

# HOUSE COMMITTEE ON SMART GROWTH AND COMMERCE

February 05, 2001  
3:30 PM

Hearing Room 50  
Tapes 19-21

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

**MEMBER EXCUSED:**

**STAFF PRESENT:** Daniel Clem, Committee Administrator  
Renee' Lunsford, Committee Assistant

**MEASURE/ISSUES HEARD:** HB 2433 Work Session  
HB 2075 Public Hearing and Work Session  
Review of SB 1149 (1999)

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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 19, A</b>		
003	Chair Witt	Calls meeting to order at 3:45 p.m.
005	Dan Clem	Committee Administrator. Outlines handouts distributed.
015	Chair Witt	Opens work session on HB 2433.
<b><u>HB 2433 WORK SESSION</u></b>		
025	Rep. Devlin	<b>MOTION: Moves HB 2433 to the floor with a DO PASS recommendation.</b>
030		<b>VOTE: 11-0</b> <b>(A motion is made later in the meeting to allow Rep. Carlson, Rep. Johnson and Rep. Knopp to cast their AYE votes.)</b>
031	Chair Witt	<b>Hearing no objection, declares the motion CARRIED.</b> <b>REP. DEVLIN will lead discussion on the floor.</b>
032	Chair Witt	Closes work session on HB 2433 and opens public hearing on HB 2075.
<b><u>HB 2075 PUBLIC HEARING</u></b>		
045	Clem	Reads preliminary staff summary of HB 2075.
055	Jeff Bissonnette	Organizing Director, Citizens' Utility Board Of Oregon, and representing the Fair and Clean Energy Coalition. Testifies in favor of HB 2075. States that HB 2075 is a "housekeeping" bill to ensure that the intent of the Oregon Energy Assistance

		Program (created in 1999) is ongoing. States the program was designed to supplement the Federal Low Income Energy Assistance Program (LIEAP). Notes that LIEAP, which had been gradually decreasing, is down to about one-half of its original amount.
075	Jim Slusher	Executive Director, Mid-Columbia Community Action Council. States that he serves as president of Community Action Directors of Oregon (CADO) and also serves as chairman of the Oregon Housing and Community Services Advisory Committee on Energy (ACE). Testifies in support of HB 2075. Submits fact sheet on CADO organization ( <b>EXHIBIT A</b> ). Gives background and statistics on CADO and ACE. Gives statistics on how many were helped through the program: <ul style="list-style-type: none"> <li>• 10,000 Oregon households (8,000 new ones)</li> <li>• 7,500 had a five-day or less disconnection notice</li> <li>• 5,600 had a 24-hour or less disconnection notice</li> </ul> Talks about additional assistance programs: <ul style="list-style-type: none"> <li>• Weatherization</li> <li>• Energy conservation education</li> </ul>
108	Bissonnette	Notes that Bob Jenks, Executive Director of the Citizens Utility Board, offers his support of HB 2075. Submits written testimony ( <b>EXHIBIT B</b> ).
113	Rep. Krummel	Asks what dollar amount constitutes one-half of the funds.
121	Bissonnette	Responds that the cutback in service levels occurred because Congress cut back on the LIEAP program.
135	Slusher	States that Oregon used to receive \$27 million through low-income energy assistance funding, but this year they received \$13 million.
140	Chair Witt	States there was an effort in the mid-90s to eliminate the program entirely.
146	Rep. Carlson	Reiterates how important this program is to her constituents.
156	Slusher	Asks for specific examples of ramifications of not having power. Tells of a Hood River couple that needed energy assistance because they were paying medical bills.
170	Rep. Devlin	States five members of this committee were here last session and their understanding at the time was that it was to be a continuing allocation. Asks Mr. Bissonnette to make it clear to the committee what he felt the intent was in the last session.
189	Bissonnette	Responds that the section of the bill that dealt with the low-income energy assistance program read in many original drafts that the amount of the program would be \$10 million per year.
200	Rep. Brown	Asks if this program helps customers of investor-owned utilities only.
206	Bissonnette	Responds affirmatively.
210	Rep. Brown	Asks Mr. Bissonnette if he knows of any programs that help customers of public utilities.
215	Bissonnette	Responds it is up to each public utility, PUD and electric co-op to decide what the needs are for their communities.
226	Slusher	States there are a number of smaller programs that will help.
229	Chair Witt	Points out that SB 1149 dealt only with investor-owned utilities, therefore the fund applied only to customers of investor-owned

		utilities.
234	Rep. Devlin	States the \$10 million is being paid as part of the rates by the customers of the investor-owned utilities.
242	Chair Witt	Adds the PUC would allow this cost to be covered in rate base.
247	Rep. Brown	Asks if there are matching federal dollars.
252	Chair Witt	Responds, they are not necessarily matching, but the LIEAP program provides some federal funds that can be used for this purpose.
257	Rep. Bates	Asks if the \$10 million is going to be adequate given the current economic environment. Asks how they determine who gets the money.
275	Slusher	States the program is based on income and household size. Notes that 65% of funds are used on senior and disabled.
300	John Mullin	Clackamas County. Gives verbal and written testimony in favor of HB 2075 <b>(EXHIBIT C)</b> .
325	Teresa Cox	Gives verbal and written testimony in favor of HB 2075 <b>(EXHIBIT D)</b> .
383	Rep. Krummel	Asks for what duration a needy family is given help.
390	Mullin	Responds it is one payment.
402	John Glascott	Representing the American Association of Retired Persons. Gives verbal and written testimony in favor of HB 2075 <b>(EXHIBIT E)</b> .
441	Debra Kennedy	Salvation Army Family Services, Portland. Testifies in favor of HB 2075. States through a partnership with Oregon HEAT, the Salvation Army has been providing low-income energy assistance. Says the Salvation Army was a participant in the creation of SB 1149 and the intent was that this money be provided on an annual basis. Notes that: <ul style="list-style-type: none"> <li>• 35% of calls received are for energy assistance</li> <li>• They helped over 430 households since their first allotment last May</li> <li>• Last month 80% calls were from families needing energy assistance</li> </ul> Shares stories regarding customers Salvation Army has helped.
490	Jay Formick	Executive Director, Oregon HEAT. Submits written testimony <b>(EXHIBIT F)</b> and testifies in support of HB 2075.
<b>TAPE 20, A</b>		
028	Rep. Johnson	States that a very compelling case for this bill has been made. Asks Mr. Glascott what his level of satisfaction is with administration through the Housing and Community Services Department.
033	Glascott	Responds the program, federal and state, has been very satisfactory.
042	John Eachus	Chairman, Public Utility Commission. Testifies that this bill corrects an error in transcription. States that in every meeting he attended, the assumption was that the amount of \$10 million was to be a yearly allotment.
063	Chair Witt	Closes the public hearing and opens work session on HB 2075.
<b><u>HB 2075 WORK SESSION</u></b>		
<b>066</b>	<b>Rep. Krummel</b>	<b>MOTION: Moves HB 2075 to the floor with a DO PASS</b>

069	Rep. Knopp	<b>recommendation.</b> States he supports HB 2075 because even though he has been very reluctant to impose fees, he has received near-unanimous support from those who contacted him regarding HB 2075.
085	Rep. Monnes-Anderson	Comments in favor of HB 2075. States that as a nurse she has visited many shut-ins and low-income families. Notes that she has referred many families to LIEAP program.
090	Rep. Krummel	States that the testimonies received have been compelling and give many reasons why they should approve this bill. Says he recalls a representative from last session stating that the bill was for every year, not just for this year.
112	Chair Witt	States this is a good program, it is well-administered and they should continue it. Gives examples of why. <b>VOTE: 11-0</b> <b>(A motion is made later in the meeting to allow Rep. Walker to cast her AYE vote.)</b>
149	Chair Witt	<b>Hearing no objection, declares the motion CARRIED. REP. KRUMMEL will lead discussion on the floor.</b>
164	Chair Witt	Closes the work session on HB 2075 and reopens a work session on HB 2433.

**HB 2433 WORK SESSION (CONTINUED)**

171	Chair Witt	<b>MOTION: Requests unanimous consent that the rules be SUSPENDED to allow REPS. CARLSON, JOHNSON and KNOPP to BE RECORDED as voting AYE on HB 2433.</b> <b>VOTE: 11-0</b>
173	Chair Witt	<b>Hearing no objection, declares the motion CARRIED.</b>
175	Chair Witt	Closes the work session on HB 2433.
<b><u>REVIEW OF SB 1149 (1999)</u></b>		
160	Ron Eachus	Chairman, Public Utility Commission. Gives a verbal and written summary of SB 1149 (1999) ( <b>EXHIBIT G</b> ). Talks about the term market and its meanings. There are two types: <ul style="list-style-type: none"> <li>• Short-term</li> <li>• Long-term</li> </ul> Explains terms used: <ul style="list-style-type: none"> <li>• Stranded costs</li> <li>• Transition costs</li> <li>• Direct or retail access</li> <li>• Independent power producers</li> <li>• Energy service providers</li> </ul>
290	Eachus	Explains the differences between the Oregon versus California energy approaches. Oregon approach: <ul style="list-style-type: none"> <li>• No sale of assets</li> <li>• No required purchase from short-term markets</li> <li>• Oregon has a faster siting process</li> <li>• All customers get regulated rates</li> <li>• All customers get value of existing low-cost resource base</li> </ul>

- Oregon is not forcing customers out into market
  - No last minute political deal-making
- Addresses where to start with SB 1149. Existing System:
- Exclusive territories (customer can't fire the utility)
  - Obligation to serve
  - Cost recovery
  - Utility supply
    - Build own generation
    - Purchase power
  - Transmission System
    - Fragmented ownership
    - Federal regulation
  - Bundled rates
  - Commission authority
    - Cost-recovery only
    - Can't require building
  - New resources from IPP's
  - Utility Built Plants
    - Put into regulated rate
    - Stays through life of plant
  - Cost-of-service model
    - Usually modified
    - Adjustments between rate cases

**TAPE 19, B**

- 029 Chair Witt Asks for clarification regarding the cost-of-service model. References why the incumbent utility was reluctant to purchase power for resale to its customers. Notes that this gives them an incentive to build their own plants to generate the power.
- 037 Eachus Responds that used to be the case. Notes that most new plants are being built by independent power producers. States that most utilities are becoming reluctant to build new plants because they and the customers are going to be stuck with them for the life of the plant.
- 047 Chair Witt Asks about customer risk. Refers to Trojan.  
(tape #) Eachus Responds by explaining Trojan's case.
- 067 Chair Witt Asks if the consumer is "off-the-hook" if the power plant becomes a poor investment for an independent investor.  
Responds affirmatively. Continues by showing overheads and giving explanations of the following:
- 075 Eachus
- Map titled, "The Electric System in the Pacific Northwest," depicting major resources, which PacifiCorp owns
  - Map titled, "The Natural Gas System in the Pacific Northwest"
  - Pie-chart of percentages of power resources titled, "Pacific

110	Rep. Krummel	Northwest Resources” Refers to the Pacific Northwest Resources overhead and asks if the nuclear site is Hanford.
115	Eachus	Responds that it is close. Continues by showing overheads and giving explanations of the following: <ul style="list-style-type: none"> <li>• Pie-chart illustrating PacifiCorp resources</li> <li>• Pie-chart of Portland General Electric resources</li> </ul>
135	Eachus	Talks about the current electric industry structure from the consumer’s point of view. Addresses what would happen with or without SB 1149: <ul style="list-style-type: none"> <li>• Reliance on market purchase to serve new load</li> <li>• Uncertainty and volatility in wholesale markets</li> <li>• Cost increases in wholesale markets</li> <li>• Rate increases to reflect those costs</li> </ul>
220	Eachus	Explains purpose and objectives of SB 1149: <ul style="list-style-type: none"> <li>• To allow non-residential customers to buy from someone else</li> <li>• To provide platform for gradual transition to more competition</li> <li>• To provide buffer against the market</li> <li>• To provide more customer choices</li> <li>• To avoid undue cost shifts</li> <li>• To protect and increase energy efficiency and development of renewable energy</li> <li>• To mitigate market power of incumbent utility</li> <li>• To preserve local control of public power</li> </ul>
310	Eachus	Talks about the basic provisions of SB 1149 implementation. <ul style="list-style-type: none"> <li>• Non-residential customers get direct access</li> <li>• Residential and small commercial (30 kilowatts or less) get cost-of-service and portfolio options</li> <li>• 3% revenues set aside (explains how law says this is broken up) <ul style="list-style-type: none"> <li>- energy efficiency</li> <li>- new renewables</li> <li>- low-income housing</li> </ul> </li> <li>• \$10 million/year for low-income assistance</li> </ul>
418	Rep. Devlin	Asks what dollar figure the 3% represents.
413	Eachus	Responds probably about \$50 million per year. Continues talking about the basic provisions of SB 1149 implementation: <ul style="list-style-type: none"> <li>• Rates unbundled</li> <li>• Value of assets stays with customers</li> <li>• Large customers get a “standard offer” similar to cost-of-</li> </ul>

		service
		<ul style="list-style-type: none"> <li>• Direct access customers can return to “standard offer”</li> <li>• Default emergency rate</li> </ul>
427	Rep. Garrard	States 80% of commercial customers will fall into the 30-kilowatt category. Asks how many of that 80% are going to see a sizable increase.
439	Eachus	Responds 80% will receive a cost-of-service rate increase.
458	Chair Witt	Says part of the bill specifically says there shall be no cost-shifting. Says rates will go up because of the supply-demand issue not because of the option of going to market.
480	Rep. Johnson	States the board is going to have significant responsibilities. Asks Mr. Eachus to tell the committee who the individuals are and what kind of a demographic mix they have.
486	Eachus	Responds by listing the names and organizations they are associated with: <ul style="list-style-type: none"> <li>• Cheryl Perrin, Fred Meyer</li> <li>• Christine Urban, former director, Oregon Department of Energy</li> <li>• Jason Eisdorfer, Citizens Utility Board</li> <li>• Tom Foley, formerly of Northwest Power Planning Council</li> <li>• John Reynolds, former member, Eugene Water and Electric Board</li> <li>• Steve Schille, attorney in Portland, Oregon Facility Siting Council</li> <li>• John Closterman, Coalition of Businesses</li> </ul>
<b>TAPE 20, B</b>		
061	Eachus	Referencing the overhead chart, explains the customer options. Chart shows customers are divided into four categories: <ul style="list-style-type: none"> <li>• Industrial</li> <li>• Large commercial (20% of customers – 80% of load)</li> <li>• Small Commercial (80% of customers – 30% of load)</li> <li>• Residential</li> </ul> Explains customer options using an overhead titled “Cost-of-Service vs. Standard Offer with Transition Credit”.
150	Chair Witt	Questions whether the market price and the cost of services are relatively the same as seemingly indicated by the chart.
163	Eachus	Responds they will be very close initially. Explains why. Refers to chart that shows power generation for both PGE and PacifiCorp customers broken down by residential, small residential, and large non-residential and costs in generation, transmission and distribution.
220	Eachus	Addresses how SB 1149 creates a buffer against the market: <ul style="list-style-type: none"> <li>• Value of low-cost assets retained</li> <li>• All customers get a regulated rate</li> <li>• Encourages new generation</li> <li>• Customers have more options</li> </ul>

- Going slow
  - Less likelihood of accident
  - Shock absorbers built in
- 300                      Eachus
- Platform for gradual transition to competition:
- Transition credit follows the customer regardless of supplier
  - Portfolio can be expanded to include ESP's
  - Customers options for choice
    - New products
    - New services
    - New technology
- Addresses what will happen by October 1, 2001:
- Limited direct access activity
  - Bills unbundled
  - Residential and small commercial customers get portfolio options
- 390                      Chair Witt
- Asks Mr. Eachus if he believes that the long-term effect will result in a truly competitive market thus resulting in lower rates for the customer.
- 405                      Eachus
- Responds given what we know about the market, SB 1149 will make the situation better. Discusses the consequences of delay:
- Less new generation
  - Less low-income assistance
  - Less consumer control and influence
- TAPE 21, A**  
080                      Eachus
- Continues discussing the consequences of delay:
- Less energy efficiency
  - Less renewable energy
  - Less options for industrial customers
  - Less incentive for new services and new technology
- States purposes of SB 1149:
- Give customers more direct influence
  - Create new market for renewable energy and less CO 2 emissions
  - Induce new technology applications
  - Provides more stability
- Defines why staying under the existing system is not a good choice:
- Less customer options
  - Less opportunities for new services and new products



167	Rep. Monnes-Anderson	<ul style="list-style-type: none"> <li>• Less of a hedge against the market</li> </ul> States she is concerned that this is going to be very complicated for the average consumer. Asks Mr. Eachus if he can address this.
180	Eachus	Responds that the average consumer will have three options.
207	Chair Witt	Reiterates that over time these choices should result in significantly lower costs.
240	Rep. Monnes-Anderson	States that she hopes that emphasis on conservation is not lost with the increased potential to make money.
260	Eachus	Responds that SB 1149 provides additional money for energy efficiency.
282	Rep. Bates	States that large industrial customers believe that in the long-run deregulation will have more benefits than negatives, however they are concerned over the next two-to-three years they are facing an unregulated monopoly. Asks Mr. Eachus if he believes this is true.
320	Eachus	Responds because of the way they structured this, they should end up with a rate that is pretty much like the cost-of-service that would otherwise be offered. Defines why this is so.
390	Chair Witt	Reopens the work session on HB 2075.
<b><u>HB 2075 WORK SESSION (CONTINUED)</u></b>		
397	Rep. Witt	<b>MOTION: Requests unanimous consent that the rules be SUSPENDED to allow REP. WALKER to BE RECORDED as voting AYE on HB 2075.</b>
		<b>VOTE: 11-0</b>
399	Chair Witt	<b>Hearing no objection, declares the motion CARRIED.</b>
401		Closes the work session on HB 2075. Adjourns the meeting at 5:55 p.m.

Submitted By,

Reviewed By,

Renee' Lunsford,  
Committee Assistant

Daniel Clem,  
Committee Administrator

**EXHIBIT SUMMARY**

- A – HB 2075, written material, Jim Slusher, 1 p**
- B – HB 2075, written testimony, Jeff Bisonnette, 1 p**
- C – HB 2075, written testimony, John Mullin, 1 p**
- D – HB 2075, written testimony, Teresa Cox, 2 pp.**
- E – HB 2075, written testimony, John Glascott, 1 p**
- F – HB 2075, written testimony, Jay Formick, 1 p**
- G – Review of SB 1149 (1999), written material, Ron Eachus, 29 pp.**