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ENRON FIASCO THREATENS OREGON RATEPAYERS' POCKETBOOKS

Opponents of 1997 Enron/PGE merger warn of bankruptcy consequences.

"We always said that Enron was bad news." -- Lloyd K. Marbet

Contrary to the public statements of the chair of the Oregon Public Utility Commission (OPUC), the imminent bankruptcy of Enron, the owner of Portland General Electric Co. (PGE), does threaten the wallets of Oregon electric ratepayers.

The Oregonian on November 29 reported that the chair of the OPUC, Roy Hemmingway, "says the firewalls separating PGE's balance sheet from its corporate parent company are solid," referring to "rules governing the transfer of PGE's assets in any six-month period."

"To the contrary, the federal bankruptcy court will have broad power to determine how assets owned by Enron are sold, including PGE," said public interest attorney Dan Meek. "If the court orders the assets sold in a way to maximize the money available to creditors, the result could be significant additional rate increases for PGE ratepayers in Oregon."

The bulk of the net value of PGE is its transmission lines and its hydroelectric generation. If these assets were sold separately to companies that are not regulated electric distribution utilities in Oregon, then Oregon ratepayers could lose the equivalent of over \$1 billion in value. Since those assets would be worth far more in the hands of a non-utility company, the Enron creditors would argue for the court to order PGE's electric distribution, generation, and transmission assets be sold separately.

Northwest Natural Gas Co. filed on November 28 an application for OPUC approval of a plan to buy PGE from Enron. Whether that transaction occurs will be up to a federal judge, if indeed Enron goes into bankruptcy, as expected.

Currently, Pacific Gas & Electric Company (PG&E) in California has filed for bankruptcy and has proposed selling off its transmission assets and hydroelectric

assets to unregulated companies in order to raise money for creditors. "We could see the same thing happen with PGE," said Meek.

The Utility Reform Project (URP) and Marbet were the only parties to oppose the OPUC 1997 order allowing Enron to acquire the assets of PGE. URP, Marbet, and environmental activist Larry Tuttle were the only parties to challenge that 1997 OPUC order in the courts. The Oregon Court of Appeals rejected their challenges in December 2000.

The merger approval order called for Enron to pay a credit to PGE ratepayers of \$105 million. After paying only \$32 million, however, Enron/PGE in August 2000 made a "deal" with the Oregon Citizens Utility Board (CUB) and the OPUC staff to cancel the remaining \$73 million owed to Oregon ratepayers as part of a "stipulation" that in fact allowed PGE to continue to charge ratepayers to earn profits on the Trojan nuclear power plant. Marbet and URP are challenging the September 2000 OPUC order adopting this "stipulation," which included a payment by Enron/PGE to CUB of \$227,000.

"So the alleged benefit to ratepayers of the Enron-PGE merger never happened," said Meek. "PGE and the OPUC staff admitted under oath at a hearing in July 2001 that their "stipulation" had the result of raising PGE rates in Oregon by \$25.7 million in the current year, above and beyond the charges for Trojan contained in the 1995 OPUC order that the Oregon courts have ruled to be illegal," said Meek.¹

"Enron's dealings in Oregon have been a fiasco for Oregon ratepayers," said Lloyd Marbet. "We tried to stop them but they bought approval with money and big promises. Then they paid CUB to get out of their promises. Now Enron's bankruptcy could end up costing us more and more."

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1. For more information on the shocking Enron/PGE-CUB "stipulation," see <ftp://ftp.voters.net/urp/trojsum.htm>, which documents:

If OPUC Order No. 00-601 had been a lawful order, consistent with **CUB/URP v. OPUC**, it would have, at an absolute minimum, removed all Trojan investment-related charges from rates. Taking into account the amounts already paid by ratepayers in Trojan investment-related charges since the permanent closure of Trojan in November 1992, OPUC Order No. 00-601 should have ordered a refund of at least \$139 million. Instead, OPUC Order No. 00-601 sought to impose on ratepayers a net present value **additional cost** of \$211.5 million.