



The Bear Facts

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

CUB Wins Major Victories In Utility Rate Cases

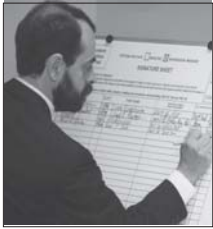
This spring and summer CUB has been fighting for customers in a series of rate cases involving the state's four largest electric and natural gas utilities. The utilities asked for rate increases that totaled \$135 million. After months of examination and analysis, CUB successfully cut these rate hikes by almost two-thirds.

"While we hate seeing any rate increases, we believe these cases represent a real victory for consumers," said Bob Jenks, CUB Executive Director. "Over the last two years we have been trying to make the PUC more responsive to consumer interests and as a result, the utilities only received 34% of what they asked for."

Pacific Power, NW Natural, PGE and Avista were all seeking higher rates. Each case begins with a hunt for inflated, bloated or unnecessary costs. In these cases, we saw utilities propose that customers pay for Blazers and Ducks tickets, remodeling vice-presidents' offices, a picnic in Spokane, excessive bonuses for senior management and corporate image advertising campaigns. We made sure these costs were eliminated.

In addition, Pacific Power, NW Natural and Avista all asked for significant increases in profits. In recent years we have seen the PUC increase the profit for utilities in nearly every rate case. The utilities were hoping that this pattern would continue. However, in each case we were able to reduce the allowable profit for the utilities.

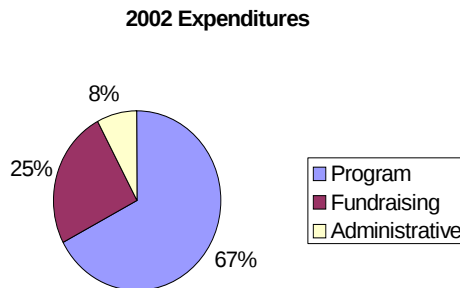
	<u>asked</u>	<u>received</u>	<u>% we knocked off</u>
<u>Pacific Power</u>	\$58 mill.	\$8.5 mill.	85%
<u>PGE</u>	\$31 mill.	\$16.8 mill.	46%
<u>NW Natural</u>	\$38.1 mill.	\$13.9 mill.	64%
<u>Avista</u>	\$7.5 mill.	\$6.3 mill.	16%
<u>Total all cases</u>	\$134.6 mill.	\$45.5 mill.	66%



From the Executive Director

CUB just completed its outside audit for 2001 and 2002 and I wanted to share some of the results with you. The audit shows that the vast majority of our funding came from our members and that we have been successful in keeping administrative expenses down and maximizing the amount of our members' contributions that go to fighting for ratepayers.

The following chart shows almost 70% of our revenues going to program – working to keep your rates low. We have successfully kept administrative costs down, around 8% of revenues. Much of our administrative costs during this time period were donated. We owe a special thanks to long-time CUB supporter Anita Russell for the amount of time she donated to CUB. On the income side, approximately 80% of our income (excluding one-time revenue associated with a legal settlement) comes from our members.



This audit truly reflects CUB. Portland's weekly newspaper *Willamette Week* once referred to us as an organization that ran on a "beans and rice budget." While I'm not sure I like that description, we are an organization that strives to keep costs down, and that works hard to raise money directly from utility customers. We recognize that the money we have to spend is your money and our goal is to do the most we can with it. Finally, I want to thank you, our members, for your support – you have shown faith in us with your donations. And I want to thank the CUB staff, who work hard for less money than they could receive in other jobs. Together, our members, and our staff, are making a real difference.

Bob Jenks
Executive Director & CUB Charter Member



The Bear Facts is the periodic newsletter of CUB and the CUB Educational Fund.

BOARD

President John Patterson
Treasurer Mark Wilk
Members Kevin Masterson *
Steve Weiss * Doug Still * Joan Swanson * Will Calvert * Fred Heutte * Scott Hanson * John Glascock

CUB's board meets 8 times per year.

NOTIFICATION OF ELECTION

If you are interested in being a candidate for the CUB Board, return the below form with the address label from this newsletter to verify membership and a 300 word statement saying why you wish to run by December 12th, 2003.

Name: _____
Address: _____
Phone: _____
Congressional District: _____

The qualifications for candidacy for the CUB Board are:
*Current member of CUB as of 11/01/2003
*Must be resident of Cong. District of candidacy
*Cannot be employed by utility as of 11/01/2003
*Cannot be state public official as of 11/01/2003
*Cannot be candidate for elected office as of 11/01/2003
*Cannot hold more than \$3000 in stocks in a utility

CUB

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Utility Rate Case Round-Up

Avista. Avista is the natural gas utility that serves parts of Southern and Eastern Oregon. Avista has been a natural gas utility in Oregon for more than a decade but had never filed a general rate case. During that time some of the company's costs had increased and this is reflected in the fact that the company got most of what it asked for: \$6.3 million out of \$7.5 million. The biggest item cut from their request was the profit margin they asked for, which was out of line with what utilities in Oregon are allowed to earn. Because Avista customers were facing a separate rate case reflecting higher costs for natural gas which gets passed through to customers, CUB won an agreement where some of the increase would be phased in so residential customers did not have to face too big of a rate hike going into the winter months. This was an important victory. A couple of years ago when PGE customers were facing a 30% rate hike the PUC declared that they did not have the authority to gradually phase in a rate increase in order to prevent rate shock.

Portland General Electric. PGE's rate case was not a full general rate case, but an update of power costs for 2004. Included in this update of power costs, was a \$7.6 million increase, caused not by any actual costs going up, but by changes in the way the company models power costs. In other words, the company thought they could raise rates by \$7.6 million by changing their computer programming and pretending that costs were increasing. We also reduced purchased power costs by \$1.7 million and coal costs by \$4.9 million, cutting the \$31 million increase in half from what the company proposed.

Pacific Power. Pacific Power asked for Oregon to pay for costs associated with providing electricity to customers in Utah. It is expensive for the company to pay for the cost of providing power in the summer to meet Utah's air conditioning load, so the company proposed that customers in all 6 of its states help pay these costs. CUB vigorously opposed this and was successfully in getting these costs removed. Pacific Power had asked to increase rates by \$58 million increase, but with the elimination of the Utah subsidy and unnecessary costs, we were able to cut the increase down to \$8.5 million – just 15% of what the company asked for.

NW Natural. NW Natural asked for a rate increase to cover increases in general operating costs, a new pipeline, and a new service area in Coos County. The company proposed that residential and small commercial customers statewide cover the cost of a new system in Coos County even though that system was for industrial economic development. CUB opposed this, arguing that utility customers should not be made to subsidize economic development, and we won on that issue. CUB also raised concerns that allowing the company to simply pass through costs associated with employee benefits gave the company no incentive to control those costs. The PUC in its decision went out of the way to warn the company that it was at risk for higher costs associated with overly generous employee benefits. The company had argued for a \$38.1 million increase in rates this fall. CUB was successful in reducing the increase down to \$13.9 million with more than half of this delayed indefinitely until the company's new construction projects are finished.

In addition, CUB supported an effort to create a new mechanism called WARM that would prevent the company from making excess profits during cold winter months. Much of NW Natural's load is for winter heating. Due to increased volume, during cold winters the Company makes excessive profits. Under the WARM mechanism the company's profits will be limited in cold, winter months and customers' bills will be adjusted downward.

Legislative Round-Up

The 2003 Oregon legislature has the dubious honor of being the longest legislative session in state history, a record breaking 227 days ending on August 27th. But, while the length of the session provided extra opportunities for utilities to create mischief at the expense of consumers, CUB was able to hold the line on utility-favored legislation and also successfully defended pro-consumer advances won in the last few years.

CUB started the legislative session with four top priorities: 1) to defend the energy efficiency and renewable energy programs of the Energy Trust of Oregon; 2) to win an “intervenor funding” program that supports consumer advocacy during technical proceedings at the PUC; 3) to ensure that new appointees to the Public Utility Commission were not pro-utility; and 4) to pass a bill that would make the PUC more responsive to customers.

Despite repeated attempts to raid and redirect public purpose funds – ratepayer money that funds critical energy conservation and renewable energy development - and undermine the work of the Energy Trust, a nonprofit organization charged with managing public purpose dollars, both the funds and the Energy Trust came through the session unscathed. A pilot program of intervenor funding was approved. Two new commissioners were appointed to the PUC, both pledging to improve the treatment of consumers. In the only true defeat of the session, the “customer bill” which CUB developed with other customer groups, fell victim to the utilities’ legislative clout. Although the bill got a hearing, it never moved out of committee due to overwhelming utility opposition.

CUB also helped to pass a bill that would allow “energy savings performance contracting.” This would allow public agencies throughout the state to take on projects to increase energy efficiency in their facilities. Rather than having to only depend on low-bid procedures, public agencies wanting to undertake energy projects will now be allowed to consider the energy savings over the long term. Already existing in about 40 other states, energy savings performance contracting will save taxpayers millions of dollars in reduced energy usage.

CUB was able to have a successful legislative session because of the support from its members. Several times, action alerts were issued to CUB members in specific districts to help defeat proposals to raid public purpose funds or to dislodge bills that had been gotten stuck in the process. CUB’s influence comes from legislators knowing that CUB members will make phone calls or send letters and e-mails to support strong pro-consumer policies. Thanks as always for your ongoing help and support.

If you want more information about specific bills or have questions about the legislative session, please contact CUB Organizing Director Jeff Bissonnette at 503-227-1984.

On the next three pages, you can see how your legislators voted this session on CUB's priorities.

The following list of bills had significant impact on utility consumers. CUB has rated legislators according to their votes on these bills.

HB 2356

This bill originally proposed to forbid a “municipality of population of 500,000 or more” from acquiring a public utility either by purchase or condemnation, prohibiting the City of Portland from acquiring Portland General Electric. It was amended in House committee to allow a purchase but only with legislative approval and then amended again to disallow the City of Portland from condemning PGE. CUB asked for a no vote.

HB 3170

This bill proposed to put the energy efficiency and renewable energy development programs of the Energy Trust of Oregon, a non-profit organization, under the authority of Oregon's Office of Energy. This would increase the cost of these programs, increased bureaucracy, and added no additional value. CUB asked for a no vote.

HB 3476

This bill allows public agencies to enter into performance contracts for energy savings measures. The bill provides public agencies an exemption from low-bid requirements if they follow model rules adopted by the Attorney General designed to save taxpayers money by considering the cost saving from reducing energy usage. CUB asked for a yes vote.

HB 3528

As introduced, the bill proposed to tax consumers' utility bills by redirecting funds set aside for energy efficiency and renewable energy development to the state general fund; as amended late in the session, the bill moves oversight of these funds from the Public Utility Commission, which is set up to protect ratepayers, to the Office of Energy, which has no role in protecting ratepayers. CUB asked for a no vote.

SB 205

This bill authorized the PUC to implement an intervenor funding program that allows groups like CUB to apply for funding to support expert testimony in technical cases. CUB asked for a yes vote.

SB 828/SB 655

These bills proposed to create a judicial certification program for survivors of domestic violence to ensure they can maintain basic telephone service after leaving an abusive relationship. The bills were modeled on the existing medical certification program. The Senate and the House voted on slightly different versions of the program and there was not time to reconcile the differences between the versions before the legislature adjourned. This will be a returning issue. CUB asked for a yes vote.

HB 2356 HB 3170 HB 3476 HB 3528 SB 205 SB 828/SB 655

HOUSE

Bob Ackerman (D-Eugene) 100.0%	N	N	Y	N	Y	Y
Gordon Anderson (R-Grants Pass) 66.7%	Y	Y	Y	N	Y	Y
Brad Avakian (D-Washington) 80.0%	Y	A	Y	N	Y	Y
Vic Backlund (R-Keizer) 50.0%	Y	Y	Y	Y	Y	Y
Jeff Barker (D-Aloha) 100.0%	N	A	Y	N	Y	Y
Phil Barnhart (D-Eugene) 100.0%	N	N	Y	N	Y	Y
Alan Bates (D-Ashland) 66.7%	N	Y	Y	Y	Y	Y
Vicki Berger (R-Salem) 50.0%	Y	Y	Y	Y	Y	Y
E. Terry Beyer (D-Springfield) 83.3%	Y	N	Y	N	Y	Y
Alan Brown (D-Newport) 50.0%	Y	Y	Y	Y	Y	Y
Tom Butler (R-Ontario) 40.0%	Y	Y	Y	Y	A	Y
Betsy Close (R-Albany) 50.0%	Y	Y	Y	Y	Y	Y
Billy Dalto (R-Salem) 66.7%	Y	N	Y	Y	Y	Y

Jackie Dingfelder (D-Portland) 100.0%	N	N	Y	N	Y	Y
Dan Doyle (R-Salem) 50.0%	Y	Y	Y	Y	Y	Y
Pat Farr (R-Eugene) 66.7%	Y	Y	Y	N	Y	Y
Linda Flores (R-Clackamas) 50.0%	Y	Y	Y	Y	Y	Y
Mary Gallegos (R-Cornelius) 50.0%	Y	Y	Y	Y	Y	Y
Bill Garrard (R-Klamath Falls) 60.0%	Y	Y	Y	N	A	Y
George Gilman (R-Medford) 50.0%	Y	Y	Y	Y	Y	Y
Mitch Greenlick (D-Portland) 100.0%	N	N	Y	N	Y	Y
Gary Hansen (D-Portland) 100.0%	N	N	Y	N	Y	Y
Mark Hass (D-Washington) 100.0%	N	A	Y	N	Y	Y
Elaine Hopson (D-Tillamook) 100.0%	N	N	Y	N	Y	Y
Dave Hunt (D-Oak Grove) 100.0%	A	N	Y	N	Y	Y
Bob Jensen (R-Pendleton) 50.0%	Y	Y	Y	Y	Y	Y
Betsy Johnson (D-Scappoose) 66.7%	N	Y	Y	Y	Y	Y
Deborah Kafoury (D-Portland) 100.0%	N	N	Y	N	Y	Y
Derrick Kitts (R-Hillsboro) 83.3%	N	Y	Y	N	Y	Y
Tim Knopp (R-Bend) 50.0%	Y	Y	Y	Y	Y	Y
Wayne Krieger (R-Gold Beach) 50.0%	Y	Y	Y	Y	Y	Y
Jeff Kropf (R-Lebanon) 66.7%	Y	Y	Y	N	Y	Y
Jerry Krummel (R-Wilsonville) 50.0%	Y	Y	Y	Y	Y	Y
Jeff Kruse (R-Roseburg) 60.0%	Y	Y	A	N	Y	Y
John Mabrey (R-The Dalles) 66.7%	Y	N	Y	Y	Y	Y
Greg Macpherson (D-Lake Oswego) 100.0%	N	N	Y	N	Y	Y
Steve March (D-Portland) 100.0%	N	N	Y	N	Y	Y
Jeff Merkley (D-Portland) 100.0%	N	N	Y	N	Y	Y
Randy Miller (R-Lake Oswego) 80.0%	Y	A	Y	N	Y	Y
Karen Minnis (R-Wood Village) 40.0%	Y	Y	A	Y	Y	Y
Laurie Monnes Anderson (D-Gresham) 83.3%	N	Y	Y	N	Y	Y
Susan Morgan (R-Myrtle Creek) 25.0%	Y	Y	A	Y	A	Y
Donna Nelson (R-McMinnville) 60.0%	Y	A	Y	Y	Y	Y
Mary Nolan (D-Portland) 80.0%	N	N	Y	N	A	N
Rob Patridge (R-Medford) 50.0%	Y	Y	Y	Y	Y	Y
Floyd Prozanski (D-Eugene) 100.0%	N	N	Y	N	Y	Y
Dennis Richardson (R-Central Pt) 50.0%	Y	Y	Y	Y	Y	Y
Diane Rosenbaum (D-Portland) 100.0%	N	N	Y	N	Y	A
Mike Schaufler (D-Happy Valley) 100.0%	N	N	Y	N	Y	Y
Wayne Scott (R-Canby) 50.0%	Y	Y	Y	Y	Y	Y
Lane Shetterly (R-Dallas) 50.0%	Y	Y	Y	Y	Y	Y
Greg Smith (R-Heppner) 50.0%	Y	Y	Y	Y	Y	Y
Patti Smith (R-Corbett) 50.0%	Y	Y	Y	Y	Y	Y
Tootie Smith (R-Molalla) 50.0%	Y	Y	Y	Y	Y	Y
Carolyn Tomei (R-Milwaukie) 100.0%	N	N	Y	N	Y	Y
Joanne Verger (D-Coos Bay) 66.7%	Y	Y	Y	N	Y	Y
Ben Westlund (R-Bend) 40.0%	Y	Y	Y	Y	A	Y
Max Williams (R-Tigard) 40.0%	Y	Y	Y	Y	A	Y
Kelley Wirth (D-Corvallis) 83.3%	N	N	Y	N	Y	N

	HB 2356	HB 3170	HB 3476	HB 3528	SB 205	SB 828/SB 655
Cliff Zauner (R-Woodburn) 50.0%	Y	Y	Y	A	Y	A

SENATE

Jason Atkinson (R-Jacksonville) 100.0%			Y		Y	Y
Roger Beyer (R-Molalla) 33.3%			N		Y	N
Kate Brown (D-Portland) 100.0%			Y		Y	Y
Ginny Burdick (D-Portland) 100.0%			Y		Y	Y
Margaret Carter (D-Portland) 100.0%			A		Y	Y
Bev Clarno (R-Bend) 100.0%			Y		Y	Y
Tony Corcoran (D-Cottage Grove) 100.0%			Y		Y	Y
Peter Courtney (D-Salem) 100.0%			Y		Y	Y
Ryan Deckert (D-Beaverton) 100.0%			Y		Y	Y
Richard Devlin (D-Tualatin) 100.0%			Y		Y	Y
Joan Dukes (D-Astoria) 66.7%			N		Y	Y
Ted Ferrioli (R-John Day) 100.0%			Y		Y	Y
Bill Fisher (R-Roseburg) 66.7%			Y		Y	N
Gary George (R-Newberg) 66.7%			N		Y	Y
Avel Gordly (D-Portland) 100.0%			Y		Y	Y
Lenn Hannon (R-Ashland) 33.3%			Y		N	N
Steve Harper (R-Klamath Falls) 100.0%			Y		Y	A
Ken Messerle (R-Coos Bay) 100.0%			Y		Y	Y
Rick Metsger (D-Welches) 66.7%			N		Y	Y
John Minnis (R-Wood Village) 100.0%			Y		Y	Y
Bill Morrisette (D-Springfield) 66.7%			N		Y	Y
Frank Morse (R-Albany) 100.0%			Y		Y	Y
David Nelson (R-Pendleton) 66.7%			N		Y	Y
Charlie Ringo (D-Beaverton) 100.0%			A		Y	Y
Kurt Schrader (D-Canby) 100.0%			Y		Y	Y
Frank Shields (D-Portland) 100.0%			Y		Y	Y
Bruce Starr (R-Aloha) 100.0%			Y		Y	Y
Charles Starr (R-Hillsboro) 100.0%			Y		Y	Y
Vicki Walker (D-Eugene) 100.0%			Y		Y	Y
Ben Westlund (R-Bend) 100.0%			Y		Y	Y
Jackie Winters (R-Salem) 100.0%			A		Y	Y

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, 610 SW Broadway Suite 308, 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 DEFEATS COAL PLANT

The PUC accepted CUB's recommendation and refused to authorize Pacific Power to build a new coal plant in 2008. CUB opposed the plant because the company's own analysis showed that it was not necessary to build the plant in 2008. By putting off the plant for at least three years until 2011 we will learn a great deal more about climate change, and how the electric industry needs to adapt to cleaner technology. The company's projections show that there was no cost to delaying the plant until at least 2011.

"There is a tremendous risk to the environment and to consumers by investing millions of dollars in a new coal plant," said Bob Jenks. "We know coal is a major contributor to global

warming and at some point this country will get serious about trying to reduce CO₂ emissions. More coal may mean higher rates because of the environmental restrictions."

Pacific Power customers are already highly dependent on coal, which accounts for 75% of the electricity generated by the company. CUB is concerned that increasing the amount of electricity generated by coal would dramatically increase the risk of higher costs for Pacific Power customers. CUB has advocated for fuel diversity for electric companies.

"You shouldn't put all your retirement saving in a single company and you shouldn't put all your power generation in a single fuel," said Jenks.

*The Bear Facts is printed
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