



Spring 2006

The Bear Facts

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

PGE, Pacific Power Propose Big Rate Hikes With Bigger Profit Margins

Oregon's two largest electric utilities, Portland General Electric and Pacific Power, recently proposed significant increases in their Oregon rates. Included in both filings were requests that the PUC allow them to increase their allowable profit margin. CUB will be leading the opposition to these rate hikes and excessive profit margins.

Pacific Power. Pacific Power is proposing an increase of \$112 million or 13%. Under their proposal, residential customers' rates would increase by 11%. Pacific Power wants to increase its allowable profit margin from 10% return on equity (ROE) to 11.5%. This is a large jump, particularly in light of the fact that it was only a few months ago that the company agreed that 10% was a reasonable amount. In addition, the utility is asking the Commission to add back into rates the \$26 million that was cut last October. In that previous decision, the Commission accepted CUB's adjustment to reduce the level of taxes that are included in rates by \$26 million to better reflect the amount of taxes that will actually be paid to the government.

It was only a few months ago that Pacific Power's last rate case was decided by the PUC with their new rates going into effect last October. Pacific Power is back again, asking the Commission to reconsider the reduction in taxes that cut their rate increase by \$26 million.

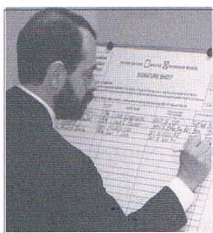
"This is typical of Pacific Power," said Bob Jenks, CUB Executive Director. "They file for big rate increases before the ink is dry on the last case and then in the end receive about one fourth of what they are asking for."

PGE. PGE is also asking for higher rates. In their announcement they claimed they were proposing to increase rates by \$143 million or 8.5% for residential customers. But CUB's review has discovered that they are actually proposing to increase rates by more than that. Like Pacific Power, PGE wants an increase in their allowable profit margin – though PGE is only proposing to increase theirs to 10.75%. In addition, PGE is asking the Commission to allow it to raise rates annually if costs are greater than what is forecast (or lower rates if costs are lower than forecast). Finally, PGE is asking the Commission to allow it to invest \$141 million in a system to meter homes and businesses with technology that would allow the Company to electronically read meters without having to employ meter readers. According to the company, this will save customers very little: a total of \$4 million over the next 20 years. But the proposal will cost customers \$3.7 million next year which PGE did not include in their announcement.

CUB is concerned that PGE begins this rate case with some of the highest rates in the Pacific Northwest. We have fought them for several years on the issue of adjusting rates annually for changes in cost and the PUC has consistently sided with CUB and ruled that the Company must absorb the normal variation in costs that occur between rate cases. But PGE seems content to simply ignore those PUC orders it disagrees with, and keep asking for the same thing.

In addition to this rate case which will cost customers more than the company is admitting, PGE is also seeking recovery of \$50 to \$70 million in costs associated with their Boardman power plant being shut down this winter. All together, the company is asking for rate increases that total more than 10%.

"We are disappointed with this rate filing," said Jenks. "PGE ought to be doing everything in its power to control costs and reduce the need to raise rates. The Company just doesn't get it – its rates are already too high."



From the Executive Director

Dear member,

I received some sad news earlier this year. Wallie Huey, a longtime CUB member from Baker City passed away. He will be missed.

Wallie was one of the first 100 Oregon citizens to join CUB after the ballot measure created CUB in 1984. He gave regularly over the years. He joined our Rapid Response Team to send letters and emails to legislators.

And he gave us critical feedback. In 1998, he sent a letter to me complaining that our newsletter was always telling him about our work on Enron/PGE issues, but said little that was relevant to members like him in rural parts of the state. I reviewed our recent newsletters and realized he was right. I sent him a letter apologizing to him. CUB is a statewide organization, but when communicating to our members we always were emphasizing what we were doing with the largest utilities that served the more urban parts of the state. I explained to Wallie the recent successes we had that did affect utilities that served in Eastern Oregon: things like fighting a big Idaho Power rate increase for residents of Ontario, Oregon; working to stop Pacific Power from closing rural offices around the state; assisting the customers of a small rural phone company, Cascade Communications, in fighting a rate hike, and working on energy and telecommunications policies that would directly effect the smallest communities of the state.

I also learned something from my exchanges with Wallie and have attempted since then to do a better job of communicating our work to our members. For example, page 5 of this newsletter has an article about CUB's work to get Cascade Natural Gas to offer energy efficiency programs in Wallie's home town of Baker City.

Wallie was my kind of CUB member. While he renewed his membership every year, he did not stop there. When we needed help in a campaign, he helped. Most importantly, he took the time to give us feedback. He felt CUB was his organization and he had a right and responsibility to tell me what he thought. Our files contain several letters to and from Wallie discussing CUB.

Wallie will be missed. But his feedback made us a better organization.

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).

CUB ACTION NETWORK

NEW FEATURE: TAKE ACTION!

This is a new feature premiering in the Bear Facts this quarter. While we're always asking our members to "Take Action" in one way or another, we thought our more activist members (and there are a bunch of you) would appreciate a corner of the newsletter where you can go and know immediately how you can help change the world (and if you want even more, go read about the CUB Action Network on page 3). This feature is also for those members who want to know how they can make a difference in their already over-scheduled lives. It's easy. Just come here and Take Action!

Every newsletter will feature an issue, some background, and information about how you can Take Action to help out. Generally, it will involve making a phone call or sending an email. Usually, it won't take more than a few minutes. But it will make a huge difference. So, without further ado, here's how you can Take Action this time:

ISSUE: Proposed Federal Funding for Energy Assistance Is Inadequate

Background: The proposed funding level for the federal Low-Income Home Energy Assistance Program (LIHEAP) in President George W. Bush's budget for FY07 is woefully inadequate. As home energy prices continue to rise, President Bush proposed \$2.782 billion in funding. This is well short of the \$5.1 billion authorized by Congress in the Energy Policy Act passed last year. Here in Oregon, more than 48,251 households (about 120,628 individuals) receive help from LIHEAP and still, even with other assistance from the state and private funds, social service agencies are overwhelmed by requests for assistance. Many applicants are people who have never applied for any kind of assistance before. With an increasingly large burden being placed on our nation's least fortunate by escalating home energy prices, allotting 45% less funding to LIHEAP than the Energy Policy Act authorized would force tens of millions of low-income American families to choose between home heating and putting food on their tables. Seniors would have to choose between paying their home energy bills or purchasing their prescription drugs and obtaining adequate healthcare. We simply cannot force our nation's least fortunate to make these choices.

TAKE ACTION: Contact your congressional representative and US Senator and tell them to support \$5.1 billion in LIHEAP funding for FY07. Contact information for the Oregon delegation follows:

Sen. Gordon Smith (R) - (202) 224-3753; Web Form: gsmith.senate.gov/webform.htm

Sen. Ron Wyden (D) - (202) 224-5244; Web Form: wyden.senate.gov/contact.html

Rep. David Wu (D-1) - (503) 326-2901

Rep. Greg Walden (R-2) - (541) 776-4646 (Medford); (541) 389-4408 (Bend)

Earl Blumenauer (D-3) - (503) 231-2300

Peter DeFazio (D-4) - (541) 465-6732 (Eugene); (541) 440-3523 (Roseburg); (541) 269-2609 (Coos Bay)

Darlene Hooley (D-5) - (503) 588-9100 (Salem); (503) 557-1324 (West Linn)

To contact a representative by email, go to: <http://www.house.gov/writerep/> and bring up a secure web form.

To get more information about the CUB Action Network, contact Organizing Director Jeff Bissonnette at jeff@oregoncub.org. To sign up as a CAN activist, send an email to cub@oregoncub.org and say, "Yes, I CAN. Sign me up!"

Bob Jenks Appointed to Telecommunications Task Force

CUB Executive Director Bob Jenks was appointed by Governor Ted Kulongoski to a new task force on telecommunications that was established by the legislature to conduct a review of Oregon's telecommunications law.

Oregon's telecommunications law has not been reviewed since the early 1990s, and telecommunications has changed significantly since then. At that time most households did not have wireless phones or internet service. The purpose of the task force is to recommend changes to the 2007 legislature. The task force is made up primarily of telecommunications industry representatives, along with

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.

legislators, and Bob Jenks will bring in the customer perspective.

As a long-term advocate for utility customers in the arenas of telecommunications, electric and gas power, Bob Jenks is well-qualified to make sure that customers' interests are kept in the discussion as the telecomm industry and its laws change.

Can We Do It? Yes, We CAN!

CUB members are the life blood of the organization. Not only do CUB members provide a significant portion of our funding base, they also provide our grassroots and political power as well. Legislators and other policy makers understand that CUB can back up its strong policy proposals to protect consumers and the environment with a grassroots membership in every legislative district and every county in the state.

But that grassroots power needs to be organized to be effective. So CUB is creating the CUB Action Network (CAN) to allow members to get hot-off-the-press updates on breaking issues and have an impact on those issues right then.

As you'll notice on page 4, we are starting a Take Action feature in the newsletter to allow CUB members to make a difference on key issues. But things often develop more quickly than a quarterly newsletter can respond. So the CUB Action Network will be an online-based network that allows CUB members the opportunity to take quick action on a regular basis.

CAN activists will generally receive no more than one email alert a month (sometimes less but maybe a little more during legislative sessions). The emails will be short and to the point (see the Take Action feature to get an idea) and will give the chance to make a difference with a click of a button.

Global Warming: Grassroots Reaction Heats Up

On January 28th, the Greenhouse Network held a conference: the Northwest Climate Education and Action Workshop, the fourteenth such gathering the Network has put together in 5 years. CUB staffers Jason Eisdorfer and Jeff Bissonnette took part in panels looking at current global warming policies and ways to advance an active and effective agenda to reduce global warming.

There was tremendous interest in taking the issue to a new level by many of the more than 60 participants in the conference. Attendees understood that grassroots organizing was going to be paramount in making a difference in reducing greenhouse gases and turning back the significant global climate change the planet is undergoing.

As Governor Kulongoski's Advisory Group on Global Warming wrote in late 2004, "Global warming is not just another environmental issue. It's not 'just another issue,' period." CUB couldn't agree more.

If you'd like to be kept updated on CUB's growing organizing activity on global warming issues, please contact Organizing Director Jeff Bissonnette at jeff@oregoncub.org.

Utility Ownership

Pacific Power

For the past 8 years, PacifiCorp has been the wholly-owned subsidiary of an international corporation based in the U.K., Scottish Power. Well, not for much longer. You may remember a few months ago, CUB and the other parties to the MidAmerican application to purchase PacifiCorp reached an agreement, guaranteeing certain protections and benefits for Oregon ratepayers should the deal go through, including \$40 million in rate reductions.

After reviewing the documents in the case and the agreement itself, the PUC just two weeks ago approved the purchase of PacifiCorp by MidAmerican Energy Holdings Co. We believe that, under the options available to us right now, ownership by Scottish Power or ownership by MidAmerican, this is the best outcome in this case. MidAmerican has agreed to "ring-fencing" financial protections for PacifiCorp, retaining corporate offices in Oregon, substantial renewable energy investment, and rate credits.

It has been a time of much turmoil in the arena of Oregon utility ownership over the last decade, and particularly

during the past few years. We are certain that there will be more to come. Each time CUB participates in a utility purchase case, however, we become more savvy about the process and more clear about how to protect customers.

Portland General Electric

In December of last year, the PUC approved the stock distribution for Portland General Electric, opening the door to trading of PGE stocks and the opportunity for PGE to become a stand-alone company again. The chance that another Enron or Texas Pacific Group will pop up with an offer to buy PGE is less likely now because of the passage of SB 408 last Legislative Session. SB 408 works to close the tax loophole for big corporate structures and makes our utilities less attractive for purchase as a potential tax write-off.

The PGE stock distribution is scheduled to begin in April. While CUB supported a City of Portland purchase of PGE, with that option no longer available, we feel an independent Portland-headquartered company is the best alternative. We will continue to lend our experience and time to all such cases that affect Oregon's residential ratepayers.

Cascade Natural Gas to Implement Energy Efficiency, Low Income Programs

Cascade Natural Gas, a small utility that provides natural gas service to parts of Central and Eastern Oregon, has agreed to implement a program of energy efficiency investment, and low-income weatherization and bill payment assistance. While the agreement to offer these programs has not been finalized, an agreement has been reached that should have these programs up and running later this year.

The energy efficiency programs are designed to help customers buy more efficient natural gas furnaces and other appliances and make their homes and businesses run more efficiently. They will be administered by the Energy Trust of Oregon, a non-profit that runs similar programs for PGE, Pacific Power and NW Natural.

CUB has been a strong proponent of energy efficiency programs. These programs are cost effective, meaning that it is cheaper to save a therm of gas than it is to procure more gas supplies. CUB has also been a strong advocate of the Energy Trust as an independent implementer of energy efficiency programs, believing that utilities have a conflict of interest when it comes to running programs designed to reduce the use of the basic product that they sell.

CUB has been happy to play a part in getting these programs expanded to residents of Central and Eastern Oregon, and we encourage customers of Cascade to take advantage of them.

Making Your Mark - And Leaving It Behind

"Most people who want to make a mark haven't figured out how to do it." So says Peter Toll, a local estate and retirement planner (and CUB founder, by the way). "After you are gone, people will measure you by what you valued, not by your valuables," Toll continues.

Thinking about how your values will live on after you're gone is something few people do consciously. But there is a growing interest in making sure that issues one has supported throughout one's life continue to be supported. "Many folks approach estate planning as being simply about allocating the dollars, and other resources that are left, after they pass away. But it's more useful to determine what your values are first, and how you want those values to live on. Then you can figure out a dollar plan from that point."

Toll is engaged in a new practice called "values-based estate planning." Its key is engaging in a "guided

discovery" process wherein a client determines for themselves what's important to them, including issues and causes they've cared about throughout their life. Whether someone goes through a formal "guided discovery" process (which can be expensive but immensely fruitful) or simply takes their values into account during estate planning, it's important to think about. "People's charitable intent often grows dramatically the more they understand what their values are," Toll observes. "And we've often found that families become closer by working together and discovering that this 'values vision' transcends personal interests."

"Most estate planning is a transactional process and that's how most financial professionals approach it," notes Toll. "Values-based estate planning' is more relational, trying to figure out what's important to the client. It's a very different approach." Toll advises that if you want your values to be reflected in your estate planning, you must make that clear to all of the advisors you are working with on this important activity.

Peter Toll works with CUB in managing a small fund that supports CUB's Eric Shaich Memorial Internship Program. He also is the co-author of a newly published book entitled, Beating the Midas Curse. If you would like to find out more about values-based estate planning, Peter Toll can be reached at 503-656-6612.

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