

SENATE COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT

April 14, 2005
1:15 PM

Hearing Room B
Tapes 60 - 61

MEMBERS PRESENT: Sen. Rick Metsger, Chair
Sen. Ryan Deckert
Sen. Laurie Monnes Anderson

GUEST MEMBER: Sen. Vicki Walker, Senate District 7

MEMBER EXCUSED: Sen. Bruce Starr, Vice-Chair
Sen. Jason Atkinson

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

MEASURES/ISSUES HEARD:
SB 1008 – 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>
TAPE 60, A 003	Chair Metsger	Calls the meeting to order at 1:20 p.m. Provides an overview of the public utility issues under review. Opens a public hearing on SB 1008.
<u>SB 1008 – PUBLIC HEARING</u>		
031	Sen. Ryan Deckert	Senate District 14. Presents written testimony in favor of SB 1008 (EXHIBIT A). Relates the process of bill development and the work group involved. Discusses the -5 proposed amendments to the bill (EXHIBIT B). Provides an overview of how SB 1008 would structure a public utility. Addresses the proven model of a consumer-owned utility. Mentions the possibility of preference power from the Bonneville Power Administration (BPA).
130	Sen. David Nelson	Senate District 29. Testifies in favor of SB 1008, addressing the issue of governance. Supports the -5 amendments, but reports additional improvements are welcome. Discusses entities wishing to participate on the board nominating committee. Outlines the makeup of payment and fee structures. Details transition of Portland General Electric (PGE) employee contracts.
227	Rep. Vicki Berger	House District 20. Advocates the passage of SB 1008 to restore local control of utilities. Believes the measure could assist with economic development and job creation. Addresses the issue of accountability in rate-setting and audits. Relates the value of an open and public process.
313	Chair Metsger	Questions where the group is in the process of acquiring the utility for the public.
332	Rep. Berger	Relates pursuit of crafting the best possible option. Observes that the governance issue is at the heart of the matter. Voices her opinion a publicly-owned utility would better serve the entire

		state.
360	Chair Metsger	Inquires regarding the City of Portland's attempts to purchase PGE.
362	Sen. Nelson	Reports on group discussions with the Portland City Council. States the need for only one public entity to bid on the utility, and the proposed SB 1008 has more advantages than Portland.
383	Sen. Deckert	Comments the test is determining the best choice for Oregon. Believes core issues have been defined and action can now be taken.
413	Chair Metsger	Requests confirmation the board would hire the utility administrator.
424	Sen. Deckert	Confirms, yes.
426	Sen. Vicki Walker	Questions why SB 1008 gives the Governor so much control over selection of the board.
448	Sen. Deckert	Explains. Reports the value of gaining meaningful involvement from interested parties.
TAPE 61, A		
009	Sen. Walker	Relates her support of the selection process, but concern only the governor can confirm candidates.
014	Sen. Deckert	Believes confirmation is a constitutional issue.
023	Sen. Walker	Expresses her concern with the executive appointment process. Questions Rep. Berger regarding 30-day notices of rate increases.
030	Rep. Berger	Notes 30-days is a starting point in the discussion.
042	Sen. Walker	Recommends 60-day notice. Inquires about the use of imminent domain.
044	Sen. Nelson	Explains the utility would not be barred from the use of imminent domain in the process of regular business.
055	Sen. Walker	Questions how the debt will be funded.
056	Sen. Nelson	Reviews the bond process.
067	Sen. Monnes Anderson	Comments on public perception and its influence on the process.
084	Jason Eisdorfer	Citizens Utility Board. Testifies in support of SB 1008. Explains investor-owned utilities. Discusses the value in preventing stock distribution. Illustrates with a quote from the Texas Pacific case. Addresses the need for a geographically diverse board. Notes the attempt to identify the powers and authority of the board and integrate the role of Public Utility Commission regulation.
211	Brad Van Cleve	Industrial Customers of Northwest Utilities (ICNU). Submits and reviews written testimony in support of SB 1008 (EXHIBIT C). Discusses PGE rates for industrial customers. Believes public ownership will allow PGE to lower its costs. Relates key elements ICNU wishes to see incorporated in the structure. Summarizes the ongoing role of the PUC. Discusses the rate-setting process.
305	Julie Brandis	Associated Oregon Industries (AOI). Testifies on SB 1008. Believes the ownership of PGE affects the health of Oregon's economy. Discusses the current operation of PGE. Addresses the shortness of 30-day notices for rate increases. Details cost factors and the hope rates can be lower under public ownership.
420	Sen. Walker	Relates her discussion with legislative counsel regarding the appointment of board members, noting the possibility of electing, rather than appointing members.
434	Doug Goe	Orrick, Herrington and Sutcliffe. Reviews the evolution of

Oregon Health and Science University to a public corporation.

TAPE 60, B

005	Goe	Continues testimony. Presents an overview of the proposed financials for PGE, discussing bonds. Notes the value of incorporating flexibility and broad revenue bond and operating powers.
060	Tony Fisher	Managing Director, Municipal Securities Group, UBS Investment Bank. Offers UBS's positive perspective on the acquisition of PGE by a public entity. Provides comparative illustration of the Long Island Power Authority. Discusses financing advantages that will create additional value for the customer.
153	Chair Metsger	Requests confirmation from a financing standpoint, the structure is viable with minor changes.
155	Goe	Confirms, yes, the basic structure is present.
171	Tom Bryan	Chairman, Washington County Board of Commissioners. Relates the various options considered in their region to address the purchase of PGE. Testifies in support of HB 1008. Believes it allows for rate stabilization and an opportunity to benefit the entire state, long term.
252	Sen. Deckert	Inquires regarding next steps should SB 1008 be approved by all parties.
264	Bryan	Mentions possible triggers that could be included. Discusses due diligence.
290	Tony Hyde	Chairman, Columbia County Board of Commissioners. Mentions newer power production plants in their county. Discusses the provisions in the amendments for payment in lieu of taxes and the value that provision would be to their county. Comments he opposes the Portland Plan, noting it could conceptually exacerbate the urban/rural divide.
346	Shantu Shah	Electrical Engineer. Submits and reads written testimony (EXHIBIT D) in opposition to HB 1008. Believes the bill is an attempt to place existing PGE and Enron employees on the state payroll, increasing the entire state budget, while benefiting only a portion of the state. Recommends the bill be put on the ballot of a general election.
454	Chair Metsger	Notes an additional hearing will be held on SB 1008, allowing review of the -4 (EXHIBIT E), -5 and -7 (EXHIBIT F) amendments. Closes the public hearing on SB 1008. Opens a public hearing on SB 671.

TAPE 61, B

SB 671 – PUBLIC HEARING

005	Chair Metsger	Summarizes HB 671. Mentions the -4 (EXHIBIT G) and -5 (EXHIBIT H) amendments to SB 671.
014	Dave Barrows	Oregon Mutual Utility (OMU). Introduces John Stagerberg.
023	John Stagerberg	OMU. Relates the development of OMU. Notes the desire of OMU to facilitate the acquisition of PGE by its customers. Mentions other states from which was borrowed the structure of stranded asset securitization to implement low cost financing. Explains the process, listing the financial companies involved.
100	Barrows	Remarks OMU has not yet had time to examine the proposed amendments, but will provide feedback to the committee as soon as possible.
105	Chair Metsger	Comments SB 671 is a financing mechanism. Questions

		logistically how the proposal could be enacted and useful in the short timeframe before PGE is purchased.
119	Stagerberg	Relates the legislation must be moved in time to begin issuing bonds and gain approval of the PUC.
151	Chair Metsger	Requests an analysis be assembled by the OMU on how the provisions of the bill will be executed upon passage.
160	Sen. Deckert	Questions why ratepayers would hand over a blank check to any entity to negotiate with a trustee.
175	Stagerberg	Replies the legislation had to be postponed until Texas Pacific Group withdrew its attempt to purchase PGE. Notes they have been working to move it along as quickly as possible. Comments on the desire to earn the trust of Oregonian customers.
202	Sen. Deckert	States “trust, but verify.” Inquires regarding the federal tax exemption assumptions.
216	Stagerberg	Discusses related conversations with the IRS.
225	Barrows	Offers to provide information to the committee.
242	Dan Meek	Utility Reform Project. Testifies on SB 671, supporting and opposing various elements of the measure. States SB 671 appears to be counterproductive. Believes the provisions made for public purchase of PGE would also apply to any other possible purchasers.
279	Chair Metsger	Requests Meek’s thoughts on SB 1008.
290	Meek	Comments on his observations of SB 1008. States the City of Portland appears to be in a better position to act than Oregon Community Power.
304	Chair Metsger	Inquires why Meek formed the conclusion the City of Portland was better able to act.
305	Meek	Discusses the due diligence the City of Portland has invested in this project over the last three years. Relates the timing details of transfer, and other points.
380	Chair Metsger	Relates in detail some of the questions left to be answered before moving the bills.
464	Chair Metsger	Closes the public hearing on SB 671. Adjourns the meeting at 3:13 p.m.

EXHIBIT SUMMARY

- A. **SB 1008, written testimony, Sen. Ryan Deckert, 3 pp**
- B. **SB 1008, -5 amendments, Sen. Ryan Deckert, 43 pp**
- C. **SB 1008, written testimony, Brad Van Cleve, 2 pp**
- D. **SB 1008, written testimony, Shantu Shah, 1 p**
- E. **SB 1008, -4 amendments, staff, 41 pp**
- F. **SB 1008, -7 amendments, staff 2 pp**
- G. **SB 671, -4 amendments, staff, 13 pp**
- H. **SB 671, -5 amendments, staff, 4 pp**