

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON REGULATIONS

March 31, 1999 Hearing Room 350

3:00 p.m. Tape 24 - 25

(NOTE: Tape 26 voided)

MEMBERS PRESENT: Rep. Bill Witt, Chair

Rep. Al King

Rep. Anitra Rasmussen

Rep. Mark Simmons

STAFF PRESENT: Jason Cody, Administrator

Nancy Geisler, Administrative Support

MEASURE/ISSUES HEARD: HB 2827 Public Hearing

HB 3219 Public Hearing

HB 2824 Public Hearing and 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.

TAPE/#	Speaker	Comments
TAPE 24, A		
004	Chair Witt	Opens meeting at 3:20 p.m. and opens public hearing on HB 2827.
<u>HB 2827 n PUBLIC HEARING</u>		
006	Jason Cody	Administrator. Explains HB 2827.
020	Rep. Dan Gardner	District 13. Explains he is sponsoring HB 2827 at the request of the National Electrical Contractors Association (NECA).

030	John Gervais	Lobbyist, NECA. Presents testimony in support of HB 2827 (EXHIBIT A). Explains that, in 1987, there was an effort to create more affordable housing in Oregon. Adds a residential code was created with a different wiring system than commercial industrial buildings. Notes enforcement of the code was given to the Structural Board instead of NECA. Suggests changes to language of HB 2827 on page 1, lines 22, 23, and 31, as well as page 2, lines 1 and 2.
060	Rep. King	Asks if Gervais' opinion is that there should only be licensed electrical contractors doing electrical installations in homes.
067	Gervais	States the law allows homeowners to do their own installations. Adds he thinks a licensed contractor, with the exception of the owner of the building and their family, should do installations.
076	Bob Gotham	Rose City Electric. Testifies in support of HB 2827. Notes that there is no correlation between the Structural Board and the Electric Board or the Plumbing Board. Explains if someone has an electrical issue, it is dealt with by the builders, and there is no record which goes back to the Electric Board for enforcement. Notes this was an opinion made by the Attorney General. States that HB 2827 would address this issue.
094	Nathan Philips	Owner, Philips Electric in Eugene; member, Oregon State Electrical and Elevator Board. Testifies in support of HB 2827. Explains that since there are two boards interpreting the Electrical Code, there is some inconsistency. Notes HB 2827 would create a better situation.
115	Shawn Miller	Lobbyist, Independent Electrical Contractors of Oregon. Testifies in support of HB 2827. Notes that HB 2827 puts authority in the hands of the experts of the Electrical and Elevator Board. Explains the process of code changes.
132	Fred VanNatta	Lobbyist, Oregon Building Industry Association (OBIA). Testifies in opposition to HB 2827. Remarks that OBIA concurs with the thrust of the issue, but indicates HB 2827 needs some amendments. Notes if this is done, OBIA will withdraw their opposition.
146	Chair Witt	Asks Gervais if he will be talking with VanNatta about HB 2827 and the proposed changes.
150	Gervais	Responds yes.
156	Chair Witt	Closes public hearing on HB 2827 and opens public hearing on HB 3219.
<u>HB 3219 - PUBLIC HEARING</u>		
167	Richard Perez	Home Power Magazine, Ashland. Testifies in support of HB 3219. States HB 3219 is good for Oregon because the energy and energy systems derived from renewable resources are sold and installed by Oregon businesses. Adds that net metering allows making energy in the summer, sharing it with other people, and

		<p>then retrieving it for use in the winter. Notes this energy is more expensive than energy purchased from the local utility. Points out the reasons Oregonians would invest in clean energy resources:</p> <ul style="list-style-type: none"> • To ensure the environmental consequences of the electricity. • Uninterrupted service. • Power quality.
201	Perez	<p>States Oregonians want to cache energy with the utility when it is readily available and then retrieve it at the same price they sold it to the utility. Adds any surplus would return to Oregon, and the systems owner is not compensated. Comments this is not a money-making venture. Relates that, if HB 3219 passes, businesses will grow and new ones will arise to service the new market.</p>
235	Chair Witt	<p>Asks Perez if the majority of renewable energy systems identified by Perez are on the grid.</p>
243	Perez	<p>Answers no, and adds that less than 10% are on-grid. Notes no subsidy is needed for the off-grid systems.</p>
260	Chair Witt	<p>Asks if HB 3219 would be an incentive for other individuals to begin using renewable energy devices.</p>
264	Perez	<p>Answers yes.</p>
266	Joseph Schwartz	<p>Joseph Schwartz, tests home power equipment. Testifies in support of HB 3219. States he is attempting to install wind generating equipment on his property. Adds they have gone through the process to obtain a permit without problems. Explains the next step is reaching an individual agreement with the power company regarding interconnection requirements. Comments this is an inefficient process for the homeowner and the utility because it is done on a case-by-case basis. Reports that net metering is attempting to streamline the process.</p>
299	Rep. Jim Welsh	<p>District 43. Testifies in support of HB 3219. Comments that consumers want choice in methods of energy. Notes that net metering allows the individual this choice for his own home. Reports HB 3219 creates standardized protocols for consumers to connect to many forms of energy. Adds HB 3219 creates uniform standards for renewable energy systems that ensure safety, reliability, and system power quality. Notes involvement of utilities and safety standards must be considered carefully.</p>
350	Rep. Welsh	<p>Notes the uniform standards created by HB 3219 will help to lower costs for consumers and encourage market growth. Adds that market expansion should lower costs and lead to more growth in renewable resources. Comments that net metering will allow consumers to return excess power into the electricity grid for use by others and gives them credit against the next month's bill.</p>
393	Tom Novick	<p>Lobbyist, Renewable Northwest Project. Testifies in support of HB 3219 and presents (EXHIBIT B).</p>

TAPE 25, A

010	Peter West	Lobbyist, Renewable Northwest Project. Presents testimony in support of HB 3219 (EXHIBIT C). Explains there are no standards in Oregon on how to hook up energy sources. Remarks that this and the administrative hurdles restrict lower energy costs of energy or market growth. Notes that HB 3219 creates high standards relating to safety, energy reliability, and power quality. Adds that net metering involves solving problems and breaking down barriers in order to bring other people on board.
041	Cody	Explains the amendments from Novick have not been prepared by the Legislative Counsel.
046	Novick	Explains they hope to come back to the committee for a work session with a consensus from all affected parties.
051	West	Mentions that the City of Ashland sent a letter of support for HB 3219 (EXHIBIT B).
056	Rep. King	Asks if there has been any opposition.
058	West	Answers they are still talking to some parties, but no one has spoken in opposition to HB 3219.
060	Chair Witt	Notes people have signed up both in support and in opposition to HB 3219, and they should be heard today.
061	Frank Vignolia	President, Oregon Solar Energy Industries Association. Testifies in support of HB 3219. Explains the world is approaching the peak of oil production, so there is a need to find other energy sources. Notes there is a lack of clear procedures to allow the homeowner to interconnect to the electrical grid.
087	Vignolia	Reports that HB 3219 is the result of efforts to provide a solution for net metering and to ensure safety of installation and quality of power produced. Explains that the passage of HB 3219 will open the door in Oregon to those who are willing to invest in renewable energy. Clarifies that there is solar energy in Oregon.
100	Chair Witt	Inquires if any of the witnesses have information regarding the rate of increase of property owners putting renewable energy sources on their property.
108	Vignolia	Responds there are about 10-20 in Portland people doing this, but the process is slow. Explains the utilities are just learning about this process in Oregon.
115	Novick	Explains the 10-20 people Vignolia mentioned are actually going through the administrative hurdles to do net metering.

117	Chair Witt	Clarifies this number does not include everyone who is installing a renewable energy system.
119	Vignolia	Answers no. Explains they want the process to be done safely and correctly.
126	Novick	Notes that (EXHIBIT B) emphasizes that Ashland adopted a renewable energy policy three years ago and proved it is not a difficult task to accomplish.
134	Chair Witt	Asks what the typical cost is for a residential homeowner to install a renewable energy system in their home.
138	Vignolia	Responds the cost is approximately \$10,000 for a one kilowatt system.
140	Rep. King	Reports that the \$10,000 is on the upper end of the price range.
144	West	Comments this is true but, in order to meet safety requirements of HB 3219, UL-tested equipment must be used and that the installation is done right.
152	Rep. King	Asks if there is market acceptance in the future, what might the price decline be.
155	West	Answers that solar power has dropped 80% in cost over the last 10 years.
160	Rep. King	Asks if the drop in cost will raise demand and increase volume.
163	West	Responds they hope to leverage this so the consumers can drive market demand and bring renewable energy prices down.
172	Vignolia	States they hope to start out small and, as the volume increases, they will be able to reduce the costs. Adds there is a large potential for cost reductions. Comments there is a need for a market to get industries started.
190	Richard Perez	Notes that Pacific Gas and Electric (PGE) did a survey of the market in their area (Northern California). Comments there was a 32% per year market increase in the use of solar panels.
214	Alan Zelenka	Power Manager, Emerald People's Utility District in. Presents and reads from testimony in support of HB 3219 (EXHIBIT D) . Notes as Oregon grows and more electricity is needed from resources, there will be a need to meet that load. Comments that the renewable resources in HB 3219 are reliable. Explains that renewable resources have become much more affordable. Adds there is a need for a statewide interconnection standard which establishes uniformity and simplicity of installations.
247	Zelenka	States that HB 3219 also creates a standard for safety to protect utility employees

		and the public. Adds that there should be a statewide standard for how small renewable resources are metered. Notes that HB 3219 offers flexibility for utilities.
265	James Whitty	Lobbyist, Eugene Water and Electric Board (EWEB). Testifies in support of HB 3219. Explains EWEB has been encouraging local customers to try small scale renewable generation. Indicates HB 3219 will allow publicly elected boards to have local control over setting rates and electrical hookup standards.
284	Roger Hamilton	Commissioner, Public Utility Commission (PUC). Presents testimony in support of HB 3219 (EXHIBIT E). Comments that Oregon is behind in the use of renewable resources. Notes that thermal power plants create reliability problems and are not competitive with new sources of electricity.
312	Hamilton	Explains there will be more distributed generation as a means of generating electricity. Comments the PUC has some amendments to HB 3219: <ul style="list-style-type: none"> • To add fuel cells to the technologies that qualify for net metering. • To allow the appropriate governing body to limit the aggregate amount of energy a utility is required to take from net metering customers and generators. • To ensure that the authority to alter fees of PUC's municipalities is the responsibility of the appropriate governing body and not of PUC. • To adopt standards to protect utility workers' safety. • To allow net metering to be applicable to all energy service providers.
362	Chair Witt	Asks, regarding the second amendment, if the PUC is concerned that additional energy being generated could lead to higher rates for certain customers.
391	Hamilton	Answers yes. Explains the customer generator would receive the retail rate when it sells back into the grid. Adds there would be a loss of revenue. Notes the energy provided saves the energy utility only the cost of the net generating power, so it would bear the loss of the revenues with respect to the retail rate.
TAPE 24, B		
009	Rep. King	Inquires if there was an excess of power generated by energy resources and this impacted rates, would that impact only occur in a no growth environment so other consumption was not picking up the rate. Asks, too, whether there was under performance in terms of low growth would cause higher rates than anticipated.
022	Hamilton	Answers this is a possibility, but the PUC was only considering the difference between the retail rate and the loss of revenue to the utility.
028	Rep. King	Clarifies if there was growth in consumption, that growth would pick up displaced power.
032	Hamilton	Answers he believes Rep. King is correct.

035	Rep. King	Notes that the electrical provider could sell and install the units, possibly creating revenue for themselves.
038	Hamilton	Answers yes. Comments that there are reliability issues and savings with respect to building large thermal plants.
048	Brian Boe	Lobbyist, Portland General Electric (PGE). Presents proposed amendments to HB 3219 (EXHIBIT F). Notes PGE could support HB 3219 with the adoption of (EXHIBIT F).
060	Chair Witt	Asks what the proposed amendment does.
063	Boe	Explains the amendment acts as a safeguard against economic displacement among rate payers if a huge amount of energy is generated by net metering and the incentives provided therein.
069	Rep. King	Inquires if this means it would not be profitable to own a net metering product.
074	Cindy Finlayson	Lobbyist, PGE. Responds that PGE wants the opportunity to review costs and how they are paid. Adds this is consistent with the authority PGE has on energy efficiency programs. States they would go through a rate-making process with the PGE and review the difference between market rates and retail rates.
080	Rep. King	Clarifies that the end result is that this would be fair to both parties.
086	Finlayson	Answers yes.
089	Chair Witt	Reports the proposed PGE amendments would not prevent someone from installing a renewable energy source on their property. Adds it will allow the PGE to consider if there are rate adjustments are necessary because of the loss of revenue.
092	Finlayson	Answers yes.
094	Rep. King	Asks if the amendments from PUC and PGE are compatible.
095	Finlayson	Answers they are compatible.
097	John Brenneman	Lobbyist, Idaho Power. Testifies in opposition to HB 3219. Notes he has concerns about HB 3219 in its current form. Explains Idaho Power has a net billing tariff in place. Adds the tariff includes an additional charge to customers who use net billing, which reduces revenue losses to Idaho Power. Comments that customers of Idaho Power can generate their own electricity, reduce their consumption, purchase backup service, or sell the output of their generating facilities at market base prices. Comments he would like to work with the

		amendments presented.
119	Chair Witt	Asks if Brenneman has proposed amendments.
120	Brenneman	States he does not have any amendments, but would like to work with the amendments proposed today.
123	Chair Witt	Suggests Brenneman work with the PUC and PGE on amendments.
125	Douglas Boleyn	Owner, Cascade Solar Consulting, LLC; President, Solar Energy Association of Oregon. Presents testimony in support of HB 3219 (EXHIBITS G, H). Notes that he has a grid tie system on his property. Comments the utility charges him more than they pay him for any excess power he generates. Adds that in a non-net metered system, it is unfair to the consumer and the producer of renewable energy to see this energy devalued. Continues that net metering would equalize this situation.
155	Boleyn	Explains he has been involved in several installations of solar panel systems. Explains the educational challenges of working with officials not familiar with the technology. Adds educational challenges abound in this field.
171	David Parker	Co-owner in an energy service company in Eugene. Testifies in support of HB 3219. Explains HB 3219 enables energy companies to offer choice and fairness to customers. Notes that homeowners want to install clean, renewable power, but they need incentives. Adds that being able to sell power at the same rate it is bought is the right incentive.
197	Christine Clark-King	Homeowner. Testifies in support of HB 3219. Remarks her home has a solar energy system because of concern about the environment. States she wants clean air and water for future generations.
217	Rep. King	Asks Boleyn about the costs to utilities of providing renewable resources systems as compared to those incurred by homeowners.
230	Boleyn	Answers that the utility is valuable to people who choose not to use batteries. Adds that the counteracting service renewable energy providers add is renewable energy which can go back onto the utility grid system.
242	Rep. King	Answers he supports that, but notes that the utility may be saddled with excess power at times, and they should have the ability to use price differentiation.
253	Boleyn	Suggests that much of solar generation usually occurs in the summer six months during daylight hours. Explains there are summer peaks. Adds excess generated by solar systems would be going directly into the grid at times when it would not need to be purchased outside.
266	Rep. King	Answers Oregon's peak is in winter.

268	Boleyn	Replies there are also summer peaks.
270	Rep. King	Asks what the annual size of sales of solar products is in Oregon.
272	Boleyn	Answers he is not sure, but states Oregon was the fifth largest state in the volume of solar panels sold in the U.S. in 1997.
285	Rep. King	Asks how big is the solar energy industry.
288	Boleyn	Reiterates there are 72 solar businesses in Oregon.
290	Clark-King	Points out that many people came through their house on tours to get information regarding solar systems.
298	Tom OiConnor	Lobbyist, Oregon Municipal Electric Utilities. Testifies in opposition to HB 3219. Comments other electric utilities have differing policies. Notes the central concern by the utilities is that, if this program becomes mandatory, they must buy power back at a retail rate instead of a wholesale rate. Explains this means the other rate payers are subsidizing this resource. Stresses they want to participate in developing the amendments to HB 3219.
340	Sandra Flicker	Lobbyist, Oregon Rural Electric Cooperative Association. States they are concerned about cost shift, particularly because rural electric cooperatives have a low density of customers and a high cost of distribution. Adds they would also like to work with the PUC amendments to HB 3219.
357	Rep. King	Comments that since new power is being displaced, a fair wholesale price might be what it costs to buy the next block of wholesale power versus a blend of old rates. Notes the provider for net metering is reducing the demand for new power and deserve some credit for creating power.
373	Chair Witt	Asks what is the difference between wholesale and retail cost of power.
379	OiConnor	Answers the wholesale cost is two cents a kilowatt hour, and retail runs in the three cent to four cent range.
392	Flicker	Explains there is a bigger difference in cost in her area because of high distribution costs.
400	Chair Witt	Asks what is the difference between what a power municipality would pay for power and what it is being sold for. Asks again about the difference in wholesale and retail costs of power.
407	OiConnor	Explains that since they buy at cost, they buy at about two and a half cents from Bonneville and sell in the three to four cent range. Notes this difference includes

		the distribution charges, standby charges, and payments in lieu of taxes or franchise fees.
TAPE 25, B		
010	Flicker	Reiterates the issue for them is discretion, and a mandate does not give them the discretion to allocate costs out.
016	Brent Gunderson	President, Sun, Wind & Fire Company. Presents a letter in support of HB 3219 (EXHIBIT I) . Explains he wants to build an industry to employ people at good wage jobs. Comments one of the impediments to this is roadblocks such as net metering.
052	Gunderson	Explains the current position of the solar industry. Insists he wants a net metering bill to lower the costs by standardizing interconnections. Elaborates on the cutting edge technology available in Oregon for photovoltaic system installations. Reiterates that people want solar power systems.
088	Mike Graine	Assistant Director, Office of Energy. Testifies in support of HB 3219. Believes Oregon has benefited from the experience of other states. Notes that many people have taken advantage of solar energy and other renewable resources in the last 20 years, but principally for hot water and space heating. Notes this is because of the cost difference for a system which would generate electricity.
116	Chair Witt	Explains that HB 3219 will be back to the committee. Encourages preparation of amendments in a timely manner
130	Chair Witt	Closes public hearing on HB 3219 and opens public hearing on HB 2824.
<u>HB 2824 n PUBLIC HEARING</u>		
135	Cody	Explains HB 2824.
145	Tom Lindberg	Chairman , Boiler Boards. Comments they have resolved differences with the gas company by clarifying a misconception. Adds they would like to move forward with HB 2824.
160	Dana Roberts	Acting Deputy Administrator, Building Codes Division. Presents written testimony in support of HB 2824 (EXHIBIT J) .
165	Chair Witt	Closes public hearing on HB 2824 and opens work session on HB 2824.
<u>HB 2824 n WORK SESSION</u>		

171	Rep. Simmons	MOTION: Moves to ADOPT HB 2824-1 amendments dated 03/19/99.
172		VOTE: 4-0
	Chair Witt	Hearing no objection, declares the motion CARRIED.
182	Rep. Simmons	MOTION: Moves HB 2824 to the full committee with a DO PASS AS AMENDED recommendation.
184		VOTE: 4-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Witt	The motion CARRIES. REP. KING will lead discussion in full committee.
190	Chair Witt	Closes work session on HB 2824 and adjourns meeting at 4:55 p.m.

Submitted By, Reviewed By,

Nancy Geisler, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2827, written testimony, John Gervais, 2 pp

B ñ HB 3219, letter from City of Ashland, Tom Novick, 3 pp

C ñ HB 3219, written testimony, Peter West, 2 pp

D ñ HB 3219, written testimony, Alan Zelenka, 1 p

E ñ HB 3219, written testimony, Roger Hamilton, 4 pp

F ñ HB 3219, PGE proposed amendments, Brian Boe, 1 p

G ñ HB 3219, written testimony, Douglas Boleyn, 1 p

H ñ HB 3219, written testimony, Douglas Boleyn, 1 p

I ñ HB 3219, written testimony, Brent Gunderson, 1 p

J ñ HB 2824, written testimony, Dana Roberts, 1 p