

**HOUSE SPECIAL SESSION COMMITTEE ON ECONOMIC GROWTH AND
JOB DEVELOPMENT**

September 13, 2002 Hearing Room 50
10:00 am Tapes 16 - 18

MEMBERS PRESENT: **Rep. Jeff Kropf, Chair**
 Rep. Alan Brown
 Rep. Dan Doyle
 Rep. Elaine Hopson
 Rep. Al King
 Rep. Jerry Krummel
 Rep. Kathy Lowe

STAFF PRESENT: **Ray Kelly, Administrator**
 Nancy Masee, Administrative Support

MEASURE/ISSUES HEARD:
 Informational Meeting - Electric Utilities

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
TAPE 16,A 010	Chair Kropf	Convenes meeting at 4:10 p.m. Introduces Matt Wingard to speak in behalf of Oregonians for Jobs and Power.
INFORMATIONAL MEETING 015	Matt Wingard	Oregonians for Jobs and Power (OJP). (EXHIBIT A-D) Gives presentation on how private investment works as utility ownership. Discusses Oregon Public Power Coalition. Discusses proposals: <ol style="list-style-type: none"> 1) City of Portland <ol style="list-style-type: none"> a) Up to \$3 million to condemn PGE assets b) Purchase service area and developing a structure to run that area. 2) By community <ol style="list-style-type: none"> a) Use PUC District legislation to break up PGE b) Washington, Multnomah, Clackamas, Yamhill, Polk, Marion Counties into 5 Public utilities
	Rep. King Wingard	Asks about BPA power. Savings is through accessing BPA power. Third proposal is: <ol style="list-style-type: none"> 3) Willamette Valley Power (WVP) which is made up of six counties forming a public utility. Discusses use of ORS 190. Explains Eco-Northwest analysis and conclusions about WVP.

	Wingard	Continues discussing Portland General Electric (PGE) Discusses political differences between counties and city of Portland. Discusses the creation of the entity and money that will be made by supporters of that proposal. Discusses the importance of keeping PGE employees in work.
308	Rep. King	Asks if several public entities acquired PGE would they form a municipal jurisdiction in and of themselves, and as an entity conduct their bonding elections.
319	Wingard	Answers there are a number of options being studied including purchase of the entire service area for condemnation. Answers it could be a separate entity. Comments on bankruptcy procedures.
365	Wingard	Continues discussing protections that must be guaranteed by anyone considering a PUD. The counties and some local bodies want a seat at the table. They want ratepayers interests protected. They want community concerns from the region known. Discusses community polls.
422	Rep. King	Asks if Oregonians for Jobs & Power is opposed to any government organization acquiring PGE.
430	Wingard	Responds he will get the coalition's position on a local government that is non-geographically located from expressing an interest. Answers that is correct.
TAPE 17,A		
060	Wingard	Discusses the coalition's goals and concerns. Does not support the breakup of PGE. Explains OJP's stand on condemnation Discusses PGE's sale as an integrated utility.
110	Wingard	Summarizes the coalition's purpose. OJP considers options such as local leverage buyout of individuals or community organization. OJP feels the city of Portland is discouraging this.
121	Rep. King	Asks about the City of Portland's stand on the issue.
127	Wingard	Answers the city's resolution says the city will allow condemnations. Discusses various possibilities heard.
142	Rep. Hopson	Asks what the timelines are.
144	Wingard	Answers that a condemnation timeline can begin at any point. Discusses the auction process beginning in October. Discusses the city of Portland's procedures and the county's procedures that would have to be followed.
156	Rep. Lowe	If PGE is condemned by the city of Portland, will PUC not have power over their rates?
175	Wingard	Responds what happens to rates is an open question.
181	Rep. Lowe	Comments on the economic power centered in the Pacific Northwest. Asks how the proposal will impact that. Has a concern about selling PGE to the highest bidder and resulting in a regional power grid.
220	Wingard	PUC will not sanction breaking up of PGE. Answers that private bidders understand they would be buying an integrated utility. As far as lowering rates, that is an open question.
234	Rep. Lowe	Asks about delaying the October auction.
253	Wingard	Replies that the Federal Bankruptcy Court and CEO of Enron drive the auction process. As for a delay, the creditors want to get their money.
272	Rep. Krummel	Asks why PGE was sold to Enron. Was it a hostile takeover?
298	Wingard	Responds he does not know about the purchase.
304	Rep. King	Says it was not a hostile takeover. Somebody else could have taken it over. Enron was one of the first takeovers of utility

		companies to get NW power to match up with California's power purchases.
330	Rep. Krummel	If Portland bid for PGE would PUC have to approve the sale?
314	Wingard	Responds that there is question of PUC role in a bankruptcy process. Once a public utility, a petition for removal from PUC can be filed.
336	Rep Krummel	Asks if a Federal Bankruptcy Court can render PUC irrelevant.
375	Wingard	Comments that the creditors would want the smoothest sale possible.
366	Rep. Krummel	Asks if PGE is using Bonneville Power Administration (BPA) power.
383	Wingard	PGE does purchase some BPA power.
418	Rep. Brown	Asks if public utilities come under PUC regulation.
420	Wingard	Answers, no, they do not.
TAPE 16, B		
004	Chair Kropf	Asks about possible higher rates on small utilities.
009	Wingard	Responds describing how rates may be affected. Explains preference power.
021	Chair Kropf	Asks about the concern that city of Portland's ownership might load social programs increasing costs for non-energy causes.
035	Wingard	Responds that is a possible issue not known now.
040	Chair Kropf	Could a private utility purchase the assets of PGE and load it with social programs?
045	Wingard	The coalition believes that it is not likely.
067	Rep. Krummel	Comments on local government law. On an enterprise governmental agency, there has to be a connection between the expenses and the rates charged.
093	Chair Kropf	Asks about breaking up PGE's assets.
098	Wingard	The coalition feels it is highly unlikely for a private utility to break up the assets because they are under PUC oversight.
096	Chair Kropf	Asks if the city of Portland can condemn PGE during the bankruptcy?
108	Wingard	Answers that is an open question. A municipality can condemn at any time.
110	Chair Kropf	Asks if part of the bankruptcy proceeding was dissemination of PGE assets to a qualified bidder, how could a condemnation proceeding occur after that?
121	Wingard	Discusses the condemnation process.
134	Chair Kropf	Asks for any questions. Calls Gary Conkling and Julie Brandness of Associated Oregon Industries (AOI).
138	Gary Conkling	Represents Northwest utilities' customers. Client represents large Industrial electricity users. Wants WVP to advance. Discusses PGE high rates.
164	Conkling	Discusses public power's importance historically. Describes BPA's part as a regional collaborative effort. Lowest cost power of PGE comes with contracts from three public utilities in Washington. Discusses reasons for auction. OPUC will be involved in determining details of sale and the Federal Energy Rates Commission (FERC) and bankruptcy court. The question is who can win the bid.
295	Conkling	Supports WVP. Supports a better rate structure as a goal. Property tax and state income tax would not be charged. Supports the diligence of those working on this. Disagrees with statement on page 2, "Talk of condemnation or public purchase is

		devaluing PGE". Says WVP is in contact with the creditors' committee weekly and not viewed as devaluing PGE but as potential highest bidder.
300	Conkling	Says the preference will be the highest bidder.
305	Chair Kropf	Asks if public purchase talk does not devalue PGE assets, does condemnation talk?
330	Conkling	Responds he does not have knowledge of that.
327	Julie Brandis	AOI. Describes work on energy issues by AOI and Northwest Utilities.
360	Brandis	Discusses what happens to PGE. Members feel they need to keep their options open. PGE has been for sale four times in the past few years. States five options to PGE: 2 private ownership options and 3 public ownership options. 1) Enron keeps PGE as a restructured company 2) Private entity purchases PGE. (The last attempt was by Northwest Natural.) 3) Several PUD's form. 4) City of Portland acquisition 5) Public ownership by counties
477	Brandis	Discusses PGE on the auction block and the various possible bidders.
TAPE 17, B		
052	Rep. Krummel	Asks about the second criteria.
057	Brandis	Answers the service area must be kept whole.
068	Rep. Krummel	Asks if county commissioners are supporting this idea.
070	Conkling	Answers there have been a number of county commissions that have taken positions similar to customers' positions and think that the idea is worthy of exploration. Unaware of any intergovernmental agreements.
088	Rep. Krummel	Asks how Willamette Valley Power could decrease rates.
095	Conkling	Believes WVP will have that as a goal. PGE is a profitable entity of the Enron corporation.
130	Brandis	Comments she does not know how WVP can lower rates by ten percent.
147	Rep. Krummel	Alludes to the energy crisis of 2001 causing the aluminum plants to be idle. Asks if this newly proposed large entity will become pulled in many directions like Metro.
166	Conkling	Discusses colleagues of the Citizens' Utility Board organizing this utility. WVP deserves a chance to do this.
230	Rep. Krummel	Asks if there would be property taxation if the rates were not sufficient to cover the debt level.
240	Conkling	Responds that he does not have that answer.
245	Brandis	Comments that the counties and agencies would have a local option.
270	Rep. King	Discusses an employee trust buying the utility. Local control would be substantial. Concern is for local interest to own PGE. Asks if WVP would have public employees.
290	Conkling	Comments that not all planning has been done. Gives the example of NW combined distribution system. WVP is considering this. WVP would have access to lower cost capital

		and be untaxable as a public entity.
320	Brandis	Comments on multi-state utility.
379	Chair Kropf	Asks about sources other than BPA
388	Conkling	There are other sources of power that may be cheaper.
TAPE 18, A		
008	Conkling	Preference power is an issue in the future. Discusses Oregon's private preference and Washington's public preference. There is geo-political significance in the future. BPA would not be able to supply the preference power now and is not planned on.
030	Brandis	Comments that utilities are business monopolies. Describes how there is active interest in these purchases. Emphasizes the importance of this transaction and the broad customer issue. Asks the committee to look at the broad interest in this issue.
052	Chair Kropf	Adjourns meeting at 6:00 p.m.

Submitted By,

Reviewed By,

Nancy Masee,
Administrative Support

Ray Kelly,
Administrator

EXHIBIT SUMMARY

A – Overhead presentation, M. Wingard, 38 pp

B – Oregonians for Jobs & Power, Issues, 29, M. Wingard, 29 pp

C – Letter to Commissioners from George Passorde, Wingard, 2 pp

D – Report on The economic Costs of the Proposed Government Acquisition of Portland General Electric by EcoNorthwest, Wingard, 22 pp