

HOUSE COMMITTEE ON COMMERCE

January 18, 1999 Hearing Room E

3:30 p.m. Tapes 5 ñ 6

MEMBERS PRESENT: Rep. Jim Hill, Chair

Rep. Ryan Deckert, Vice-Chair

Rep. Al King

Rep. Jerry Krummel

Rep. Bob Montgomery

Rep. Anitra Rasmussen

Rep. Diane Rosenbaum

Rep. Mark Simmons

Rep. Bill Witt

VISITING MEMBER: Rep. Jim Welsh

STAFF PRESENT: Jason Cody, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD:

Committee Rules

Telecommunication Issues

Power Deregulation Issues

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 5, A		

004	Chair Hill	Calls meeting to order at 3:30 p.m. and announces the first order of business is to adopt committee rules.
<u>ORGANIZATIONAL MEETING</u>		
<u>COMMITTEE RULES</u>		
009	Rep. Montgomery	MOTION: Moves to ADOPT the proposed Committee Rules (EXHIBIT A).
011		VOTE: 7-0 EXCUSED: 2 - Reps. King, Rasmussen
	Chair Hill	Hearing no objection, declares the motion CARRIED.
<u>COMMITTEE ASSIGNMENTS</u>		
013	Chair Hill	Announces membership of the subcommittees:
		Regulations: Reps. Simmons, King and Rasmussen
		Trade and Economic Development: Reps. Deckert, Rosenbaum and Montgomery
<u>TELECOMMUNICATIONS ISSUES</u>		
021	Chair Hill	Opens the informational meeting on telecommunications issues.
030	Chair Hill	Advises the members that the Subcommittee on Regulations chaired by Rep. Witt will have the issue of power deregulation, and that the Subcommittee on Trade and Economic Development, chaired by Rep. Krummel, will consider telecommunications. Adds that all other issues the committee receives will be divided between the two subcommittees according to workloads.
050	Joan Smith	Member, Public Utility Commission (PUC). Introduces Phil Nyegaard, Administrator of the PUC's telecommunications program
	Smith	Submits outline of comments and binder of materials on competition regulations on telecommunications (EXHIBIT B) .
070	Smith	Comments there will be two issues this session around access: advance services

		in rural Oregon, and reorganizing or adjusting regulation. Adds the question will be what is the price for each and for both.
082	Smith	Comments the major focuses of the PUC during the past three years, and will be into the future, has been the implementation of the Telecommunications Act of 1996. Explains purpose of the act (EXHIBIT B, page 1).
098	Smith	Comments the PUC's responsibilities are listed (EXHIBIT B, page 2). Comments on:
100		<ul style="list-style-type: none"> • "Encourage development of advanced technologies and services (EXHIBIT B, page 3)
107		<ul style="list-style-type: none"> • "Status of Local Competition in Oregon" (EXHIBIT B, page 3)
133		<ul style="list-style-type: none"> • "Flexible pricing" (EXHIBIT B, page 4)
147		<ul style="list-style-type: none"> • Universal service and universal access
		Issues discussed:
155		<ul style="list-style-type: none"> • Whether the subsidies are explicit or implicit
160		<ul style="list-style-type: none"> • Timeframe for changes in subsidies
184		<ul style="list-style-type: none"> • Length of time the docket has been open on universal service
187	Phil Nyegaard	PUC. Comments the docket was initiated in 1994 and in 1996 Congress passed the Federal Telecommunications Act. The federal action caused the parties to say they needed to reevaluate what they had already done.
192	Smith	Comments on issues that will be before this legislature (EXHIBIT B, page 5), and refers the committee to Section 3 in the binder (EXHIBIT B, pages 30-31).
237	Smith	Continues commenting on issues that will be before the legislature (EXHIBIT B, page 6).
257	Smith	Reviews "Regulatory flexibility/Streamlined regulation/Alternative forms of regulation (EXHIBIT B, pages 6-7).
		Issues discussed:

282		<ul style="list-style-type: none"> • whether the market can determine the rate of return
285		<ul style="list-style-type: none"> • number of regulated phone companies in Oregon (EXHIBIT B, page 13)
342	Smith	Continues reviewing issues that will be before the legislature this session (EXHIBIT B, pages 7-8).
348	Smith	Comments that the PUC has proposed SB 293 to give the PUC more authority to negotiate alternative forms and more flexible forms of regulation.
TAPE 6, A		
022	Ron Eachus	Chair, PUC. Submits copies of overheads on the background of electric industry restructuring, shows overheads and explains issues surrounding the power supply in the Northwest (EXHIBIT C).
041	Chair Hill	Comments that energy deregulation legislation will start on the Senate side, that the Regulations Subcommittee will work on the legislation, and the full committee may have further information presented.
054	Eachus	Explains his presentation will attempt to give the committee an idea of the current structure of the industry, how the changes being talked about might change the industry, and the issues the Legislature has to deal with in addressing the changes:
060		<ul style="list-style-type: none"> • Reviews types of utilities (EXHIBIT C, page 2)
074		<ul style="list-style-type: none"> • Reviews "Current Electric Industry Structure" (EXHIBIT C, pages 3-7)
126		<ul style="list-style-type: none"> • Reviews overhead on "States Adopting Retail Access Electric Restructuring Laws" (EXHIBIT C, page 8)
135		<ul style="list-style-type: none"> • Reviews "Average Energy Capability of Generating Plants serving PNW Loads" (EXHIBIT C, page 9)
162	Rep. Deckert	Asks what is included in "bio-mass".
164	Eachus	Responds it would be wood waste, and that the information is for the total northwest. Adds that the data is from the last Power Plan report from the Northwest Power Planning Council and is probably 1995-96 data.
180	Eachus	Continues presentation of overheads on:

180		<ul style="list-style-type: none">• "Why is there interest in restructuring?" (EXHIBIT C, page 10)
215		<ul style="list-style-type: none">• "Direct Access" (EXHIBIT C, page 11)
235		<ul style="list-style-type: none">• "Direct Access" (EXHIBIT C, page 12)
271		<ul style="list-style-type: none">• "New Structure?" (EXHIBIT C, page 13)
282		<ul style="list-style-type: none">• "Possible Evolution of the Electric Industry" (EXHIBIT C, page 14-15)
		Issues discussed:
295		<ul style="list-style-type: none">• Monopoly in distribution system
323		<ul style="list-style-type: none">• Whether only the transmission component is regulated
358	Eachus	Continues presentation on:
		<ul style="list-style-type: none">• De-bundling (EXHIBIT C, page 15)
390		<ul style="list-style-type: none">• "Possible Evolution of the Electric Industry - Portfolio Access--" (EXHIBIT C, page 16)
412		<ul style="list-style-type: none">• "Potential Benefits of Direct Access" (EXHIBIT C, page 17)
TAPE 5, B		
015	Eachus	<ul style="list-style-type: none">• "Potential Harm from Direct Access" (EXHIBIT C, page 18)
047		<ul style="list-style-type: none">• "Basic Elements of Transition" (EXHIBIT C, page 19)
		Issues discussed:
073	Rep. Witt	<ul style="list-style-type: none">• percentage of rate structure reflected in the cost of generation, transmission and distribution
088		<ul style="list-style-type: none">• whether the transmission cost is more for hydro power coming out of the northwest going to Kansas or Arizona than if the power were consumed in the northwest

104	Roger Hamilton	PUC Commissioner. Comments on transmission costs affecting wholesale competition and electricity trades.
130	Eachus	Comments the distribution costs for industrial customers are much less because the industrial customers are served a lot larger load on a much less expensive distribution component.
136	Eachus	Agrees to provide the committee with a breakdown on rates from the three companies PUC regulates.
136	Eachus	Continues presentation of overheads:
136		<ul style="list-style-type: none"> franchise fees/taxes (EXHIBIT C, page 19)
149		<ul style="list-style-type: none"> "Transition Costs Guidelines (UM 834)" (EXHIBIT C, page 20)
		<ul style="list-style-type: none"> "Public Purposes" (EXHIBIT C, page 21)
175		<ul style="list-style-type: none"> "Some Basic Issues"(EXHIBIT C, page 22)
198		<ul style="list-style-type: none"> will not go over the restructuring issues (EXHIBIT C, pages 23-24)
215		<ul style="list-style-type: none"> "OPUC Activities Since 1997 Legislative Session" (EXHIBIT C, page 25)
254	Eachus	Concludes his presentation and offers to provide information on the pilot programs or whatever the committee desires
254		Issues discussed:
254		<ul style="list-style-type: none"> whether Oregon must act this session because of the 1996 federal law
265		<ul style="list-style-type: none"> whether PGE's customer choice plan is intended to open up the market and free up the rate structure
284		<ul style="list-style-type: none"> whether uncertainty in restructuring the market could lead to delay in building generation facilities
320		<ul style="list-style-type: none"> whether studies have been done to show what has happened in states that have gone through restructure
350		<ul style="list-style-type: none"> when implementing language on PGE's pilot project will be available

365		<ul style="list-style-type: none"> • whether states will set the framework or guidelines on deregulation
407		<ul style="list-style-type: none"> • whether experience of deregulation of the natural gas industry provides useful information on deregulation
434	Chair Hill	Adjourns meeting at 4:45 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ Committee Rules, staff, 3 pp

B ñ Telecommunication Issues, outline of presentation and binder of materials on competition regulations of telecommunications, Joan Smith, 42 pp

C ñ Power Deregulation Issues, copy of overheads, Ron Eachus, 34 pp