

PGE's Trojan Nuclear Power Plant Rip-off

In 1992, a ballot measure attempted to close Trojan. PGE spent over \$5 million to defeat it in what is still the most expensive ballot measure campaign in state history. Two earlier measures were also defeated by PGE.

In the 1992 measure, PGE insisted that Trojan was both safe and efficient.

Within a week of the 1992 election, and after the plant suffered another steam generator tube leak of radioactive water, PGE shut down Trojan permanently.

Because of Measure 9 (1978), PGE was not supposed to continue charging ratepayers either for its investment in Trojan or a profit.

In 1978, Oregon voters overwhelmingly passed Measure 9 by a vote of 69 to 21 percent. It was a statutory initiative prohibiting electric and telephone utilities from charging ratepayers for utility plant or equipment not providing service to customers.

Yet PGE used its political clout to put itself above the law.

In 1995, the Oregon Public Utility Commission (PUC) allowed PGE to "continue" charging ratepayers both for return of the investment over the original expected 35-year life of Trojan and a 13% profit before taxes, for a total of \$251 million of Trojan investment and \$304 million for profit over the following 17 years. This was in addition to charging ratepayers \$300 million in decommissioning costs over 17 years.

The Utility Reform Project (URP), the Citizens' Utility Board of Oregon (CUB), and Lloyd K. Marbet appealed the PUC decision through the courts, winning in a trial court. The decision was appealed. In June 1998, the Oregon Court of Appeals agreed with consumer advocates. It stated that allowing the \$304 million in profit was a violation of 1978's Measure 9. The Court interpreted the 1978 statutory initiative as prohibiting a "return on" or profit on plants or equipment not providing service.

Soon after, contributions to 1998 candidates for the Oregon Legislature were substantially increased. When the Legislature convened in January 1999, PGE had State Representative Jim Hill (R-Hillsboro) introduced House Bill 3220 to overturn the

decision of the Court of Appeals. HB 3220 allowed regulated utilities (electric, phone, gas, water) to charge rates high enough to give the utilities profits on "retired" plants and property no longer providing service, including plants that had stopped working.

Representative Hill was quoted in a newspaper as saying he was "carrying water for the utilities." The bill was written to be retroactive to allow PGE profits on the Trojan nuclear plant, at that point closed for over seven years. The Legislature passed HB 3220 and Governor Kitzhaber signed it.

Consumer advocates gathered signatures to place a referendum on the November 2000 ballot. It became Measure 90. Their goal was to overturn House Bill 3220 and a "no" vote would reject the previous year's legislation. Voters smartly defeated Measure 90 by a vote of 1,208,545 to 158,810.

Yet before the actual vote, the Citizens' Utility Board of Oregon (CUB) entered into a settlement agreement with PGE under which CUB withdrew from all pending lawsuits and supported a deal highly favorable to PGE. CUB received a payment from PGE of over \$227,000 as part of the arrangement.

The pro-consumer group, Utility Reform Project, filed a complaint at the Oregon PUC challenging the deal, stating it was illegal under Ballot Measure 9 of 1978 and the 1998 Oregon Court of Appeals ruling.

As of October 1, 2001, PGE ratepayers had paid PGE more than the full investment of Trojan, about \$250 million, plus an additional \$186 million. The settlement between CUB and PGE prevented refunds to ratepayers. It also provided PGE:

- \$161.9 million in credits owed to ratepayers when PGE sold itself to Enron in 1996 and sold long-term power contracts to California;
- \$15.4 million in NEIL (nuclear industry insurance) distributions;

In addition, it imposed on ratepayers:

- An additional \$36.7 million (present value) cost in the form of a “new Regulatory Asset.” “Offsetting” this admitted \$214 million (present value) cost to ratepayers is a “Customer Credit” of \$2.5 million, leaving ratepayers with a net cost of \$211.5 million (present value) from the “CUB Stipulation”. This is on top of everything ratepayers had already paid. So it gives up \$400 million (present value) that would otherwise have been credited to ratepayers over the next 10 years.

PGE and the OPUC staff admitted, under oath, that the Settlement actually increased PGE's rates by \$25.7 million as of October 1, 2001 and would further increase PGE's rates by \$15.7 million in 2002 and 2003.

On April 2002, the OPUC once again approved the agreement. The Utility Reform Project appealed their decision.

On November 7, 2003, the Marion County Circuit Court ruled that PGE must refund to ratepayers “the full amount of all excessive and unlawful charges collected by the utility for a return on its Trojan investment as previously determined to be improper by both this Court and the Court of Appeals.”

PGE has appealed the ruling. In doing so, it once again proves its disdain for ratepayers and that it believes it's above the law. (1978's Measure 9)

Please join Clackamas Public Power as our electrical needs will be best served by ratepayer-owners.