

Logistics of Acquisition and Operation

PGE/Enron, and those who've accepted its rhetoric, warn of huge costs in converting all or part of the private utility to public ownership. PGE/Enron warns of a "Swiss cheese effect" resulting in higher prices if parts of the territory become public while others remain with PGE/Enron. Yet this "Swiss cheese" condition exists already.

The PGE/Enron service area is already broken up by the service areas of PP&L, the Columbia River PUD, the Salem, McMinnville, and Forest Grove municipal utilities, and here in Clackamas County, the Canby Utility District. Specific to residential users, Canby's 5.75 cents per kWh is 28 percent less than PGE's 8.03. PGE/Enron never mentions that ALL of the above "Swiss cheese" holes enjoy significantly lower electric rates than PGE/Enron served areas.

The formation of a PUD requires two elections. In the first, voters would choose city-by-city whether to be part of the PUD. They'd also authorize a one-time levy to pay for an engineer's report and second election (equal to only \$3 per million dollars of assessed valuation). Voters would also elect a five-member board of directors who must be residents of the PUD community.

In a second election, voters would authorize the selling of revenue bonds to purchase PGE's Clackamas County assets. The bonds are tax-exempt and attractive to investors, while providing a substantial cost advantage for the new utility.

The process of bringing public power to Clackamas County would then proceed in one of two ways. Either: 1) Officials can find agreement with Enron, its creditors, or owner at the time on a purchase price; or 2) The PUD could take control of the utility through its powers of eminent domain. In this scenario, there would be a formal appraisal of PGE's assets and if either party disagreed with the appraisal, they would go to court to negotiate a price. The determination would be from an Oregon jury, not the federal bankruptcy court.

The logistics of separating parts of the distribution system are not difficult or expensive. When Columbia River PUD went into operation in the early eighties, reported costs were less than \$100,000 to separate parts of Columbia County's distribution system from PGE.

PGE used the "Swiss-cheese effect" argument in its anti-PUD campaign at that time and the cities of St. Helens, Scappoose, Columbia City, and Rainier voted against joining the Columbia River PUD. Yet residents in those cities found themselves paying to PGE/Enron much higher rates than what the PUD customers were paying. In the late nineties, the cities annexed themselves to the Columbia River PUD, and in Rainier's case, the Clatskanie PUD. The transition costs were almost nil. Columbia River PUD customers pay 24.4 percent less than PGE ratepayers. Clatskanie PUD ratepayers pay 55.7 percent less.

The creation of future PUDs does not require that the PGE distribution system be broken apart. PGE can sell its entire distribution system to a group of PUDs that would operate under an ORS Chapter 190 intergovernmental agreement. Existing PUDs already employ this method to consolidate aspects of service delivery while maintaining local control over utility policy. PUDs have a history of working well together.

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