

**HOUSE COMMITTEE ON COMMERCE**

**SUBCOMMITTEE ON REGULATIONS**

**April 2, 1999 Hearing Room 350**

**3:00 p.m. Tape 27**

**MEMBERS PRESENT: Rep. Witt, Chair**

**Rep. Jim Hill**

**MEMBER EXCUSED: Rep. Al King**

**Rep. Anitra Rasmussen**

**Rep. Mark Simmons**

**STAFF PRESENT: Jason Cody, Administrator**

**Nancy Geisler, Administrative Support**

**MEASURE/ISSUES HEARD: HB 3218 Public Hearing**

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
<b>TAPE 33, A</b>		
004	Chair Witt	Opens the meeting at 3:17 p.m. Opens public hearing on HB 3218.
<b><u>HB 3218 n PUBLIC HEARING</u></b>		
007	Jason Cody	Administrator. Explains HB 3218.
013	Libby Henry	Lobbyist, Eugene Water and Electric Board. Testifies in support of HB 3218. Explains the entities which support HB 3218.

029	Larry Cable	Lobbyist, Oregon Utility Resource Coordination Association (OURCA) and the City of Klamath Falls. Presents testimony in support of HB 3218 ( <b>EXHIBIT A</b> ). Explains HB 3218 will clarify the authority of municipal utilities to purchase financial instruments in the electricity market. States that today, power is sold by contract in the open market, which can have wide swings.
072	Cable	Wants to allow public utilities to purchase instruments that will minimize their exposure to market risks for power they will buy to serve retail loads. Comments these transactions can take various forms, but all of these options are only to reduce risk, not for speculation or making money. Adds they have sought an exemption from public disclosure of information made available to the public utility in connection with these transactions.
100	Chair Witt	Asks if the specific policies, to the extent they are perspective in application, should be kept confidential and exempted from any public disclosure statutes.
103	Cable	Responds the only information that could be held confidential is business, commercial, or financial information relating to the transactions to control risk. Notes the transaction itself, once signed, is a public record.
111	Chair Witt	Asks if Cable could give an overview in terms of wholesale power prices in the past few years and how they have affected publicly owned utilities.
116	Cable	Explains that, since deregulation, power can be provided by any entity that wants to sell wholesale power. It is difficult to determine if the cost of power in the more open market has gone down. Reports the price of power is volatile. Adds these rapid changes have led to any financial problems in the market. Comments that, in the open market, there can be wide swings in power prices.
134	Cable	Reports the market is not sufficiently mature in terms of number of plants available and coordination and sale of the output from those plants. States that as new plants come in, costs for power will even out, and this may create a stabilizing effect. Comments the demand is not varying greatly, so the volatility is a result of trying to fit current supplies into the demand.
150	Chair Witt	Asks how far into the future a public utility district or municipal electric utility contract for power, and are the prices they contract for firm or subject to change.
154	Cable	Answers that publicly owned utilities have contracted on a 20-year basis to buy from Bonneville Power at Bonneville's cost. Notes the costs have increased, but have stayed relatively stable. Bonneville may not be able to meet all of the power needs of the current public utilities, so the utilities may now buy on the open market.
173	Cable	Remarks that because of the money which can potentially be made in the open market, the utilities have to pay a high price when using a power supplier and ask for a firm price commitment. Adds all power is being bought. Notes power will either be bought from the market place and take the market risk, or be bought on the open market and have a financial product stabilize how much risk will be taken.

196	Rep. Hill	Inquires if public utilities are in the future not entering into long-term contracts based on the change in how Bonneville is entering into contracts and the market.
206	Cable	Answers yes.
208	Rep. Hill	Asks if the ability for the market to spike will be greater in the future, and whether Oregon deregulates or not in terms of the market for purchasing power they deliver is essentially deregulating.
213	Cable	Answers yes.
215	Mark Nelson	Lobbyist, City of Klamath Falls. Presents testimony in support of HB 3218 <b>(EXHIBIT B)</b> . Explains Klamath Falls Cogeneration Project.
233	Rep. Hill	Notes on the proposed amendments, the City of Klamath Falls is adding fuel to incorporate a contract for the purpose of natural gas.
236	Nelson	Answers yes.
238	Rep. Hill	States this is specific to Klamath Falls and suggest that, in the future, the language could be generalized to include other municipalities.
249	Henry	Directs the committee to resist the word "cities." States that using "facility specific" where there is a city that is engaged in a project with another utility may be appropriate.
257	Rep. Hill	Asks where the use of "cities" would cause problems.
261	Henry	Explains PGE would not be happy about seeing the City of Portland get the power marketing business.
264	Nelson	Comments that giving a city not involved in the municipal power system general authority is not a normal practice. Adds the City of Klamath Falls is a unique and specific program.
272	Rep. Hill	Notes he will schedule HB 3218 in full committee for the adoption of the amendments and with the intent that HB 3218 would go to the floor.
283	Chair Witt	Closes public hearing on HB 3218 and adjourns the meeting at 2:30 p.m.

Submitted By, Reviewed By,

Nancy Geisler, Jason Cody,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ HB 3218, written testimony and graph, Larry Cable, 4 pp**

**B ñ HB 3218, written testimony and proposed amendments, Mark Nelson, 4 pp**