

The Bear Facts

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



October 2004

The 20 Years No One Thought Possible

The year is 1984. A small group of consumer advocates think that Oregon ratepayers need an advocate at the Public Utility Commission and in the legislature, making sure their interests are protected. Oregon is one of the few states where residential consumers have no such representative. And in those days, Oregon had a single Public Utility Commissioner and he was seen as being way too friendly with the utilities.

After failing to overcome utility clout in the 1983 legislature to pass a bill creating a Citizens' Utility Board, the consumer advocates decided to take the case directly to Oregon voters. Led by 3 chief petitioners - Peter DeFazio (then a Lane County Commissioner, now a US Representative in Congress), Tom Novick (then executive director of the Oregon State Public Interest Research Group, now a political consultant) and Lillian Herzog, (a senior citizen activist who has since passed away) - a grueling signature-gathering drive took place and successfully qualified Ballot Measure #3 for the November 1984 ballot.

Almost immediately, utility opposition came pouring out. "Vote No on 3! It's A Boondoggle!" screamed television and radio ads all over the state. The No on 3 Committee, funded almost completely with contributions by utilities, broke all records on campaign expenditures at the time, spending \$1 million to try to defeat a ballot measure for the first time ever in Oregon history.

It was a decidedly different story for Oregonians for CUB, the committee created by the consumer advocates. With very little money but extraordinary enthusiasm and a tremendous grassroots network, CUB campaigners hand-made lawn signs, held rallies, canvassed door-to-door, called voters, held house parties and worked the media. Despite this Herculean effort, most pundits predicted sure defeat for the CUB

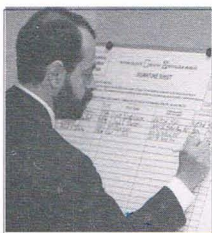


One of the youngest volunteers in the 1984 campaign to create CUB.

campaigners. Yet Oregonians for CUB held on to survive being outspent 40-to-1. Oregon voters approved Measure 3 on November 6, 1984.

Since 1984, CUB has both survived and thrived. Recently, CUB staff calculated that through CUB's intervention on rate cases, policy dockets and legislative actions, Oregon consumers have saved more than \$3.4 billion. CUB also helped to create an independent not-for-profit organization - the Energy Trust of Oregon - to deliver energy conservation and renewable energy development services (see related story on page 3). CUB has also sponsored interns through the years to strengthen the public interest movement (see related story on page 3).

So, help celebrate CUB's 20th Anniversary on Saturday, November 6th. Meet many of the folks who helped create the 20 years everybody else never thought could happen. See page 5 for an invitation to CUB's anniversary dinner.



From the Executive Director

Dear member,

Throughout the year, we have been highlighting CUB's accomplishments as part of our 20th anniversary celebration. Earlier this year we calculated that CUB has saved ratepayers more than \$3.4 billion in reduced electric, gas and telephone bills.

Our work hit home for me last month. My washing machine broke and needed to be replaced. While I've always liked the front-loading energy efficient models, because of their price, they are not something I have been able to afford. (Is it better to spend hundreds of dollars on an appliance or put the money in my daughter's college fund?) This year, however, the Energy Trust of Oregon, a non-profit CUB helped create to administer utility energy efficiency programs had a washing machine program. The Energy Trust was offering a \$50 rebate on front-loading energy efficient models and they got manufacturers to match their rebate, reducing the cost by \$100. This, along with the tax credits offered by the Oregon Department of Energy allowed me to reduce the price of a highly efficient model by more than \$200. (For more about the Energy Trust see page 3.)

The cost of electricity remains high and natural gas is increasing. If you haven't thought about energy efficiency, now is a good time. If you are a customer of PGE, Pacific Power or NW Natural, the Energy Trust administers programs and can come out to your house and give you a free energy audit with advice on what is cost effective for your home. See www.energytrust.org. If you have another utility, it should offer similar programs.

Bob Jenks
Executive Director & CUB Charter Member

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

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CUB's board meets 8 times per year.

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

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.



New Energy Era Dawns with the Energy Trust of Oregon

CUB has long been concerned that ratepayer dollars could be used much more effectively on energy conservation efforts. For many years, utilities were responsible for making investments in energy efficiency projects but utilities are primarily in the business of producing and selling electricity. Helping customers use less of the product they produce and sell is an inherent conflict. So to remove that conflict, CUB helped to create the Energy Trust of Oregon.

The Energy Trust of Oregon (ETO) is an independent nonprofit organization dedicated to energy efficiency and renewable energy production. The ETO began work on March 1, 2002, to change how Oregonians produce and use energy. Through innovative programs, the ETO invests in efficient technologies and renewable resources that develop new sources of clean energy, help Oregonians lower their energy bills, stimulate the economy and protect the environment. The ETO serves Oregon customers of Pacific Power, Portland General Electric and NW Natural.

The ETO brings predictability and stability to energy conservation and renewable energy programs. In the past, funding levels for conservation programs, mainly offered through utilities, have varied wildly from year to year. The added certainty about the availability of programs helps consumers and energy-related businesses plan wisely.

The Oregon Public Utility Commission (PUC) authorized the ETO to administer these programs. Energy efficiency programs previously operated by PGE and Pacific Power have been phased out and replaced by those offered through the Energy Trust. In 2003 NW Natural, a natural gas utility, sought and received OPUC approval to transition its energy conservation program to the Energy Trust as well.

CUB is very pleased with the first years' activities of the ETO. The Trust has made significant strides in a very short amount of time. CUB is deeply involved in making sure that, by 2012, the ETO's goal to save 300 average megawatts of electricity and 19 million annual therms of natural gas through energy efficiency investments, and to help meet 10 percent of Oregon's energy requirements through renewable energy sources is achieved.

The ETO recently released its Annual Report detailing their activities and accomplishments. The report can be found online at http://www.energytrust.org/Pages/about/library/reports/2003_Annual_Report.pdf. Or call 1-866-ENTRUST (1-866- 368-7878) to get a copy mailed to you or for more information. And if you want to provide input into what the ETO has been doing, or could do, come to an outreach session that the Trust will be holding between mid-October and mid-November. The communities where outreach sessions will be held are: the Portland Metro area, Central Oregon, Salem, Corvallis, Medford and Hood River. Dates, times and locations for the sessions will be posted on the ETO website at www.energytrust.org/events.

CUB Internship Program Produces Experienced Activists

Among the many unique things that CUB offers is the chance for students to work in a public interest advocacy setting, either gaining initial experience or adding to professional skills. CUB is able to offer this opportunity because of the Eric Shaich Memorial Endowment.

Eric Shaich was a volunteer on the CUB campaign in 1984. While a student at the University of Oregon, he helped the campaign by passing out flyers and making phone calls. After graduating from the university, Eric went to work for the Bonneville Power Administration as an economist creating power forecasting models. "He was doing stuff that was kind of cutting edge," noted Harry Shaich, Eric's father. "He really enjoyed what he was doing."

In the early 1990s, Eric was diagnosed with Hodgkins disease, a form of cancer. Despite efforts to combat the disease, Eric passed away. After his death, his family wanted to set up a fund that would support activists, particularly students, who wanted to work in non-profit, public interest organizations. "Eric learned so much when he was in school and wanted to be involved," said Harry Shaich. "We really wanted to make sure that his estate supported others having the same kind of experience he did."

The Shaichs approached CUB as a potential sponsor of an ongoing internship program. In 1993, the Endowment was established with funds from Eric's initial estate, combined with some additional fundraising

CUB Continues to Oppose Texas Pacific's Purchase of PGE

Discussions and settlement meetings continue on Texas Pacific Group's (TPG) proposed acquisition of PGE (Docket UM 1121). CUB submitted testimony on July 21st and September 22nd, opposing the acquisition, explaining the risks as we saw them, and proposing ways TPG could help make the deal in customers' best interest.

TPG and Oregon Electric, the holding company TPG created to purchase PGE, submitted their rebuttal testimony on August 16th, in which they belittled every concern we raised, assured us the risks are so small as to be hypothetical, and restated their position that the offered benefits are more than sufficient to qualify as a net benefit to Oregon customers. They offered a paltry rate credit of \$15 million payable over 5 years, from 2007 through 2011. For residential customers that amounts to about a postage stamp every three months at today's postage, and who knows what postage will be then.

In our September 22nd testimony we raised concerns about TPG's incentives to cut costs and showed that TPG often makes significant cuts in employment levels when they purchase a company. CUB is concerned that TPG's business model might lead them to make cuts in maintenance of power plants, substations and other parts of the utility system. This will create a problem because the PUC does not have the authority to require that a utility spend money on maintenance. Regulation by the PUC is designed to disallow costs that are not necessary to provide utility service, not require a company spend money on things that are necessary to provide utility service.

In addition, because TPG will likely only own PGE for 5 to 7 years, we are concerned about what happens after their ownership. We have called for TPG to commit to returning PGE to its pre-Enron days when it was a Portland-based, publicly traded company, or to offer it for sale to a public entity, creating a regional publicly-owned, non-profit utility. Finally, we called for the company to provide rate credits of more than \$90 million.

So far, TPG has dismissed our concerns. For all TPG's talk about creating a local presence by appointing prominent Oregonians to PGE's Board of Directors, CUB has found TPG to have little, if any, willingness to engage in real discussions about the risks that are being created by this purchase.

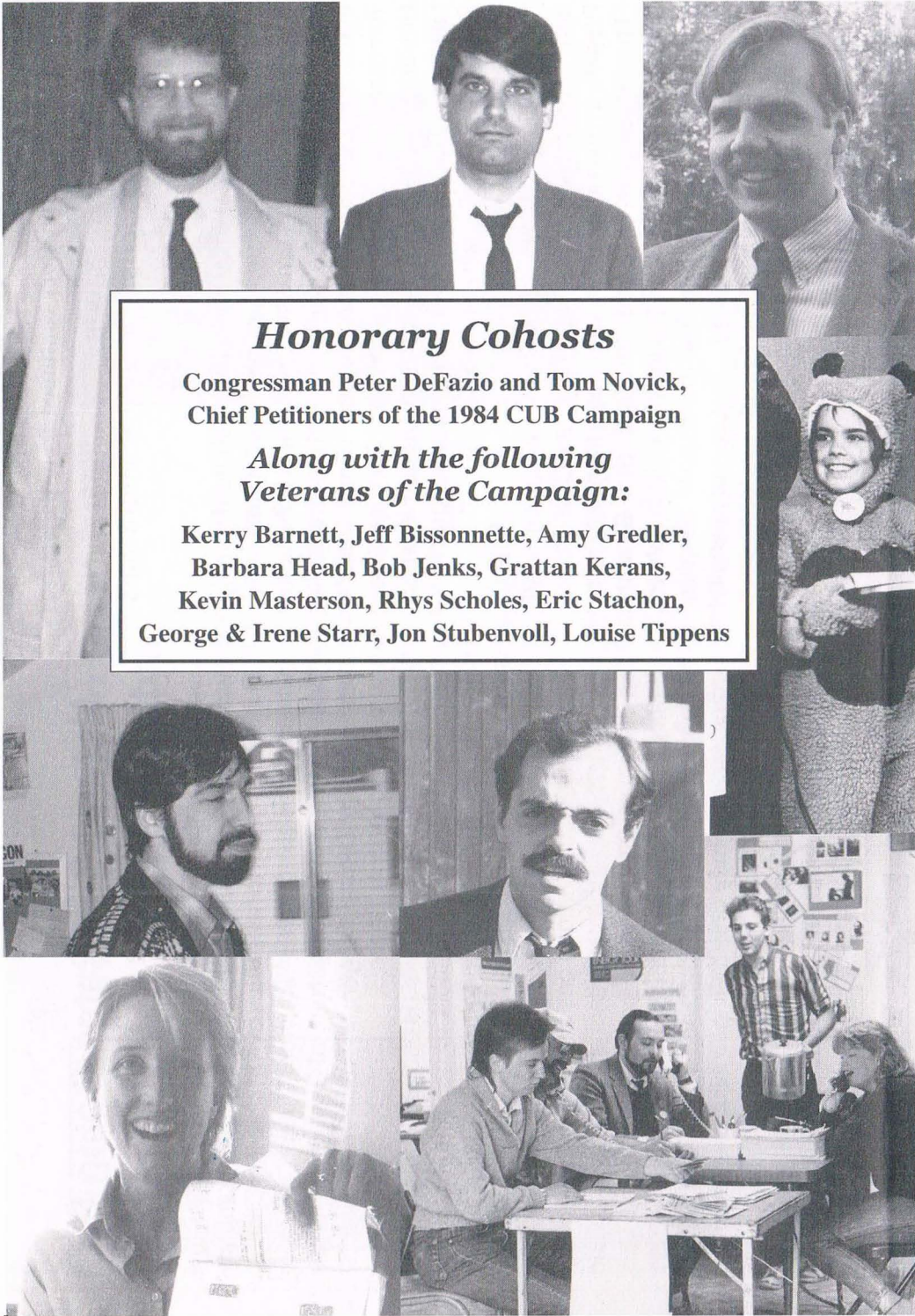
To read our latest round of testimony, visit CUB's website at www.oregoncub.org ,

NW Natural Customers to Receive Refund

Customers of NW Natural will receive a refund of \$1.28 million as part of a settlement stemming from the company's improper accounting for real estate. The settlement stemmed from a review that showed that the company had improperly placed the cost of a piece of property in rates even though it had been leased to the city of Portland; that the company sold property for a profit but stuck ratepayers with a tax liability; and that ratepayers had overpaid to develop parking for their employees.

According to CUB attorney, Jason Eisdorfer, who helped negotiate the settlement, "The company engaged in a series of mistakes that raises questions about whether it takes its obligations to ratepayers seriously. The company knows the rules and knows that these kinds of costs are simply not allowed."

In addition to the refund, customers will not have to pay for parking for NW Natural's employees until 2013, and the company will hire an independent auditor who will inspect the company's accounting to ensure that customers are not being forced to pay for costs that are not allowed under Oregon Public Utility Commission rules.



Honorary Cohosts

Congressman Peter DeFazio and Tom Novick,
Chief Petitioners of the 1984 CUB Campaign

Along with the following Veterans of the Campaign:

Kerry Barnett, Jeff Bissonnette, Amy Gredler,
Barbara Head, Bob Jenks, Grattan Kerans,
Kevin Masterson, Rhys Scholes, Eric Stachon,
George & Irene Starr, Jon Stubenvoll, Louise Tippens

and the following:

Ken Canon, Industrial Customers of NW Utilities
Serena Cruz, Multnomah County Commissioner
Margie Harris, Energy Trust of Oregon
Libby Henry, Eugene Water & Electric Board
Maureen Kirk, OSPIRG
Sara Patton, Northwest Energy Coalition
Joan Smith, Oregon Public Utility Commission (ret.)
Erik Sten, Portland City Commissioner

***Invite you to please
join us as we celebrate the
20 years everyone said
couldn't happen.***

Saturday, November 6th, 2004

6:00 Cocktails & Registration

7:00 Dinner & Program

Downtown Hilton

921 SW 6th Avenue, Portland

**Tickets are \$100 each/\$50 tax-deductible
Table Sponsorships available for \$1,000**

Please RSVP to dinner@oregoncub.org or 503-227-1984

We hope you can join us!

Shaich Internship story continued from page 3.

undertaken by an advisory committee. The Endowment supports 1 to 2 CUB internships throughout the year.

Over the years, CUB has hosted several interns, many of whom are still involved in public interest work. Jed Jorgensen was an intern while a student at Willamette University in Salem. He is now the political director at the Oregon League of Conservation Voters. Linda Tomassi was an intern while studying at Portland State University. She is now on staff at Oregon Women Lawyers. Their stories are common among former Shaich interns who have worked at CUB.

"CUB always has more work than our current staff and volunteers can handle," observes CUB Board President Kevin Masterson, who was a friend of Eric's. "The resources offered through the Shaich Endowment not only helps the interns CUB is able to hire but also helps CUB be that much more effective in the projects we can take on. That sort of mutually beneficial set-up is something Eric always looked for. I'm glad we can make it happen at CUB."

If you or someone you know is interested in the Shaich Internship Program, please contact Jeff Bissonnette, CUB's Organizing Director, at 503-227-1984 or go to CUB's web site at www.oregoncub.org and click on "Internship Program." CUB also accepts contributions to support the internship program.

Natural Gas Rates Going Up

Oregon's three natural gas utilities have all announced significant rate hikes for residential customers this winter. NW Natural, the largest natural gas company in the state, plans to raise rates by 18%. Avista Utilities, which serves customers in Southern Oregon, will raise rates by 15% and Cascade Natural Gas, which serves customers in Central Oregon, will raise rates by 8 %.

The cause of these rate hikes is primarily the high cost of natural gas itself. The cost of gas has increased and utilities are attempting to pass these costs on to customers.

Residential use of natural gas is primarily for heating. CUB is concerned that the effect of this increase could be dramatic if Oregon experiences a cold winter. Gas rates will now be higher than they were during the 2001 energy crisis. If this is combined with a cold winter, many families may find their gas bills unaffordable. CUB is seeking an agreement with gas utilities to relax their shut-off policies and allow customers more time to pay off 2005 winter heating bills.

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