

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1209

In the Matter of MidAmerican Energy
Holdings Company and PacificCorp.

TESTIMONY OF ANDREA FOGUE ON
BEHALF OF THE LEAGUE OF OREGON
CITIES

I. INTRODUCTION

The intent of this testimony is to address issues of importance to cities in Oregon and their residents. This testimony is submitted by Andrea Fogue, Senior Staff Associate for the League of Oregon Cities (qualifications found at LOC Exhibit 1). The League of Oregon Cities (LOC) is a voluntary association representing all 241 of Oregon's active incorporated cities. Founded in 1925, the League provides a wide array of services from training and research to policy setting and legislative advocacy. The League's membership includes all 100 cities served by PacificCorp.

In addition to the cities within PacificCorp's service territory, the League represents cities served by Portland General Electric (PGE) and consumer-owned utilities statewide. The League has an interest in protecting not only cities as consumers of electricity, but also the approximately 2.3 million ratepayers that reside in Oregon cities. In November 2002, the League's Board of Directors adopted a set of principles specific to the purchase of PGE. In November of 2005, the League's Board upheld these principles as guidelines for MidAmerican's proposal to purchase PacificCorp. The League considers the purchase of Pacific Power critical to the well-being of Oregon's communities and economy.

The following testimony will address these principles:

- Retain all local taxes and fees

- Maintain the authority of cities, municipal electric utilities, and other consumer-owned electric utilities.
- Preserve low-cost electricity
- Retain consumer protections
- Ensure reliability and safety of the electric system
- Continue SB 1149 (Oregon’s electricity restructuring law) provisions including funding public purposes (conservation, renewable resources, and low-income weatherization)
- Retain Pacific Power as an integrated utility

In addition, the testimony will discuss implications related to the repeal of Public Utility Holding Company Act (PUHCA).

II. RETAIN ALL LOCAL TAXES AND FEES

City authority to manage local rights of way and charge utilities for the use of those rights of way has a long history in Oregon. The Legislature spoke in 1911 to this authority, and in 1931, adopted a new law to permit collection of a “privilege tax” from utilities operating in a city without a franchise for the use of rights of way. The use of the term “privilege tax” does not mean it is a “tax”. Traditionally, franchise fees and privilege taxes have been recognized as a rental payment for the use of the right of way. Utilities use rights of way in special ways beyond those made by other users.

The Oregon Public Utility Commission (OPUC) has examined city franchise fees/privilege taxes several times over the past 50 years. The OPUC has recognized the fees are for the use of rights

of way, and that certain percentages of the fees should be spread system-wide. These local taxes and fees are essential to the ability of cities to provide services to meet the needs and expectations of Oregon's citizens and businesses.

III. MAINTAIN THE AUTHORITY OF CITIES, MUNICIPAL ELECTRIC UTILITIES AND OTHER CONSUMER-OWNED UTILITIES

Cities and consumer-owned utilities have long provided essential services to Oregonians. Cities, beginning in the 1880s, have formed municipal electric utilities. These utilities are non-profit, locally-owned and governed. They provide affordable power and energy services to citizens within their communities. Existing authority of cities, municipal electric utilities and other consumer-owned utilities should be maintained and in no way diminished by this proposal to purchase Pacific Power.

IV. PRESERVE LOW-COST ELECTRICITY

Oregon and other Pacific Northwest states enjoy some of the lowest electric rates in the country, largely due to the region's federal hydropower system. Residential and small farm customers in investor-owned utility areas have received the benefits of BPA's low-cost power through an exchange authorized in federal statute. Savings have been substantial and customers of Pacific Power have saved through the exchange since the early 1980s. Not only is low-cost electricity essential to residential customers, but preserving low-cost electricity is critical to recruiting new businesses and industries to locate in Oregon, and boosting the state's economic vitality.

V. RETAIN CONSUMER PROTECTIONS

SB 1149 (Oregon's electricity restructuring law) ensured that residential customers would never be cut loose into a deregulated energy market and would be guaranteed a cost-based rate from

their privately-owned utility company. Oregon customers now have the protection of regulation and choice through the portfolio of energy options that each regulated utility responsible under SB 1149 is required to offer to its customers.

At a minimum, MidAmerican must commit to support the portfolio construct that offers customers safe, regulated energy options while also guaranteeing a cost-of-service rate. This means not only support for the program legislatively, but also creating a positive working relationship and working environment with the stakeholders.

VI. ENSURE RELIABILITY AND SAFETY OF THE ELECTRIC SYSTEM

As electricity is an essential commodity, it is critical that this purchase retain the reliability and safety of the system. This is not only important to protect the health and welfare of residents, but also for Oregon to attract and retain businesses, as cities are the primary place where businesses locate.

VII. CONTINUE SB 1149 PROVISIONS INCLUDING FUNDING PUBLIC PURPOSES

In addition to the SB 1149 provisions discussed in previous testimony (LOC, pg.4, V Retain Consumer Protections), with SB 1149 city authority to locally manage public rights of way, and to charge for their use, was given strong reaffirmation (See ORS 757.667), “Nothing ... shall diminish, or authorize regulations that diminish, a city’s authority to control the use of its rights of way and to collect license fees, privilege taxes, rent or other charges for the use of the city’s rights of way.”

The public purposes charge, and the Energy Trust of Oregon, the independent not-for-profit organization established to administer the majority of public purposes funding, is demonstrating considerable success in lowering the energy demand in the service territories in which the public purposes investments are made. Not only are residential customers benefiting from more efficient housing and lighting but commercial and industrial customers are also benefiting through improved manufacturing processes, lighting and more efficient equipment. In addition, cities and all of their residents are benefiting from programs that support saving energy in water and wastewater facilities, the highest energy use for most cities.

SB 1149 established the public purposes charge for a period of 10 years to provide a stable source of funding for sustained and consistent investment in efficiency and renewable resources. Because this is customer money and because the public purpose investments are showing their worth in reducing individual and system costs, improving the environment and supporting economic development, it is essential that program funding continue.

VIII. RETAIN PACIFIC POWER AS AN INTEGRATED UTILITY

Pacific Power's generation assets impact local tax bases where assets are located. In order to provide stability for local tax bases it is critical that Pacific Power remain an integrated utility. Preserving Pacific Power as an integrated utility will also enhance the reliability of the system and the value of Pacific Power as an asset.

IX. REPEAL OF PUHCA

The League shares concerns raised in the comments filed by Lynn Hargis on behalf of the Citizens' Utility Board of Oregon (Part II filed October 14, 2005 pg. 11- 23, Federal Protections LOST with PUHCA repeal). In short, our concern is long-term protection of consumers including reliability of the system and preservation of low-cost energy. Specifically, the Commission should consider imposing conditions that would ensure low-cost and quality utility service. In addition, the Commission should set conditions related to access to information regarding investments and rate setting to allow adequate transparency to support local control and focus of the utility.

X. CONCLUSION

Underlying the principles and issue of long-term stability addressed in this testimony is the question of whether this sale will benefit Oregon ratepayers and ensure that the public interest is protected. Pacific Power is woven throughout the fabric of Oregon communities. Not only is the utility responsible for providing an essential commodity in electricity, but as a business, Pacific Power supports our local economy and is involved in our communities. The League maintains that any purchase of Pacific Power must uphold the principles and issues addressed in this testimony and ultimately meet the test of net benefit to Oregon ratepayers.

Dated this 17th day of November, 2005.

Respectfully submitted,

Andrea J. Fogue, League of Oregon Cities

LOC EXHIBIT 1

WITNESS QUALIFICATION STATEMENT

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EXPERIENCE: I have been employed by the League of Oregon Cities for approximately five years. I am responsible for working with energy policy issues on behalf of cities in Oregon. In addition, I am a charter member of the Portfolio Advisory Committee established by SB 1149, Oregon's electric restructuring law and also work with the Northwest Energy Efficiency Alliance as their Oregon liaison to local governments.

OTHER EXPERIENCE: On behalf of the Oregon League of Cities, I have participated in AR 394, AR 421, UE 115, UE 116, UE 118, UE 119, UM 1121, AR 498, AR 499, and UF 4218. Prior to coming to Oregon I worked with the Iowa League of Cities where I was also responsible for energy policy issues.

CERTIFICATE OF SERVICE

I hereby certify that on November 17, 2005, I mailed an original and five copies of the foregoing TESTIMONY OF ANDREA FOGUE ON BEHALF OF THE LEAGUE OF OREGON CITIES to:

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and on November 17, 2005, I hereby certify that the foregoing document was electronically mailed to all Persons on the Service List maintained by the Public Utility Commission for the UM 1209 proceeding who had an e-mail address posted. I further certify that for those persons on the Service List who were not identified as having an e-mail address, a copy was sent by mail, contained in a sealed envelope, with postage paid, and deposited in the post office at Salem, Oregon on said day.

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