



FALL 2002

The Bear Facts

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

CUB CALLS FOR PUBLIC OWNERSHIP OF PGE

Oregon's largest electric utility, Portland General Electric (PGE), is up for sale. PGE's parent company, Enron, is in bankruptcy and, as this newsletter goes to press, Enron's creditors are holding an auction process to sell the utility.

CUB is pushing for public ownership that includes all of PGE's service territory. We believe any deal must include all of PGE's assets, particular the generating assets – power plants, hydro facilities and long-term power contracts.

Without such assets PGE's customers would be taking a significant risk and dependent on the unstable wholesale power market.

Public ownership should mean lower rates. A recent study by the Nevada Consumer Council shows that public power consistently has lower rates than investor-owned utilities. This should not be surprising because a publicly-owned utility does not exist to make a profit for shareholders. When costs fall for a publicly-owned utility those cost decreases are passed on to ratepayers, rather than shareholders.

A publicly-owned utility would have advantages for consumers: lower cost of capital and lower tax liability. Another key advantage of public ownership is to bring stabil-

ity to PGE customers and employees. This is the fourth time in five years that PGE has been up for sale. Having local, public ownership would end that revolving door.

CUB has been working with the City of Portland, which has taken the lead among local governments in trying to negotiate a purchase of PGE. If successful, Portland would establish a regional governance structure for the utility that is representative of all of PGE's service territory. CUB believes it is critical that the new utility be accountable to its customers.

CUB is pushing for public ownership that includes all of PGE's service territory.

Finally, it should be noted that if Enron sells PGE to a private company, that company would turn to customers to recover the purchase price. If customers are paying to purchase PGE, we should get title to the utility's assets.

CUB members who have questions are invited to call the CUB office at 503-227-1984 to get more information.

And please contact Portland Mayor Vera Katz and Commissioner Erik Sten and thank them for working to make PGE a local, accountable, public utility.

Mayor Vera Katz (Portland)
503 823-4120
mayorkatz@ci.portland.or.us

Commisioner Erik Sten
503 823-3589
erik@ci.portland.or.us



From the Executive Director

Dear CUB members,

Much of this newsletter focuses on the move to take PGE out of the hands of Enron and place it in the hands of public-ownership and CUB's concerns over the current Public Utility Commission. CUB is supporting the proposal of the City of Portland to acquire PGE and set up a regional utility. With the current state of the PUC, this is likely to be the only way that PGE customers can shed their status of paying the highest rates in the Pacific Northwest.

Our current circumstances are a once in a lifetime opportunity. We know PGE will be sold. Its parent Company, Enron is in bankruptcy and is auctioning off its assets, including PGE. Someone will buy PGE. With the City acting as the agent for customers, we can buy the utility for ourselves. While some have suggested other models of public ownership, such alternatives typically take at least 4 years or longer. We do not have the time. PGE is going to be sold to someone and that entity will expect customers to pay for the costs of acquiring PGE. With high rates and ineffective regulation, it is time to take matters into our own hands and buy the utility.

Public ownership has benefits. A publicly-owned utility will have significantly lower costs. The cost of borrowing to invest in the poles, wires and power plants is significantly less for a publicly-owned utility. We would avoid the cost of federal income taxes. Finally, we would avoid the cost of high executive salaries. Senior management in PGE gets paid 6 or 7 times what senior management in publicly-owned utilities in the region earn.

And we no longer have to rely on state regulators to lower rates. A publicly-owned utility doesn't pay shareholder profits, so when costs decline our rates go down.

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).

BOARD

President

John Patterson

Treasurer

Mark Wilk

Secretary

Laura Culberson

Members

Kevin Masterson

Steve Weiss

Doug Still

Joan Swanson

Will Calvert

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.

STAFF

Executive Director

Bob Jenks

Energy Program Director

Jason Eisdorfer

Organizing Director

Jeff Bissonnette

Development Director

Karen Jaffe

921 SW Morrison St., #511

Portland, OR 97205

(503) 227-1984 (phone)

(503) 274-2956 (fax)

E-mail: cub@oregoncub.org

web: www.oregoncub.org



Bob Jenks

Executive Director & CUB Charter Member

CUB GEARING UP FOR 2003 LEGISLATURE

With all the “special” sessions going on to deal with the state budget, it seems like the Oregon Legislature never left Salem when its last regular session adjourned in July 2001. But in January 2003, another regular session begins. At press time, we do not yet know who the next governor will be, nor do we know who will control the state House or Senate. But we do know that, no matter who wins, CUB will be there to make sure that ratepayers are heard. Here's what CUB will be working on:

Energy Issues

In 2001, the legislative debate around energy issues was dominated by the ongoing Western energy crisis. However, CUB and other public interest groups protected ratepayers and preserved existing laws assuring consumers access to basic service, renewable energy choices and continued investment in energy conservation.

In the next session, CUB will continue to protect the newly created Energy Trust of Oregon, a non-profit organization created to administer public purpose spending in energy efficiency and renewable energy investments.

CUB will also be working with interested legislators to continue to work for improved tax credits for consumers who purchase energy efficient appliances.

The Energy Trust of Oregon is a national model for managing energy efficiency and renewable energy investment. Rather than leaving it up to utilities to make these decisions, the ETO operates in a more public and open

manner. ETO will be more accountable to ratepayers. CUB will protect the ETO funding from any legislative attack.

PUC Reform

CUB is deeply worried about the current state of the Public Utility Commission (PUC). Seemingly much more concerned with the problems of the utilities rather than protecting consumers, the PUC needs to realize that ratepayers need protection from monopoly utilities. Working with other customer groups representing commercial and industrial users, as well as public interest groups, CUB is determined to hold the PUC accountable to its mission and promote a Utility Customer Fairness Act. Such an act would include the following: prohibiting utility increases happening because of a tie between two commissioners; defining fair and reasonable rates for consumers; and clarifying the role of the PUC staff.

CUB's going to have a big agenda. We'll need your help to succeed. Find out how you can get involved on page 5.

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 QUESTIONS PUC FAIRNESS

After a series of decisions over the last year by the Oregon Public Utility Commission (PUC) that seemed to favor the utilities over consumers, CUB talked with Commissioners and staff of the PUC and found serious questions about whether the Commissioners were prepared for the decisions that they needed to make. We have been told by several parties that the Commissioners were not even bothering to read the record of cases before making decisions. The Commission acts as a judge in utility rate cases and simply cannot do its job if the Commissioners are not reading the testimony and briefs filed by CUB and other parties.

In September, CUB met with PUC Chair Roy Hemmingway, State Senate President Gene Derfler, and the Industrial Customers of Northwest Utilities (ICNU) to raise our concerns about the current Commission. The meeting resolved little, and CUB and ICNU followed up with a letter detailing our concerns with the process. In that letter, we stated that reading testimony “is the bare minimum that Oregon ratepayers should will be willing to accept.”

In the meeting with Hemmingway and the follow-up letter we raised three issues:

1. That the Commission does not adequately study the testimony submitted to it and that decisions are not consistent with the evidence.
2. That the Commission is more concerned with solving utility problems than protecting ratepayers.
3. That all of this was affecting the quality of the work of the PUC staff.

As we go to press, nearly two months after the meeting and the letter, CUB received a response from the Commission, requesting another meeting. CUB is exploring a number of options, including legislation when the State Legislature comes back into session in 2003.

Decisions that make CUB question PUC fairness:

1. In the 2001 PGE rate case, the PUC threw out the method that Oregon has used to determine the allowable profits for a utility and replaced it with one that is significantly more generous to utilities.
2. When NW Natural was attempting to buy PGE, PUC Chairman Roy Hemmingway, without reviewing any evidence concerning the effects of the massive amount of debt NW Natural was using to finance the purchase, publicly announced that the case would be easy and could be decided quickly.
3. When Pacific Power asked the Commission to allow it to recover \$130 million of costs associated with last year's power crisis and CUB asked the Commission to allow no more than \$67 million, the Commission gave Pacific Power the entire \$130 million. However, the Commission told the Company it would have given them \$160 million if the Company had only asked for more.
4. Last year after a 32% rate increase, PGE promised residential customers that rates would come down when wholesale power costs declined. This year wholesale power costs have declined dramatically, but PGE is only proposing to cut residential rates by less than 1%. While PGE's power costs are \$480 million, the PUC staff made little effort to analyze these costs and submitted 5 pages of analysis to the Commission.
5. In spite of a federal investigation of PGE's role in the power crisis, and calls by CUB, Associated Oregon Industries and others for a formal investigation which allows customers to participate in the investigation, the PUC has limited their inquiry to an “informal process” with no participation by customers.

VOLUNTEER AND MAKE A DIFFERENCE WITH CUB

CUB members are well known for their willingness to write letters and make phone calls to legislators to promote issues affecting ratepayers. With a new governor and new legislative leadership, that effort is going to be even more important. Many of you have been members of the "Rapid Response Team" in the past. Others have responded to periodic action alerts. No matter what your involvement in the past, we need you now more than ever. Check out the form below and fill out the legislative action section to sign up to be active in 2003. You'll get a total of about a dozen alerts between January and July 2003 and you can either make a phone call, write a letter or send a fax or e-mail in response. You have made a huge difference in past legislatures. Help make 2003 a banner year for CUB in the legislature.

YES! I want to help CUB ...

- ☐ By joining the Rapid Response Team. (Check all that you can do.)
 - ☐ I can write legislators.
 - ☐ I can make calls to legislators. My phone number is:

 - ☐ I can send emails to legislators about pressing issues (will be about once or twice a month). My email address is (please print:) _____
- ☐ I can volunteer in the CUB office (Portland area) an afternoon a month stuffing envelopes and helping to get mailings out to members. Please call me at:

- ☐ I would like to run for the Board of Directors (and I am a current member of CUB as of 10/30/2002). Please call me with more information about the position at: _____. Candidates are required to submit a financial disclosure form and are encouraged to submit a 300 word statement of why they wish to serve on the CUB Board by 12/11/2002.

NORTHWEST NATURAL ASKS FOR RATE INCREASE

Northwest Natural, Oregon's largest natural gas utility is planning to ask for a 10% to 15% rate hike later this year, negating a 14% rate reduction customers received in October. This year's rate reduction followed a 40% increase in natural gas rates over the last two years.

Natural gas prices have declined significantly from their historic highs from last year. However, NW Natural is trying to offset this decrease in costs by raising customer rates for Company pensions, health insurance, infrastructure and profit margin.

"A few months ago, when they were trying to buy PGE, they offered a freeze on their overhead costs. Now they are saying that those costs are increasing significantly and require that rates increase by more than 10%" said Bob Jenks. "More likely nothing changed, except that they keep seeing the PUC churn out decisions that are pro-utility."

CUB intends to spend the next ten months of this case fighting against the rate hike. "We aren't convinced there needs to be one at all," said Jenks. CUB will be on the watch to make sure ratepayers don't get overcharged.

PGE RATES TO DECLINE SLIGHTLY

As we go to press, the Oregon Public Utility Commission (PUC) issued an order that will cause PGE's residential rates to decline ever so slightly. PGE had proposed a decrease of less than 1% and the PUC added enough additional adjustments to ensure that residential customers rates will decline by more than 1% — but not as much as 2%.

Last year our rates increased by more than 30% and PGE's CEO Peggy Fowler sent a letter to customers blaming the increase on the cost of power in the wholesale market and promising that when wholesale power rates declined, the Company would lower rates.

Well, wholesale power costs have declined significantly, but where is the rate reduction?

It is CUB's belief that customers are unlikely to see significant rate reductions in the near future with PGE's current operations and the regulation of the current PUC. Our best hope for lower rates comes from the efforts of the City of Portland to purchase PGE and create a regional publicly-owned utility.

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



RETURN SERVICE REQUESTED

Citizens' Utility Board of Oregon
PO Box 6345
Portland, OR 97228



Non-Profit Org.
US Postage
PAID
Portland, OR
Permit No. 2134