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City Club of Portland (Portland, Or.)

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**City  
Club** of Portland  
**BULLETIN**

Portland, Oregon

Vol. 55, No. <sup>22</sup>20

**Aero Club, Third Floor**

**12:15 p.m.**

**Friday, November 1, 1974**

Printed herein for presentation, discussion and action at the Friday membership luncheon meeting November 1, 1974:

**REPORTS**

**ON**

**STREET LIGHTING SPECIAL TAX LEVY**

**(Municipal Measure No. 53)**

*The Committee:* Clyde H. Fahlman, Philip Dean Janney, David A. Rawlinson, William N. Stiles, Milan Stoyanov, John R. Ulrich, Joe D. Kershner, *Chairman.*

**CITY PURCHASE, CERTAIN PACIFIC POWER FACILITIES**

**(Municipal Measure No. 54)**

*The Committee:* William K. Blount, James R. Larpenteur, Jr., Waldo B. Taylor, John S. Crawford, *Chairman.*

*For the Majority*

Robert E. Cobb

*For the Minority*

Also to be considered:

**STATE MEASURE NO. 3**

**STATE MEASURE NO. 15**

(Committee reports on these two measures were included in last week's Bulletin)

**THIS MEETING WILL BEGIN PROMPTLY AT 12:15**

PLEASE NOTE: Because of the Presidential visit, this meeting has been moved from the Benson Hotel to the **Aero Club**.

**ELECTED TO MEMBERSHIP**

*Jeane E. Schiessl*, Graduate Student, Urban Studies, Portland State University. Sponsored by Caryl Waters.

*Marilyn Aldean Lakey*, Elementary Educator. Sponsored by Ina Mai Tascher.

*Sue Gordon*, Assoc. Prof., Coordinator, Women's Programs, Oregon Division of Continuing Education. Sponsored by Dr. George Diel.

*Diana Jeanne Day*, Marketing Rep., U. S. Datacorp. Sponsored by Robert A. Rice.

**VOTE "YES" ON MEASURE 19**

Club members voted Friday, October 25, to approve the committee report on Ballot Measure No. 19, the School District #1 two-year special tax levy. The report was presented by Chairman Lloyd B. Williams and recommended a "YES" vote.

**CITY CLUB OF PORTLAND BULLETIN**

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MORRIS S. ISSEKS, *Archivist*

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**PROPOSED FOR MEMBERSHIP AND APPROVED BY THE BOARD OF GOVERNORS**

If no objections are received by the Executive Secretary prior to November 15 1974, the following applicants will be accepted for membership:

*Kern Cadwell*, Retired subsidiary president, Union Oil Co. Proposed by Maurice Jacobs-Jacobi.

*Daniel H. Skerritt*, Attorney, Associate, Lindsay, Nahstoll, Hart, Duncan, Dafoe & Krause. Proposed by Robert Shoemaker.

*Everett R. Cook II*, Grain Merchant, Cook Industries. Proposed by Norman Smith.

**TWENTY YEARS AGO . . .**

We were going through City Club Bulletins this week, and checked to see what was going on twenty years ago.

The speaker on November 5, 1954 was "young and able educator" Mark Hatfield, Dean of Students at Willamette University. He spoke on "European Observations . . . Political and Personal."

At the two meetings preceding that date, the Club was engaged in considering ballot measures, one of which was a Special Tax Levy for Street Lighting and another was on Prohibiting Certain Fishing in Coastal Streams. (It must be true that history repeats itself!)

That was the year Luke Roberts was president.

**DO YOU HAVE A HISTORY?**

New City Club members might be interested in reading *The Conscience of a City*, published in 1966 on the occasion of the Club's Golden Anniversary. The publication, written by Ellis Lucia, traces the history of the City Club's first fifty years, and is available at the Club offices at \$4.00 a copy.

**ADDRESS CHANGES WANTED**

Members are urged to keep the City Club staff posted on any changes in home or business phone or address, as well as occupation. Phone 228-7231.

**VOTE NOVEMBER 5**

Following is a summary of committee reports on November ballot measures, with committee recommendation and Club vote. (The four reports to be voted on November 1 show no club action.)

- #1 LIQUOR LICENSES FOR PUBLIC PASSENGER CARRIERS  
Committee Report YES  
City Club Vote YES
- #2 OPENING ALL LEGISLATIVE DELIBERATIONS TO THE PUBLIC  
Committee Report YES  
City Club Vote YES
- #3 REVISES CONSTITUTIONAL REQUIREMENTS FOR GRAND JURIES  
Committee Majority NO  
Committee Minority YES  
City Club Vote
- #4 GOVERNOR VACANCY SUCCESSOR AGE REQUIREMENT ELIMINATED  
Committee Report NO  
City Club Vote NO
- #6 PERMITS ESTABLISHING QUALIFICATIONS FOR COUNTY ASSESSORS  
Committee Report YES  
City Club Vote YES
- #7 TAX BASE INCLUDES REVENUE SHARING MONEY  
Committee Report NO  
City Club Vote NO
- #8 REVISES SCHOOL DISTRICT ELECTION VOTING REQUIREMENTS  
Committee Report YES  
City Club Vote YES
- #9 PERMITS STATE EMPLOYEES TO BE LEGISLATORS  
Committee Report NO  
City Club Vote NO
- #10 REVISES OREGON VOTER QUALIFICATION REQUIREMENTS  
Committee Report YES  
City Club Vote YES
- #11 RIGHT TO JURY IN CIVIL CASES  
Committee Report NO  
City Club Vote YES
- #12 COMMUNITY DEVELOPMENT FUND BONDS  
Committee Report NO  
City Club Vote NO
- #13 OBSCENITY AND SEXUAL CONDUCT BILL  
Committee Report NO  
City Club Vote NO
- #14 PUBLIC OFFICIALS' FINANCIAL ETHICS AND REPORTING  
Committee Report YES  
City Club Vote YES

## #15 PROHIBITS SALE OR PURCHASE OF STEELHEAD

Committee Report NO

City Club Vote

#19 SCHOOL DISTRICT #1, MULTNOMAH COUNTY,  
TWO-YEAR SPECIAL LEVY

Committee Report YES

City Club Vote YES

## #53 CITY OF PORTLAND STREET LIGHTING SPECIAL TAX LEVY

Committee Report NO

City Club Vote

## #54 CITY PURCHASE, CERTAIN PACIFIC POWER FACILITIES

Committee Majority NO

Committee Minority YES

City Club Vote

**REPORT  
ON  
STREET LIGHTING SPECIAL TAX LEVY  
(Municipal Measure No. 53)**

Purpose: Authorizes a continuing ten-year special tax levy within the City of Portland of \$3,580,000 per year outside constitutional limitations for street lighting purposes, beginning with the fiscal year 1975-76.

To the Board of Governors,  
The City Club of Portland:

**I. INTRODUCTION**

Your Committee was asked to study and report on Ballot Measure No. 53 to appear on the municipal ballot at the general election on November 5, 1974. The Council of the City of Portland voted unanimously in August 1974 to submit the special tax levy measure to city voters. Proceeds of the levy would be placed in a special street lighting fund and expended ". . . for one or more of the following purposes: the purchase or contract for electric energy for street lighting purposes; the maintenance and repair of existing and new lighting systems on public ways within the city; the purchase or lease, installation, and operation of new or additional lighting systems; the modernization, reconstruction and renovation, or extension of existing lighting systems, and the maintenance, repair and purchase of energy therefor; and other expenses connected therewith."

**II. SOURCES OF INFORMATION**

The full Committee interviewed:

Neil Goldschmidt, Mayor, City of Portland  
Mike Lindberg, Acting Public Works Administrator, City of Portland  
Art Goodman, Budget Officer, City of Portland  
Don Norman, Acting Lighting Director, City of Portland

Committee members also contacted:

Mildred Schwab, Commissioner, City of Portland  
John Cowger, Director, Portland Junior Chamber of Commerce  
Don Waggoner, former president, Oregon Environmental Council  
Jim Hunt, Marketing Manager, Portland District, Portland General Electric Co.  
Terry Schrunk, former Mayor, City of Portland  
Jim Swenson, Executive Assistant to Connie McCready,  
City Commissioner for Public Works.

**III. HISTORY AND BACKGROUND**

Twenty years ago the National Safety Council rated Portland one of the worst lighted cities of its population class in the United States. At that time less than \$350,000 per year was paid out of the general fund of the City for street lighting.

Voters in 1954 passed a special ten-year levy of \$1,000,000 per year designed to provide funds both to operate and upgrade the lighting system. By 1961 Portland was placed on the National Street Lighting Honor Roll of "Street and Highway Lighting" magazine.

In 1964 another special ten-year levy for street lighting was proposed. By then the request was \$1,850,000 per year, with about \$1,145,000 needed annually just to operate and maintain the existing street lights. Although the upgrading program of the first ten year levy had been nearly completed, this second levy passed. The voters presumably felt that defeat of the measure would reduce the quality of street lighting and cripple other City services by placing the burden of street lighting on the general fund.

Now a third special ten-year levy for street lighting has been placed on the November ballot, this time requesting \$3,580,000 per year. The cost of operating and maintaining the existing street lights has risen to about \$2,000,000 per year. The total ten-year levy of \$35,800,000 would be allocated as follows:

PGE—Energy, Equipment & Maintenance .....	\$22,942,000
Overhead Bureau .....	11,130,000
City Maintenance & Repairs .....	698,000
Capital Improvements .....	4,145,000
Two-year Reserve .....	6,885,000
	\$35,800,000

The City leases most of the lighting system from Portland General Electric, contracting for maintenance as well as energy. The Oregon Public Utilities Commissioner examines and approves rates that PGE may charge the cities it serves. Portland pays a lower effective rate per street light than smaller cities because of a discount built into the rate structure, based on number of lights served in an area.

Prices for lighting paid by other cities to other private utilities are difficult to compare because of contract differences, especially as to maintenance. PGE studies indicate that Portland's rates are as low or lower than the rates paid by cities served by Idaho Power Company and Washington Water Power. No comparison with rates of publicly owned power companies was found.

The annual cost of the proposed levy to real property owners has been calculated by the City to be 74¢ per \$1,000 of assessed value. Thus the owner of a house assessed at \$30,000 will pay \$22.20 more per year if the measure passes. Neither this levy nor the cost of street lighting would be affected by a voter decision to take over Pacific Power and Light facilities in the City. This is true, at least for a few years, because the lighting contracts are with PGE. Beyond that the possibilities multiply, but the fact will remain that lighting the streets costs money.

No organized opposition to the measure was found. A citizen's committee supporting the measure has been formed.

#### IV. ARGUMENTS ADVANCED FOR THE MEASURE

Arguments advanced in favor of the measure were:

1. Continued maintenance, improvement and extension of present street lighting facilities is needed and cannot be financed without the special levy.
2. Proper street lighting helps prevent traffic accidents and crime.
3. The general fund cannot bear the cost of street lighting without curtailment of other city services.

#### V. ARGUMENTS ADVANCED AGAINST THE MEASURE

Arguments advanced in opposition to the measure were:

1. Present street lighting facilities are adequate, and massive additional funding is not needed.
2. Street lighting is an ordinary City service which should be paid for out of general revenues and not by special levy.

3. The proposed levy is excessive in amount and lasts too many years.
4. A curtailed program for capital expenditures has not been formulated.
5. Defeat of the measure will allow the City Commissioners an annual review of street lighting operations and budget requests.

## VI. DISCUSSION AND CONCLUSION

Portland Mayor Neil Goldschmidt told your Committee that the City could have a disaster on its hands if the street lighting levy fails. The City budget as projected for 1975-76, even after assuming that street lighting costs will continue to be funded by special levy, shows a revenue shortfall of about \$6,500,000. If all capital improvement programs of the City are brought to a halt the projected expenditures are still \$2,000,000 greater than revenue. Failure of a street lighting levy would throw an additional large burden on the general fund of the City.

The City Commissioners are well aware that the program to upgrade street lighting, which inspired the original special levy, was virtually complete more than ten years ago. Operation and maintenance of street lights is a logical part of the general budget when the City Council can exercise a continual budget review, but it is very difficult to raise additional general revenue to cover the additional burden. The City Council evidently felt that a general revenue measure such as a tax base increase or a city income tax would be impossible to pass this year. Your committee believes that city officials reached a pragmatic conclusion to attempt to raise extra money in the guise of a pleasant-sounding and traditional ballot measure: a special levy for street lighting purposes.

There are several results of a "No" vote on this measure. A "No" vote could mean less street lighting. How much less depends on judgments concerning both traffic safety and street crimes. Statistics in both these areas are inconclusive, but people at least feel safer on well-lighted streets. A "No" vote could also mean taking funds from other City programs to provide the level of street lighting deemed necessary. The committee was informed that program cuts would be primarily in the areas of police, fire, parks and human resources.

The immediate effect of a "No" vote is moderated by the fact that a two year reserve fund was built into the 1964 ten-year levy, just as it is a part of the proposed levy. Unfortunately, the rate of inflation has been so high that the reserve will only provide about six months of operating funds for the 1975-76 fiscal year. If the measure fails, dates are available for re-submission of such a special levy measure to the voters before the current funds are exhausted.

Your Committee believes that the proposed levy provides more money than necessary. The City program of street lighting improvements is considered moderate by City officials. They calculate a lower long-range operating expense per street light as a result of gradually owning more lights rather than leasing them. Gradual conversion of lamps to mercury vapor and perhaps sodium vapor requires sizeable initial capital expenditures but promises substantial energy cost savings over a period of years. Unfortunately, the City does not have a detailed capital improvement plan for street lighting in the years to come, even though it allocates \$4,145,000 for such capital projects as part of this ten-year levy. The total spent for capital improvements in street lighting during the past ten years was only about \$1,300,000. This increase in capital expenditures from \$1.3 million to \$4.1 million seems excessive, particularly inasmuch as planning is incomplete. The allocation of \$6,885,000 to a two-year reserve also seems excessive, though it is apparently only a mechanical projection of the other allocated costs, adjusted for an inflation rate of about 7% per year.

The proposed levy appears to cover too many years, considering the variable factors now confronting the City. There may be a City takeover of PP&L. If so, the present street lighting contracts with PGE would be unaffected, but condemnation proceedings to take over PGE would become a possibility. The present contracts with PGE, signed early in 1974, cover only a five-year period. Renewal terms are especially unpredictable



at this time because of energy shortages that may now be developing in the entire Pacific Northwest region.

Your Committee would like to see City services maintained at present levels and realizes that cutbacks, particularly if they reach human resources programs, can be painful to many citizens. If, as the City Commissioners evidently found this year, a general revenue measure is not feasible, then a moderate special levy measure can be supported. The Committee concluded that it could not support the current measure.

### **VII. RECOMMENDATION**

Your Committee recommends that the City Club oppose passage of Municipal Measure No. 53 and urges a "No" vote at the November 5, 1974 general election.

Respectfully submitted,

Clyde H. Fahlman  
Philip Dean Janney  
David A. Rawlinson  
William N. Stiles  
Milan Stoyanov  
John R. Ulrich  
Joe D. Kershner, *Chairman*

**REPORT  
ON  
CITY PURCHASE, CERTAIN PACIFIC POWER FACILITIES  
(Municipal Measure No. 54)**

Purpose: Ordinance directing City to acquire Pacific Power and Light Company's facilities and equipment in Portland pursuant to franchise option, to finance purchase solely by revenue bonds, and to operate such plant as a municipal system, which may include service to contiguous areas annexed to or consolidated with the City.

To the Board of Governors,  
The City Club of Portland:

**I. INTRODUCTION AND SCOPE OF RESEARCH**

Ballot Measure 54 originated by initiation of a petition which contained more than the required 20,642 signatures of registered voters in the City of Portland (City). This measure would direct the City Council to commence proceedings to acquire the property of Pacific Power and Light Company (PP&L) subject to the option contained in Section 15 of Ordinance 123160 Pacific Power and Light Company Franchise, adopted by the voters of the City on November 8, 1966. The measure specifies that the method of the payment shall be only from proceeds of the sale of revenue bonds, which are payable solely from income generated from operation of the municipal electric system.

In the course of its investigation, your Committee members consulted with numerous persons and reviewed voluminous documentary materials (see *Appendix A*).

Your Committee endeavored to evaluate the economics of the proposed acquisition in terms of future power costs to the City, the availability of power for the acquired system, the impact of the acquisition upon the governing body of the City, and the impact upon both PP&L and Portland General Electric Co. (PGE).

Your Committee also considered the impact of the measure on present and future ecological problems related to power generation.

**II. BACKGROUND**

Portland is presently served by two investor-owned electric utilities, PP&L and PGE. PP&L is the largest investor-owned electric utility in the Northwest, serving customers in seven states. Only 7.7 percent of the Company's operations are in Portland where it operates under a twenty-year franchise approved by the voters of Portland in 1966. The franchise was originally granted in 1912 to Northwestern Electric Company which merged into PP&L in 1947.

PGE serves customers only in Oregon and primarily in the Willamette Valley. PGE operates under four perpetual franchises granted prior to 1891 by the City of Portland and the former cities of East Portland and Albina, which have since merged with the City of Portland. At the time those franchises were granted, there was no law in Oregon limiting the granting of such a franchise to a term of years and there is no expiration date on any of those PGE franchises.

Portland was divided into four quadrants and the downtown core area. PP&L serves the Northeast quadrant and approximately one-half of the downtown core area, which aggregate about one-third of the total electrical load of Portland. PGE serves the remaining two-thirds.

Section 15 of the PP&L franchise contains the option which permits the City to acquire the plant, property and equipment of PP&L located in the City. It sets forth

the procedures to be followed in exercising the purchase option and the manner in which the price is to be determined (see *Appendix B*).

In 1937, Congress enacted the Bonneville Project Act, 16 U.S.C. Chapter 12B (1970 Ed.) which created the Bonneville Power Administration (BPA). This Act, including subsequent amendments, provides rules governing the sales of power generated by facilities operated by the Corps of Engineers and other sources.

The interpretation of the Bonneville Project Act is of particular importance to the current ballot measure. The Act contains clauses requiring that municipally owned public utilities must be given preference over investor-owned public utilities and industry in the sales of power generated by the hydro facilities constructed by the Federal Government in the Columbia Basin. Pertinent parts of Section 4 of the Bonneville Project Act are reproduced below. The importance of these preference clauses will be clearly evident in the Discussion.

SEC. 4. (a) In order to insure that the facilities for the generation of electric energy at the Bonneville project shall be operated for the benefit of the general public, and particularly of domestic and rural consumers, the administrator shall at all times, in disposing of electric energy generated at said project, give preference and priority to public bodies and cooperatives. (50 Stat. 733; 16 U.S.C. 832c(a).)

(b) To preserve and protect the preferential rights and priorities of public bodies and cooperatives as provided in section (a) and to effectuate the intent and purpose of this Act that at all times up to January 1, 1942, there shall be available for sale to public bodies and cooperatives not less than 50 per centum of the electric energy produced at the Bonneville project, it shall be the duty of the administrator in making contracts for the sale of such energy to so arrange such contracts as to make such 50 per centum of such energy available to said public bodies and cooperatives until January 1, 1942: *Provided*, That the electric energy so reserved for but not actually purchased by and delivered to such public bodies and cooperatives prior to January 1, 1942, may be disposed of temporarily so long as such temporary disposition will not interfere with the purchase by and delivery to such public bodies and cooperatives at any time prior to January 1, 1942: *Provided further*, That nothing herein contained shall be construed to limit or impair the preferential and priority rights of such public bodies or cooperatives after January 1, 1942; and in the event that after such date there shall be conflicting or competing applications for an allocation of electric energy between any public body or cooperative on the one hand and a private agency of any character on the other, the application of such public body or cooperative shall be granted. (50 Stat. 733, as amended by 54 Stat. 47; 16 U.S.C. 832c(b).)

(d) It is declared to be the policy of the Congress, as expressed in this Act, to preserve the said preferential status of the public bodies and cooperatives herein referred to, and to give to the people of the States within economic transmission distance of the Bonneville project reasonable opportunity and time to hold any election or elections or take any action necessary to create such public bodies and cooperatives as the laws of such States authorize and permit, and to afford such public bodies or cooperatives reasonable time and opportunity to take any action necessary to authorize the issuance of bonds or to arrange other financing necessary to construct or acquire necessary and desirable electric distribution facilities, and in all other respects legally to become qualified purchasers and distributors of electric energy available under this Act (50 Stat. 734; 16 U.S.C. 832c(d).)

Neither the subject ballot measure nor the franchise option section provides how the City would assume responsibility for operation of the acquired facility. Presumably, it would be operated as either a department of the City or in some other form of sub-agency such as the E-R Commission.

An understanding of "power" terminology is important. *Firm power* is the ability to produce a level of energy 24 hours per day, 365 days per year. *Long-term firm power* is

such firm power over a number of years. Firm power from hydro sources is that power available continuously, irrespective of low water levels. A municipality needs a long term firm power source since the city operates continuously. *Peaking power* is that power needed to produce energy during peak usage periods of the day and during peak periods of the year. Electrical energy needs in Portland are greatest during the winter months.

Firm power requirements for the City now approximate 300,000 kilowatts while approximately 800,000 kilowatts are needed to service peak periods. One-third of this need is presently furnished by PP&L.

Both PP&L and PGE are regulated by the Oregon Public Utility Commissioner, an appointee of the Governor. The Commissioner has the responsibility of setting power rates; public hearings are held with respect to proposed rate changes. The Commissioner has no authority over electric rates set by municipalities. Therefore, he would have no authority over electric rates set by the City.

For comparative purposes, your Committee was provided with the following lists of electric rates charged to residential users in other cities. An asterisk \* denotes a municipally owned system.

### Comparison of Residential Electric Rates Dollars per 1000 Kwhs per Month

Pacific Northwest municipally owned systems using BPA power (Source: Consumer Power League pamphlet)

1. Longview-Kelso	7.00
2. Clatskanie	7.30
3. Forest Grove	7.50
4. Monmouth	7.50
5. McMinnville	8.00
6. Canby	9.00
7. Vancouver	9.30
8. West Salem	10.60
Average for eight cities	8.28

Other American cities (Source: Electric Engineering Industry Rate Book as updated by PP&L Rate Department)

1. Tacoma*	10.40
2. Seattle*	11.58
3. Sacramento*	16.72
4. Portland (PP&L)	17.55
5. Memphis*	17.70
6. Indianapolis	22.65
7. Houston	22.93
8. San Francisco	23.67
9. Milwaukie	25.04
10. Columbus*	25.62
11. Dallas	25.85
12. San Diego	29.25
13. Los Angeles*	29.79
14. Phoenix	30.89
15. Pittsburgh	32.38
16. San Antonio*	32.41
17. Denver	32.47
18. Detroit	32.83
19. Santa Monica	34.08
20. St. Louis	34.74
21. New Orleans	35.20
22. Washington, D.C.	37.26
23. Chicago	37.27
24. Cleveland*	38.40
25. Jacksonville*	40.30
26. Baltimore	42.70
27. Boston	45.66
28. Philadelphia	54.89
29. New York	77.33

### III. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

Arguments presented to your Committee in favor of this measure include:

1. Residents of the City could obtain cheaper power rates from the City than from PP&L for the following reasons:
  - (a) BPA power is the lowest cost power, and it is available to the City;
  - (b) A municipality can borrow funds at lower interest rates because of tax exemption provisions of the Federal Internal Revenue Code.
  - (c) A municipally owned utility would not have the expenses of lobbying, advertising, income taxes, dividends, and high executive salaries.
2. Lower industrial power rates will attract industry to Portland and make Portland more competitive in terms of power costs with other cities in the Northwest.
3. Users in other cities served by municipally owned systems in the Pacific Northwest are obtaining low cost BPA power. Portland users do not and will not receive such cheap power until Portland qualifies as a beneficiary of the preference provisions of the Bonneville Project Act.
4. The costs of operating the system together with the quality of service would be at least as favorable as presently realized under PP&L management.
5. A municipally owned utility with local management would be inherently more capable than would an investor-owned utility of advancing programs for energy conservation and development of environmentally safe electrical energy fueled by renewable resources.
6. A municipally owned utility would be in a better position than an investor-owned utility to work with other branches of city government on municipal problems embracing city government.

### IV. ARGUMENTS ADVANCED IN OPPOSITION OF THE MEASURE

Arguments presented to your Committee in opposition to the measure include:

1. The City must have a long-term *firm* power supply source. BPA has no such long-term firm power available or in prospect. Therefore, the City will be required to turn to more expensive power supply sources.
2. The cost of purchasing PP&L's property in Portland would exceed \$126 million, not \$37 million as proponents state.
3. Since there is no known power supply available, the City would have to invest an additional \$126 million to participate in new thermal plants which bring the total costs to \$252 million.
4. Even with PP&L's recently granted rate increase, an additional rate increase in the magnitude of 64 percent would be required to pay for financing and purchasing costs.
5. The low electric rates now charged by other Northwest municipally owned utilities such as Seattle and Tacoma are not truly reflective of what a Portland municipally owned company could charge, since these systems were formed when there was an abundance of hydro-electric power and development costs were minimal. With today's high construction costs and interest rates, it is not logical to assume that a new municipal utility would compete rate-wise with an established investor-owned utility.
6. Municipal ownership offers no relief to increasing electric rates as costs of all utility operations are rising without distinction as to investor or municipal ownership.
7. State and local governments will lose important income, property and franchise tax revenues (PP&L paid \$1,896,920 in property and franchise taxes in 1973 with respect to its Portland District), which will result in the reduction of other vital public services, the shifting of tax burdens to other taxpayers, or a combination of both.
8. City government is having a difficult time dealing with its present responsibilities, and should not take on something as complex as the power supply business.
9. Portland customers now served by PP&L would lose the experience, know-how and power supply connections of the PP&L system which includes 32 separate hydro

projects and several large steam generating plants fueled by the company's extensive coal deposits.

10. Rates would be established by a political body, untrained and inexperienced in this complex field. Rates could not be subject to control of the state Public Utility Commissioner and his independent and experienced staff.

11. Revenue bonds for a new and untried operation would carry a less than premium rating; debt service costs would be much higher than proposed. The City would lose the benefit of PP&L's low imbedded debt cost.

12. Passage of the measure is a mandate to the City to acquire the facilities of PGE in Portland which multiplies in aggregate the problems connected with a PP&L takeover.

13. Free enterprise is the economic foundation of our nation. A municipal government should not presume to take over an investor-owned utility that is providing efficient service and paying its way with taxes.

14. Portland has much to lose by experimenting in the substitution of a new, municipal electric operation for PP&L with its experience and proven record of service.

## V. DISCUSSION

An analysis of Section 15 of the franchise agreement is an appropriate introduction to the discussion of Measure 54 because the subject of the vote is the exercise by the City of Portland of that option.

The purchase option provisions provide that the price of the properties will be determined by two arbitrators, one appointed by PP&L and the other by the City Council. In event of the failure of the arbitrators to agree upon a valuation within a reasonable period of time, an umpire shall be appointed. A valuation of a majority of the arbitrators and the umpire shall be final. Although no valuation standards are set in the franchise, in no case shall the franchise itself be assigned a value or be used in determining a valuation. The decision of the arbitrators shall not create an obligation for the City to pay the amount stated in such decision. The Council shall, however, promptly decide whether to take further steps for such purchase, and, if deciding to proceed further, shall proceed promptly to provide for payment by a bond issue or in such other manner as the Council deems best. The City shall not be obligated to purchase and PP&L shall not be obligated to sell until the necessary funds shall have been provided. Additional provision is made for the assumption of existing liens, if any, as a part payment of the purchase price if the City elects to assume such mortgages or liens.

The subject ballot measure directs the Council to proceed in giving the required notice to PP&L of its decision to acquire the subject properties under the provisions of the option. In addition, the measure contains a specific directive to the Council which restricts the authority of the Council contained in the franchise agreement. The directive eliminates any alternative financing choices by restricting the method of financing to *revenue bonds*. The City Attorney is of the opinion, however, that regardless of the terms of the ballot measure, the Council is not so restricted and may resort to other methods of financing including the issuance of general obligation bonds.

Allegations have been made by the proponents that the press is biased in favor of the investor-owned power companies because of advertising revenue. Allegations have also been made by proponents that the Oregon Public Utility Commissioner is a "captive" of the private power utilities. They further allege that the BPA Administrator is biased in favor of the investor-owned utilities and is subject to political pressures to furnish power in contravention of the Bonneville Project Act. Your Committee has kept in mind these allegations in evaluating the information submitted to it.

A basic premise of the proponents' argument that the City could provide cheaper electricity is the availability of low cost hydro-produced electricity from BPA. Your Committee has endeavored to determine the validity of this premise. Donald P. Hodel, BPA Administrator, unequivocally states that BPA could not now or in the foreseeable future provide the City of Portland's power requirements.

Your Committee interviewed Assistant Administrator Bernard Goldhammer, Power Manager of BPA. Mr. Goldhammer has served with BPA since 1943, working under several different BPA administrators. Your Committee found him to be very positive and forthright in his responses to our questions.

Mr. Goldhammer stated that BPA has fully contracted for all existing *long-term firm power* production. Furthermore, he said that if contracts with industrial users were not renewed upon their expiration, the earliest BPA would be able to replace the PP&L power supplied to the City would be 1987. The new generating facilities being constructed at the various dam sites provide additional *peaking* capacity but minimal *firm power*. The needs of existing "preference" customers exceed the present and expected future hydro-generating capacity available to BPA. Many of these customers supplement BPA-provided power with power from their own resources, including in many instances, expensive thermal-generated power.

Mr. Goldhammer explained that no BPA *firm power* is being sold to California as implied in some of the literature promulgated by the proponents. Only power generated from energy otherwise wasted is the subject of out-right sale to California. He further stated that PL88-552, a 1964 act, provides that no hydro-power can be sold outside the region if it can be used or sold within the region, and that they adhere to that law. *Peaking* capacity power is also provided at times to California in exchange for *off-peak* power acquired from California. He said that BPA could supply *peaking* power to Portland and, normally, surplus *secondary* power, the latter being available on an average of about 50 percent of the time. He indicated that the City would have to arrange for other sources of *firm power*, and that BPA could act as a "broker" in helping Portland acquire this power which could be "wheeled" (transmitted) to the load centers in Portland. BPA is now acting in such capacity for some of its existing "preference" customers, and such service is provided for a fee based on cost. Mr. Goldhammer commented that BPA's power is now in an over-sold position because of delays in getting new generating facilities on line. BPA has been most active in encouraging all utilities in the Northwest to develop new power generation facilities to meet future energy requirements. Mr. Goldhammer believes the present rate of such new power source development to be inadequate.

Proponents argue that existing contracts for firm power with non-preference customers are either illegal, or, in the alternative, may be broken for the public good. Mr. Goldhammer advised your Committee that the Administrator would respect the terms of existing contracts. No evidence or precedents were presented to the Committee that the contracts were illegal or that they could be terminated for the public good.

If BPA power is not available to serve all of the City's electricity needs, the City will be required to turn to other sources for purchase of power or to construct its own supply source facilities. The cost of construction of any new hydro or thermal-based facility will require a tremendous capital outlay. Mr. Goldhammer stated that few undeveloped hydro power sites remain in the Pacific Northwest. The cost of operation of thermal-based facilities substantially exceeds the cost of operation of hydro-based facilities.

The economics of the acquisition and operation of the PP&L facilities by the City of Portland is a very difficult matter to evaluate. Normally, extensive feasibility studies involving the evaluation of large amounts of data by experts, are made to determine the results to be anticipated from such a major acquisition. Without the benefit of such studies, your Committee has had to use its best judgment in this area.

The proponents contend that the assessed valuation of the facilities involved for property tax purposes is set by the Oregon Department of Revenue at 100 percent of true cash value. On this basis, the purchase price would be approximately \$37 million. Executives of PP&L state that, based on prior transactions of this nature, the purchase price of an electric utility is about five and one half times the amount of annual revenue. Such a computation would result in a purchase price in excess of \$126 million. The largest acquisition cited by PP&L in support of this premise was \$3,877,100 awarded in

condemnation of properties acquired by Tillamook PUD in 1961, which was based on 4.9 times annual revenue.

Proponents contend that the quality of service and operating costs under a municipal system would be at least as favorable as under PP&L management because the same people would be providing the service. Executives of PP&L have advised your Committee that the assumption that all of their employees in the Portland District would become employees of the City is not necessarily valid. They believe that some would prefer re-assignment within the remaining PP&L service districts and would stay with PP&L because of factors of loyalty, pension benefits, job diversification, etc.

A municipality generally can borrow money at lower rates than a privately owned utility, but revenue bonds do carry higher interest rates than general obligation bonds of the same municipality. Statistics filed with the Oregon Public Utility Commissioner indicate the 1973 average dividend rate on PP&L outstanding preferred stock was 7.355%. The current rate of return authorized by the Commissioner is 8.42%. New debt or other financing by PP&L would be at substantially higher money costs. Municipal revenue bonds would require rates ranging from seven to eight percent in today's market. A take-over of PP&L facilities would lose the benefit of PP&L's lower imbedded money costs.

Your Committee met with Richard Sabin, the Oregon Public Utility Commissioner, and members of his staff. He stated that the expenses which a utility can include in its rate base are subject to review. He indicated that any interested member of the public could appear at rate hearings, and that testimony so offered would be given consideration by him in arriving at any rate increases granted. He confirmed that rates charged by municipally owned utilities were out of his jurisdiction. He also stated that he has no authority to compel investor-owned utilities under his jurisdiction to furnish power to a City of Portland municipally operated facility.

Mayor Neil Goldschmidt indicated that he was not convinced that the City could provide cheaper electricity than PP&L, and that if he were so convinced, he might be in favor of the measure. He indicated that the City had a good relationship with PP&L and was satisfied with the services rendered. He indicated a concern for the drain upon the Council's resources for handling other municipal problems if they became involved in the acquisition of the PP&L facilities and the operation of an electric utility. However, he said that, if the measure passed, he and the Council would proceed to acquire and operate the PP&L facility. He also said he would consider it a mandate to acquire the PGE-owned Portland facilities. As of this writing, all four City Commissioners and the Mayor have publicly expressed opposition to this measure for various reasons.

Your Committee questions the propriety of making a decision on the desirability of acquiring the PP&L facilities without taking into consideration the impact of acquiring the more extensive facilities of PGE. Not only would the cost of acquisition be multiplied, but the power resource requirements would triple.

Your Committee reviewed numerous publications and listened to testimony regarding the damage and dangers caused by thermal-based power facilities, with special attention to nuclear-fired facilities. Also examined were alternative sources of energy such as geothermal, solar, methane, methanol, nuclear fusion, waste combustion, and windmills.

## VI. CONCLUSION

A majority of your Committee has concluded that it would be undesirable to terminate the PP&L franchise and acquire the Portland facilities of PP&L at this time.

We take the position that the proponents of this measure should bear the burden of proof of justifying adoption of the proposal, and they have failed to do so.

The operation of a municipally owned power system would not result in lower power costs to the users affected. We accept the clear and unequivocal position of the BPA that there is no BPA power available on a *firm* basis prior to 1987. Therefore the City could be required to negotiate for a *firm* power source with other producers and/or to



provide its own generating capability, both of which would probably result in the use of expensive thermal-produced power.

The Committee lacks the capability of valuing PP&L's facilities in Portland. We believe the valuations asserted of \$37 million and \$126 million are extreme. For example, a \$37 million figure gives no recognition to going concern value or replacement cost. The \$126 million figure is substantially more than book value of the properties and the 5.5 times annual revenue valuation formula has previously applied to appreciably smaller property sales. Unfortunately, the option provision in the franchise agreement is of no assistance on the question of price determination.

It was not proven to our satisfaction that a \$126 million outlay for new thermal facilities would be required at this time because other power sources may be available.

Any savings in cost resulting from tax advantages granted municipally owned utilities would probably be offset due to the large capital investment required, as discussed above, and to financing costs geared to today's high interest rates.

A municipally owned utility's properties and operations would be exempt from property and income taxes. This loss of tax revenue may necessitate a cut in other governmental services or shift the burden of taxation.

It is questionable whether a new, small power utility can operate as economically as a much larger, established organization. A municipally owned utility might eventually establish some savings in management and administrative costs but any significant savings is problematical. We are concerned that the efforts to effectuate such savings may result in less efficient service.

If the measure is successful, acquisition of the facilities of PGE within the City is highly probable. The City should be unified in energy cost, quality of service and power philosophy. This will not occur if the City owns the facilities of one system but not of the other. Acquisition of the PGE facilities magnifies the problems of power resources and financing costs discussed in this report.

The economic impact of the acquisition upon PP&L would be minimal. However, the impact of the acquisition of PGE's Portland facilities could be serious to that company and to its customers outside of Portland because the Portland service is such a large part of its total operation.

The acquisition and operation of a power system within the City would be a serious drain on the time and energies of the Mayor, Council and other City personnel, thereby diverting needed attention from other existing problems facing the City government.

A municipally owned utility should be in a better position to work with other branches of city government in municipal problems embracing City government. However, personal jealousies, competition for allocation of funds, differing priorities of action, and many other possible conflicts between the electrical utility and other branches of city government could nullify this advantage. If serious enough, it could create a less desirable working relationship than that which presently exists between a city's government and an investor-owned utility management.

We believe that a municipally owned utility would be no more effective than an investor-owned utility in promoting energy conservation. Even though it may be more responsive to citizen input (not necessarily beneficial), a City of Portland-owned utility, because of its relatively small size, would have little influence on the development of environmentally safe energy sources.

The philosophical question of public vs. private ownership of electric utilities is a social-political issue much broader than the question which faces your Committee.

The City has to date been well served with its present partnership with private power. In addition Portland power costs have been low when compared with most other American cities, thanks to hydro energy and other natural resources of the Pacific Northwest.

This is not the time for a change to municipal ownership, especially during a period of growing power generation scarcity. Acquisition of the PP&L properties without prior feasibility studies, without an organizational structure to assume management, and with-

out committed power resources would be a mistake. Such a major acquisition and change should be made only after careful research has been completed and the foreseeable problems resolved.

### Majority Resonse to the Minority Report

The MINORITY REPORT primarily concerns itself with the problems of nuclear power and the threat such power generation may have upon the environment.

The MAJORITY wish to make clear that:

1. The scope of the Majority Report did *not* include the consideration of the desirability (or lack thereof) of nuclear power as a form of power generation versus other thermal forms of power generation;

2. The successful passage of ballot measure 54 will in *no way* assure Portland that nuclear power will *not* be relied upon to meet future needs in this region, or that a cancellation of Trojan or similar planned nuclear facilities will occur.

### VII. MAJORITY RECOMMENDATION

The majority of your Committee recommends that the City Club of Portland oppose passage of the ordinance requiring the City of Portland to acquire the properties of PP&L referred to in the measure, and urges a vote of "NO" on Municipal Measure No. 54.

Respectfully submitted,

William K. Blount

James A. Larpenteur, Jr.

Waldo B. Taylor

John S. Crawford, *Chairman*

for the Majority

### MINORITY STATEMENT

"Responsibility, yes—but only if we add sincere appreciation and praise for the ability of a man to admit forthrightly that he has changed his view, that what once looked right, now looks foolish. We desperately need to create an atmosphere where a man can proudly admit error. In a vast majority of instances the error is not the result of negligence, not the result of deceit, not the result of irresponsibility. It is simply the result of the great power of hindsight, especially hindsight buttressed by new evidence and altered circumstances." So wrote Drs. John Gofman and Arthur Tamplin in "Poisoned Power—The Case Against Nuclear Power Plants" (Rodale Press, 1971).

The proponents of Measure 54 are endeavoring to put forward the case for hydro power for Portland under preference provision of the Bonneville Project Act.

At issue is safe, low-cost, hydro power for Portland from the Bonneville Power Administration, or, ultimately, the prospect of electrical power from the Trojan nuclear plant with the KWH price increased by a factor of three, the environmental price defying calculation.

In this light the above introspection achieves profound significance when present and future power commitments of the Bonneville Power Administration are scrutinized for legality of contract, and the dire need for conservation and prudent use of energy. The proponents of measure 54 are correct in calling to the attention of the public the intent of the framers of the Bonneville Project Act. The power committed by contract for the proposed AMAX plant at Warrenton amounts to 4% of total BPA annual output. The power from Bonneville Power Administration required by the City of Portland to replace that supplied from other sources by Pacific Power & Light Co. represents 1.8% of total BPA annual production.

Recently created by legislation abolishing the Atomic Energy Commission is the Energy Research and Development Administration whose chief role will be to lessen our

country's dependence on non-renewable sources of energy. Enjoying environs and an economy based on hydro power, Portland will be favored along with other Pacific Northwest cities in its potential for service to communities not presently blessed with electrical power from renewable sources of electrical energy. The proponents of Measure 54 are thus addressing themselves to the future of our community in a manner inherently characteristic of a municipally-operated utility with local citizen input, local management and direction.

As of this writing, national groups favoring a moratorium on nuclear power for moral and environmental reasons include Public Citizen (Ralph Nader), The Sierra Club, Friends of the Earth, Union of Concerned Scientists, The Center for Science In the Public Interest, and others. In addition, a steadily growing legion of individual citizens now totalling over 100,000 have signed petitions calling for a national moratorium on nuclear power plants in our country. Similar citizen action is evident throughout the world, with concern reaching alarming proportions following the manufacture of an atomic bomb by India using the byproduct of plutonium from its commercial nuclear reactor.

Any further delay in aborting for moral, economic, and environmental reasons, the completion of the Trojan nuclear plant can only compound the magnitude of this the most horrendous problem in our community. The proponents of Measure 54 point out convincingly that hydro power is safe, inexhaustible, low-cost and available to the citizens of Portland under the public preference provisions of the Bonneville Project Act.

Concerned citizens the world over will be watching Portland on November 5, 1974.

#### **MINORITY CONCLUSIONS**

Safe, low cost hydro power will be available to users of the City of Portland if Measure No. 54 passes; the preference provisions of the Bonneville Act legally guarantee the availability to public power systems.

Local municipal control will assure non-dependence on nuclear power and will forestall threats to our environment caused by placement of nuclear reactors near our urban centers.

#### **MINORITY RECOMMENDATION**

A minority of your Committee recommends that the City Club support Ballot Measure 54 and urges a "YES" vote on this measure.

Respectfully submitted,

Robert E. Cobb  
for the Minority

Received by the Research Board October 16, 1974 and approved for transmittal to the Board of Governors.

Received by the Board of Governors October 24, 1974 and ordered printed for presentation to the membership for discussion and action.

## APPENDIX A

### Committee Sources

Persons interviewed by your Committee:

*Del Bucknam*, President, United Business Associates, Inc.  
*Scott Burgwin*, Recycler, Sunflower Recycling, Inc.  
*Clifford Erdahl*, Consultant and Former Manager of Tacoma Power & Light  
*Kenneth W. Fitzgerald*, Vice President, Consumer Power League  
*George Freck*, Portland District Manager, PP&L  
*Bernard Goldhammer*, Power Manager, BPA  
*Mayor Neil Goldschmidt*, City of Portland  
*Douglas Heider*, Manager of Public Affairs, PGE  
*Roy Hurlbut*, Energy Advisor to City of Portland  
*Francis J. Ivancie*, Commissioner in charge of Public Works, City of Portland  
*Richard Jones*, Columbia Division Manager, Field Operations, PP&L  
*Robert B. Lisbakken*, Vice President Power Resources, PP&L  
*John Osburn*, City Attorney, Portland  
*Arthur J. Porter, Sr.*, Vice President, Power Manager, PGE  
*Nancy Randall*, Consumer Power League  
*Fritz Reed*, Chief Financial Analyst, PP&L  
*George Russill*, Ad. Asst. to the Mayor, City of Portland  
*Richard Sabin*, Oregon Public Utility Commissioner  
*Robert H. Short*, Exec. Vice President & Treasurer, PGE  
*Walter Widmer*, Consumer Power League  
*Ed Wildfong*, Vice President Regulation & Research, PGE  
*Phil Wogsberg*, Financial Analyst, Oregon Public Utility Commissioner's Office

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**APPENDIX B****CITY OF PORTLAND ORDINANCE NO. 121360 (Section 15)  
(Pacific Power & Light Co. Franchise Agreement)**

Section 15, **OPTION TO PURCHASE.** Upon not less than six months, previous notice by the Council of the City of Portland to the grantee, evidenced by either resolution or ordinance of its intention so to do, the City may at its election initiate action as hereinafter provided for the purchase and taking over to itself of the property and plant of the grantee which may be situated on, in, above or under the streets, alleys and public highways aforesaid, and the equipment and properties of the grantee used and useful in connection therewith; but before the City of Portland shall have authority to take over said plant or property the question whether or not the said City shall acquire or take said plant and property shall first be submitted to the registered voters of the said city and approved by a majority of the registered voters voting thereon, and provided further that, with or without notice, the question whether or not the City shall acquire or take, such plant or property must be submitted to the registered voters of the city whenever a petition shall be filed with the City Auditor, subscribed by a number of registered electors of the city equal to fifteen per centum of the votes cast at the last preceding general city election, praying that such question shall be submitted, for approval or rejection, to the vote of the people. Such petition shall be sufficient in form if it fulfills the requirements for an initiative petition as contained in the Charter and ordinances of the City. The valuation of said plant and property in the event that the City shall desire to purchase and take over the same shall be fixed by arbitrators, one to be appointed by the grantee and the other by the Council of the City of Portland. In case of the failure of the said arbitrators to agree upon a valuation within a reasonable time, the said arbitrators shall elect an umpire, and in the event of their failure to agree upon such umpire any one of the then judges of the Circuit Court of Multnomah County, Oregon, who will consent thereto at the request of either or both the arbitrators shall act as such umpire, or in case of the failure of the grantee to select an arbitrator or in case of the failure of said arbitrators to select an umpire, within a reasonable time, or in case of a refusal of all of the Circuit Court Judges of Multnomah County, Oregon, to act as umpire, then the Council of the City of Portland shall appoint an umpire or if the grantee shall fail to appoint such arbitrator, the Council may appoint both such arbitrators and such umpire, and a decision of a majority of such arbitrators and umpire shall be final and binding as to the valuation thereof. In no case shall this franchise be assigned a value, nor shall this franchise be taken into account or considered for the purpose of fixing such valuation. The decision of the arbitrators shall not create an obligation for the City to pay the amount stated in such decision or divest the City of its right to proceed in any other manner for the acquisition of said property. The City Council shall, however, promptly decide whether to take further steps for such purchase, and if deciding to proceed further, shall proceed promptly to provide for payment by a bond issue or in such other manner as the Council deems best; and the City shall have such time as may be needed for submitting to the electors at the next general election, or a special election called for such purpose, any question or proposed authorization relating to such purchase which the Council may choose to submit to said electors. The City shall not be obligated to sell until the necessary funds shall have been provided, but the right of the City to purchase shall continue so long as it is taking active steps to finance the purchase. In the event of any mortgage or other lien against said property or any part thereof, the City shall have the right to assume such lien and take credit on the purchase price for the amount payable thereon as of the time of completing the purchase. In the event that such mortgage or lien covers additional property, the grantee shall promptly take suitable action to obtain a fair division so that the City may assume only a proper share of the lien applicable to the property to be purchased, or the grantee shall obtain a release of such lien at or prior to the time the City completes its financing and makes payment for the property. In the event of the expiration of this franchise before a com-

pletion of such proceedings for purchase, the provisions of this section shall be continued in effect for such reasonable time as may be necessary for the completion of such purchase, or until the City shall have decided not to purchase. Upon the payment by the City of Portland to the grantee of the amount of said valuation, the plant and property so valued, and which said City of Portland has power to and desires to purchase, shall become the property of the City of Portland by authority of this ordinance and said payment thereunder, and with or without the execution of any instrument of conveyance; provided, however, the City may at its option require the execution to it of an instrument of transfer and conveyance. Upon the purchase, condemnation, acquisition or taking over of such property and plant of the grantee, this franchise shall cease and determine, and the purchase, condemnation, acquisition or taking over by the City of such property and plant shall operate to divest the company of this franchise and of all right, title and interest therein.