



Summer 2006

The Bear Facts

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

Building a Clean Energy Agenda

Energy issues have risen to the top of public consciousness and political debate. Because of the growing interest in energy issues, CUB is working with a broad coalition of organizations to develop an Oregon Clean Energy Agenda for the 2007 legislative session. The time is right on both a policy and strategic level to move this aggressive agenda. The Oregon Clean Energy Agenda provides an opportunity to combine ratepayer protection, environmental protection, natural resource stewardship, and economic development, and builds on a long history of progressive energy policy in Oregon.

The Clean Energy Agenda is made up of a series of proposals for the legislature. They include:

1) Creating a statewide Clean Energy Standard requiring that 25% of Oregon's electricity come from clean renewable sources by 2025.

While Oregon has made great strides in promoting renewable energy in recent years, the state faces stiff competition in maintaining its position as a national clean energy leader. Investors in renewable energy need a clear signal from the state of a strong, broad policy commitment towards renewable energy. That commitment, more specifically, would entail a long-term plan requiring that a certain percentage of electricity used in Oregon come from renewable sources. The Clean Energy Standard will be designed to dovetail with existing programs, such as public purpose funding, to ensure that the Standard does not undermine current efforts.

2) Extending the public purpose charge dedicated to energy efficiency and renewable resource development by removing the current sunset provision for this funding.

Currently, these public purpose funds, which come from a 3 percent charge on the electric bills of the state's two largest private electric utilities, PGE and PacifiCorp, are authorized through March 2012. The funds, primarily administered by the independent, not-for-profit Energy Trust of Oregon, support and promote renewable energy, energy efficiency, and low-

income weatherization. The Energy Trust's programs have been extremely effective in building a cleaner and more efficient energy future in Oregon.

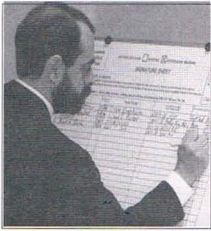
3) Revising the statutory authority of the Public Utility Commission to allow consideration of greenhouse gas emissions in utility resource acquisition planning.

Currently, the Public Utility Commission can only give limited consideration to the environmental costs of greenhouse gasses when they review a utility resource plan for serving customers. Utilities create the models that are used to compare potential resources (such as the comparison between coal and wind), and decide how to model environmental costs. Worse still, if a utility does not include the environmental cost of greenhouse gas emissions, the PUC has only the economic cost of the resources to evaluate. To change Oregon's "economics only" model into one that allows for environmental considerations, the legislature must give the PUC the authority to require that the environmental cost of greenhouse gas emissions are included in the modeling of future resources.

4) Increasing energy efficiency standards for appliances to reflect energy-saving standards being adopted around the country.

The federal government has fallen behind in making sure that commercial and residential appliances are energy efficient. States have largely been left to maintain and update appliance efficiency standards. Various states, such as California, continue to adopt more aggressive efficiency standards for appliances and, as more states improve their standards, it can shape the market of appliances offered for sale. Oregon needs to continue to make sure its standards are updated to support those of other conscientious states like California, not only to ensure that energy usage is reduced but also to prevent Oregon from becoming a dumping ground for inefficient appliances that can no longer be sold in neighboring states with higher standards.

5) Revising clean energy tax credits to encourage broader use of clean energy technology by consumers and businesses (e.g. allow home-builders to take the solar energy tax credit for installing CONTINUED ON PAGE 3...



From The Executive Director

Dear Member,

A lot is happening these days. There are a number of rate cases going on which could affect your rates. We are involved in developing a clean energy agenda to present to the Oregon Legislature that convenes in January 2007. Privacy issues and deregulation of the telecommunications industry continue to be major concerns.

A quarterly newsletter like this one cannot adequately keep you informed of all that is happening. To help keep folks informed, last year we started a weekly electronic newsletter called CUB Online, edited by CUB staff member Shannon Floyd.

We just reached our 60th edition of that newsletter. In recent weeks we have reported on the PGE's Boardman outage, the utility tax issue, local control of cable televisions, politics and the PUC, and a number of other issues.

We have gotten great feedback from folks about this newsletter. They tell us that Shannon does an incredible job of making complex public policy issues understandable.

Just as importantly, the weekly newsletter allows us to communicate with Oregonians in a timely manner. This newsletter you're holding helps us get out the word as well, but we can only do it four times a year.

If you are interested in receiving the weekly newsletter, just go to our web site: www.oregoncub.org and sign up. You can review past editions of our online newsletter on our website, as well, or check out the Current News section, which provides clips and links to articles in which CUB or one of our many issues is mentioned.

We are always trying to find new and better ways to communicate with Oregon utility customers, particularly those who have gone the extra mile and become members of CUB, and we are always looking for your feedback and suggestions.

Take a look at our weekly newsletter and let us know what you think.

Sincerely,

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 Challenges PUC Staff & Utilities on Implementation of Oregon's New Utility Tax Law

CUB recently filed comments challenging the utilities' proposed "stand-alone" interpretation of SB 408, the new utility tax reform law. Our strong stand is doubly important because, unfortunately, the PUC staff is also pushing for this "stand-alone" interpretation.

SB 408 was passed by the legislature last year to end the practice of charging customers taxes that are greater than the amount of taxes that the utility pays the government. The utilities and the PUC staff have been arguing that SB 408 requires very little change in the way taxes are charged to customers. They are arguing that when a utility is owned by a parent (or holding) company, the PUC should continue to charge customers taxes as if the utility were a single stand-alone company; and furthermore, that the Commission should ignore the potential impact of any tax deductions for which the parent company is eligible.

Under their proposal, customers would only see a reduction in the tax portion of their bills if a parent company's entire tax burden is less than the taxes owed by the Oregon utility. This is pretty unlikely to happen.

CUB argued that this is not reasonable. The system being proposed by utilities, and supported by PUC staff, would mean that Oregon ratepayers could be liable for 90% to 100% of the taxes of a large conglomerate, even when the utility is only a small share of the income of that conglomerate. In addition, CUB argued that while there may be disagreement on what the legislature intended to do by passing SB 408, the one thing we are sure of is that the legislature was rejecting the traditional stand-alone method of calculating a utility's tax liability by ignoring its holding company.

CUB was also highly critical of the PUC staff for reversing its earlier position regarding SB 408: that customers should only pay their fair proportional share of the consolidated tax liability of the conglomerate that includes the utility. The PUC staff participated in a series of workshops on this issue during the spring, and never indicated that their position had changed until it was time to file written comments. They then advocated a position that was a 180 degree about-face from the position they took last fall. We think the staff's position is wrong on this, and we will fight for a fairer interpretation of the law.

CUB Files Harbinger Complaint Over PGE Ownership

In June, CUB filed a complaint with the Public Utility Commission asking the Commission to demand that Harbinger Capital Partners Master Fund request approval from the PUC of its ownership of more than 7% of Portland General Electric's publicly released stock shares. On June 13th, the

Commission sided with CUB and demanded that Harbinger file such a request by the end of July.

When the Enron Bankruptcy Court released shares of PGE stock to the public market in April, a hedge fund called Harbinger quickly purchased more than 7% ownership of PGE. Under Oregon law, someone who owns more than 5% of an energy utility is deemed to have the ability to influence the utility, and is required to get PUC approval of their ownership. This allows the PUC and groups like CUB to find out more about the intentions of the new owners, place conditions on them, or deny their application and reject their ownership of the utility.

Harbinger has been refusing to file with the PUC. Instead they claim that, because they do not intend to exercise influence, they do not have to file. CUB's complaint with the PUC points out that the standard in Oregon is the "ability" to exercise influence, not the "intent," and that Oregon law defines the ability as owning 5% or more of a utility. No one can forecast the future actions of Harbinger, and with a track record of corporate utility ownership that has sometimes veered toward abysmal in the past decade, CUB is taking no owner or potential owner of our utilities at their word. "Show us the money ... and the operations plans, and the profit expectations, etc." has become our mantra..

CUB is pleased that the PUC asserted its authority to approve Harbinger's ownership, and we intend to take a close look at their plans for PGE.

CONTINUED FROM PAGE 1: solar power systems or energy-efficient appliances).

Generally, tax credits can only be taken by home owners for updating to cleaner energy technologies. When new homes or residential buildings are being designed and built, there is no tax credit available to the builder, and so the builder has no incentive to choose cleaner energy technology. Cleaner technologies may be slightly more expensive up-front, but they have a minimal impact on a long-term mortgage, and they save money through reduced energy usage (again, not experienced by the builder). Therefore, existing tax credits need to be examined and restructured to encourage a wider audience to take advantage of them.

6)Improving building codes to gain a 15% increase in energy savings in new buildings.

Building codes change over time to reflect advances in building techniques and technologies. Oregon's building codes need to be updated to ensure that new buildings take advantage of the best efficiency standards available in materials and designs.

Other items will likely be added to the agenda. CUB members will be hearing a lot about the agenda and member influence will be key to making sure legislators take action on the agenda next year. Stay tuned.

CUB ACTION NETWORK

TAKE ACTION!

This is a regular feature in The Bear Facts. Every newsletter features a current issue, and what you can do to Take Action. Generally, it involves 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. Here's how you can Take Action now:

ISSUE: Keep Cable and Phone Companies' Hands Off the Internet

Background: Many of our traditional means of research and entertainment are being replaced by content provided on the Internet. For example, when we access the web, we expect that the material we view or hear will be provided to us at the same speed, regardless of the website, limited only by the speed of our connection. Likewise, when we post information on the web, we expect our information to be equally available to anyone with an Internet connection, limited only by our ability to attract people to our website.

The Issue: However, legislation is quickly moving through Congress that would undermine the principle of equal access to, and distribution of, online information. We can no longer take for granted the basic principal of Network Neutrality – the concept that consumers of Internet services can, on a level playing field, select any Internet service provider (ISP), access any lawful content, and transmit any lawful information they choose by posting it to a website.

Now, telephone and cable companies want to charge creators of websites and Internet services for the right to use the broadband network to deliver content, such as video and telephone service. Those who agree to pay up

will pass the charges on to consumers in the form of higher prices. Those who can't pay will see their websites or services downloaded more slowly and, therefore, get less browser traffic. Websites run by public interest organizations like CUB or a local social service agency will be at a disadvantage because they will be unable to afford to pay the "Internet Tax" to provide basic information at an acceptable delivery speed (or offer new services, such as video programming, that are still in their early stages). If Congress does not protect neutrality on the Internet, the cable and telephone companies have every incentive to give preferential treatment to their own high-end services and slow down or block access to others.

The phone and cable companies already charge consumers who choose different Internet service speeds different prices; but once the consumer pays for the connection, s/he should be able to access any content without interference by the operator of the system over which the content travels. These big telecommunications companies are pushing hard and the legislation is moving quickly. (We only wish consumer protection legislation moved so rapidly through the process!)

Solution: Congress must maintain rules that will ensure Network Neutrality on the Web so that we preserve the openness and vitality of the Internet that has transformed our economy and culture over the past few decades.

TAKE ACTION: Contact your US Senators and tell them to preserve Network Neutrality. Oregon senators can be contacted at:

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

NOTICE

CUB is currently seeking potential candidates for its Board of Governors. According to CUB's bylaws, CUB members elect the members of the board and are eligible to run for a seat on the board. CUB's board is structured with three seats for each of Oregon's five congressional districts. One seat is up for election in each district, and most are expected to involve a current board member running for re-election.

To serve on the CUB board, one must meet the following criteria on the date of this notice: be a member of CUB in good standing; live in the congressional district in which the member files to be a candidate; not be employed by a utility regulated by the Oregon Public Utility Commission; not currently hold elective office at any level; not currently be a candidate for elective office at any level; not be a state public official (i.e. – hold an executive level position

in a state agency); and not singly or in combination with an immediate family member own or control stocks or bond issued by a utility regulated by the Oregon PUC with a total value in excess of \$3,000.

Serving on the CUB board involves regular attendance at board meetings (at least 8 times per year), setting organizational policy, providing general financial and program oversight, and communicating as needed with fellow CUB members.

To find out more about serving on the CUB board and the election process, you can go to the CUB website at www.oregoncub.org and click on "About CUB" and follow the links from there. A candidate filing form, along with an election schedule and complete rules, is available at the website. A form and additional information can also be requested via postal mail by calling CUB at 503-227-1984.

Notice Date: 22 June 2006

UPDATES ON CUB WORK

Pacific Power

Pacific Power Rate Case (UE 179)

Pacific Power filed a rate case in February seeking to raise rates by more than \$110 million. Under the company's proposal, the rates of residential customers would increase by 10.8% and those of industrial customers by 19.8%. Pacific Power has a history in recent years of filing for large rate cases almost every year, and receiving less than one-third of what they ask for.

This case looks to be no different. CUB's preliminary examination suggests that the requested rate increase is significantly inflated. The profit margin the company is requesting is well out of line with what the Oregon Public Utility Commission has accepted in other cases. Fixing this alone will reduce the rate hike by more than \$30 million. This, along with adjustments to income taxes, employee bonuses, and power plant operations should reduce the rate hike considerably. In fact, at this point CUB is not convinced that a rate hike is even necessary for Pacific Power.

Although many of the local key players have not changed, this will be the first rate case under the new ownership of MidAmerican Energy Holdings Co. It will be interesting to see how the change in ownership alters the way Pacific Power works when it comes to defending this most recent of their rate increase requests.

Appeal of Last Year's Pacific Power Rate Case (UE 170).

Pacific Power is also asking the Public Utility Commission to reconsider last year's rate case. In that case, Pacific Power asked for a 12% increase but was granted only a 3.2% increase. The PUC approved an adjustment proposed by CUB to reduce the amount of taxes that are charged to customers, in order to recognize the impact of the tax deductions at Pacific Power's holding company. This tax adjustment reduced the rate hike by \$26 million and led to the company asking the Commission to reconsider. In June, the PUC heard oral argument in this case. CUB attorney Jason Eisdorfer urged the Commission to retain the adjustment of taxes that is in rates. We will let you know how this landmark case (with regard to utility taxation anyway) is decided.

Portland General Electric

Cost of the Boardman Coal Plant Shut-Down (UM 1234).

PGE is asking the Public Utility Commission to require customers to pay approximately \$50 million to compensate the company for the cost of replacing power not generated by their Boardman coal-fired power plant due to its recent 5-month closure. Boardman was not operating from late October through May of this year due to mechanical problems. (Note: as we write this, we have learned that Boardman has shut down again due to a new mechanical failure.)

CUB is arguing that the utility should absorb a significant share of the cost of the Boardman shutdown before coming to customers and asking for help. CUB finds it outrageous that PGE is ignoring PUC precedent and asking that customers bear the entire cost of the deferral they filed to track Boardman costs. According to CUB's testimony, if the PUC were to adopt a traditional cost sharing approach to the Boardman outage, customers would pay less than \$1 million of the cost associated with the plant shut-down. This is, of course, what CUB is arguing in the Boardman case, and we are hopeful that the PUC will follow their own precedent and not hang the burden of the full closure costs on utility customers.

PGE Rate Case (UE 180). In March, PGE filed a rate case asking the PUC to increase rates by 8.9%. One third of this increase is associated with the cost of Port Westward, the new natural gas fired power plant that PGE is developing in Columbia County. The plant will not be finished by the time the rate case is done, and in Oregon utilities are not allowed to charge customers for power plants until they are operational. CUB is concerned with PGE's attempt to get approval of a rate increase for the plant before the plant is finished and providing service to customers.

In addition, PGE is proposing profit margins that are too high, and the company wants to spend more than \$100 million on new meters that can be read electronically so the company does not need meter readers. CUB is concerned that there is little benefit to the new meters, and significant upfront costs which would be passed along to customers.

CUB is still analyzing PGE rate hike, but expects to present a case to the PUC that opposes, at the very least, most of the increase and quite possibly all of it.

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.

Your Consumer Information: A Private Matter

Recently, national media outlets reported that several telephone companies provided customer information to the federal government as part of the National Security Agency's warrantless wiretapping program. This set off a furor over the appropriate use of private customer information.

The debate has arrived in Oregon. In late May, the Oregon chapter of the American Civil Liberties Union (ACLU) filed a complaint with the Oregon Public Utility Commission (PUC) asking for an investigation into the privacy practices of telecommunication companies providing local service in Oregon, including Verizon, Sprint and Qwest.

CUB has a long history of fighting to protect consumer privacy. For instance, a few years back, Qwest wanted

to share customer information with subsidiary companies and commercial "partners" in order to direct marketing efforts at consumers. CUB maintained that consumers have a right to expect that their private information (address, billing data, calling patterns, etc.) will be kept private unless they give explicit permission for that information to be released.

Current law generally prohibits phone companies from releasing sensitive customer data, such as the phone numbers you call. On its face, the law seems to prohibit a phone company from submitting all its customer calling records to the federal government without a court order. The Public Utility Commission has a responsibility to enforce this law.

CUB decided to intervene in the privacy docket generated by the ACLU complaint, and called for a PUC investigation of telephone companies' privacy policies and practices. It's not clear what direction the docket will take. Stay tuned here, or follow the issue on our website at www.oregoncub.org.

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