

issues are considered, BOMA will identify its preferred path. BOMA's inquiry specifically relates to how this purchase will impact PGE's commercial and industrial customers.

Please identify your relationship with BOMA and the basis of your knowledge of BOMA's position in these matters.

As Executive Director of BOMA, I sit in on meetings of the BOMA leadership, meetings with special groups working on specific issues of BOMA and its members. As such, I am familiar with the concerns of BOMA and its members related to the proposed sale of PGE.

Please identify BOMA's prior involvement in regulation and utility issues.

BOMA has been involved in the efforts to deregulate utility service and has participated in various dockets related to implementation of deregulation. Pre-Enron, PGE provided reliable service at rates that were predictable and on the whole, reasonable. BOMA did join with others in considering the benefits of an open market. However, BOMA did so from the standpoint that while BOMA members included customers large enough to attempt the market, the vast majority of the BOMA members, their tenants, and secondary businesses would find no benefits in the market. Yet, these customers would be required to fund access to the market for the largest customers. BOMA wanted to find a way to give larger customers access to the market without impacting the commercial customers.

What are BOMA's issues in this docket?

Deregulation (as enacted in Oregon) has become one part of utility service, along with providing residential service, cost of service and alternatives to nonresidential customers, and resource development. This means that the need to protect the smaller nonresidential customers is all the more important. In considering the "net benefits" of a sale to TPG, BOMA wants to know 1.) How these customers will be impacted; 2) whether the impact will be significant; and 3) what protections or adjustments are necessary to assure that the sale means at a minimum, "do no harm.," even if there are no tangible net benefits to these customers.

What specific issues do you believe should be considered?

Any inquiry into the net benefits of this sale should include the following:

- 1.) What impact will the purchase have on the rates charged to these customers?
- 2.) What avenues are available for consideration as a way to reduce rates while maintaining reliability and service quality?
- 3.) How to maintain the traditional requirements of safe and reliable service at fair and reasonable rates after this sale occurs, i.e., will this buyer be able to avoid the traditional utility obligations under the guise of a different corporate or financing structure.?
- 4.) What impact will this purchase have on the ability of counties and municipalities to receive taxes and franchise fees?
- 5.) How will these customers be protected so that they continue to receive safe and reliable service at fair and reasonable (and non-volatile) rates?

How does BOMA see the current economy and does this mean anything in this docket?

It is important to appreciate the situation facing BOMA members and their tenants. Oregon has one of the worst economies in the Nation, with unemployment rates 40% more than the national average. While we are slowly gaining jobs, it is at a slower pace than other states. Electricity is a significant cost to all consumers. Largest industrials use it in their manufacturing activities. Commercial customers – the professional offices, small and big retail facilities, big box stores, shopping centers, small manufacturing plants, and the like are equally impacted if not more since traditionally the rate spread has favored the residential customers and the largest industrials, leaving the commercial customers to carry on their backs the greatest portion of the costs. These nonresidential customers are in total the largest employer, greatest consumer of electricity, and the largest group impacted by high or volatile rates and unreliable service. Any sale, be it to TPG or anyone else, must consider the impact on this rate class. If this sale results in increased rates on these customers, no matter the justification, this sale is unacceptable and should be rejected. This is what I meant by the first issue identified above.

What do you mean by ways to maintain rates and protect service?

Rate protections are critical but they cannot be considered in a vacuum. It is as important to assure that the commercial customers continue to receive first class utility service – no black outs, brown outs, fluctuating service, or poor customer advisors are not acceptable. An offer, for instance, that commercial customers be charged less because their services has been degraded is not acceptable – there are computers and telephones and retail faculties and office buildings to maintain. A loss of service quality would close down most commercial operations just as an increase in electric rates.

What concerns do you have about the alternative structures, ring financing, and the like?

There has been a great deal of discussion about alternative structures to avoid impacts of SEC and regulatory provisions that initially were designed to protect consumers. It would seem that these alternatives are being proposed as ways to protect TPG and OEUC, not the ratepayers and the Region. It is important to understand the value of these changes to customers since the concept is to determine benefits to ratepayers and the region, rather than identify why TPG would want to purchase. Clearly, it will get monetary gain from the purchase. BOMA wants to understand what impact these structures have on its members and tenants and why it should support these structures over others.

Why is there a concern about franchise fees and taxes?

It costs money to run a city, county, or state government. If TPG or the new entity (OEUC) were able to avoid paying taxes, BOMA members lose in two respects. First, their rates are higher than they should be to the extent that TPG/OEUC collects in rates monies that reflect potential tax liability. Second, if the cities, counties, and state do not, in fact, receive these sums, someone has to pay more. As business owners, BOMA members are assessed a significant number of fees and costs. If the cities, counties, and state did not receive the monies they each expected to receive, they would likely turn to businesses or the businesses customers to help pay those uncovered costs. Therefore, BOMA is seeking ways to assure that the franchise fees and taxes are paid to the extent that any portion of the rates is allocated to pay them. An arrangement that allows TPG, OEUC, or their investors to receive “free money” while BOMA and its members and tenants carry the burden is unacceptable which is the way the current tax arrangements appears to work.

Are there any specific needs you see with respect to Commercial Customers?

BOMA members, their tenants, and all commercial customers have the same needs: to find the lowest possible rate commiserate with sound and reliable utility service. In the next five years, or so, about the same length of time that TPG indicates it will own OEUC, it is unlikely that any significant advantages for commercial customers will be found in the open market. I do not mean to discount the efforts being made to find alternatives. It is simply that customers who are smaller have less buying power; customers who are smaller and who are aggregated may have more buying power but also have costs over laid upon them for access to a undeveloped market, and resource development will continue to be an iffy proposition – if there is financing, if there are no permitting limitations, if there is no transmission capacity issues, and if there are technological advances. What commercial customers need is what BOMA has said before – opportunities to go when the market is more developed and until then, protections through resource planning requirements, reliability standards, and rate caps or limitations. Commercial customers need service guarantees and superior delivery and repair. In fact, it might be said is that what commercial customers need is a vertically integrated utility with an aggressive watch dog of a commission making sure that the utility meets or exceeds its responsibility. Anything less has the potential to cause harm to the individual customers, their employees, and the state economy. BOMA feels strongly that the benefit of this buyer or any should be measured both in terms of what they can add that is good and what is lost – and if this buyer represents a loss to BOMA, it cannot support the sale. What BOMA wants to see in this docket is an aggressive examination of the critical issues to assure that this buyer both “does no harm” and improves things for the area.

Does that conclude your testimony?

Yes.

Dated this 21th day of July, 2004

X

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