

## Restructuring in Oregon

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only exacerbate congestion and contribute to higher prices.

I agree there are a lot of things markets do very well. Competition tends to allocate social and economic resources more efficiently than a command and control economy. However, the fact that free markets are good does not mean that

freer markets are always better. That is certainly true for the

generation, transmission, and distribution of electricity.

Congressman Peter DeFazio (no photo available) is senior member of the Resources Committee where he serves on the Water and Power Subcommittee which has jurisdiction over the Bonneville Power Administration (BPA). Earlier this year, DeFazio introduced legislation to re-regulate the energy industry. In 2000, DeFazio was instrumental in enacting legislation to give Bonneville Power Administration the authority to sell power to Joint Operating Entities (JOEs). JOEs will allow smaller, customer-owned utilities to more effectively purchase their power from BPA and achieve more efficiency in their operations.

by Jeff Bissonnette, Organizing Director of FCEC

**W**hen Congress passed the Federal Energy Policy Act in 1992, serious questions confronted the public interest community in Oregon, and answers were not readily apparent.

During a long history of rate-case battles, advocates for residential consumers and commercial representatives each struggled to avoid shouldering an inordinate share of the electric system's costs. Consumer groups, environmental organizations, and human-service agencies often worked, if not at cross-purposes, then certainly with little unity. Public interest advocacy models in other states offered little guidance.

In Illinois, consumer groups and agencies representing low-income citizens had secured fairly strong protections and substantial funding for rate-payment assistance at the expense of legitimate concerns raised by the environ-

mental community. In California, the environmental community had ensured significant funding for new energy conservation and renewable energy investments, but consumer groups had been unable to protect their constituents from the manipulations of marketers and suppliers.

### Deregulation in the Northwest

In Oregon and throughout the Northwest, the issues around retail deregulation reached the public agenda in late 1996. A joint effort by parties throughout the region had just completed a year-long Comprehensive Review of the Northwest Energy System at the request of the four Northwest

governors. The review looked at how the restructuring put in motion by the Federal Energy Policy Act of 1992 might affect our region. While the Review provided a basic roadmap for restructuring in the Northwest, it carried no legal weight. Each state would establish its own plans, policies, and programs, particularly regarding transactions at the retail level.

Oregon's public interest community began to grapple with the issues of conservation and the need for investment in renewable energy, as well as the social component of free markets. Both Oregon's world class conservation program and renewables had been cut back drastically.

The federal government had cut low-income rate-payment assistance programs to half of what they had been a few years before. Finally, industrial and commercial interests were pressuring Oregon state legislators to deregulate the electricity industry.

### The Formation of the Fair and Clean Energy Coalition

To address these concerns, several consumer groups, environmental organizations, and human-service agencies—including the Citizens' Utility Board, Renewable Northwest Project, Oregon State Public Interest Research Group, the Northwest Energy Coalition, AARP, and several others—came together and quickly reached consensus on a few key issues. First, because many groups felt that the status quo was not desirable, they recognized that

simply saying “no” to deregulation would not be practical.

To avoid the problems suffered in many other states, leaders from the Oregon public interest groups decided to form a coalition that would develop its own proposals. First, it adopted the following principles: any plan to restructure Oregon’s electricity industry should benefit and protect small electricity consumers, protect Oregon’s environment, and ensure affordable electricity for all Oregonians. At the heart of these principles was the desire to create a state energy policy that provided fair rates for customers and a clean electricity system. The groups rallied around a name that reflected its organizing principles: “Fair and Clean Energy Coalition (FCEC).” Members of FCEC also challenged themselves to coordinate and cooperate at a level unprecedented anywhere else in the country.

Next, we created detailed policy from basic principles and launched a campaign to attract more public interest groups and organizations. A dizzying array of questions were raised, debated, revisited, and gradually settled. At the time, other states had applied deregulation to all customer classes. FCEC wanted to let industrial and commercial customers deregulate, while keeping residential customers under a regulated, cost-based rate system. We wanted to know which would benefit the environment more: a regulated or a market based system. How much money was needed to expand rate-payment assistance in Oregon? How did other changes affect that need? Coalition members quickly realized that no one group would get everything it wanted, and that very little would be won if the coalition disbanded.

### The Growing Influence of FCEC

In the 1997 legislative session, the Oregon House of Representatives formed a special committee to examine energy deregulation and develop a proposal for the state. FCEC became a player in the negotiations when it introduced its own bill. While we made progress that year educating legislators, the state assembly did not adopt restructuring legislation in the 1997 session.

Realizing we needed even more support, members of the coalition launched a public education campaign. FCEC recruited a statewide network of individual activists to write letters and make phone calls to policymakers in support of a public interest restructuring agenda.

Meanwhile, in 1998 a debate before the Oregon Public Utility Commission (OPUC) provided the coalition with an excellent forum to address key issues and put forth its own proposals. Portland General Electric (PGE) had initiated a proceeding before OPUC that would put all PGE customers in the retail energy market. The move followed PGE’s purchase the year before by Enron, one of the nation’s leading proponents of energy deregulation. PGE’s proposal contained no provisions for conservation or renewable energy investments, and did not mention any need to support or expand rate-payment assistance for low-income households. The proposal and its omissions put FCEC into the public arena, gave coalition members more clout, and mobilized other organizations

and individual citizens throughout the state.

By the time the legislature convened in January 1999, the coalition had grown to nearly 120 member organizations which

posals to community and civic organizations, and created a video presentation to support the public education effort.

As our numbers grew and our positions crystallized, FCEC became a force to be reckoned with in both the OPUC proceedings and the State Legislature. Although the coalition did not have the political power to ensure the adoption of its own plan, we did have the clout to veto the plans we opposed, and were able to influence policymakers to include provisions critical to our constituents.

Early in the 1999 legislative session, the PUC almost completely rejected PGE’s deregulation plan and indicated support for a broad range of public interest proposals put forth by FCEC. This boosted the coalition’s influence with utilities, commercial customers, industrial customers, energy-marketing interests, and everyone else.

Had the public interest community allowed itself to splinter at this point, it could not have negotiated effectively with larger, more powerful interests. When coalition members met to monitor the progress of the negotiations, we stuck to our position that the original three principles had to be met before an agreement was reached. Before FCEC publicly supported any plan, we had to guarantee that the plan addressed the fundamental interests of our constituency.

In the 1999 session, many Democrats were nervous about anything resembling “deregula-

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represented the collaboration of consumer, senior-citizen, faith-based, environmental, civic organizations, and human-service agencies. Members of the coalition organized a “Rapid Response Team” of almost 500 individuals—located in every legislative district throughout the state—who pledged to write letters, make phone calls, or send e-mails at critical times to ensure the public interest had a voice in Oregon’s energy future. A coalition speakers’ bureau offered ongoing presentations on the implications of energy restructuring, outlined the coalition’s pro-

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tion,” while many Republicans were hostile to environmental or “public purpose” concerns. To avoid the piecemeal legislative “solutions” that comprised deregulation in other states, our coalition crafted a nonpartisan proposal we thought would gather support from both the predominantly Republican legislature and the Democratic governor and his office. A remarkable collection of public interest advocates and business interests were, for the most part, able to speak with one voice in support of Senate Bill 1149.

### A Uniquely Balanced Plan for Deregulation

FCEC’s plan provided retail access for commercial and industrial customers, protections from stranded costs (*see glossary -ed.*) for the private utilities, and an opt-out for consumer-owned utilities. In return for meeting the utilities’ needs we won a number of things: choices—but not deregulation—for residential and small business consumers, a three-percent public-purposes fund for renewables and conservation to be administered by the Energy Trust (including weatherization for low-income homes), and \$10 million per year for rate-payment assistance. Finally, in order to

convince customers and legislators to proceed in spite of volatile wholesale markets, the value of utilities’ generating plants (paid for by customers’ rates) would be rebated and not be left as a windfall for utilities. This unique set of balanced protections resulted in the endorsement of the final bill by a huge coalition of utility, business, regulating, environmental, and consumer interests.

SB 1149 requires that those customers who go to market pay their share of the system’s maintenance costs. It guarantees that cost shifting (*see glossary -ed.*) among customer classes will end, it does not require the sale of any generating assets, and it mandates one of the largest investments in energy conservation and renewable energy technology in the nation. Finally, the bill nearly doubles the amount of money available to Oregon to fund an expanded rate-payment assistance program so that far fewer low-income Oregonians will face “heat-or-eat” decisions. States whose restructuring legislation followed a more traditional “deregulation” model have begun to examine Oregon’s plan more closely in the aftermath of California’s energy mayhem.

### An Ongoing Struggle

During the last legislative session, California’s nightmare entangled Oregon. The coalition galvanized to convince the legislature that consumers were protected under Oregon’s new law. We also clarified that, through the conservation and renewable energy investments required in our bill, the state would have effective tools to deal with the

future energy crises. Phone calls, e-mails, and faxes urged legislators not to repeal or significantly delay the bill. In the end, though its implementation was delayed for five months, we preserved the law intact.

### The Coalition’s Impact

Coalition members consider our effort to be an excellent model for other coalitions. We recognize the work required by the ongoing discussion and negotiation and we also see the results of maintaining a unified front. The scope, depth, and breadth of the coalition—with a membership including the Citizens’ Utility Board, OSPiRG, the Northwest Energy Coalition, Renewable Northwest Project, AARP, neighborhood associations, and the Salvation Army—is unprecedented. The coalition has created new working relationships among people and organizations. The public interest community in Oregon is stronger overall because of the coalition’s efforts.

Jeff Bissonnette (no photo available) is the organizing director of the Fair and Clean Energy Coalition. A graduate of the University of Oregon, he has worked in advocacy organizations and political campaigns for nearly twenty years. He is a member of the National Organizers Alliance and is on the steering committee of the Multnomah County chapter of the Oregon League of Conservation Voters.

