Spring 2004

The Bear Facts

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

CUB Calls Texas Pacific Group's Proposal To Purchase PGE "Risky"

In November, Texas Pacific Group, a private investment company, announced its intention to purchase Portland General Electric from Enron's creditors. CUB's initial review of the proposal, however, shows there is no real benefit for customers and the deal contains significant risks.

Under the terms of the deal, Texas Pacific Group would pay approximately $2.35 billion to purchase PGE from its bankrupt parent company, Enron. To comply with current federal restrictions (the Public Utility Holding Company Act), a new company would be formed to act as the holding company for PGE stock, called the Oregon Electric Utility Company. This new company would have former Governor Neil Goldschmidt as its Chairman, but appears to be a front that allows Texas Pacific to control PGE without having to comply with the federal restrictions that apply to utility holding companies.

"This is really Texas Pacific buying PGE," said Bob Jenks, CUB Executive Director. "They are the ones putting up the money and they are the ones who will call the shots. What is dangerous to customers is they are an absentee landlord who will try to make some money off PGE, and turn around and resell it for a big profit in a few years."

Texas Pacific specializes in borrowing money to buy distressed companies, cutting their costs and reselling them for a much larger price. This raises several concerns:

1. The Texas Pacific filing suggests that cost cutting will be used to pay down their debt, not to lower rates. PGE customers continue to suffer from the highest rates of any large utility in the Northwest and deserve rate relief.

2. If they resell PGE for significantly more than they purchased it, that purchaser will be expecting to make back the purchase price from customers, putting more upward pressure on rates.

3. They are not interested in PGE for the long run. Their goal is to hold the company for a few years and get out. More than anything, PGE needs stability. Enron has been trying to sell it for the last 5 years. This creates a problem for PGE management and employees who cannot develop a long-term plan to meet customers' needs because they do not have long-term stability.

4. PGE cannot offer stable rates without a large investment in power supply. Currently, the biggest reason PGE's rates are so high is that it buys much of its power in the short-term market. It seems unrealistic to expect Texas Pacific, after spending $2.35 billion buying PGE, to turn around and spend hundreds of millions of dollars securing long-term power resources.

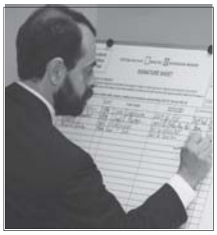
CUB has been a supporter of the City of Portland's attempt to buy PGE and form a regional non-profit utility. The City was offering a similar price as Texas Pacific and would have provided customers with long-term ownership and a commitment that reductions in costs would be used to lower rates.

"This deal has a long way to go," said Bob Jenks. "Attempts by Enron to sell PGE to NW Natural and to Sierra Pacific failed and this one may also. Under Oregon law the Public Utility Commission can only approve the deal if it ensures a benefit to customers, and it is difficult to see any benefit in this deal."

What you can do:

1. Call the PUC, 503-378-6611 and urge them to be diligent in reviewing this, and urge them to reject it unless there is a proven benefit to customers.

2. See page 6 for the PUC's PUBLIC MEETINGS about the merger.



From the Executive Director

Dear Member,

I want to thank Congressman Peter DeFazio, and former Oregon legislator Tom Novick, who have agreed to be honorary co-chairs for CUB's 20th anniversary celebration. Twenty years ago, Peter and Tom were chief petitioners for the CUB initiative, along with the late Lillian Herzog. Both were personally involved in the grassroots campaign that overcame the utility opposition and created CUB. To keep track of the 20th anniversary activities, go to our web site www.oregoncub.org.

I recently went through old files, newsletter, and PUC orders to try to determine how much CUB has saved customers during our 20-year history. I was able to document more than **$3.4 billion in savings**. The biggest single item was the defeat of the Enron deregulation plan. CUB led the fight against that plan which would have added more than $1 billion to PGE bills during the 2000-01 energy crisis.

Here are the total amounts saved on a per customer basis for the major for-profit utilities in Oregon:

PGE	$2,975
Qwest/US West	609
Pacific Power	370
Verizon/GTE	228
NW Natural	87
Idaho Power	83
Sprint/United	57
Avista	47

This list includes the utilities that funded the campaign against CUB 20 years ago. They were opposed to CUB for a pretty simple reason. They knew the idea would work. They knew we would save you money.

After 20 years it adds up to a lot of money. $3.4 billion.

Bob Jenks
Executive Director & CUB Charter Member

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

CUB
610 SW Broadway Suite 308
Portland, OR 97205
(503) 227-1984 (phone)
(503) 274-2956 (fax)
E-mail: cub@oregoncub.org
web: www.oregoncub.org

CUB is a member of the National Association of State Utility Consumer Advocates (NASUCA) and the Consumer Federation of America (CFA).

Mr. CUB Remembers “An Incredible Grassroots Campaign”

It's been twenty years since CUB was created when Oregon voters approved Ballot Measure 3 in November 1984.

To kick off this celebration year, we interviewed Eric Stachon, who was a driving force behind the ballot initiative that brought CUB into being.

Stachon remembers the environment that allowed the CUB campaign to ignite. “We were helped by utility excesses at the time which were achievable by a flawed system that shut out consumers and a corrupt public utility commissioner. This was before the current three-person commission was enacted.” Because energy issues had been highly visible in the public eye for several years, including the break-up of AT&T, consumers were very focused on utility issues. “Oregon had a utility regulatory system that was ripe for abuse, and in the late 70s and early 80s, the abuses were many,” Stachon observed.

Stachon had been working for a legislator during the 1983 session of the Oregon legislature and watched a bill that would have created CUB get trampled by utility opposition. Then, in the fall of 1983, Stachon was hired as utility program director for the Oregon State Public Interest Research Group (OSPIRG) to organize an initiative campaign to achieve what they had not in the legislature. Stachon, and OSPIRG staffers, and volunteers started collecting signatures in February 1984 and by July, had enough signatures to submit and qualify for the November 1984 ballot.

“A lot of us involved in the CUB campaign were veterans of public power and anti-nuclear campaigns,” Stachon noted. “Based on our experience, we figured the utilities were going to spend at least $1 million to try and defeat CUB. In planning the campaign, we knew that in addition to making our case for why CUB was needed, we would also focus on utility spending and ask ‘what are the utilities so afraid of?’ "

The prediction of wild utility spending came true. Starting in early September, the first anti-CUB ads went on television. Although Stachon remembers them as “sort of goofy,” they had an impact. Voter support for the CUB measure began to drop. Shortly thereafter, the pro-CUB campaign submitted a request to review the financial records of the No on 3 Committee. This review showed that the committee had raised over $500,000 in 10 days, all from utilities.

“Support for our initiative started to rebound,” said Stachon. “Voters started to have the feeling that the utilities were trying to buy the election. So spending became the focal point of the campaign. One of my favorite memories from the campaign (and there are many) is driving in my car, listening to a 'No on 3' spokesperson do a call-in radio show, and him getting so many questions about why the utilities were spending so much to defeat Measure 3. Finally, he said in this exasperated voice, ‘all people care about is how much the utilities are spending.’ It was so great to see how our message really connected with voters.”

Having very few financial resources, the CUB campaign relied on grassroots volunteer activity. “There weren’t many fairs, parades or other community events that we missed around the state,” recalled Stachon. “We always had volunteers out distributing literature, trying to get on the news, always getting the campaign message out.” By election day in November when Measure 3 passed, the utilities had spent more than $1 million (a record level at the time) and the 'Yes on 3' campaign had spent around $40,000.

“The victory was the result of an incredible grassroots campaign,” said Stachon. “You always want to say that, but it was really true of the CUB campaign. Personally, it was one of the most valuable and rewarding experiences of my life, and a great political victory for Oregonians. We showed that grassroots groups can use the initiative process for good to defeat special interests.”

In looking back, Stachon said that he’d “do it again in a heartbeat” and is gratified that CUB has been so successful over the years. “Citizen representation is no less important or necessary today than it was then,” he notes. “When I see a quote from someone at CUB in the newspaper or on TV, I sure am glad CUB is there.”

Eric Stachon currently lives in southeast Portland and runs Skyhigh Creative, a multimedia firm. As a staff member loaned from OSPIRG and finally as

PGE Fails To Bill Equal Pay Customers Correctly

PGE is required to offer its customers a plan that allows them to pay part of their winter heating bill by shifting payments to the summer months, a plan called Equal Pay. Under it, each month the customer is billed for 1/12th of the projected annual bill. Once each year, the customer's account is adjusted to make sure that the customer pays for actual usage and not just the projected usage.

After updating its billing system in 2002, PGE decided not to transfer actual usage information for these customers to the new system, and, as a result, Equal Pay customers' bills were not adjusted for up to 23 months. Under PUC rules the company is required to adjust these bills once every 12 months.

After PGE discovered this error and notified customers, many found they owed more than $600. This error also caught CUB's attention. We went to the PUC and argued that the company mistake was self-inflicted, the utility has an obligation to bill correctly and, that under the rules, the company cannot charge customers for any more than a 12-month adjustment. We recommended that the company be required to absorb any amount that went beyond the 12-month adjustment that was allowed. The PUC agreed and PGE had to absorb $635,000 of the $2.1 million that customers owed the company.

PacifiCorp's Proposal To Allocate Costs Between States Would Raise Rates

In the fall of 2003, Pacific Power filed its proposal to allocate electric generation costs between the six states it serves. CUB's initial analysis of the proposal shows that it will raise rates, deny Northwest customers the full value of our hydro resources, and require that Oregon customers subsidize the rapidly growing state of Utah.

A couple of years ago, Utah pulled out of the agreed-upon methodology of dividing up generation costs between the 6 states. This lowered rates in Utah, but left a hole for Pacific Power, so the company no longer recovered 100% of its cost of producing power for the six states that it serves.

Pacific Power's recent filing is an attempt to fill this hole. It has several problems, however:

1. It would raise rates in Oregon in order to make up for the shortfall. Oregon customers should pay for the costs that Oregon places on Pacific Power's system, but there is no reason that the actions of Utah should cause our rates to go up.

2. While Pacific Power's proposed mechanism allocates the costs of Northwest hydro to the states that paid to develop the hydro system, the company fails to allocate the inexpensive power from the hydro system to these states. Instead, their proposal includes a complicated mechanism that gives Northwest residents a value for hydro output based on the price of coal. CUB is demanding that the company simply dedicate the output of the hydro system to Northwest loads.

3. The state of Utah is growing rapidly and causing Pacific Power to incur hundreds of millions of dollars to serve this load. However, rather than allocating the cost of load growth to the states that are growing, Pacific Power is asking customers of all states to pay for this load growth. CUB believes that each state should pay for the costs that it is putting on this system.

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.

CAN YOU TRUST YOUR UTILITY BILL?

CUB finds thousands of errors in utility bills this year

Many customers pay the bill they receive from their utility companies every month without question. However, this year utilities have sent out thousands of inaccurate bills to customers throughout the state. In a letter to the Public Utility Commission, CUB called for state regulators to demand that utilities ensure the accuracy of bills.

"We believe that the Commission ought to consider billing as a fundamental part of adequate service. This means that a significant billing error ought to be considered a failure to provide expected service," said the letter CUB sent to the PUC. CUB proposed that accurate billing be incorporated in utility service quality standards and that utilities should be penalized for sending out incorrect bills.

NW NATURAL VIOLATES STATE STANDARDS AFTER SENDING OUT 250,000 INCORRECT BILLS

In January NW Natural sent out more than 250,000 incorrect bills to customers, then compounded the problem by failing to follow state standards for how to correct billing errors. First, the company underbilled customers by as much as $226. The company responded by sending customers a letter explaining that they had made an error, would add the underbilled amount to the customers' February bills and give customers an extra two weeks to pay the bill.

CUB pointed out that this is not what is required by PUC rules. When a company underbills customers, the company must offer the customer a time-payment agreement and notify the customer of the PUC Consumer Complaint Process. State regulators had failed to notice their own rules for underbilling until CUB pointed them out in February. Within days of CUB calling for NW Natural to come in compliance with the rules, NW Natural began notifying customers that they could ask for a time-payment arrangement and had the option of filing a complaint with the Commission.

AVISTA UTILITIES METER READER FAILS ROSEBURG CUSTOMERS

A meter reader for Avista Utilities in Roseburg stopped doing her job and began making up meter readings for natural gas customers throughout the Roseburg area. This went on for several months before the utility noticed.

During the 4 months when this was happening, Avista rates changed twice. While the company is able to identify how much gas customers really consumed during that time, the company cannot accurately determine how much gas was used in which month so it can be billed at the correct rate. This leaves customers with bills that are based on estimated usage during these months.

PACIFIC POWER OVERBILLS CORVALLIS MAN

An alert CUB member in Corvallis noticed that his Pacific Power bill was for 38 days this winter. Because Pacific Power has tiered rates (the first 500 kWhs are billed at one rate, the next 500kWhs are billed at a higher rate, and more than 1000 kWhs are billed at an even higher rate), this extra week of usage was billed at the highest rate.

CUB raised this issue with Pacific Power and state regulators. Billing cycles are supposed to be one month. When the company implemented tiered rates, the tiers were based on the usage a customer would have during one month. Allowing a billing cycle that includes an extra week increases the customer's bill by 2.4%, according to CUB's analysis.

CUB has called on Pacific Power to change its billing practices in order to eliminate higher rates due to varying billing periods.

READ ABOUT PGE'S BILLING PROBLEMS ON PAGE 4.

CUB Welcomes New Board Members; Says Farewell to Long Time Board Member

CUB just completed a board election cycle and welcomes new board members Janice Thompson and Maureen Kirk. Also returning to the board after being re-elected by CUB members are board members Will Calvert, Doug Still and John Patterson.

Amidst the welcomes is a fond farewell to long-time board member Mark Wilk. He has the distinction of being the only board member to have served on the board from two districts (District 2 when he lived in Ontario, OR and District 5 when he moved to Woodburn). As an attorney serving on the board, he has given wise counsel over the years and has also served as Board Treasurer for the past four years. CUB's board, staff and members give him many thanks and wish him the best in his future endeavors.

PUC Denies PGE's $26 Million Rate Increase

In a victory for CUB, the Public Utility Commission denied PGE's request to increase rates by $26 million to make up for poor hydro conditions.

CUB opposed the effort of PGE to increase rates (see Bear Facts Winter 2003). CUB's testimony to the PUC demonstrated that 2003 was not an extraordinary year in terms of water for hydro operations. CUB claimed that the utility was improperly trying to push the risk of normal variations in hydro conditions onto customers.

The Commission agreed with CUB. In a news release accompanying the PUC decision, PUC Chairman Lee Beyer stated, "In this case, PGE's request is not extraordinary enough to justify recovering the money from ratepayers. Anyone familiar with the region knows hydro conditions vary from year to year and over time, shortfalls and surpluses have a way of averaging out."

PUC Town Halls / Open Houses about Texas Pacific's acquisition of PGE:

TUALATIN: Tualatin HS, 22300 SW Boones Ferry Commons Area - April 8, 2004
PORTLAND: Ambridge Event Center, 300 NE Multnomah Street - April 12, 2004
SALEM: Willamette ESD, 2611 Pringle Road SE - April 13, 2004
GRESHAM: Mt. Hood CC, 26000 SE Stark, Town & Gown Room - April 14, 2004
HILLSBORO: Shirley Huffman Auditorium, 1555 N. 1st Street - April 19, 2004
SALEM: Willamette ESD, 2611 Pringle Road SE - April 27, 2004
PORTLAND: Ambridge Event Center, 300 NE Multnomah Street - April 28, 2004

All town halls begin at 7pm and are free and open to the public.

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

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

RETURN SERVICE REQUESTED

Non-Profit Org.
US Postage
P A I D
Portland, OR
Permit No. 2134