

HOUSE COMMITTEE ON SMART GROWTH AND COMMERCE

May 14, 2001
3:15 PM

Hearing Room 50
Tapes 146 - 147

MEMBERS PRESENT: **Rep. Bill Witt, Chair**
 Rep. Tim Knopp, Vice-Chair
 Rep. Betsy Johnson, 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

STAFF PRESENT: **Dan Clem, Administrator**
 Patrick Brennan, Administrative Support

MEASURE/ISSUES HEARD: **HB 3799 Work Session**

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 146, A		
003	Chair Witt	Calls the meeting to order at 3:45 p.m. Opens a work session on HB 3799.
<u>HB 3799 WORK SESSION</u>		
006	Dan Clem	Committee Administrator. Gives a brief description of the bill. Indicates that the –5 amendments (EXHIBIT A) have been submitted for the committee's consideration. Reviews the –5 amendments:
025	Chair Witt	• Section 2 defines electricity provider and limits the scope of the bill to an investor-owned electric utility company Mentions there are three investor-owned electric utility companies in Oregon.
026	Clem	Confirms the chair's statement. Continues reviewing the –5 amendments: <ul style="list-style-type: none">• Section 3(1)(a) requires an electric public utility to sell not less than four percent of its total power sold as non-hydroelectric renewable power not later than July 1, 2003• Section 3(1)(b)(c) requires increasing amounts of non-hydroelectric renewable power to be sold consisting of not less than seven percent (by July 1, 2005) and ten percent (by July 1, 2007)• Section 3(2) limits the charge for providing non-hydroelectric power an electric utility may sell at \$.08/kilowatt hour for any combination of geothermal, biomass, and wind technologies, and \$.25/kilowatt hour for solar technology only if the provider is able to acquire the

038	Chair Witt	non-hydroelectric power
041	Clem	Asks whether the price listed is a wholesale price. Replies affirmatively. Continues reviewing the –5 amendments: <ul style="list-style-type: none"> • Section 3(3) indexes the non-hydroelectric power annual price increase or decrease to fifty percentile of the net change in the Portland Consumer Price Index • Section 3(4) provides that the Public Utilities Commission (PUC) may allow an electricity provider operating in more than one state to recover expenditures (to produce or acquire non-hydroelectric power) that was disallowed in another state in rates for Oregon customers
056	Chair Witt	Inquires whether this applies even if the power is sold in another state.
057	Clem	Replies affirmatively.
060	Chair Witt	Wonders whether this implies that Oregon will allow the recovery of costs even if another state does not. Concludes that is not the case.
068	Clem	Continues reviewing the –5 amendments: <ul style="list-style-type: none"> • Section 4(1) imposes a penalty for non-compliance of \$.03/kilowatt hour not sold in compliance with this Act and directs that those funds be added to the development of renewable energy resources account within the public purpose charge allocated under ORS 757.612(3)(b)(B)
076	Chair Witt	Asks whether the statute referred to was instituted by SB 1149 (1999).
080	Clem	Answers yes. Continues reviewing the –5 amendments: <ul style="list-style-type: none"> • Section 4(2) allows the PUC to direct an energy provider to set aside amounts as penalties by an order entered after a hearing and exempts the requirement to set aside if failure to comply was due to circumstances beyond the control of the electricity provider • Section 5 allows an electricity provider to change rates (without a PUC hearing to allow recovery) to recover incremental cost of buying and delivering non-hydroelectric power as directed in this Act • Section 6 requires that within one year of acquiring an electricity provider by reason of condemnation the new electricity supplier will meet the requirements of this Act
109	Chair Witt	Requests an explanation of the phrase “by reason of condemnation.”
112	Clem	Explains there are certain types of municipal utilities that have the right to condemn properties within their jurisdiction. Explains that if such a condemnation occurs the electricity provider would still be required to comply with the Act. Continues reviewing the –5 amendments: <ul style="list-style-type: none"> • Section 7 exempts an electricity provider servicing fewer than 25,000 Oregon customers • Section 8 declares an emergency and makes the measure effective upon passage
123	Rep. Bates	Requests an explanation of the exemption.

130	Rep. Monnes-Anderson	Submits the –4 amendments (EXHIBIT B) for the committee’s consideration. Says a state standard is good public policy. Mentions that California and Nevada each have a different set of standards, both of which are significantly higher than Oregon’s current one-percent standard for renewable energy generation. Asserts that there needs to be a standard for all suppliers.
168	Rep. Johnson	Asks Rep. Monnes-Anderson whether that standard should apply also to municipal districts.
170	Rep. Monnes-Anderson	Clarifies that the standards should apply to all power generation. Emphasizes the need to help boost the creation of new renewable power generation. Remarks that some areas have more potential than do others with regard to renewable energy. Highlights Rep. Knopp’s district as an excellent location for geothermal power generation.
179	Rep. Knopp	Views the –4 amendments as too risky to be worth adoption. Casts doubt as to whether the two big power companies could comply. Indicates he would oppose a motion to adopt the –4 amendments.
189	Chair Witt	Calculates that there may not be sufficient support on the committee for the –4 amendments.
194	Rep. Monnes-Anderson	Suggests that the issues raised by the –4 amendments be studied further during the interim.
197	Rep. Garrard	Inquires who it was that brought forth the –5 amendments.
199	Chair Witt	Indicates that Rep. Knopp had the –5 amendments drafted at the request of Fred Van Natta.
208	Fred Van Natta	Vulcan Power Corporation. Testifies in support of the –5 amendments to HB 3799. Explains that municipal utilities have the ability to condemn privately owned power poles and wires within city limits and run their own. States that the thrust of Ballot Measure 6 is that if such condemnation is undertaken the municipal utility is to be bound by the same requirements as the condemned company had been.
231	Chair Witt	Concludes that if the City of Portland tried to take over Portland General Electric (PGE) it would be bound by the same rules that governed PGE.
236	Van Natta	Concurs, adding that it may be more expensive to do so in the long run. Says that currently the local citizenry could appeal to local government to take over an electric utility for the purpose of lowering utility rates, adding that the –5 amendments would prevent the local government from operating under a different set of rules.
250	Rep. Johnson	Asks whether sections 3(4) and 5 are friendly to ratepayers.
259	Van Natta	Says that section 5 allows costs to be passed on to consumers.
265	Rep. Johnson	Questions whether that provision could be considered consumer friendly. Asks about section 3(4).
270	Van Natta	Refers the question to those who will testify later.
277	Rep. Johnson	Asserts that the bill as amended by the –5 amendments seems very unfriendly to rate payers
282	Rep. Garrard	Requests confirmation that the bill allows the PUC to change rates without a hearing. Wonders what will prevent arbitrary increase in rates.
290	Van Natta	Explains that rate hearings are not required for renewable energy generation, rather the PUC considers the increased cost at a subsequent hearing. Says that if the increase was greater than the

		rising cost it could be addressed. States that there is no need to freeze the rate process just because a decision was made to go with renewable energy.
309	Chair Witt	Concludes that rate increases related to renewable energy would be reviewable at some point if the increase was above what was deemed necessary to meet the additional cost.
314	Van Natta	Clarifies the section deals solely with actual incremental cost.
320	Rep. Monnes-Anderson	Asks what percentage of consumers PacifiCorp and PGE serve, the two companies that serve the majority of Oregon consumers.
325	Van Natta	Replies he does not know.
328	Chair Witt	Estimates the number of customers served by the two companies to be 75 percent of the total number of Oregon customers.
333	Rep. Bates	Echoes Rep. Johnson's concerns regarding the bill but acknowledges that time to make changes is running short. Wonders how a possible delay to implementing SB 1149 might affect this measure.
345	Van Natta	Notes that the penalties within HB 3799 do not take effect until July 2003, giving a buffer against the possible delay in implementing SB 1149.
370	Rep. Monnes-Anderson	Wonders why there should be two processes when corporations could simply apply for public purposes funding. Suggests that agencies interested in renewable energy generation could use that process.
393	Van Natta	Agrees that a certain percentage of the public purposes money could go toward renewable energy through requests to the PUC. Remarks that the available public purposes funding will likely be insufficient.
TAPE 147, A		
006	Rep. Johnson	Comments that the current electricity market is one of the most volatile in recent memory.
011	Van Natta	Counters that Oregon's electricity market has been relatively stable, especially compared to California. Notes that the reliance upon Canadian natural gas creates some insecurity.
018	Rep. Johnson	Wonders whether it is then prudent to mandate a percentage of electricity to be generated by non-hydroelectric renewable energy.
021	Van Natta	Responds that switching over to renewable energy sources is prudent because the prices will remain more stable over time than those for non-renewable energy sources.
024	Rep. Johnson	Asks whether there is a guarantee of price stability.
028	Van Natta	Replies that the price caps need not be followed if the cost of power generation exceeds the caps.
034	Rep. Johnson	Requests an evaluation of the availability of green power.
036	Van Natta	Indicates that sufficient green power can be generated if the standard is put in place.
039	Rep. Johnson	Asks whether utilities will be obligated to buy green power if the percentages are fixed.
041	Van Natta	Explains that the percentages will only be in effect if the power is available.
047	Rep. Bates	Inquires as to the current price of power on the retail market.
055	Chair Witt	Estimates the current price at \$.02-.03/kilowatt/hour.
058	Rep. Bates	Wonders whether the high cost of green power generation will result in a significant increase in retail power prices.
065	Van Natta	Concedes he does not know.

067	Rep. Bates	Asks whether the bill would require Oregon consumers to pay for green power generated in other states.
072	Van Natta	Replies he does not know.
076	Rep. Bates	Says it seems as though Oregon would be forced to purchase the green power if another state did not do so.
078	Sean Miller	PacifiCorp. Testifies to a position of neutrality regarding the –5 amendments to HB 3799. Mentions that Washington considered a similar standard but did not adopt it, while Wyoming, Idaho, Montana and Utah do have similar programs in place. Says that if a company builds a green power generation facility the electricity may not be sent to other states where the costs could not be recovered.
115	Rep. Bates	Concludes that the answer is yes, that expensive green power generated in other states could be shipped here where utilities would be required to purchase it.
119	S. Miller	Replies affirmatively, insofar as it is required for the bill to work.
122	Chair Witt	The requirement is set so as to ensure sale of the power in Oregon.
127	Rep. Bates	Remarks that Oregonians could end up paying higher rates for power than the other states on the grid should those states choose not to pay for green power
140	Mark Albert	Vulcan Power Company. Explains that a power company could appeal to the PUC for rates that would allow recovery of costs. Asserts that green power generated in Oregon and sold to Oregon customers should be treated the same as power generated through other methods.
158	Rep. Bates	Argues that the difference is that green power is more expensive and no other state has passed similar regulation.
163	Chair Witt	Reiterates that the proponents believe that this measure will result in lower rates in the long run.
168	Rep. Krummel	Notes that current rates are approximately \$.08/kilowatt/hour, while green power costs as much as \$.25/kilowatt/hour to generate. Asks how a move to green power might affect prices at the household level
175	Van Natta	Replies he does not know.
180	Rep. Krummel	Asks whether the measure is an attempt to create a market for green power where one does not currently exist.
192	Van Natta	Acknowledges that is one perspective on the bill. Says the discussion on renewable energy thus far has not resulted in bringing much renewable energy online. States that HB 3799 provides an incentive to make renewable energy prices viable before prices go up high enough to force the matter. Reiterates that other states are considering similar legislation in the hope that it will bring stability to the energy supply.
218	Rep. Krummel	Wonders why a company would build a power plant in Utah for purposes of sending electricity to Oregon, considering the loss of electrical power across extensive lines.
244	Albert	Acknowledges that load loss does happen during transmission across long distances, but certain geographic locations are better suited for renewable power generation than are others. Concludes that the issue revolves around where the power can be generated as cheaply as possible. Says the PUC should only be required to recover cost.
297	Rep. Krummel	Asks where the bill stipulates that it applies only to power

		generated in the state.
301	Van Natta	References page 2, lines 17-18.
304	Rep. Krummel	Quotes the previous section and reiterates there is nothing requiring that the power actually be generated here.
318	Chair Witt	Responds that the previous section does not apply.
350	Rep. Garrard	Asks which three power generating companies will benefit from the bill.
357	Van Natta	Replies that the bill affects Scottish Power, PacifiCorp, and PGE.
362	Chair Witt	Notes that Idaho Power is exempted in section 3, leaving Oregon's three power companies as the sole beneficiaries, unless the committee adopts the -4 amendments.
380	James Miller	Portland. Testifies in support of HB 3799. Describes a study of 1,250 sites for suitability of geothermal power generation.
TAPE 146, B		
043	J. Miller	Describes Oregon as rich in geothermal production capacity. Says incentives are needed to boost production of geothermal electricity in the state. Says solar power is not feasible in the Pacific Northwest and wind power is too interruptible. Emphasizes the need to develop the Newberg Crater as a geothermal power source.
071	Carl Johnson	Interested citizen. Testifies in support of HB 3799. Expresses hope that renewable energy will soon begin to displace gas and coal power.
102	Lee Sparling	PUC. Testifies in opposition to HB 3799. States that the PUC supports the development of renewable resources, but that this is the wrong vehicle for doing so. Says that without the fund created by SB 1149 the commission already has the right planning process in place. Testifies to a position of neutrality regarding the -4 amendments. Says that the -5 amendments could bring in parties that were unintended, such as the Bonneville Power Administration (BPA).
157	Sparling	Notes that the -5 amendments require that at least 4 percent of electricity sold by the provider be generated by renewable sources. Says this could be interpreted to refer to wholesale sales to other utilities or to retail customers in other states. Suggests that the language could be clarified.
175	Chair Witt	Asks if the issue could be clarified by adding the language "to retail customers in Oregon".
179	Sparling	Says that would probably add sufficient clarity. Says the bill invites other states to disallow costs, with the knowledge that Oregon will then be forced to purchase the more expensive green power. Discusses rates charged to retail customers.
221	Sparling	Comments that it is impossible to discern where electricity that goes into the grid from a particular generating facility is eventually used. Says this makes it difficult to determine whether the expensive green power is being sold more than once. Notes efforts to tag sales so as to prevent multiple selling.
240	Chair Witt	Asks whether the bill requires technical clarifications as well.
243	Sparling	Refers to section 5 line 5, and questions the significance to the word "immediately". Suggests replacing the word with "expeditiously".
272	Rep. Johnson	Asks Mr. Sparling whether he believes section 5 to be friendly to consumers. Says she has been shown that geothermal energy is particularly expensive.

281	Sparling	Says renewable energy generation is preferable primarily because there are no fuel costs and it does not contribute to global warming.
300	Rep. Krummel	Asserts that a company that uses the public purpose charge has an unfair advantage compared to those forced to scour the market for venture capital.
310	Sparling	Disagrees with the use of the word “unfair.”
327	Rep. Krummel	Asks whether green power should be generated and sold in the same state as opposed to being shipped across state lines.
334	Sparling	Replies that it depends on the benefits sought by the use of renewable energy. Says that if the benefit sought is stability of cost then it may not matter where it is sold, so long as the stabilizing effect holds across state lines.
352	Rep. Krummel	Refers to section 5 and asks whether it gives providers free reign as to what they can request to be reimbursed for.
370	Sparling	Assures that is not the intention of the measure. Describes the purpose of the reimbursement.
403	Sandy Flicker	Oregon Electric Co-op Association. Testifies in opposition to the –4 amendments to HB 3799. Says that if additional resources must be purchased from sources other than BPA they will be assessed the increased cost. Mentions that the electricity market is already facing potential rate increases as high as 300% and that now is not the time to add new mandates.
TAPE 147, B		
025	Chair Witt	Asks if OECA has a position on the measure itself.
026	Flicker	Testifies to a position of neutrality on HB 3799 and the –5 amendments.
070	Chair Witt	Adjourns the meeting at 5:10 p.m.

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Dan Clem,
Committee Administrator

EXHIBIT SUMMARY

A – HB 3799, -5 amendments, staff, 3 pp.

B – HB 3799, -4 amendments, Rep. Laurie Monnes-Anderson, 2 pp.