

# HOUSE COMMITTEE ON SMART GROWTH AND COMMERCE

January 24, 2001  
3:30 PM

Hearing Room 50  
Tapes 4 - 6

**MEMBERS PRESENT:** Rep. Bill Witt, Chair  
Rep. Betsy Johnson, Vice-Chair  
Rep. Tim Knopp, Vice-Chair  
Rep. Alan Bates  
Rep. Alan Brown  
Rep. Janet Carlson  
Rep. Richard Devlin  
Rep. Bill Garrard  
Rep. Jerry Krummel  
Rep. Laurie Monnes Anderson  
Rep. Vicki Walker

**MEMBER EXCUSED:**

**STAFF PRESENT:** Dan Clem, Committee Administrator  
Sara Noble, Committee Assistant

**MEASURE/ISSUES HEARD:** Overview of Current West Coast Power Crisis  
Role of the BPA and Current Legislative Initiatives Regarding the BPA  
Review of Problems with California Deregulation Legislation

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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.

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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 4, A</b>		
004	Chair Witt	Calls the meeting to order at 3:40 p.m.
<b><u>OVERVIEW OF CURRENT WEST COAST POWER CRISIS</u></b>		
020	John Savage	Oregon Department of Energy. Gives an overview of the energy crisis for the northwest and explains where they receive their supply of energy.
080	Savage	Explains the supply situation for the years 2001, 2002, 2003. Explains how the northwest came to the problem that currently exists.
188	Savage	Discusses the cost of wholesale power prices. Explains who will be the hardest hit for price increases.
246	Rep. Krummel	Asks how much of the power comes from the dams on the lower Snake River. Asks what role is Nevada playing in helping with the problem in California.
257	Roy Hemmingway	Governor's Energy Policy Advisor. Responds that 4% of the regions electrical production comes from those dams.
285	Savage	Responds that Nevada has not been participating in the winter emergency team.
292	Rep. Krummel	Takes exception that Nevada is not responding to this issue.
300	Rep. Bates	Asks how many power sources are still producing power for the state of California and are those numbers large enough to represent a competitive market, or are we looking at an unregulated monopoly there.
310	Savage	Responds total capacity for California is about 45,000

		megawatts, loads are about 32,000 megawatts, so a lot of capacity is offline.
329	Rep. Brown	Asks where the natural gas supply comes from and why natural gas is in short supply.
333	Savage	Responds most is supplied from Alberta, BC and the San Juan base in the Rockies. Cites rising demands, competition from the mid-west, and a lag in drilling explorations as a few reasons for supply problems.
356	Rep. Carlson	Asks about statement for low-incoming housing and whether there is a strategy that the Governor's office is looking at.
369	Savage	Responds that the Governor's office has requested \$3.5 million in federal emergency funds.
383	Rep. Knopp	Asks about the deals regarding California shipping us 2 for 1 on the electricity that we have shipped them, and how this will effect Oregon's consumers.
392	Savage	Responds that if we do get 2 for 1 there will not be a burden, but at this time we are getting 1 to 1 back with explanation.
<b>TAPE 5, A</b>		
002	Chair Witt	Asks what is different here over the other areas in the country.
004	Savage	Responds with information regarding the mid-west.
010	Ron Eachus	Oregon Public Utility Commission. Gives explanation for the northeast.
029	Chair Witt	Asks where is the west in relating to other areas of the country with regard to independent generating companies.
038	Eachus	Responds that there has been a gradual increase throughout the country, with well over 50% of the new generation coming from independent generating companies.
055	Rep. Bates	Asks about deregulation during an energy shortage, why now?
062	Eachus	Responds that we are not deregulating in Oregon, and the shortage in California should not have any effect in Oregon. Adds that now may be the best time to deregulate.
082	Rep. V. Walker	Asks what effect will the utility companies in California filing bankruptcy have on Oregon.
089	Hemmingway	Responds that this issue has not come up in the past so they are not sure of what the effects will be.
128	Savage	Responds that even without the bankruptcy there is a risk premium built into the price of wholesale power right now.
135	Hemmingway	Explains how the Governor has been addressing the issue of the current power crisis.
207	Hemmingway	Continues with explanation on how this issue is being addressed by the Governor's office and state agencies.
280	Hemmingway	Continues with explanation, and add that PGE has withdrawn its rate increase request to the PUC and hopes to collect funds due from California to pass savings onto Oregonians.
322	Hemmingway	Explains the Governor's emergency authority.
357	Rep. Garrard	Asks what percentage of the total power consumption in the state is broken down for household, commercial and industrial. Asks what effect it has to ask one section to cut back.
369	Savage	Responds that it is roughly 1/3, 1/3, and 1/3, but not quite. Gives explanation that all concerned must work to protect investment ratings – states can't build power generation facilities – investors must do this.
385	Rep. Devlin	Asks what steps can be realistically taken for any government entity to get power back on line, especially during the most

difficult months.

407 Hemmingway Responds that there is not much that they can do, and explains.

**ROLE OF THE BPA AND CURRENT LEGISLATIVE INITIATIVES REGARDING THE BPA**

**TAPE 4, B**

035 Senator Derfler President of the Senate. Submits and reviews written material regarding the Bonneville Power Administration (**EXHIBIT A and B**). Explains that the 4-state compact was written in partnership with investor – owned utilities.

094 Sen. Derfler Continues with written material.

130 Chair Witt Expresses appreciation with the written material supplied by Senator Derfler. Asks if progress is made between the four states and through the congressional delegations if legislation will be seen in the 2003 session of the legislature.

142 Sen. Derfler Responds that he does not believe we have to do anything legislatively and explains that action must be taken at the federal levels and Governors.

171 Chair Witt Asks if the Governor’s office is going to seek any additional legislation relative to conservation.

179 Hemmingway Responds that at this point he does not know and gives explanation.

204 Rep. Bates Noting the approximate 5% shortage, 1/3 less production and the rates seen in California, asks what this means for Oregon if we go forward with deregulation.

216 Eachus Responds that it goes back to the structure and explains that California eliminated long term market for a “day-ahead” market and buys 30% of its power now on the spot market, with Oregon at 10% on the spot market.

**REVIEW OF PROBLEMS WITH CALIFORNIA DEREGULATION LEGISLATION**

260 Eachus Submits and discusses written testimony and information regarding deregulation vs. restructuring (**EXHIBIT C and D**).

339 Eachus Continues discussing the submitted material.

**TAPE 5, B**

007 Eachus Continues discussing the submitted material.

140 Eachus Continues discussing the submitted material.

233 Rep. Bates Asks under what conditions would the PUC consider selling off assets.

246 Eachus Responds that if by law it is in the public interest and explains.

329 Rep. Krummel Asks if the data supplied by market participates is being claimed as proprietary information, does this open up the potential for collusion between them (please clarify/rephrase this question—it does not make sense). Asks if Montana has followed California’s model in requiring the utilities to sell off their generation capacity.

339 Eachus Responds they are claiming that it is commercially sensitive material. Explains that he has brought the issue up regarding letting others know. Responds that Montana Power is in the process of selling off their generation assets and going into the tele-com business.

377 Chair Witt Asks about market uncertainty growing out of the California situation.

385 Eachus Responds that he has seen uncertainty and explains that PUC has no authority to order utilities to build power generation facilities and that California only gave customers the choice between the market or the utility with no ability to “shop around”.

**TAPE 6, A**

028	Chair Witt	Asks if this leads to competitiveness in relation to industry in Oregon versus other places and that Oregon's certainty in its power structure will make for a competitive and successful market.
030	Eachus	Responds that he believe so, and explains.
040	Rep. Devlin	Asks about what extent can we isolate ourselves from California.
058	Eachus	Responds that he does not believe we can isolate ourselves and explains that we have and can continue to protect ourselves.
072	Rep. Krummel	Asks what the electrical load of a casino is and if Nevada draws off the power grid, or are they self-sustaining.
083	Eachus	Responds that he does not know that figure. Responds that Nevada is connected, but not as much to the northwest as to the southwest.
136	Chair Witt	Acknowledges that Mr. Savage will return to discuss power generation siting at a future meeting. Adjourns the meeting at 5:40 p.m.

Submitted By,

Reviewed By,

Sara Noble,  
Committee Assistant

Dan Clem,  
Committee Administrator

**EXHIBIT SUMMARY**

- A – Role of the BPA and Current Legislative Initiatives, written material, Sen. Gene Derfler, 5 pp.**
- B – Role of the BPA and Current Legislative Initiatives, written material, Sen. Gene Derfler, 63 pp.**
- C – Review of Problems with California Deregulation Legislation, written testimony, Ron Eachus, 6 pp.**
- D – Review of Problems with California Deregulation Legislation, written material, Ron Eachus, 1 p**