

10-22-1980

Report on Formation of a People's Utility District in Multnomah County (Multnomah County Measure No. 1)

City Club of Portland (Portland, Or.)

Let us know how access to this document benefits you.

Follow this and additional works at: http://pdxscholar.library.pdx.edu/oscdl_cityclub



Part of the [Public Policy Commons](#), and the [Urban Studies Commons](#)

Recommended Citation

City Club of Portland (Portland, Or.), "Report on Formation of a People's Utility District in Multnomah County (Multnomah County Measure No. 1)" (1980). *City Club of Portland*. Paper 558.
http://pdxscholar.library.pdx.edu/oscdl_cityclub/558

This Report is brought to you for free and open access. It has been accepted for inclusion in City Club of Portland by an authorized administrator of PDXScholar. For more information, please contact pdxscholar@pdx.edu.

REPORT ON

FORMATION OF A PEOPLE'S UTILITY DISTRICT IN MULTNOMAH COUNTY
(MULTNOMAH COUNTY MEASURE NO. 11)

Purpose: "Approval of this Measure will form a People's Utility District governed by five elected directors in Multnomah County and authorize a special levy of \$250,000 for an engineers report on acquisition or construction of an electric utility system. The District will have authority to condemn existing electrical utility properties and to issue voter approved bonds."

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

Ballot Measure No. 11, if approved by the voters, would create a people's utility district (PUD) in Multnomah County to replace the electrical services now provided by Portland General Electric Company (PGE) and Pacific Power and Light Company (PP&L), and distribute electric energy throughout the county.

The Measure provides that \$250,000 would be raised in property taxes for an engineer's report to study the cost of acquisition of PGE's and PP&L's facilities within the County, or construction of a new system. 1

Voters would have to approve the issuance of revenue bonds in a subsequent election to purchase the present investor-owned utilities' facilities located in the county or to construct a new facility.

The Measure would also establish a five-member board of directors to operate the people's utility district. Candidates are on this year's ballot for the five directorships.

Similar measures have been proposed in 13 other Oregon counties. Twelve, including Measure No. 11, will be on the November ballot. Two more PUD elections will be held in February 1981.

II. BACKGROUND

A. Nature of a PUD in Oregon

Under Oregon law, a PUD is a non-profit, public corporation authorized to generate and sell electricity (ORS 261.305). 2

It is operated by a manager. The manager is hired by a board of five directors elected to alternating four-year terms.

The PUD is financed by revenue bonds authorized by voters, by limited

-
1. Under ORS 261.355(5), a PUD may not issue revenue bonds until a qualified engineer has certified that the net annual revenues of the district will be sufficient to pay both principal and interest on the bonds.
 2. Under Oregon law, a PUD is also authorized to distribute and sell water.

property taxes it may levy subject to provisions of the Oregon Constitution, and by revenue from the sale of power.

It is primarily responsible to the voters of its territory. But it also must:

1. Use an accounting system prescribed by the Federal Power Commission;
2. File an annual report with the Director of the Department of Energy and county clerk in the form required by the Federal Power Commission; and
3. File a copy of an annual audit with the county clerk, secretary of state and Director of the Department of Energy. (ORS 261.470)

A PUD has the power of eminent domain to acquire generation and transmission facilities.

As a non-profit institution, a PUD pays no income taxes. It pays property taxes, just as investor-owned utilities do. In order for a PUD to pay start-up expenses it may levy a property tax not to exceed in any one year 1/20th of one percent of the true cash value of all taxable property within the PUD nor a total of 1/4 of one percent over a ten year period.

B. BPA'S Preference Customers

In 1937 Congress enacted the Bonneville Power Act which created the Bonneville Power Administration (BPA). This Act, including subsequent amendments, provides rules governing the sale of power generated by facilities operated by the Corps of Engineers and other sources.

It requires that publicly-owned utilities must be given preference over investor-owned utilities and industry in the sales of power generated by Federal hydro facilities in the Columbia Basin. (16 U.S.C. 832c)

III. HISTORY

To understand the present controversy surrounding this Measure, an historical perspective is helpful. Public power has been an issue in the Northwest since the turn of the century. In Washington, Seattle and other municipalities established public electric systems and numerous public utility districts have been formed.

In Oregon, voters repeatedly have turned down efforts to form People's Utility Districts. In the 1930s and 1940s the Oregon State Grange and labor organizations were the primary proponents of public power in Oregon. These early sponsors were of the view that electricity is a natural commodity too important to be controlled by private corporations. The present public power coalition ³, advocating the formation of a PUD in Multnomah County, has its roots in this earlier movement, but also includes advocates of energy conservation, anti-nuclear activists, and supporters of alternative energy development.

3. Over 80 groups and associations currently support PUD formation in Multnomah County.

IV. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

Your Committee heard the following arguments advanced in favor of the Measure.

1. A PUD would be accountable to the public whereas an investor-owned utility is ultimately accountable to its stockholders.
2. The public should be able to choose its energy future.
3. A PUD would result in lower electrical rates for consumers.
4. A PUD would receive low-cost power from BPA. BPA has stated that two-thirds of the power allocated to direct service industries would be made available to new preference customers in 1983 and succeeding years.
5. A PUD would have lower operating costs than an investor-owned utility. These savings would result from lower bond costs, less advertising, smaller management costs, no operating profits and absence of shareholder dividends.
6. A PUD may offer rate reductions for certain groups of citizens such as low income and elderly. Investor-owned utilities are prohibited by law from granting differential rates to their customers.
7. A PUD would stress the development of renewable energy resources such as solar, geothermal, wind, bio-mass and cogeneration.
8. A PUD would advocate conservation more than do investor-owned utilities.
9. A PUD would finance its system through tax-exempt revenue bonds and thereby pay a lower rate of interest than bonds issued by investor-owned utilities which are not tax-exempt.
10. The PUDs in Oregon would work on a cooperative basis.
11. A PUD would not pay either federal or state of Oregon income taxes.
12. The proposed Domestic and Rural Power Authority (DRPA) is a "sham" and would be the subject of lengthy litigation.
13. The vote in November is only for a feasibility study. A favorable vote does not mean that a PUD would necessarily become operational in Multnomah County.
14. Investor-owned utilities in Oregon are not efficiently managed.

V. ARGUMENTS ADVANCED AGAINST THE MEASURE

Your Committee heard the following arguments against the Measure:

1. If a PUD is formed in Multnomah County electrical rates for consumers will increase.

2. There is no assurance that BPA power would be available to a new PUD in Multnomah County. Non-hydroelectric power would be coming on line in the 1980s at a higher marginal cost.

3. There are many uncertainties under the proposed BPA allocation formula. The amount of power depends on the number of new preference customers and many other variables.

4. BPA will increase its wholesale electrical rates in the 1980s so that the disparity between the rates charged by investor-owned utilities and BPA will diminish. The era of cheap federal power will be ending.

5. The passage of the Northwest Regional Power Bill would reduce the present disparity in rates between PUDs and investor-owned utilities. Investor-owned utilities (IOUs) would be able to lower their rates to consumers.

6. The formation of DRPA would result in reduced electrical rates for Oregon consumers. A new PUD in Multnomah County is unnecessary.

7. A new PUD would not have competent, professional management. "If you like the Post Office, you'll love PUDs."

8. New PUDs in Oregon would result in the balkanization of a presently efficient regional energy distribution system in the state.

9. A PUD in Multnomah County would be less efficient than a regional investor-owned utility because of certain economies of scale.

10. PUDs in the state of Washington have suffered from mismanagement. This is clearly shown by the enormous cost overruns associated with the present development of 5 nuclear plants by the Washington Public Power Supply System.

11. There are many organizational costs associated with the formation of a PUD. These include \$250,000 for the engineer's feasibility study as well as legal fees related to the condemnation process.

12. A PUD would continue in existence for 10 years even though it may not become operational. During that period, it is authorized to levy taxes without a popular vote.

13. The process of condemning PGE and PP&L facilities in Multnomah County, including appeals, would take from 3 to 10 years.

14. The engineer's feasibility study would not be able to address the issue of the cost of acquiring existing properties of the IOUs in Multnomah County. That issue can only be resolved through court action.

15. Each new PUD in Oregon would have a separate management and planning staff, resulting in higher operating costs.

16. A PUD in Multnomah County would have a higher initial capital cost than the investor-owned utilities serving the area. The utilities acquired many of their facilities at lower historical costs and lower interest rates.

17. A PUD would not be able to rely on large amounts of electrical energy from renewable sources. Technology is not fully developed and is not presently cost-efficient.

18. A PUD would not create any new energy sources.

19. Solar and wind projects advocated by PUD proponents are not cost-effective at the present time.

20. It is unclear that a PUD would be able to sell its bonds given the current market conditions. By statute, PUDs are limited to an 8 percent rate of interest.

21. The issue is one of government control vs. private control. The opponents of the measure favor private ownership of the utility system.

VI. MAJORITY DISCUSSION

Your Committee's deliberations were directed primarily toward the following issues: 1) legislation; 2) economics and finance; 3) operations and management; 4) conservation and alternative energy; 5) public vs. private power.

1. Legislation

Under present federal law, PUDs are preference customers of BPA entitling them to low-cost hydro-power. Prior to 1973, BPA had sufficient power to meet the loads of publicly-owned and investor-owned utilities (IOUs). In 1973, BPA lacked sufficient power to satisfy the needs of both public and private utilities and under its statutory mandate was required to meet the requirements of its preference customers first. Therefore, in 1973, BPA let its contracts with investor-owned utilities expire. At the present time there exists a significant disparity in rates charged to customers of PUDs and IOUs because of the right of PUDs to purchase low-cost, federal hydro-power.

The rate advantage now enjoyed by customers of PUDs would be substantially reduced if either the Northwest Regional Power Bill were enacted by Congress this session or Oregon's Domestic and Rural Power Authority (DRPA) were put into operation. The Northwest Regional Power Bill would permit IOUs to purchase BPA power for their domestic and rural customers at the same rate as PUDs. In order to meet the load requirements of the IOUs' domestic and rural customers, the IOUs would offer a "power exchange" to BPA, under which the IOUs would sell power to BPA and purchase back power at the rate paid by preference customers. The loss in revenues to BPA by this "power exchange" would be offset by substantially increasing BPA's charges to the direct service industries (DSI) like the aluminum companies under long-term contracts.

The Senate version of the Northwest Regional Power Bill (S. 885) was approved in 1979. This year, the House Commerce and Interior Committees have acted favorably on differing versions of the Regional Bill. It is anticipated that the House will vote on the measure in November.

If the Northwest Regional Power Bill is not adopted during the current session of Congress, the state Domestic and Rural Power Authority (DRPA) may be activated as early as March 1, 1981. [Chapter 888, Oregon Laws (1977).] DRPA is intended to qualify the entire state as a preference customer of BPA. It would enable residential customers of Oregon's investor-owned utilities to have access to low-cost BPA power. If DRPA were activated and qualifies as a preference customer of BPA, it would reduce the present disparity in rates between customers of IOUs and PUDs.

Before DRPA would be allowed to commence operations, Oregon's Public Utility Commissioner (PUC) must determine through public hearings whether the citizens of the state will receive "substantial benefits" from the proposed agency. John Lobdell, Oregon's PUC, has begun the hearings process and plans to announce his findings this year.

Proponents of a Multnomah County PUD told this Committee that the legality of DRPA will be tested in the courts. They contend that DRPA is not a true public utility and is not, therefore, entitled to the status of a preference customer. Other witnesses before the Committee pointed out that state law requires DRPA to take such steps as may be necessary to qualify it as a preference customer. DRPA is empowered to acquire certain properties of the investor-owned utilities (e.g., meters or drop lines) by lease or, if necessary, by purchase to qualify as a preference customer.

2. Economics and Finance

There are three principal economic and financial issues: 1) the availability and cost of power; 2) the costs of acquisition; and 3) the tax consequences of forming a PUD. All are clouded by uncertainty.

The availability and cost of power to a newly formed PUD is contingent on BPA and non-BPA power. BPA forecasts indicate the BPA system cannot provide firm power to all potential customers. The amount of firm power available from BPA to serve a newly formed PUD depends on the following: a) the amount of firm power which becomes available from expired contracts to existing DSIs or federal agency customers; b) the amount of federal system firm power available for allocation from other sources, if any; c) the number of new preference applicants and the amount of BPA power they request, and d) the allocation of BPA hydroelectric power to IOUs and PUDs if the Northwest Regional Power Bill is enacted. At this time, the above factors contribute to an uncertain and fluid situation.

If BPA could not supply a newly formed PUD with all of its power requirements, the PUD would have to purchase from existing or new facilities. It is unclear to what extent other utilities would be willing to, or would be required to, sell power to a new PUD. The cost of energy from new facilities would be substantially more expensive than BPA power.

As long as the quantity of BPA and non-BPA power remains unknown, no

one, according to the Oregon Department of Energy (ODOE), can determine the likely cost of power to a new PUD.

The costs of acquiring PGE and PP&L facilities in Multnomah County are substantial. The transfer of ownership from the IOUs to the proposed PUD involves transmission facilities, poles, lines, and substations. The IOUs have declared their intention to litigate a takeover through the appellate courts. The proceedings necessary to fix the value of and transfer the facilities are estimated to take from 3 to 10 years. Legal costs to taxpayers and investors will be substantial.

The main point of contention is the valuation of the facilities. The IOUs must receive "just compensation". However, the parties disagree on the value of the system in Multnomah County. PGE and PP&L maintain that a \$1.34 billion value, based on a multiple of 5.5 times gross revenues, is fair and equitable. The proponents urge that \$220 million, the assessed property valuation for tax purposes, is more appropriate. The divergent views will be reconciled in lengthy litigation.

The tax consequences of forming a PUD are significant. Under law, a PUD has the power to levy and collect property taxes after formation and prior to activation. These tax revenues would be used to pay engineering, financial, and legal fees while the acquisition of facilities is under study. In any one year, the tax cannot exceed 0.0005 of the true cash value of all taxable property within the district. Over the permitted ten year span the tax cannot exceed 0.0025 of the cash value. 4

Three important benefits accrue to a PUD. These are: lower interest costs, absence of shareholder dividends, and absence of federal or state income tax.

The interest costs for comparable securities would be lower if issued by a PUD instead of PGE or PP&L. This is because the interest earned on securities issued by PUDs is not subject to federal income tax. The differential is in the order of 2 or more percentage points, according to the Oregon Department of Energy. The PUD's interest cost cannot be definitely ascertained. Interest costs depend in part on a bond rating which is determined by the issuer's perceived ability to retire the indebtedness. This is contingent on the availability of power, the overall capability of the organization, the life of the bond, and the financial state of the county in which bonds are issued.

3. Operation and Management

The practical question of the management and operation of the PUD is closely allied to the larger abstract issue of public vs. private power. The proponents of the issue maintain that the elected board of directors

4. It is estimated that the proposed levy of \$250,000 will cost the county's taxpayers about 2 cents per \$1000 of assessed value. A Multnomah County PUD would have the power, subject to the limitations of the Oregon constitution, to impose a property tax of approximately \$6,250,000 in any one year, assuming the full 1/20th of one percent taxing authority were used.

would establish the overall policy and leave the daily operations to professional managers. The opponents contend that 1) each newly formed PUD would have separate management and planning staff, resulting in higher operating costs; 2) policy and operating decisions would intertwine resulting in politicized and unreliable service; 3) each newly formed utility would have a separate distribution system resulting in less efficiency.

Oregon law (ORS 261.445) mandates that the manager of a PUD be an experienced executive with administrative ability. It remains to be seen if the operations and service would be affected by a publicly-elected board of directors. The proponents maintain that the numerous PUDs in Washington state plan, cooperate and share electrical service in a safe and reliable manner, and are working to develop alternative energy sources and promote energy conservation.

4. Conservation and Alternative Energy

Public and private utilities in the Northwest have begun active efforts to conserve electric energy and to promote the development of alternative forms of energy. The rationale is that conserving a unit of energy is less costly than building a thermal plant to generate the extra unit.

The technical means for conserving energy are relatively straightforward (e.g., home weatherization), although the implementation of conservation measures on the scale envisioned by proponents of PUDs requires a good deal of social coordination and changes in public attitudes. This suggests a fundamental difference between the opponents and proponents of the ballot measure. To the opponents as represented by utilities, conservation is imperative as a short-term solution to the shortages projected during the next two to five years. To the proponents, the chief benefits of cost-effective conservation lie in long-term reform.

While there is much agreement on the wisdom of conservation, there is a conflict of opinion on the commitment that utilities should place on the development of alternative forms of energy. The proponents of the Measure insist that a PUD would promote wide implementation of small-scale renewable resources. Renewable resources would provide more jobs and be less inflationary than large thermal generating grid-oriented plants. The opponents counter by saying that alternative energy sources are presently not cost-effective to supply to regional grid systems, where the anticipated shortfalls will occur.

5. Public vs. Private Power

Much of the debate over PUD formation centers on the controversial issue of public vs. private power. Simply stated, opponents of the measure perceive the issue as one of free enterprise vs. government take-over. Proponents see the problem as public vs. private control of electrical power within Multnomah County.

Opponents of the measure maintain that investor-owned utilities can deliver power more reliably and less expensively than the public sector. They view PUDs as an extension of government with extraordinary powers to levy and collect taxes, to condemn private property and to issue bonds.

Proponents contend that, because a PUD's board of directors is elected, a PUD would be more responsive and accountable to residents of the county. Proponents see local control as a principal benefit of PUD formation.

The issue of public vs. private power is often oversimplified and misunderstood because of the rhetoric used in the PUD campaign. The issue of energy and its development and control is of enormous complexity. It is not just a local issue (ending at a county's border) but is state-wide, regional and even international in scope. The Northwest has at present a regional energy system built primarily around the Columbia River Basin.

The Northwest Regional Power Bill, if enacted, will create a regional council consisting of eight representatives with the states of Oregon, Washington, Idaho and Montana each having two delegates. The council will have important duties and responsibilities including a mandate to devise a regional electrical conservation and power plan within two years. Under the Northwest Regional Power Bill, it seems likely that the public will be involved in the development of the region's energy resources through advisory committees and public hearings.

The voter will have the opportunity to decide in November whether the state of Oregon's and the Northwest's energy future would be better served by the present integrated electrical distribution system operated by investor-owned utilities or by the formation of a number of separate and legally independent PUDs.

VII. MAJORITY CONCLUSIONS

Your Committee has carefully reviewed testimony gathered from both proponents and opponents of the proposed Measure and reports relating to PUD formation in Multnomah County.

PUD proponents state that a primary reason for forming a People's Utility District is the prospect of lower utility rates for residents of Multnomah County. The Majority of your Committee has concluded that the Northwest Regional Power Bill, if enacted, or DRPA, will likely result in a lowering of utility rates for residential customers of PGE and PP&L in the county. On balance, the Majority of your Committee considered these legislative measures to be a reasonable alternative to PUD formation without causing the tax burden and other uncertainties associated with the start-up of a PUD.

The Majority also concluded that the availability and wholesale cost of electrical power for new PUDs are uncertain if the Northwest Regional Power Bill is not enacted. Because of this uncertainty, the wholesale power cost for new PUDs and the retail rates they will charge cannot be accurately predicted at this time. The Majority concluded that PUD formation would not guarantee a lowering of electrical rates over those presently charged by the investor-owned utilities in the county.

The Majority was also persuaded that the enormous costs and probable delays (up to ten years) resulting from the condemnation of all properties of PGE and PP&L in Multnomah County were not in the best interests of the county's taxpayers, particularly in light of the federal and state legislative measures that may improve the county's energy future.

VIII. MAJORITY RECOMMENDATION

The Majority of your Committee recommends a NO vote on Multnomah County Measure No. 11 at the November 4, 1980 general election.

Respectfully submitted,

Dan Hay
Greg Hutchins
Paul D. Kester
Sally Schultz
Douglas Seymour
John R. Bakkensen, Chairman

For the Majority

IX. MINORITY DISCUSSION AND CONCLUSIONS

The Minority of your Committee believes that the passage of Measure No. 11 is a step in the direction of encouraging energy production and providing electricity at a lower cost than private utilities will be able to do in the future.

The operation of a PUD electric district in Multnomah County would result in the following advantages:

1. Lower financing cost for future generating facilities.

The PUD will be empowered, upon voter approval, to issue revenue bonds [ORS 261.355(6)] or general obligation bonds (ORS 261.360) that would be exempt from both federal and Oregon income taxes. For the initial acquisition of the utility system only revenue bonds can be issued [ORS 261.355 (6)]. According to a local attorney specializing in bond issues, in the present market revenue bond interest would be 3 to 3-1/2% lower than private utilities could achieve and general obligation bonds would be 5 to 5-1/2% lower.

The present projection of Oregon energy requirements indicates that several power plants will have to be constructed in the coming decades to meet our energy needs. The lower financing cost offered by the PUD will result in a substantial savings to the ratepayers of this county.

2. A PUD would not pay dividends.

A PUD would have no stockholders. Therefore, no dividends would be paid. This substantial savings could be passed on to the ratepayers of the district.

3. A PUD would decrease society's overall bureaucracy.

The Multnomah County PUD operation would be much reduced from the complex, hierarchical and departmentalized bureaucracies of the private utilities for which ratepayers presently pay. The PUD would operate under one manager who is appointed by the elected five member board.

The PUD organization would not duplicate the size of a private utility. For example, the PUD would not have to expend efforts and funds to keep track of stockholders and improve corporate relations with stockholders. Public relations efforts would be reduced as would the efforts now required of investor-owned utilities to prepare for and participate in the Public Utility Commissioner's rate hearings. Since the PUD would set its own rates, the costly and bureaucratic PUC rate-setting process would be eliminated. In fact, if enough PUDs become operational in Oregon, the Public Utility Commissioner's staff requirements could decrease.

4. A PUD would increase promotion of conservation and alternative energy.

Producers of alternative energy that want to sell their power must sell to a utility. Under federal law the utility must pay its retail rates to these power producers. Because there is no spread between power cost and sales price there is no incentive (i.e. profit) for private utilities to promote decentralized energy production.

The PUD would not have to show a return to the stockholders. According to many of the persons running for the PUD board of directors, the PUD would give preference to localized projects in which Multnomah County citizens would be employed. Additionally, the PUD could provide technical information, low interest financing, and provide information on federal grants and programs on "alternative energy production."

The private utilities have little or no economic reason to promote conservation. Present conservation programs of private utilities are mandated by the Oregon legislature and enforced by the Public Utility Commissioner. The low interest loans and rebates utilized by some ratepayers are subsidized by other ratepayers. This subsidization comes in the form of higher electricity rates for all users of electricity to pay for these loans and rebates.

The PUD, in considering what is best for the ratepayers, could promote conservation by adjusting electricity rates to reflect the marginal economic cost of not conserving. The PUD could also provide low interest conservation loans without subsidization because of lower financing costs.

5. Tax burden to taxpayers would decrease.

Presently, customers of private utilities are charged an implicit tax. The tax is implicit in that rates are set to produce an after tax return on investment to stockholders. This increases electric rates so that indirectly, ratepayers are paying for the private utilities' federal and state income taxes.

A PUD would not pay any federal or state income taxes and could reduce electric rates accordingly. Ballot Measure 11 would levy an initial property tax of approximately two cents per thousand dollars of assessed value. Similar voter-approved taxes may be expended to pay for legal expenses incurred to acquire the utility system. But the elimination of federal and state income taxes from electric rates would many times offset the taxes required by Measure 11 and possible similar levys.

After the PUD system is operational all costs, assuming general obligation bonds are not issued (as is usually the case), would be covered by operating revenues. The issuance of PUD revenue bonds, which are the only type of bonds that can be issued for the acquisition of the utility system, would not cost the taxpayers one cent in taxes.

The cost of the PUD's electricity will also be affected by the initial purchase price of the private utilities' distribution systems. PGE and PP&L claim the value of their systems in Multnomah County to be \$1.34 billion (5.5 times gross revenues). This \$1.34 billion value is high for two reasons. First, low utility stock prices indicate that a capitalized factor somewhat less than 5.5 would be appropriate. Secondly, the gross revenue figure is inflated due to the high cost of power generation. The high generating cost has no bearing on the value of the distribution system.

An engineering feasibility study for the Emerald PUD in Lane County valued that distribution system in a range of \$13 to \$20 million. Compare this to \$55 million claimed by PP&L as the value of its system that is now serving the area of the Emerald PUD.

6. BPA Power Preference for Public Bodies

Enumerated above are some of the economic reasons for forming a PUD -- lower financing costs, absence of shareholder dividends, absence of income taxes, and reduction in bureaucracy. These reasons in themselves are enough to form a PUD.

An additional reason to form a PUD is the preference given to a PUD and other "public bodies" in the allocation of BPA power.

The preference given to a PUD will only be effective if the Northwest Regional Power Bill (NRPB) fails. This bill has been deferred to the "lame duck" session starting in November. There are indications that the NRPB will fail.

BPA power, with its high proportion of hydro-electricity, will always cost less than power from new thermal generating plants. Firm BPA power received by the PUD would negate the necessity of building expensive new thermal generating plants for the amount of power received from BPA. This would result in a substantial savings to the ratepayers of Multnomah County.

If the NRPB is not passed, the state may activate the Domestic and Rural Power Authority (DRPA) in an attempt to obtain BPA power for residential consumers. A local PUD would be preferred to a state PUD (i.e., DRPA) for several reasons. First, the maximum amount of BPA power that DRPA could receive under the proposed BPA allocation policy would only be approximately 45 percent of the maximum amount that a local PUD could acquire. Under BPA's proposed allocation policy, available power would be allocated to new PUDs based on total energy requirements. According to a PGE employee, approximately 45 percent of the electricity in the state is used by residential consumers. Therefore, under the proposed BPA allocation policy the maximum amount of power DRPA could receive would only be approximately 45 percent of what a local PUD could receive.

Secondly, DRPA will be subjected to extensive litigation by present PUDs. This litigation could take much longer than a local PUD condemnation proceeding. If the litigation is successful it is possible that DRPA would not receive any BPA power. A local operating PUD could be assured of receiving some BPA power under the proposed regulations.

Finally, DRPA will not give any local control to the citizens of Multnomah County.

7. Local Control

A PUD, with a directly-elected citizen board of directors, will report directly to the people and through this mechanism, the public's choices can be impressed upon the decision-makers without the burden of administrative procedures. Direct public accountability is assured.

This democratic method would be superior to the present situation of rate-setting by the Public Utility Commissioner, an appointed bureaucrat who is not subject to recall by the people.

The argument is raised that there can be no local control under the Pacific Northwest regional power system.

There can be local control. Projections show that we will need more power in the future. If the Northwest Regional Power Bill does not pass, an operating Multnomah County PUD would have complete control in providing energy and encouraging conservation.

The passage of the Northwest Regional Power Bvill would reduce local control. However, the NRPB gives billing credits for districts achieving conservation in excess of the amount required under a (to be adopted) plan and for the development of new energy sources. The people of Multnomah County, through a PUD, would have a voice in how this conservation is achieved and the method and amount, if any, of energy that would be developed to obtain billing credits.

X. MINORITY RECOMMENDATION

The Minority recommends a YES vote on Multnomah County Measure No. 11 at the November 4, 1980 general election.

Respectfully submitted,

Charles L. McGehee

For the Minority

APPENDIX A
PERSONS INTERVIEWED

Richard Bauman, campaign manager, Multnomah County PUD Coalition
 Russ Farrell, sponsor, Multnomah County PUD initiative petition
 Beverly Stein, attorney, candidate for PUD board
 Dr. Morton Paglin, economist, Portland State University, and spokesman for
 Oregonians Against the Government Takeovers
 Robert Harrington, attorney, Stoel, Rives, Boley, Fraser & Wyse,
 representing Pacific Power & Light Co.
 Chuck Heinrich, vice president, Portland General Electric
 Myron B. Katz, economist, Planning Officer, BPA
 Michael Grainey, Deputy Director, Oregon Department of Energy
 George W. Starr, candidate for PUD board
 Robert E. Phillips, candidate for PUD board
 Frank J. Knapp, candidate for PUD board
 Robert M. Greening, Jr., Manager, Public Power Council
 John Lobdell, Oregon Public Utility Commissioner
 Howard Rankin, attorney
 Janet McLennan, attorney, Assistant to Power Manager, BPA

APPENDIX B
BIBLIOGRAPHY

- City Club of Portland. Report on "City Purchase, Certain Pacific Power
 Facilities." Bulletin, October 27, 1976.
 Report on "Shortens Formation Procedures for People's Utility
 Districts," Bulletin, October 27, 1978.
 Report on "Limitations on Public Utility Rate Base," Bulletin, October
 30, 1978.
- Initiative Petition 674 (1980).
- MacColl, E. Kimbark. The Growth of a City. Georgian Press, Portland,
 Oregon, 1979.
- "Analysis of Costs to Acquire and Operate a PUD in Multnomah County."
 Prepared by Portland General Electric and Pacific Power & Light Co.
 May 22, 1980.
- Oregon Department of Energy. Report on Proposed Multnomah County People's
 Utility District. May 30, 1980.
- Testimony of the Bonneville Power Administration Before the State of
 Oregon Department of Energy Hearings on the Advisability of Forming
 New People's Utility Districts. BPA, 1980.
- Letter to City Club Committee. Bud Rahberger, vice president,
 International Woodworkers of America, Portland, September 4, 1980.