Fall 2001

The Bear Facts

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

PGE wins rate hike, CUB appeals decision

Just before Labor Day weekend the Oregon Public Utility Commission (PUC) approved a rate hike of astonishing proportions for Portland General Electric (PGE). CUB and other affected parties have filed a motion to reconsider. Residential customers will see a thirty percent increase in their bills and business customers will face an even stiffer fifty percent raise.

While PGE claims that this hike is due to increased power costs, the PUC noted in its order that some of the rate hike includes new services and investment unrelated to power costs. CUB and other customer groups had asked the PUC to limit non-power costs but these appeals apparently fell on deaf ears.

"Consumers couldn't get socked with a whopping rate increase at a worse time," said Bob Jenks, CUB's executive director. "With the economy already shaky and lay-offs already happening, households will likely be struggling to deal with this outrageous rate hike."

CUB has joined with business customer groups to file a motion to make the PUC reconsider this rate hike.

CUB notes that the PUC order also allows PGE a wildly generous profit, which is unwarranted given the precipitous drop in interest rates since PGE filed this rate case last year. The profit margin is out of proportion to the plight of PGE's customers who are in danger of losing jobs and businesses in the current economy. "We believe the PUC made virtually no attempt to analyze the potential economic dislocation and rate shock that would result from the historic rate increases contained in its order," Jenks stated. "It seems that everyone has to tighten their belt except PGE."

CUB joined with business customer groups to file a motion of reconsideration, asking the PUC to re-examine its decision. CUB noted that the PUC had been offered numerous tools with which it could hold down PGE's costs and consumers' rates and requested that the PUC take another look at those tools. A PUC decision on whether or not to reconsider the rate increase is expected in November. Consumers can call the PUC at 1-800-522-2404 to comment on the rate hike or to find out about the motion to reconsider.

From the Executive Director

Has the regulatory system in Oregon become so one-sided in favor of the utilities that it is time to fundamentally change it?

That is the question that we are grappling with after recent decisions by the Public Utility Commission that raise rates excessively and increase utility profits.

Oregon already has one of the worst regulatory systems in the country. While most states spend between 500,000 and several million dollars annually to ensure that customers are represented in utility rate cases, Oregon spends nothing on the customer side. (This is part of what makes being a CUB member so important.)

Utilities, however, have not been satisified with dominating the process. For the last few years, they have been lobbying the legislature and Governor to create a more "utility-friendly" commission.

These recent rate cases, suggest the utilities may be succeeding.

And if they have, then it is time for consumers to start pursuing reforms such as electing the PUC which ensure that regulators are protecting customers.

Bob Jenks
Executive Director & CUB Charter Member

The Bear Facts is the quarterly newsletter of CUB and the CUB educational Fund.

CUB is:

* a nonprofit 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).

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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Conservation Funds Need Protecting

Oregon's state budget has a serious shortfall as economic forecasts point to a downturn in tax revenues because of the state's troubled economy. Legislators will need to adjust the budget and plug the financial holes and will be looking for funds anywhere they can find them.

This year, the Energy Trust takes over the energy efficiency programs of PGE and Pacific Power and is funded by utility customers. CUB has long believed that for-profit utilities have a conflict of interest when it comes to energy efficiency. "I can't think of a worse idea than legislators trying to fix the state's budget woes by raiding the Energy Trust," states Jeff Bissonnette, CUB's organizing director. "It takes away resources individuals and businesses need to deal with increasing power costs especially during this economic downturn."

CUB opposes any attack on the Energy Trust. Last year's energy crisis and recent rate hikes show the value of investment in energy efficiency. Diverting the money earmarked for the Energy Trust will only serve to take away an important tool to reduce rising electric rates.

These are dollars that are collected from ratepayers to go to a traditional utility service. They are not tax dollars. It would be unfair and unconstitutional for the legislators to use these funds to fill in the holes in their budget.

CUB members should call their state legislators and urge them to keep the Energy Trust funding off the table in the upcoming negotiations to deal with the state budget.

PGE and Pacific Power customers to get portfolio of options

On March 1, 2002, customers of the state's two largest investor-owned electric utilities – Portland General Electric (PGE) and Pacific Power – will see some changes on their electric bills. One of the most important changes will be the ability to choose from a portfolio of power options. Residential customers and some small business customers will be able to select a power plan that is right for them, including the ability to choose a "green" power option.

A few months before March 1, customers will get a "ballot" or order form outlining the new choices. The order form will contain information about each power option, including price, resource content (how the power is generated), and environmental impact (how much pollutants are put into the environment). Consumers can weigh how important each factor is for them and make a selection that is right for their values and pocketbook. If a customer chooses not to select a portfolio option, they will retain the current rate.

"For the first time, consumers will have some say over how they would like their power to be generated," noted Bob Jenks, CUB's executive director. "We believe that many customers will be taking a serious look at the green power options, because they know that an energy system based on clean, renewable resources is better in the long run than a system based on dirty, polluting fossil fuels."

The new electric portfolio is offered through a consumer's utility and is regulated by the Public Utility Commission. Nothing is changed in a utility's responsibility to serve its residential and small-business customers. The portfolio is simply a new way for customers to exercise some choice in determining the type of resources the utility uses to provide their power.

As the order forms arrive in customers' mailboxes in early 2002, CUB members should call the CUB office with questions or comments about the new electricity portfolio.

Qwest questionable in handling franchise fees

There is an ongoing controversy in how Qwest, the main provider of local telephone service for residential customers in Oregon, is handling money collected and earmarked for Oregon cities. Part of your phone bill contains a seven percent charge for "franchise fees." These fees are essentially rent that Qwest and other utilities pays in order to use the public "rights-of-way," or the strips of publicly-owned land, for laying their cable or stringing their wire. Paying these franchise fees is a cost of doing business for Qwest and other utilities.

Recently, Qwest has taken the issue of franchise fees to court, claiming that cities are charging too much in franchise fees. They have asked for a determination on whether the amount of franchise fees is legal.

While the legal case is continuing, Qwest has refused to pay franchise fees to the cities but is continuing to charge these fees to customers. The franchise fees are collected in two ways: four percent are included in rates and another three percent are listed separately on your phone bill.

Qwest has said that if the court finds that the fees are illegal that they will return the three percent portion to customers. However, on the other four percent, Qwest has made no commitment on what it plans to do with the fees, other than saying it will negotiate with the cities to determine how much of the fees the cities need to administer the public rights-of-way. The proper response for the company is to say that it will also return any additional dollars beyond what the cities need back to consumers. To date, Qwest has been unwilling to make that commitment. This would result in a windfall of several millions of dollars to Qwest.

Oral arguments in the legal case between Qwest and the cities will be heard in February 2002. However, CUB members can urge Qwest now to do right by its customers and promise not to gain any windfall if the court rules that the amount of franchise fees are excessive.

Northwest Natural wants to buy PGE

Within days of receiving permission to raise rates by 20%, Northwest Natural, a local natural gas utility, announced that it was attempting to buy PGE. NW Natural is a much smaller company with approximately one third the assets and income as PGE. The purchase is being financed primarily with debt that the new company will expect customers to pay off.

NW Natural's rates have increased by 40% in 13 months, and PGE's just went up more than 30%. Customers are struggling to pay their bills. CUB will be demanding that some of these increases be rolled back as a condition of this merger.

"This is an incredible amount of debt for a company the size of Northwest Natural and it is being hung around the necks of both PGE and Northwest Natural ratepayers," said Bob Jenks. "It is time the two companies focused less on financing expansion and more on reducing the bills of customers."

NW Natural has also been behind a number of attempts to politicize the regulatory process. The company supported a bill in the state legislature to reduce the independence of the PUC this year.

By law, this merger can only be approved if it is beneficial to customers. CUB will be there to make sure that the PUC considers all these factors when examining the merger.

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 Thanks Its Loyal Members

*CUB receives **no** state funding and depends on its members for 80% of its operating budget. Space doesn't permit us to list all those who contributed between January 1,2000 and October 30, 2001, but we would like to single out the following members for special recognition:*

Thanks to those who gave so generously ($50 and more):

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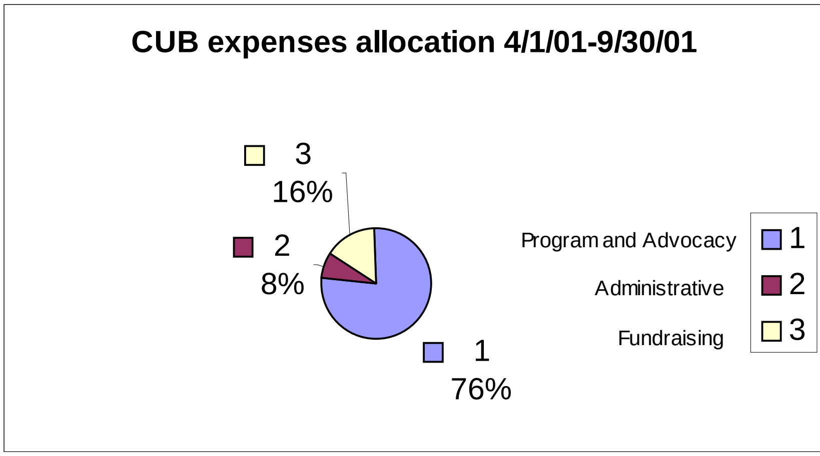
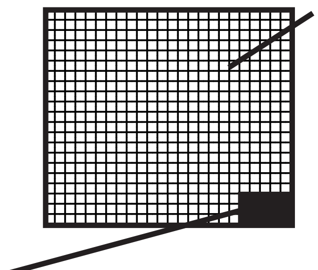


Where your membership dollars go ...

What your membership dollars accomplish ...

Each membership dollar given to CUB since 1986 has saved $760 for Oregon ratepayers



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$1.7 million given to CUB in membership donations from 1985-2000.

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