

HOUSE COMMITTEE ON ENVIRONMENT

April 07, 2005 Hearing Room D

1:00 P.M. Tapes 33 - 34

Corrected 09/22/05

MEMBERS PRESENT: Rep. Gordon Anderson, Chair

Rep. Bob Jenson, Vice-Chair

Rep. Mary Nolan, Vice-Chair

Rep. Phil Barnhart

Rep. Bill Garrard

Rep. John Lim

Rep. Diane Rosenbaum

STAFF PRESENT: John Houser, Committee Administrator

Mike Reiley, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2593 –Reconsideration and Work Session

Overview of Natural Gas System – Informational Meeting

HM 1 – Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 33, A

003 Chair Anderson Calls the meeting to order at 1:07 p.m. Opens a work session on HB 2593.

HB 2593 –RECONSIDERATION AND WORK SESSION

007 Rep. Nolan **MOTION: Moves to SUSPEND the rules for the purpose of RECONSIDERING the vote by which HB 2593 was sent to the floor with a DO PASS recommendation and requesting the referral to Ways and Means BE RESCINDED.**

VOTE: 5-0-2

EXCUSED: 2 - Barnhart, Rosenbaum

Chair Anderson **Hearing no objection, declares the motion CARRIED.**

018 Rep. Nolan **MOTION: Moves to RECONSIDER the vote by which HB 2593 was sent to the floor with a DO PASS recommendation and requesting the referral to Ways and Means BE RESCINDED.**

VOTE: 5-0-2

EXCUSED: 2 - Barnhart, Rosenbaum

Chair Anderson **Hearing no objection, declares the motion CARRIED.**

025 Rep. Nolan **MOTION: Moves HB 2593 to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the committee on Ways and Means by prior reference.**

030 Rep. Jenson Suggests that a positive recommendation be sent to the committee on Ways and Means.

045 Rep. Nolan Concurs.

050 Rep. Jenson Reiterates why a positive recommendation is needed.

055 Rep. Jenson **MOTION: Moves to AMEND the motion to move HB 2593 to the floor WITHOUT RECOMMENDATION as to passage and BE**

REFERRED to the committee on Ways and Means by prior reference, by inserting "DO PASS" for "WITHOUT RECOMMENDATION AS TO PASSAGE".

VOTE: 5-0-2

EXCUSED: 2 - Barnhart, Rosenbaum

Chair Anderson Hearing no objection, declares the motion CARRIED.

060 Chair Anderson Closes the work session on HB 2593. Opens an informational meeting on the Overview of the Natural Gas System.

OVERVIEW OF THE NATURAL GAS SYSTEM – INFORMATIONAL SYSTEM &

HM 1 – PUBLIC HEARING

077 Gary Bauer Manager, Government Affairs, NW Natural. Submits and summarizes prepared testimony regarding natural gas supplies and federal energy policy (**EXHIBIT A**).

090 Dan Kirschner Executive Director, Northwest Gas Association. Submits and presents PowerPoint presentation and informational packet (**EXHIBIT B**).

115 Kirschner Summarizes the slide “Gas a Vital Part of NW Energy Scene” (**EXHIBIT B, Page 2**).

130 Kirschner Summarizes the slides “The Last Several Years” and “NW 5-Yr Gas Demand Projection” (**EXHIBIT B, Page 3**).

160 Kirschner Summarizes the slides “Supply Basins Serving the NW” and “Supply Area Statistics” (**EXHIBIT B, Page 5**).

176 Kirschner Summarizes the slides “Proved Reserves Are Dynamic” and “WCSB Production” (**EXHIBIT B, Page 6**).

200 Kirschner Summarizes the slides “Rockies to Provide Most Growth” and “Domestic (North American) Supplies” (**EXHIBIT B, Page 7**).

215 Kirschner

Summarizes the slides “Sources of U.S. Natural Gas Supply 2003” and Expected Sources of U.S. Natural Gas Supply 2020” (**EXHIBIT B, Page 8**).

235	Kirschner	Summarizes the slides “Production per Rig” (EXHIBIT B, Page 9).
244	Rep. Barnhart	Asks for a clarification about the decrease of production.
247	Kirschner	Clarifies that it is production per drilling rig and explains the consequences of adding rigs to a field.
250	Rep. Barnhart	Asks how long it will take to produce gas from the lower 48 quadrants.
258	Kirschner	Offers to return information to the committee.
273	Kirschner	Summarizes the slide “Gas Markets are Interconnected” (EXHIBIT B, Page 9).
290	Kirschner	Summarizes the slides “American Gas Foundation Scenario Assumptions” and “Projected Natural Gas Supply (Quads) 2020” (EXHIBIT B, Page 10).
311	Rep. Garrard	Asks if natural gas is used by western states before it is piped to the eastern United States.
320	Kirschner	Answers that gas is sold where it is bought.
334	Rep. Barnhart	Asks about gross and net charges on western gas and if companies are bidding on bulk prices.
344	Bauer	Answers that gas is purchased as a commodity and they pay for a pipeline system.
360	Rep. Garrard	Asks for a connection of east coast demand and west coast price.
367	Bauer	Reiterates that natural gas is a commodity and is traded.
375	Kirschner	

Explains hubs and trading operations. Continues summarizing the slide “Projected Natural Gas Supply (Quads) 2020” (**EXHIBIT B, Page 10**).

TAPE 34, A

004	Kirschner	Summarizes the slides “Actual and Projected Natural Gas Prices (Henry Hub)” and “Supply Conclusions” (EXHIBIT B, Page 11).
010	Kirschner	Summarizes the slide “Pacific NW Infrastructure” (EXHIBIT B, Page 12).
025	Kirschner	Summarizes the slides “Capacity to Serve Demand” and Capacity to Serve Demand: Peak Day” (EXHIBIT B, Page 13).
050	Kirschner	Summarizes the slides “Infrastructure Expands to Meet Demand” and “Capacity Conclusions” (EXHIBIT B, Page 14).
055	Chair Anderson	Clarifies that TCBL is TransCanada.
056	Kirschner	Answers yes.
057	Chair Anderson	Asks if Duke Energy is an American company.
058	Kirschner	Answers that Duke Energy is from North Carolina. Summaries the slides “Change is the Only Constant” and “Final Observations” (EXHIBIT B, Page 15).
086	Rep. Lim	Asks for a comparison to the world market.
088	Kirschner	Answers that he is not familiar with worldwide gas consumption.
093	Rep. Lim	States that he would like the information. Asks if HM 1 (2005) is in Oregon only or similar nationwide.
098	Bauer	Defers to Matt Markee.
104	Chair Anderson	Asks if predictions show an increase for natural gas production.

106	Kirschner	Answers that natural gas is the best fuel for electrical generation. Argues that wind is part of the solution, but not the answer. Notes that Pacific NW has fewer homes heated by natural gas production. Notes the volatility of natural gas prices
140	Chair Anderson	Asks for a comparison of production by type.
150	Kirschner	Answers that he will return information to the committee.
153	Bauer	Notes that the Department of Energy also has information.
156	Chair Anderson	Asks if more natural gas power production facilities are being built in Oregon.
158	Kirschner	Responds that four or five that are under consideration. Defers to Mr. Bauer.
164	Bauer	Responds.
172	Chair Anderson	Questions if it is more expensive to generate power locally.
185	Rep. Garrard	Asks about the possibility of sabotage and terrorism of natural gas lines.
190	Kirschner	Answers that the gas lines are 5 feet underground.
200	Rep. Garrard	Notes that during his term as a Klamath County Commissioner, there were four sabotage attempts.
214	Kirschner	Discusses the sabotage attempts.
221	Bauer	Explains that it is a “fine line” in providing public information without giving away too much.
241	Rep. Barnhart	Asks about the loss of gas due to leakage in their pipes.
243	Kirschner	Defers to Jeff Rush.
252	Rep. Barnhart	Asks about future cost projections for gas.

264	Kirschner	Answers that natural gas was inexpensive, but is now on par with other energy sources.
295	Jim Anderson	Avista Corporation. Submits and summarizes prepared testimony regarding the natural gas system and in support of HM 1 (EXHIBIT C) and a report entitled, "Legislation Aimed at Boosting Natural as Supply and LNG Imports" (EXHIBIT D). Describes
404	Jeff Rush	TransCanada. Submits and offers PowerPoint presentation entitled "TransCanada's GTN System" (EXHIBIT E).

TAPE 33, B

006	Rush	Summarizes the slide "TransCanada Assets" (EXHIBIT E, Page 2).
040	Chair Anderson	Asks which energy source is the most inexpensive.
042	Rush	Explains energy production and cost. Summarizes the slide "Natural Gas Transmission Assets" (EXHIBIT E, Page 2).
102	Chair Anderson	Asks how long the supply would last.
104	Rush	Answers that prior to the North American Free Trade Agreement, Canadian producers were required to have 25 years of gas in reserve and that the requirement is no longer in effect. Notes that 20% of reserves have been tapped. Summarizes the slides "GTN System Overview" and "North American Supply" (EXHIBIT E, Page 3). Explains energy production and demand.
165	Chair Anderson	Asks which counties show the most demand of supply.
170	Rush	Explains the energy demand in various countries. Summarizes the slides "North American Gas Supply" and "Finding the Balance" (EXHIBIT E, Page 4).
195	Rep. Barnhart	Asks if there is any known supply off the Pacific Ocean coast.
200	Rush	Describes energy supplies.
208	Roger Martin	

Williams Company. Clarifies previous testimony regarding pipelines on a map. Notes that the ideal place for building a production facility is where demand is the greatest, in the Willamette Valley, but they are often sited in rural areas because there are fewer objections. Explains the need for security of pipelines.

266 Chair Anderson Closes the informational meeting on the Overview of the Natural Gas System. Opens a public hearing on HM 1.

HM 1 – PUBLIC HEARING

275 Matt Markee American Chemical Council. Testifies in support of HM 1.

305 Rep. Garrard Asks about gas exploration within the United States.

307 Markee Answers that he is unsure.

NOTE: See also testimony of Gary Bauer, N W Natural (EXHIBIT A), and Jim Anderson, Avista Corp. (EXHIBIT C), during overview of the natural gas system in these minutes.

313 Chair Anderson Closes the public hearing on HM 1. Opens a work session on HM 1.

HM 1 – WORK SESSION

320 Rep. Jenson **MOTION: Moves HM 1 be sent to the floor with a BE ADOPTED recommendation.**

325 Rep. Barnhart Asks why the measure is a House Memorial and if it will go to the Senate chamber.

335 Chair Anderson Responds.

345 **VOTE: 7-0-0**

Chair Anderson **Hearing no objection, declares the motion CARRIED.**

380 Chair Anderson Closes the work session on HM 1. Expresses concern about the filming of the 4/5/05 committee hearing. Adjourns the meeting at 2:35 p.m.

EXHIBIT SUMMARY

- A. HM 1 and overview of the Natural Gas System, prepared testimony, Gary Bauer, 1 p
- B. HM 1 and overview of the Natural Gas System, informational packet, Dan Kirschner, 35 pp
- C. HM 1 and overview of the Natural Gas System, prepared testimony, Jim Anderson, 2 pp
- D. HM 1 and overview of the Natural Gas System, report, Jim Anderson, 15 pp
- E. HM 1 and overview of the Natural Gas System, PowerPoint presentation, Jeff Rush, 4 pp