



Summer
2003

The Bear Facts

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

Utilities Ask for Rate Increases

The major energy utilities serving Oregon customers want to significantly raise rates. Your cost for electricity and natural gas will increase if they're successful. CUB is leading the fight to stop these rate hikes. In addition, Bonneville Power Administration is seeking to raise the rates they charge utilities, which will force rate hikes from additional utilities.

"It is unprecedented that all of these utilities are seeking rate hikes at the same time," said Bob Jenks. "The danger is that the volume of rate cases will overwhelm state regulators and utilities will get increases they do not deserve."

The utilities seem to be counting on the PUC to continue their recent

practice of giving the utilities nearly everything they ask for. CUB will work to ensure that this does not happen. Despite Oregon's recession, most of the utilities want rate increases not only to cover "increased" costs but also to earn a greater profit.

We are intervening in each case and have already started presenting evidence to the PUC to stop the rate hikes. We've had our first successes as well. We helped to eliminate a proposal from NW Natural to have residential and small commercial customers subsidize industrial economic development and convinced the utility to withdraw their proposal to have customers pay for Trailblazers and Ducks tickets for executives.

Utility	Service	Proposed increase
NW Natural	Natural Gas	9 %
Avista	Natural Gas	15 %
PGE	Electricity	5 %
Pacific Power	Electricity	7 %
Idaho Power	Electricity	4 %
BPA	Electricity	13 % *

*a 13% BPA rate hike will cause a rate hike of as much as 6.5% for most consumer-owned utilities in the State

**Update by Utility on page 3.
Legislative update on page 4.**



From the Executive Director

As you will see from this newsletter, utilities across Oregon want to raise rates. Unfortunately this seems to have less to do with rising utility costs than with utilities seeing an opportunity. CUB has been critical of the state's Public Utility Commission for granting utilities most of what they ask for in the last several years. What we seem to be seeing is a feeding frenzy of utilities trying to take advantage of this new regulatory environment.

CUB is working hard to stop these increases. But we have never had our resources stretched as tightly as they are right now. Each rate case takes a tremendous amount of work, involves analyzing thousands of pages of documents, and developing our own analysis to counter that of the utilities.

These rate cases have three parts. The first is wading through large volumes of information to find the costs, like Blazer tickets that obviously have nothing to do with providing utility service, and demanding their withdrawal. The second is developing evidence that will show the utilities' projected cost increases and profit margins are inflated. Third, we work to win the policy debates that emerge with each case, such as whether PacifiCorp is justified in its current policy of dividing costs between the various states in its service area in a way that requires Oregon customers to subsidize Utah customer growth.

This is a great deal of work — one that we rely on our members to fund. I urge you to consider making a special contribution to fight these rates. With your help, we will reduce these increases and keep our utility rates affordable.

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).

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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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Updates On Utility Rate Increase Cases By Utility

NW Natural. Last year, when they were attempting to buy PGE, NW Natural offered to freeze rates for the next six years. Now they're the first company to file for higher rates, claiming that a 9% increase is necessary. They say this increase is driven by rising costs of health care, pensions and the addition of new pipeline and storage facilities.

Included in the company's rate proposal were requests for customers to pay for Blazer tickets, a company caterer, and \$10,000 in new office furniture for each of several vice presidents. In the first round of negotiations over the rate increase, NW Natural agreed to reduce their proposal by more than \$10 million. Since then, CUB and the PUC staff have both filed testimony arguing that NW Natural is still exaggerating their costs and underestimating their revenues. If all of CUB's and the PUC staff's recommendations are accepted by the PUC, NW Natural rates would actually decline.

Pacific Power. Pacific Power has filed a case claiming that they need a 7% increase. Like NW Natural, the company says that health care costs and pensions are a driving force behind the increase. Pacific Power is also seeking a higher profit margin than they have had in the past.

This is the fifth major rate proceeding since ScottishPower purchased PacifiCorp in 1999. The company serves customers in six states, and in recent years Oregon has been the most generous state. For example, the Oregon PUC granted PacifiCorp an increase of \$130 million in 2002 while, based on the same evidence, they were granted an increase of only \$9 million by the Wyoming PUC. CUB is concerned that ScottishPower will continue to ask for new rate increases every year until Oregon says "enough."

During this rate proceeding, CUB will focus on how the company divides costs between the various states in the service area. Oregon customers pay higher rates than their customers in other states, and CUB's analysis shows that the company is asking Oregon to subsidize costs that are incurred to serve Utah load.

AVISTA. Avista, a gas company that serves much of Southern and Northeastern Oregon, wants a rate hike of 14.7%. They point to decreased usage by customers as the main reason for the need to increase rates. During the recent power crisis, natural gas rates increased dramatically, causing customers to cut back on their use. According to Avista, they

must raise rates if customers can't afford natural gas and cut back their usage. In addition, Avista is asking for a profit margin that is higher than the PUC has allowed for any other utility.

PGE. PGE wants a series of small rate hikes adding up to about 5%. Because PGE has the highest residential rates of any large utility in the region, CUB isn't convinced that there is a need to raise rates and is preparing to carefully scrutinize this latest filing. In addition, CUB is opposed to allowing the company to automatically charge customers for any increases in power costs. This is a drastic shift of state policy and is not fair to customers.

Idaho Power. Idaho Power will be proposing an increase of around 4 % to recover the cost of serving its customers in Eastern Oregon during the recent energy crisis. Idaho Power gets most of their electricity from hydroelectric facilities and during the 2001 drought was forced to purchase a significant amount of more expensive power on the wholesale market.

Under current Oregon law the utility can only recover these costs with a surcharge of 6% per year. Idaho Power went to the legislature and proposed removing this cap so they could seek a rate hike of as much as 30% to recover costs quickly. CUB fought this effort, and got the company to agree that they would only seek to increase the existing surcharge from 6 to 10%. In addition, CUB convinced the company to agree that they would request a hearing in Eastern Oregon so customers would have the chance to discuss the implications of the increase with PUC before the PUC decides the case.

BPA. In addition to the rate hikes of individual utilities, the Bonneville Power Administration, the federal agency that markets power from the Columbia River system, is also raising the price of the power it supplies utilities. The BPA is proposing a 13% rate increase on the energy portion of electricity service. This will probably appear as a smaller rate increase on your electricity bill, but BPA's proposal raises rates when they are already very high.

Unfortunately, in describing their financial problems and how to fix them, the BPA has been pitting utility against utility. In fact, the BPA created their own problem by making unrealistic expectations about how cheaply they could manage their system and crafting rates based on these expectations. While the BPA and the inexpensive hydro power are important to the region, it is equally important that we make sure that the BPA keeps costs under control and works to bring NW utilities together, not drive them apart.

Legislative Update

Energy issues aren't the number one priority of state legislators in this session, but CUB has been there since opening day in January making sure consumers are treated fairly and energy issues are addressed. Some of the things we've been working on:

Defense of Energy Conservation and Renewable Energy Funds/Energy Trust of Oregon:

The Energy Trust of Oregon was created specifically to make sure that consumers get the biggest bang for their energy conservation and renewable energy dollar. Energy efficiency is one of the few ways individual consumers can avoid high utility rates. CUB worked to establish the Energy Trust, which manages Oregon's energy efficiency and renewable energy programs.

One bill (HB 3170) proposes placing costly and redundant measures on the Energy Trust and other nonprofits that manage energy efficiency programs. A second bill (HB 3528) proposes re-directing energy efficiency funds into the state General Fund. CUB opposes both these bills and has been working in Salem to stop the bills. As this newsletter goes to print, HB 3170 has just narrowly passed the Oregon House but faces an uphill battle in the Senate. HB 3528 is stuck in committee and CUB is working to keep it there.

Intervenor Funding: Oregon is one of very few states in the country where the defense of utility

customers isn't funded by the state. Utilities bill customers for the work that goes into making their cases for rate increases. CUB supports a bill (SB 205), which authorizes the PUC to create a funding program allowing the consumer groups to present even better cases. As of this writing, the bill has passed the Senate and is waiting for a vote in the House. If passed, then the bill goes to the governor to sign.

PUC Appointment: As of May 1, PUC Commissioner Joan Smith retired after more than a decade on the commission. CUB has been advocating for the governor to appoint a pro-consumer, pro-environmental commissioner who would work hard and be fair to all parties involved in rate cases. As we go to press, an appointment appears to be a few weeks off.

Get involved: If you want to find out more about these or other bills in the legislature, the Oregon Legislative web site is a great resource. Log on at www.leg.state.or.us. If you want to call your legislator about a bill, you can call 1-800-332-2313. Don't know who your legislator is? Find out by calling your county elections office or going to www.leg.state.or.us/findlegsltr/findset.htm. If you want to call the governor's office, you can call 503-378-3111. And you can always contact the CUB office for more information or additional assistance.

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