The Bear Facts
Citizens' Utility Board of Oregon...because utilities bear watching
Winter 2005/2006

The Year in Review/ The Year Ahead

At the end of every year, it seems everything we read is taking a look back at the last twelve months. We here at CUB aren't above the "year in review" article, but even more important to us is what's coming up next year. So we'll take a look back on what CUB has been working on in 2005, and also look at where those issues are headed in 2006.

Global Warming: Surprised you, didn't we? You thought we'd lead off with PGE or taxes, right? Well, as important as those issues are (and they show up later), CUB is examining the ever-rising importance of global warming and its effect on utility planning and rates and how it all affects customers. We had several policy victories that will reduce Oregon's contribution of greenhouse gases that lead to global warming, such as passing legislation to improve the state's solar energy tax credit, opposing Pacific Power's plans to build a new coal plant, getting Idaho Power to increase energy efficiency programs, and working to strengthen the energy efficiency and renewable programs at the Energy Trust of Oregon.

We will not limit our analysis to simply factoring in the potential costs of global warming but will pursue policies that will actively reduce Oregon's emission of greenhouse gases.

Coming up in 2006: For the first time in the organization's history, the CUB Board of Governors adopted a policy on global warming, stating, "Energy production is a significant contributor to greenhouse gas emissions. The impacts of global climate change could be devastating and the true costs may be enormous." As we examine utility planning and rates, we will not limit our analysis to simply factoring in the potential costs of global warming but will pursue policies that will actively *reduce* Oregon's emission of greenhouse gases.

Utility Consolidation: In 2005, Congress repealed the federal Public Utility Holding Company Act (PUHCA), making it easier for a wider array of corporations to own utilities. CUB views PUHCA repeal as a significant anti-consumer move.

Also in 2005, CUB persuaded the Public Utility Commission to reject the attempted purchase of Portland General Electric by Texas Pacific Group. CUB did not believe that purchase was in the best interest of ratepayers and the PUC relied heavily on CUB's analysis in making their decision.

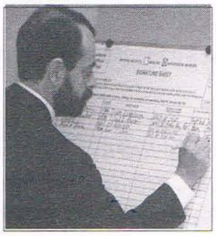
Lastly, CUB is currently involved in analyzing the proposed sale of PacifiCorp from Scottish Power to MidAmerican Energy Holding Company. MidAmerican is owned by Berkshire Hathaway, which is owned by Warren Buffett. CUB is focused on ensuring that this purchase will not raise rates and that it will promote a sustainable energy policy.

Coming up in 2006: CUB expects there to be a decision on the MidAmerican deal by the early part of the New Year As this newsletter went to press, the PUC approved the stock redistribution to remove PGE from Enron (see separate story on page 3). CUB will be very involved in making sure that the move to a free-standing PGE goes well for ratepayers.

Utility Taxes: Up until this year, it has been lawful for a utility company to charge its customers more for federal, state and local taxes than the utility's parent company actually pays in taxes related to the utility. While legal, the practice was outrageous. So CUB led the fight to eliminate so-called "phantom taxes," taxes collected but not actually paid to units of government, and helped to pass Senate Bill 408, which seeks to ensure that taxes that a utility collects closely matches the taxes that are actually paid to government.

Coming up in 2006: There are numerous utility efforts to weaken or undermine SB 408 through the PUC rulemaking process and related dockets. CUB will be very focused on making sure that phantom utility taxation becomes a thing of the past.

There are always events over the horizon that we cannot foresee. But so far, we do have a few overall expectations of 2006. There will likely be at least three utility rate cases filed; we will be working to prepare for a major review of energy efficiency programs and the Energy Trust of Oregon in the 2007 Legislative Session; and we will be working in a number of arenas on issues affecting low-income utility customers. And we'll probably see a few surprises come down the line, too. So stay tuned. 2006 is going to be an exciting year. Of course, aren't they all?



From the Executive Director

Dear member,

First, let me thank everyone who has contributed and supported CUB during the last 12 months.

I also want to thank all the folks who contacted us after we defeated Texas Pacific's bid to purchase PGE. Many of you called, emailed and sent notes to congratulate us. One member even dropped by with a gift-wrapped bottle of champagne. It does show how much our members care about our work and the degree to which many members see themselves as part of CUB. Our victories are your victories and we celebrate them together.

This year was exciting and the work we did was noticed across the country. Utility merger and acquisitions are rarely denied by state regulators. It made national news when Oregon rejected Texas Pacific. The fight over phantom taxation put Oregon at the forefront of a debate over utility taxes. We have heard from consumer advocates in a number of states asking our advice on that issue.

At the same time, while we were able to defeat attempts by Idaho Power and Pacific Power to raise electric rates significantly, rising natural gas prices have pushed up natural gas rates across the state. This winter will be difficult for many households.

There is one thing we can be certain of as we head into 2006: utilities will seek higher rates and CUB will fight to keep our bills affordable. No matter what else happens, this is the one constant we can count on.

I have one last prediction for 2006. CUB will win our share of the battles we have with utilities and our members will celebrate with us.

Happy New Year!

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

PGE'S FATE DECIDED

Shortly before this newsletter went to press, the PUC announced its approval of stock distribution to remove Portland General Electric from the remaining vestiges of Enron. CUB supported the stock redistribution because the only other option left was to stay with bankrupt Enron. Members can find information about the stock redistribution on our website at http://oregoncub.org/archives/purchase_of_pge/index.php.

We've long believed that public power, if done correctly, would produce benefits for customers. But public power was not an option in this case. The PUC and customer groups were faced with two options: extracting PGE from Enron through stock distribution; or continuing Enron ownership at a time when Enron is about to fade out of existence, causing more uncertainty about the fate of Oregon's largest electric utility.

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For the past several years, we've worked with several key principles in mind when looking at transferring PGE to public ownership: 1) the entire utility territory must be kept together; 2) all of the customers must be kept together (we call this "leave no ratepayer behind"); and 3) we must be able to acquire ALL of the utility's assets, including generation, transmission and distribution.

The best way to meet these principles is through a purchase of the utility by a public entity. CUB has worked with several potential public purchase attempts over the years, each of which failed for a variety of reasons. Here's a recap:

1) Willamette Valley Power, July 2002 through late 2003. A group of business leaders and local attorneys came up with the idea of using a state law that allows the formation of intergovernmental entities to be formed by any unit of government. Their plan was to have most, if not all, of the six county governments in the PGE service territory form an intergovernmental agency called "Willamette Valley Power" and fund a purchase of the entire utility by issuing revenue bonds. CUB worked with this effort for many months, appearing before county commissions explaining how the plan would work and how it would produce benefits for customers. Ultimately, county commissioners did not wish to undertake such an effort.

2) Oregon Community Power (OCP), January through August 2005. A group of state legislators proposed creating a state power authority that would be able to purchase the utility, again using revenue bonds. CUB worked with a range of interested parties to create legislation that would offer a path beneficial to customers. While the overall bill was very good, another interest group inserted a fatal flaw in the bill that prevented any benefits from the federal hydropower system to be given to OCP customers, benefits that customers rely on today to keep rates down. CUB worked hard to amend the bill, but was unable to get the Oregon House to consider our amendments.

3) Purchase by the City of Portland, August 2002 through July 2005. The City of Portland expressed an interest in purchasing PGE and turning it over to a regional structure to manage the day-to-day workings of the utility. CUB worked with individuals at the City throughout 2003 and 2004 to advise them how such a purchase might be made. During this same time, CUB defended the City's ability to purchase PGE in the legislature against bills that would have limited that ability. Ultimately, none passed. Then, in 2005, Portland's mayor appointed an advisory committee to devise the regional structure and governance that would operate the utility in the event the City could successfully negotiate a purchase agreement with Enron. CUB's executive director, Bob Jenks, was a member of the advisory committee, and was the only member of the advisory committee to openly state his support of the public purchase. In the end, unfortunately, Enron broke off negotiations with the City and decided to go forward with stock distribution.

CUB does believe that public power would result in substantial benefits for customers. We hope that there will be another opportunity someday to bring PGE into public ownership. Until that time arrives, and we have the chance to fight for public power yet again, we believe there is a clear benefit to removing PGE from Enron's wreckage and working to stabilize it as a free-standing utility.

Utility Rates/Cold Weather Hit Low Income Customers Hard

All of us feel the pinch when rates go up or when we have to turn our thermostats up a bit to keep the house warm. But for some consumers, increased rates or more heat can have a significant impact on budgets that are already stretched past the breaking point.

Seniors, parents working low-wage jobs and folks who have simply fallen on hard times because of a lost job or serious medical condition can suddenly find themselves in a bind when it comes to keeping the lights on. Over the past few years, more and more Oregonians have found themselves trying to decide whether to pay the utility bill, buy food, or purchase medicine.

CUB has long been involved in making sure that low-income consumers are taken into consideration when utility rates and policies are discussed. We have advocated for the prohibition of winter shut-offs, we push for additional resources to weatherize low-income homes, and we've sought more money to help people pay their electric bill, because it costs less for all of us to have people stay connected to the system rather than continually going off and on, which raises costs for everyone.

As recently as 1999, CUB helped to win $10 million per year for low-income bill payment assistance and about $6 million a year to weatherize low-income housing. Even in the relatively short six-plus years, it has become apparent that even these resources are not enough to meet the need faced by many Oregonians as the federal government reduces federal heating assistance programs and the State continues to recover from significant rate increases in 2001 and an economy that is only now starting to bounce back from the recent recession.

Recently, Oregon's Attorney General announced that nearly $12 million from a settlement with El Paso Corp and Duke Energy, rising from investigations into the Western energy crisis, will be dedicated to low-income weatherization and energy assistance. As welcome as these resources are, it still will not be enough.

CUB is working with low-income advocates and human service agencies around the state to develop better ways to make sure that all consumers have the resources to keep their lights and heat on. We will be working with these advocates and service providers to make sure that existing resources are utilized well and efficiently, and we will begin creating an agenda to carry into the 2007 Legislative Session. CUB wants to ensure that no ratepayer has to make a decision between heating and eating.

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