

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1121**

In the Matter of

OREGON ELECTRIC UTILITY COMPANY,
LLC, et al.

Application for Authorization to Acquire
Portland General Electric Company

TESTIMONY OF INTERVENOR
MULTNOMAH COUNTY

Introduction

Multnomah County (“County”) is a home-rule municipality, organized under the laws of Oregon. A significant portion of Portland General Electric’s (PGE) service territory is located in Multnomah County, including more than 223,000 residential electric meters. Of these, approximately 25 percent qualify for low-income energy assistance. The County’s Office of School and Community Partnerships, directly and through local partners, provides energy assistance to programs including weatherization services, bill payment assistance and energy education. Last year, only twelve percent of eligible households received energy assistance services.

The County believes there are three elements that need to be included in any order approving the sale of PGE to the Oregon Electric Utility Company. These are:

1. A commitment from PGE/OEUC to continue the public purpose charges established in ORS 757.612 (SB 1149) beyond the ten-year period described in the statute;

2. A calculation of “public benefit” that uses existing contributions to low-income energy assistance as a baseline. A determination that the sale will result in a public benefit needs to demonstrate a commitment to low-income energy assistance above this baseline.
3. A commitment to work with the County to establish a rate reduction program as part of a portfolio of low-income energy assistance services.

A Commitment to Public Purpose Funding

In 1999, the Oregon Legislature enacted SB 1149 which established a three-percent public purpose charge to fund a variety of essential public services. Other intervenors in this docket will testify to the environmental and consumer protection benefits of this charge and the County supports their testimony. The County, in turn, is concerned primarily with the portion of these funds that are dedicated to low-income weatherization. Currently, the County is able to provide weatherization services to only about two percent of eligible households.

Weatherization is an essential public service not only because it makes low-income dwellings more habitable but because it reduces the amount of unnecessary electricity consumption and waste. Wasted electricity only increases the energy bill for households least able to pay the increased cost and results in unnecessary service termination, with predictable consequences to residents.

It is unlikely that low-income households will no longer need weatherization services in 2012, when the public purpose charge sunsets. Because of the clear benefits of these services to residents, the County strongly urges the Public Utility Commission (“Commission”) to require PGE/OEUC to commit to this public purpose charge after 2012.

Public Purpose Funding above Baseline

As noted above, PGE/Enron currently contributes to low-income energy services through the public purpose charges established in ORS 757.612 (3) and (7) (SB 1149). This represents

PGE/Enron's existing commitment to the public, irrespective of any sale or proceeding before the Commission. We do not believe PGE/OEUC can meet the "public interest" standard simply continuing business as usual. Rather, the County believes that the current level of public purpose funding should be the baseline from which any determination of public benefit should be measured. In other words, PGE/OEUC should be required to go beyond PGE/Enron's existing public purpose expenditures or no new public benefit will have been obtained.

Accordingly, the County encourages the Commission to impose an obligation upon PGE/OEUC that it contribute to local weatherization, bill payment assistance and other energy assistance programs beyond the limits described in ORS 757.612. This may be done either by direct payments to local assistance providers or by contributions above the amounts described in ORS 757.612 (3) and (7). The County believes direct payments to local service providers is the most efficient and flexible means of accomplishing the intended purpose.

Whatever the mechanism chosen for directing the assistance to where it is needed most, the County believes strongly that these contributions should be made with shareholder monies and not reflected in residential rates. It simply makes no sense to increase the cost of electricity to low-income consumers with one hand, then offer them a subsidy with the other. In addition, shareholders benefit from reducing the costs associated with arrearages and shutoffs provided by existing tax and rate payer contributions. Using shareholder dollars is a clear statement of PGE/OEUC's commitment to invest in these essential public services to the benefit of both low income consumers and shareholders.

Rate Discount Program

In the course of providing energy assistance programs over the years, the County has determined that a program to reduce the burden that energy costs place on fixed and low-income

households can be the most effective form of assistance. This “energy burden” is defined as the percentage of available disposable income the household spends on energy each month.

Nationally, the average residential customer spends about five percent of household income on energy. A low-income household may spend as much as 25 percent of its disposable income on energy costs. When combined with rent or mortgage costs that can exceed fifty percent, it becomes clear that just electricity and shelter can consume most of the resources available to fixed and low-income households. The majority of these households are in arrears because they can't pay, not because they won't pay. Experience with other investor owned utilities has shown that if people have the ability to pay their bills, most do. Reducing the energy burden on these households would provide a significant public benefit, as well as a benefit to shareholders.

Currently, Seattle City Light has a program that offers rate discounts up to 50 percent. Regulated utilities in California have a 20 percent discount program, and PacifiCorp offers rate discount programs in Washington and Utah. The County intends to establish a similar program in Multnomah County.

Low-income bill payment assistance in PGE's service territory comes from three sources: Oregon Heat, ORS 757.612 (SB 1149), and the federal LIHEAP program. Revenue from these sources presently totals \$11 million annually. The County estimates an effective rate discount program through PGE's service territory would require \$23.6 million. This conclusion is based on an estimated 104,000 eligible households, a 50 percent participation rate and an average 1,000 kWh per household per month. (Eligible households are those with a household income less than 60 percent of the statewide median income.) Accordingly, an additional \$12.6 million is needed to fully implement an effective rate discount program.

This combination of funds represents nearly a fifty/fifty split between existing funds (47%) and new funds (53%). However, none of these funds come from PGE/Enron shareholders; all of the money comes from state and federal sources or is collected from ratepayers. Amounts collected for low-income bill payment assistance under ORS 757.612 (7) are included in PGE's tariffed retail rate. The County believes these additional \$12.6 Million should come from shareholder accounts in order to provide a benefit to the public that comes from PGE/OEUC and not from the public.

As important as the money is to the rate discount program, the County believes it is essential that PGE/OEUC participate in the design and implementation of the program. PGE staff has the kind of unique knowledge and expertise that is essential to the creation of an effective program. If the rate discount program is to achieve its maximum potential all of the partners need to bring their unique experience to the table when designing the program. In addition to a condition of approval that requires PGE/OEUC to contribute \$12.6 million annually to the rate discount program, the County is requesting the Commission include a condition that requires PGE/OEUC to make staff available to this effort. This staff support should not be included as part of the \$12.5 million contribution.

In sum, the County will contribute its existing bill payment assistance funds and its staff to creating a rate discount program for households with an income less than 60 percent of the state median. The County is proposing PGE/OEUC contribute Multnomah County's share of \$12.6 million in shareholder dollars and sufficient staff resources to design and operate the program. Thus, the project would be a public/private partnership resulting in a net public benefit throughout PGE's service territory.

The County recognizes that the other jurisdictions with PGE's territory may not wish to move to a rate discount program as their primary means of low-income bill payment assistance. We recommend that the \$12.6 million be distributed to local jurisdictions according to existing distribution formulas, Multnomah County would then use its share to design and implement the program. Other Counties could choose to emulate the County's program, create their own program design or supplement existing low-income assistance programs.¹

To implement the rate discount program, the County recommends a staged approach to program design. The first stage requires a commitment from PGE/OEUC to provide \$12.6 million of shareholder funds annually for 5 years commencing upon approval of the transaction by the Commission. This condition would include a requirement that PGE/OEUC participate in a collaborative effort among providers of low-income energy assistance to design low-income rate discount program.² This program, if approved by the Commission, would be funded by the additional low income funds or a portion thereof.

Therefore, the County proposes that \$12.6 million in shareholder funds be added to and distributed along with other low-income electric bill payment assistance funds (ORS 757.612 (7), SB 1149) and that PGE/OEUC be required to participate in program design and implementation. The funds would accumulate with interest in a deferred account within the utility until the program has been designed and implemented (or until approval of a rate discount tariff) up to a maximum of one year. At the end of the year, these funds and each subsequent year's funds should be added to and distributed along with the SB 1149 funds. At the end of the five-year

¹ Alternatively, the Commission could implement low-income assistance through a tariffed rate discount. This would apply equally to all low-income households throughout PGE's territory and is probably the most effective mechanism to get the relief where it is needed. However, the County does not have authority to advocate on behalf of other jurisdictions or their residents.

² As suggested, this could be a tariffed discount, provided agreement is reached among affected jurisdictions.

period, the County, other affected jurisdictions and PGE/OEUC would review the program and agree to either continue the programs as then configured or seek a tariffed rate discount.

Conclusion

Multnomah County has a long history of providing energy assistance to its fixed-income and low-income citizens. The County believes that any finding that the acquisition of PGE by OEUC provides a public benefit must include a significant commitment to meeting the needs of these residents. For the reasons described above, the County encourages the Commission to require a commitment to continue the public purpose charges described in ORS 757.612 beyond the 10-year sunset date and to increase funding beyond existing levels. Finally, the County requests the Commission impose a condition of approval that requires PGE/OEUC to commit financially and organizationally to establishing a rate discount program for fixed-income and low-income residential consumers.

DATED this 21st day of July, 2004.

Respectfully submitted,

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

/s/ Christopher D. Crean

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CERTIFICATE OF SERVICE

I certify that on July 21, 2004, I served the foregoing TESTIMONY OF INTERVENOR MULTNOMAH COUNTY upon the parties hereto by sending a true, exact and full copy by electronic mail only and hardcopy to those parties who do not have an email address:

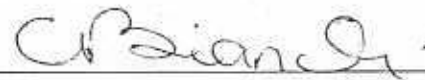
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