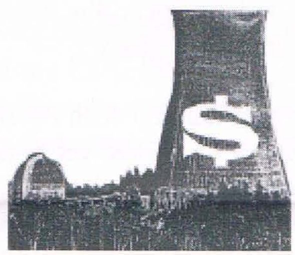
One Million Oregon Voters Say No on 90!

On November 7, Oregonians spoke loud and clear about keeping the legislature and utilities in check: they voted down Measure 90, 76% - 24%. Over one million Oregonians said "No" to the referendum that was a legislative giveaway to special interests. It is also likely an historic vote in that it may be the last time the Trojan nuclear plant issue ever appears on Oregon's ballot.

In defeating Measure 90, voters decided that House Bill 3220, which was passed by the legislature last year, should not be allowed to become law. The bill would have granted utilities the ability to charge profits on power plants or other assets, even if they were not in actual service for the benefit of ratepayers.

Portland General Electric (PGE) pushed the legislation, which was retroactive, in order to cover the costs of the Trojan nuclear power plant. It would have allowed them to continue earning a profit on Trojan, which closed in 1993. PGE had lost two court decisions on the issue and the legislature's action would have overturned those decisions.

The CUB-led campaign to defeat Measure 90 was a classic grassroots effort from start to finish. From having over 2,000 people – many of them



CUB members – collect signatures to refer HB 3220 to the ballot to supporters making contacts all over the state to make sure Oregonians knew to vote against Measure 90. Fifteen organizations joined CUB in a voters' pamphlet statement in opposition to the measure. Five organizations also submitted opposing arguments on their own. Many groups, including AARP, OSPIRG, Oregon Peaceworks, and the Oregon League of Conservation Voters, all contacted their members, urging them to vote No on 90. Although in these modern days of campaigning, people expect millions of dollars of advertising, old-fashioned person-to-person campaigning made the difference to send Measure 90 down in flames.

Of course, it helped that PGE did not run an expensive campaign in support of the measure. As CUB members know, CUB settled its Trojan lawsuit with PGE last summer (see story on page 6). Along with that settlement, PGE agreed not to spend more than $50,000 campaigning for Measure 90.

The Trojan settlement was a landmark agreement that prevents PGE from collecting any more profits on Trojan. It also brought a $10.2 million rate reduction. The agreement also allows other parties who also sued the Public Utility Commission and PGE over Trojan profits to continue to pursue their cases.

CUB members were at the forefront of the successful effort to defeat Measure 90. So take a moment, pat yourselves on the back and think about how an effective grassroots membership like CUB's can make a BIG difference.

From the Executive Director

Dear CUB members,

First I want to thank everyone who contributed to our big NO on 90 victory this month. Many of you helped collect signatures last Fall to put that measure on the ballot. It was the largest volunteer petitioning effort I've been involved with since the original CUB initiative in 1984. In addition, many folks made financial contributions to help the campaign and encouraged friends and family to Vote No on 90. All of you deserve credit for this victory.

Speaking of credit, CUB lost a longtime friend this fall, Board member, *Bear Facts* editor and Web page designer Margot Bentler. Margot was a wonderful woman. Above all else, she was a testament to how a single person can make a difference. She deserves a lot of credit for the successes of CUB in recent years.

Finally, I want to discuss the situation with Pacific Power since its purchase by ScottishPower. Either they have yet to understand how regulation works in the US or they have a lot of gall. After settling their rate case for a 2.3% increase and agreeing that that was a "reasonable settlement," they file and ask for an additional $45 million. While I have serious policy disagreements with most of the regulated utilities, I can count on them to live up to their word. I don't know how regulation usually works in the United Kingdom, but ScottishPower seems to want to play by a different set of rules.

When Enron bought PGE a few years ago, they came into Oregon and proposed a radical deregulation plan based on selling off Oregon's hydroelectric resources and kicking all customers into the "free market." They defended it based on indivdual customer choice -- of course, the choices involved paying higher rates. We had to teach them that Oregonians valued our rivers and our hydroelectric system and did not share their faith in deregulation of electricity.

Now we have to teach a new company, ScottishPower. And we will teach them a lesson about how utility regulation works in Oregon and how we ensure that customers are protected.

Sincerely,

Bob Jenks
Executive Director & CUB Charter Member

THE BEAR FACTS is the quarterly newsletter of CUB and the CUB educational Fund.

CUB is:

- a non-profit organization established by Oregon voters to advocate on behalf of Oregon's utility ratepayers.
- governed by a Board of Governors from throughout Oregon, elected by Congressional District.
- a member of the National Association of State Utility Consumer Advocates (NASUCA) and the Consumer Federation of America (CFA).

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CUB's board meets 8 times per year. For the next meeting date, check CUB's web site. A proposed agenda for each meeting will be posted at least two days prior to the scheduled meeting.

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Energy Program Director
Jason Eisdorfer
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QUESTIONS AND ANSWERS ABOUT CALIFORNIA'S RATES, DEREGULATION AND OREGON

Q: What happened with deregulation in California that caused rates to jump in San Diego by 300%?

A: California has not been building new power plants even though demand has been increasing. Without regulation, when supply is limited and demand is great, prices rise. California officials point fingers at federal regulators saying federal law requires then to ensure that wholesale electric rates are just and reasonable. Federal regulators admit that wholesale prices were not just and reasonable this summer but they point to California officials, saying they should have protected consumers.

Q: Does this means electric rates won't increase in Oregon?

A: It depends. The price of power in the wholesale electric market has increased. The price of natural gas which is used as fuel to generate electricity has increased. However, the two largest sources of power in the Pacific Northwest are generated by hydro and coal and these costs have not increased. If your electricity comes from a utility that is served by federally-owned hydropower (BPA), rates should not increase significantly. If you are served by Pacific Power, your power is primarily coal and rates should be stable. If you are served by PGE, your power comes from multiple sources (hydro, coal, natural gas, BPA and some market purchases) and the cost of natural gas and purchased power may increase rates, but the hydro, coal and BPA should prevent those increases from being excessive.

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Ballot

Vote Only for A Candidate in Your Congressional District.
Don't Know Your Congressional District? Check your Mailing Label!
Vote for Only <u>One</u> Candidate in Your District.

BALLOTS MUST BE RECEIVED IN THE CUB OFFICE (921 SW Morrison, #511; Portland, Oregon 97205) BY 5:00 PM, DECEMBER 29, 2000. Ballots submitted after this time will not be valid and will not be counted.

For Voter Statements from the Candidates in Your District, Check the Insert in This Newsletter.

District 1
( ) John Patterson – Unopposed

District 2
( ) Will Calvert – Unopposed

District 3
( ) Carl VanderZanden
( ) Andrew Reid
( ) Dan Meek

District 4
( ) Melissa Unger – Unopposed

District 5
( ) Mark Wilk - Unopposed

Please do not remove the mailing label on the back of this page when you mail in your ballot. It is used to verify that ballots are being submitted by CUB members, who are the only people eligible to vote. The label will be removed before the ballots are counted.

CUB Thanks Its Loyal Members

Typically, CUB uses this page of our newsletter to thank members for their finanicial support over the last few months. CUB receives no government funding and depends on its members for 80% of its operating budget. This month, however, we decided to use this page to honor a woman who has put in more volunteer hours with CUB than nearly anyone else. At CUB we will miss our friend Margot.

MARGOT BEUTLER (1950 - 2000)

Margot Beutler was a long-time supporter of CUB who worked hard to build the organization. She died in a sailboat accident on the Columbia River on October 1. A native Oregonian, Margot spent her life as an activist, making the state and our world a little bit better. She graduated from Clackamas High School and received bachelor's and master's degrees from the University of Oregon. She was a partner in Bonneau & Beutler Associates, a Web development firm. She also taught Web programming at Portland State University and Clark College.

Margot was tireless in her efforts for CUB. She became a CUB member early in the organization's history, served as a member of CUB's Board of Governors from Fall 1988 - 1998, edited the Bear Facts newsletter, was a Circle of Friends monthly contributor since 1998 and designed the web sites for both CUB and the Fair and Clean Energy Coalition. She always stressed the importance of organizational development and financial stability; CUB would not be the strong organization it is today without Margot.

In addition to these tremendous contributions, Margot also gave time and energy to a host of other community organizations and political endeavors. She was a former board member of KBOO Radio and host of its Thursday Radiozine program. She had served as executive director of HumanServe and Pro Pac and worked as a staff assistant to Margaret Carter in the Oregon House. She also served as campaign manager for former Labor Commissioner Mary Wendy Roberts.

Margot left us too soon but not without leaving a legacy of commitment to the struggle for social justice. At her memorial, Margot's family asked her friends and associates, rather than sending flower or simply donating money, that they volunteer with a community group doing work that's meaningful to them. We couldn't think of a better tribute to someone who gave so much to all of us. Although we said it often, we could never say it enough: Thanks, Margot.

Continued from pg. 3...

Q: What is CUB doing to prevent higher rates?

A: CUB has and will continue to challenge utility rate hikes. This does not mean that rates will never go up, but it does mean that any rate increases will have to be justified. CUB also works for strong energy efficiency programs which reduce the demand for power. Finally, CUB will continue to work to ensure that Oregon does not adopt any California-like deregulation plans that threaten Oregon customers. Many folks may remember that Enron proposed a radical deregulation plan a couple years ago that would have sold off all of Oregon's low-cost resources and force customers to buy power on the open market. CUB fought and prevented that plan from taking place. If it had been implemented, Oregon would be facing rates this winter that are more than twice current rates.

Keep CUB Prowling

If you have provided for CUB in your estate plans, please let us know. If not, let us show you how. Write Bob Jenks, Executive Director, CUB, 921 SW Morrison, #511, Portland, OR 97205, or call (503) 227-1984. Your gifts ensure that CUB will always be around to fight for what you believe in.

CUB KNOCKS $60 MILLION OFF PACIFIC POWER RATE HIKE...

After nearly a year of work, CUB succeeded in reducing Pacific Power's (PacifiCorp/ScottishPower) rate proposal by more than $60 million. Pacific requested a rate increase of more than 18%, but in the end the company agreed to accept an increase of only 2.3% for residential customers.

Last year, just weeks after the PUC approved the purchase of Pacific Power by ScottishPower, the company asked the PUC to allow it to raise rates by $86 million. CUB objected pointing to the fact that ScottishPower had claimed that its "superior management" would reduce costs and lead to lower rates for customers.

"This was an important rate case," said Jason Eisdorfer, CUB's Energy Program Director. "ScottishPower seemed to believe that in spite of the fact that they claimed customers would benefit from their merger with PacifiCorp that regulators would allow them to raise rates anytime they wanted."

The original request from ScottishPower/Pacific Power violated an agreement Pacific had made with CUB and the PUC that they would not raise the rates associated with their distribution system for three years. Last December CUB filed an objection to the rate case under these grounds. The PUC agreed with CUB and required Pacific to refile their case eliminating the distribution increase and reducing their proposed increase to 13.5%.

According to CUB's analysis, this 13% was still much more than the company could justify. CUB submitted testimony to the PUC showing that ScottishPower was trying to get Oregon customers to pay rates based on high costs that the company incurred in 1998, a year that the company fired its CEO and changed it management direction three times.

...BEFORE INKIS DRY PACIFIC ASKS FOR TWO MORE RATE HIKES TOTALLING 36%

Within weeks of the PUC granting them with a 2.3% rate increase, Pacific filed two more increases that total more than a 36% increase for residential customers.

The first increase is a request that the PUC allow them to charge ratepayers for any power costs that are greater than the rates the Commission recently approved.

"First they agree that their new rates are reasonable, then they ask to increase them," said Bob Jenks, CUB Executive Director. "This kind of disingenuous act will never reap any rewards for the utility. All it can do is alienate PacifiCorp from its customers."

The settlement of the rate case involved a number of trade-offs. CUB was pushing for lower corporate overhead costs, and the company was pushing for higher power costs. The 2.3% increase represented a compromise.

"We compromised on corporate overhead. They compromised on power costs. But now they want to get higher power costs too," said Jenks. "There is no way we are going to let them get away with this."

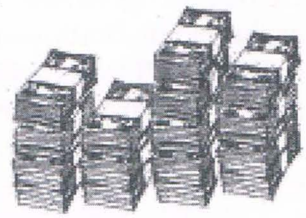
The second increase is tied to a filing implementing the State's Electric Restructuring law. That law passed by the Oregon legislature allows large industrial customers to purchase their power from the market, while residential and small business customers continue under the existing regulated system.

As with PacifiCorp's earlier request for an 18% increase that was reduced to 2.3% (see above article), CUB feels confident that PacifiCorp will not get all or even most of these rate increase requests.

"This is ridiculous," said Jenks.

PUC APPROVES TROJAN SETTLEMENT

On September 29, the Public Utility Commission approved the settlement of the Trojan lawsuit that had been negotiated between CUB, PGE and the PUC staff.



The settlement, which ended CUB's lawsuit with PGE over Trojan profits, required PGE to eliminate Trojan from its books by offsetting Trojan against a series of regulatory assets, forgo future profits on its Trojan investment and resulted in a rate reduction.

In its decision the Commission concluded that the settlement "provides a number of benefits to PGE's customers."

The Commission decision cited a benefit of $17 million to customers including an immediate rate reduction of $10.2 million.

According to Bob Jenks, CUB Executive Director, "The PUC decision confirms our belief that settling the lawsuit creates a real benefit to customers -- a benefit that is similar to what we would have achieved if CUB had won its lawsuit."

However, it is important to remember that PGE tried to preempt this settlement by passing legislation that would have allowed them to keep their profits on Trojan. CUB led the effort to stop that legislation by referring it to this Fall's ballot. (See story on page 1.)

Qwest (USWest) Refund: Former Customers Are Also Eligible

At long last, on September 22, 2000, Qwest (formerly USWest) started to distribute the refund CUB had been telling you about for many months. Current customers should have seen a big credit on their phone bills in late September and throughout October.

Folks who are no longer Qwest customers but were for at least six months between May 1996 and September 2000 are also eligible for a refund. You have to submit a request for your share of the refund. To get a copy of the form, you can log on to CUB's web site at www.oregoncub.org. Follow the links to get to the form. The form has also been published in newspapers around the state.

If you have family or friends who used to be USWest customers but are now living out of state, make sure they know about the refund. It's their money too.

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

Fifteen Years CUB

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CANDIDATE STATEMENT
CUB BOARD OF GOVERNORS
CONGRESSIONAL DISTRICT 2

My name is Will Calvert and I am running for the Board of Governors of the Citizens' Utility Board of Oregon.

As the state of Oregon passed through the '90s, it seems as though more and more for-profit public utilities have come to be held by - perhaps consumed by - corporations of an ever increasing magnitude. Often the ownership, management, and support functions of these corporations exist outside the geographical bounds of the State of Oregon - sometimes even outside the United States of America. However, as a "public utility," these corporations must maintain a reasonable balance between earning an acceptable rate of return for their investors while continuing to serve the public good.

However, if left to their own counsel, these for-profit "public utilities" exhibit a natural tendency toward serving the private good of their stock holders rather than the public good of the citizens of Oregon.

I as for your vote so that I can join the CUB Board of Directors and help insure that the Public Utilities truly serve the public good of our state.