

## SENATE COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT

March 3, 2005  
1:00 P.M.

Hearing Room B  
Tapes 33 - 34

**MEMBERS PRESENT:**     **Sen. Rick Metsger, Chair**  
                                  **Sen. Bruce Starr, Vice-Chair**  
                                  **Sen. Jason Atkinson**  
                                  **Sen. Ryan Deckert**  
                                  **Sen. Laurie Monnes Anderson**

**GUEST MEMBER:**       **Sen. Vicki Walker**

**STAFF PRESENT:**       **Theresa Van Winkle, Committee Administrator**  
                                  **James Goulding, Committee Assistant**

**MEASURES/ISSUES HEARD:**  
                                  **SB 413 – Public Hearing**  
                                  **SB 600 – Public Hearing**  
                                  **SB 671 – Public Hearing**

---

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.

---

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 33, A</b>		
003	Chair Metsger	Calls the committee to order at 1:02 p.m. and opens a public hearing on SB 413.
<b>SB 413 – PUBLIC HEARING</b>		
010	Theresa Van Winkle	Committee Administrator. Explains provisions of SB 413.
020	Rep. Gene Whisnant	Represents House District 53. Testifies in opposition to SB 413.
045	Roger Martin	Central Electric Cooperative. Testifies in favor of SB 413.
090	Al Gonzalez	President & CEO, Central Electric Cooperative. Presents written testimony in favor of SB 413 ( <b>EXHIBIT A</b> ). Testifies in favor of SB 413.
130	Gonzalez	Continues presenting testimony. Remarks on current transmission lines.
150	Martin Hansen	Legal Counsel, Central Electric Cooperative. Testifies in favor of SB 413. Discusses directives and local need to upgrade power infrastructure to keep the area running.
190	Hansen	Talks about the difficulties of trying to get the transmission lines improved. Relates the frustrations with the grandfather clauses allowing huge growth. Outlines fears that electrical needs will exceed supply without an exemption to improve the lines.
230	Hansen	Asserts that the improvement is needed to keep up with power needs.
270	Hansen	Notes that the Oregon Public Utilities Commission (PUC) has directed that they provide a certain level of power. Talks about the risk of brown outs if they are not allowed to improve the power transmission capability.
290	Chair Metsger	Discusses easement and property rights. Asks if Hansen observes the prospect of a building moratorium without electrical upgrade.
300	Hansen	Explains that they have exhausted every other avenue to get this accomplished. Feels this is the only way they can expand.
307	Chair Metsger	Asks if he has considered a Measure 37 claim.
310	Hansen	Says it is a last resort. Feels that Measure 37 claims may not be able to help them with this problem in the future. Says they need this to address future issues.
330	Sen. Monnes Anderson	Wonders why LUBA refused to grant their request.
337	Hansen	Explains that they were refused under the current lawful requirements established in 1962. Notes that the ruling was very narrow and cautious in his opinion.
363	Sen. Monnes Anderson	Asks if the PUC has given them any advice.
365	Hansen	Informs that the PUC does not advise others.
370	Martin	Notes that the proposed -1 amendments to SB 413 ( <b>EXHIBIT B</b> ) are available to the committee and public.

373	Sen. B. Starr	Asks if they were appealed to LUBA and if it exhausted their legal opportunities.
375	Hansen	Replies yes and explains.
400	Sen. B. Starr	Asks if other utilities have encountered the same problems.
405	Hansen	Does not know of a similar situation where utility has been turned down. Replies that most utilities upgrade their power lines without any official approval.
<b>TAPE 34, A</b>		
005	Hansen	Concludes testimony in favor of SB 413.
020	Matt Cyrus	Citizen of Sisters, Oregon. Presents a photograph of a power line ( <b>EXHIBIT C</b> ). Submits a packet of testimony in opposition to SB 413 ( <b>EXHIBIT D</b> ). Notes that the power infrastructure is already in place but not yet in use. Testifies that SB 413 is too strong of a response to such a small issue.
110	Keith Cyrus	Citizen of Sisters, Oregon. Presents photographs of Sisters, Oregon ( <b>EXHIBIT E</b> ). Testifies in opposition to SB 413. Discusses building of the substations in the area and community involvement. Talks about a switch-tower that isn't being used. Agrees that more power and additional line upgrades may be needed, but doesn't feel it is necessary at this time.
150	Keith Cyrus	Continues discussion regarding the frustration of trying to solve this problem. Talks about perception of poor treatment by Central Electric Cooperative.
190	J.R. Gonzales	Program Manager, Oregon Public Utility Commission. Testifies in support of SB 413.
197	Chair Metsger	Asks Gonzales question regarding the legal responsibility of the cooperative under the PUC.
210	Gonzales	Explains.
220	Chair Metsger	Explains scenario and asks Gonzales to discuss what the PUC's role would be.
225	Gonzales	Explains role of the PUC.
240	Sen. Monnes Anderson	Asks if the power lines are used for anything other than power transmission.
245	J.R. Gonzales	Replies that they are power only.
250	Sen. Monnes Anderson	Says it could be a concern. Comments that broadband is very important.
253	Chair Metsger	Wonders about the scenarios proposed by Central Electric Cooperative and how the PUC would respond.
268	Chair Metsger	Close public hearing on SB 413 and opens public hearing on SB 600.
<b><u>SB 600 – PUBLIC HEARING</u></b>		
270	Van Winkle	Committee Administrator. Gives overview of SB 600. Notes the -1 amendments before the committee ( <b>EXHIBIT F</b> ).
285	Schelly Jensen	Verizon. Testifies in favor of SB 600.
315	Chair Metsger	Closes public hearing on SB 600. Opens public hearing on SB 671.
<b><u>SB 671 – PUBLIC HEARING</u></b>		
318	Chair Metsger	Discusses reasons for SB 671 in relation to the proposed purchase of Portland General Electric (PGE) by Texas Pacific Group (TPG).
345	Ron Eachus	Former PUC Chair. Testifies on SB 671.
395	Eachus	Discusses PGE's tax liability and rate structure.
<b>TAPE 33, B</b>		
005	Eachus	Continues to discuss the payment of taxes and liabilities of parent company of PGE.
030	Eachus	Notes the scenarios of disconnecting from a parent company or altering the tax structure.
070	Eachus	Attempts to clear up some of the confusion over comments made by Dr. Peter Kohler at an earlier committee meeting. Talks about payment of debt equity and rate setting by PGE. Remarks that PGE would look pretty good if not owned by Enron. Discusses Oregon Electric's higher debt percentage.
100	Eachus	Concurs with Dr. Kohler's assessment that PGE will be paying Oregon taxes. Talks about unconsolidated filing options.
140	Eachus	Discusses the PUC's options and potential consequences regardless of the resolution.
180	Eachus	Offers that PUC needs to make their decision as soon as possible and let the

		legislature know its options. Feels a lot of critical information is missing on what the impact would be of disconnecting from a parent company.
210	Eachus	Suggests that they need more information to get a better understanding of the issue. Offers some questions to be asked of the Department of Revenue.
250	Eachus	Reiterates the need for additional information from the Department of Revenue.
255	Chair Metsger	Thanks Eachus for his testimony. Notes the lack of time and asks for a summary of remaining points.
270	Eachus	Summarizes the need to define "net benefit" in statute. Discusses merger cases in which a company takes on some risk to make sure the company acts towards the benefit of the customer.
310	Eachus	Details the difficulty in defining net benefit. Offers some standards to examine in the definition. Questions the capabilities of PUC and making sure they have the authority they need. Notes the implications of a repeal of PUHCA.
350	Eachus	Concludes testimony by describing the situation with US West. Describes the Enron scenario.
390	Kevin Lynch	Vice President of Public Affairs, PacificCorp. Submits written testimony on SB 671 ( <b>EXHIBIT G</b> ). Testifies on SB 671.
<b>TAPE 34, B</b>		
005	Lynch	Continues testimony.
095	Gary Bauer	Northwest Natural Gas. Notes that his testimony is included with Mr. Lynch's testimony ( <b>EXHIBIT G</b> ). Discusses merger and acquisition activity.
115	Katherine McDowell	Stoel Rives Law Firm. Notes that she is representing PacificCorp and Northwest Natural. Offers to answer questions of the committee.
120	Sen. Walker	Asks Mr. Lynch if the PUC has oversight of the decisions made regarding the type of equipment purchased and the expense of the equipment.
125	Lynch	Explains.
130	Sen. Walker	Wonders if Lynch would agree that it is a better opportunity for him to get the equipment into his regulated rates.
140	Lynch	Disagrees and notes that the commission has the power to disallow those costs.
150	Jason Eisdorfer	Citizens Utility Board. Presents written testimony in favor of SB 671 ( <b>EXHIBIT H</b> ). Voices his support for the definition of public interest. Approves of provision to allow the PUC some regulatory power after a merger is approved.
190	Eisdorfer	Suggests the PUC also be granted the ability to supervise the performance of a utility.
240	Eisdorfer	Observes the inability to quantify risks until it is too late to do anything about it.
265	Chair Metsger	Asks if the language in SB 671 has addressed that issue.
270	Eisdorfer	Responds.
287	Bill Linden	Industrial Customers of NW Utilities. Testifies in support of SB 671. Concurs that putting "net benefit" in statute is important. Discusses important elements of SB 671.
300	Linden	Suggests possible amendments to delete the 19 business day investigation period. Asks for requirements of "net benefit" be clarified in regards to ownership changes.
330	Chair Metsger	Reiterates information gleaned from testimony.
	<b>The following prepared testimony is submitted for the record without public testimony:</b>	
	Ann Fisher	Citizen. Submits written testimony for the record without public testimony ( <b>EXHIBIT I</b> ).
340	Chair Metsger	Suggests interested parties contact committee staff with recommended changes. Closes public hearing and adjourns the committee at 2:52 p.m.

## **EXHIBIT SUMMARY**

- A. **SB 413, written testimony, Al Gonzalez, 2 pp**
- B. **SB 413, -1 amendments, staff, 2 pp**
- C. **SB 413, photographs, Matt Cyrus, 2 pp**

- D. **SB 413, informational packet, Matt Cyrus, 47 pp**
- E. **SB 413, photographs, Keith Cyrus, 2 pp**
- F. **SB 600, -1 amendments, staff, 5 pp**
- G. **SB 671, written testimony, Kevin Lynch, 3 pp**
- H. **SB 671, written testimony, Jason Eisdorfer, 2 pp**
- I. **SB 671, written testimony, Ann Fisher, 2 pp**