

## CONFERENCE COMMITTEE ON HB 2630

June 11, 2001  
4:00 PM

Hearing Room  
Tape 1

**MEMBERS PRESENT:**     **Rep. Bill Witt, Chair**  
                              **Rep. Alan Brown**  
                              **Rep. Richard Devlin**  
                              **Sen. Jason Atkinson**  
                              **Sen. Avel Gordly**  
                              **Sen. Steve Harper**

**STAFF PRESENT:**       **Matt Wingard, Committee Administrator**  
                              **Patrick Brennan, Committee Assistant**

**MEASURE/ISSUES HEARD:**     **HB 2630-B Work Session**

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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 1, A</b>		
004	Chair Chair Witt	Calls the committee to order at 4:10 p.m. Opens a work session on HB 2630-B.
<b><u>HB 2630-B WORK SESSION</u></b>		
005	Matt Wingard	Committee Administrator. Gives a brief description of the bill. Indicates that the –B4 amendments ( <b>EXHIBIT A</b> ) have been submitted for the committee's consideration.
020	Steve Vincent	Avista Utilities. Testifies in support of HB 2630-B and submits informational materials ( <b>EXHIBIT B</b> ). States that wholesale natural gas prices have been relatively volatile for the past 9 months. Explains the relationship between wholesale natural gas prices and the price Avista and other utilities charge to consumers. Indicates that the Public Utilities Commission (PUC) adjusts rates annually, but that rate increases are limited to three percent. States that the cap has resulted in Avista facing an accrued debt that could take as long as 20 years to pay off. Says HB 2630-B will allow greater rate increases in cases where they are justified. Assures that the bill's passage will not result in massive rate increases, as utilities need to guard against alienating their customer base.
066	Chair Witt	Requests an explanation as to how a company such as Avista goes about recouping costs in cases when wholesale natural gas prices rise sharply in a short period of time.
072	Vincent	Describes the effect that a doubling of the wholesale price of natural gas could have on Avista. Says that losses accrued during a short-term rise in prices can usually be worked off later during the year, when prices drop back down due to reduced demand. Adds that the annual rate review can help mitigate some of the accumulated debt by increasing rates, however, a three-percent increase would require more than ten years to repay a debt of \$20 million, which Avista currently faces. Asks that

097	Chair Witt	Avista and other utility companies be allowed to raise their rates higher to allow them to recoup costs more quickly. Requests confirmation that in cases where unusually large debts are being paid off the interest from the deferred debt is being passed on to consumers.
103	Vincent	Confirms the accuracy of the chair's analysis. Explains that in the current energy market it is now necessary to borrow money from the bank to purchase the product for delivery to customers.
105	Chair Witt	Concludes that HB 2630-B would help utilities recoup costs without going into long-term deferral.
107	Vincent	Answers that the bill would shorten the period of deferral. Clarifies that the only costs that are affected by the measure are wholesale natural gas prices and transportation costs. Mentions that the PUC can refuse to grant the requested rate increase, or require a refund should the rate increase turn out to be unwarranted. Assures that there are sufficient customer protections to prevent abuse.
118	Kevin Lynch	PacifiCorp. Testifies in support of HB 2630-B. Refers to section 4 of the bill, which brings statutory requirements up to date and addresses a particular issue related to Klamath Falls. Remarks that electricity is treated differently than natural gas with regard to rate setting. Mentions that there is no opposition to the bill among its stakeholders. Explains that deferred accounting is a way to pass debt along during periods between rate increases. States that Oregon's limit on rate increases of three percent of gross annual revenues is unique among Western states. Comments that PacifiCorp has recently needed to purchase electricity on the open market to meet consumer demand, which has required the company to expend an enormous amount of money. Indicates that the measure would raise the cap from three percent to six percent
173	Lynch	Reiterates that customers could be given refunds if subsequent PUC review determines the rate increases were unwarranted.
184	Chair Witt	Requests an estimate as to what percentage of the retail price of power reflects the cost of power generation or purchase.
186	Lynch	Replies that the percentage for residential consumers is between 25-40 percent, while the commercial rate is much higher due to the cost of commercial transmission requirements.
193	Chair Witt	Asks if Mr. Vincent or Mr. Lynch has a position regarding the –B4 amendments.
195	Lynch	Indicates PacifiCorp has no position regarding the –B4 amendments.
196	Vincent	Replies that the impact to customers of the –B4 amendments would be approximately \$.18/month. Mentions that there has been some interest within Avista regarding such a provision but that the company has not chosen to pursue it at this time. Supports the –B4 amendments only if their adoption does not threaten the passage of the bill.
211	Gary Conkling	Business Customer Coalition. Testifies in support of HB 2630-B. States that members of the coalition participated in the work group on the bill, focusing primarily on deferred accounting for electric utilities. States that the final compromise achieves a balance through an alternative rate setting tool. Mentions that there are additional requirements that accompany any request to

239	Gary Bauer	raise rates above three percent of gross annual revenues. Northwest Natural Gas. Testifies in support of HB 2630-B. Notes that the –B4 amendments insert HB 3009 into the bill, which is currently under consideration in the Senate Committee on Rules and Redistricting. Describes the –B4 amendments, which authorizes the PUC to allow natural gas utilities to structure rates to provide assistance to low-income consumers. Clarifies that the PUC needs the legislative authority to move forward with such a program, adding that the bill does not mandate that it do so. Notes that a cap of .5 percent of gross residential customer revenues is set by the amendments. Assures that the program would be open to public scrutiny and participation.
287	Chair Witt	Summarizes that under the provisions of the amendments the utility would need to make the request and receive PUC approval. Compares the –B4 amendments to similar programs for electrical utilities.
295	Bauer	Answers affirmatively.
298	Jeff Bissonette	Citizens Utility Board (CUB) of Oregon. Testifies to a position of neutrality regarding HB 2630-B and in support of the –B4 amendments. States that the B-engrossed bill has been amended to address some of CUB’s concerns. Mentions that CUB has supported HB 3009 and believes it to be needed by customers of natural gas utilities.
333	Chair Witt	Requests confirmation that the –B4 amendments achieve the same results as does HB 3009.
336	Bissonette	Replies affirmatively, concluding that there would be no need to take further action on HB 3009 should the committee adopt the –B4 amendments and re-pass the bill.
345	<b>Sen. Gordly</b>	<b>MOTION: Moves HB 2630-B to the floor with the recommendation that the House CONCUR in Senate amendments dated 5/15/01 and that the bill be FURTHER AMENDED by the –B4 amendments dated 6/8/01 and the measure be REPASSED.</b>
350	Sen. Harper	Mentions that the Senate Committee on Rules and Redistricting, of which he is the chair, has HB 3009 under consideration. Takes exception to efforts to amend HB 3009 into HB 2630-B and indicates he will oppose the motion.
362	Sen. Gordly	Asks Sen. Harper if it is his intention to take action on HB 3009.
365	Sen. Harper	Responds that he intends to continue reviewing HB 3009, adding that it has some positive aspects as well as some negative ones.
370	Chair Witt	Opines that the Senate amendments to HB 2630 have no more relevance to the original bill than do the –B4 amendments.
382	Sen. Atkinson	Indicates he will not support the motion. <b>VOTE: 3-3</b> <b>AYE: 3 - Rep. Brown, Sen. Gordly, Rep. Witt</b> <b>NAY: 3 - Sen. Atkinson, Rep. Devlin, Sen. Harper</b> <b>The motion Fails.</b>
400	Chair Witt Chair Witt	Indicates that an additional work session will be held on 6-19-01 and adjourns the meeting at 4:50 p.m.

Submitted By,

Reviewed By,

Patrick Brennan,  
Committee Assistant

Matt Wingard,  
Committee Administrator

**EXHIBIT SUMMARY**

**A – HB 2630-B, -B4 amendments, Rep. Bill Witt, 1 p.**

**B – HB 2630-B, informational materials, Steve Vincent, 10 pp.**