

SENATE COMMITTEE ON PUBLIC AFFAIRS

February 26, 1999 Hearing Room C

1:15 p.m. Tapes 14 - 15

MEMBERS PRESENT: Sen. Gene Derfler, Chair

Sen. Joan Dukes, Vice-Chair

Sen. Eileen Qutub

Sen. Charles Starr

Sen. Thomas Wilde

MEMBER EXCUSED:

STAFF PRESENT: Brian E. Smith, Administrator

Rachel E. Halupowski, Administrative Support

MEASURE/ISSUES HEARD: SB 270 Public Hearing and Work Session

SB 222 Work Session

Power System 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 14, A		
000	Chair Derfler	Opens meeting at 1:15 p.m. and opens SB 270 public hearing.
<u>SB 270 PUBLIC HEARING</u>		
021	Dan Hartman	Chief Risk Officer, Risk Management Division, Department of Administrative Services. Presents (EXHIBIT A). States his office's mission is to help state

		managers avoid accidents before they happen and when accidents happen his office helps finance the cost in the most efficient manner. States, years ago, every agency had a separate policy with State Accident Insurance Fund (SAIF). States in 1985 a comprehensive risk management bill was passed that required the Department of Administrative Services to direct and manage all risk management and insurance programs for the state government except for employee benefits.
055	Chair Derfler	Asks, when there is an accident, if the agency is responsible for the accident charged, or if the cost is socialized across all agencies.
056	Hartman	States, after 1985, individual insurance policies through SAIF were eliminated and one large policy was created. Explains his office started the internal allocation plan where agencies are charged fees based on their loss experience.
060	Chair Derfler	Asks if "Ö you buy a stop-loss policy from commercial?"
062	Hartman	States they do have a stop-loss policy for property. States his office has a \$300 million insurance policy with carriers around the world. States his office self-insures property for the first \$2 million for all types of losses, except earthquake and flood. States his office has purchased some blanket and specialty policies. States, with the Workersí Compensation Division (WCD), his office buys a self-insurance type policy from SAIF in order to save money. States there are significant dividends coming from WCD.
087	Chair Derfler	States WCDís accident rate has lowered by 29% and asks if Hartman has experienced the drop at the state government level.
088	Hartman	States the accident rate has lowered by 70%. Supports SB 270.
107	Chair Derfler	Closes the public hearing on SB 270 and opens a work session.
<u>SB 270 WORK SESSION</u>		
109	Sen. Starr	MOTION: Moves SB 270 to the floor with a DO PASS recommendation.
		VOTE: 3-0 EXCUSED: 2 ñ Dukes, Wilde
Chair Derfler		Hearing no objection, declares the motion CARRIED. SEN. STARR will lead discussion on the floor.

117	Chair Derfler	Closes work session on SB 270 and opens work session on SB 222.
<u>SB 222 WORK SESSION</u>		
118	Brian E. Smith	Committee Administrator. Explains SB 222 allows the Director of the Department of Consumer and Business Services to appoint health care providers to the advisory committee on medical care. States the ñ1 amendments require that the medical advisory committee be composed of the type of health care providers that are most representative of the types of physicians providing medical care to injured workers and require the committee to include a managed care organization (MCO) representative.
128	Chair Derfler	Asks Melgard if the ñ1 amendments meet the needs of his organization.
129	Mark Melgard	Retired Neurosurgeon, former Medical Director of WCD. States medical doctors provide 30% of the service. Recommends the constitution of the committee be: a representative for insurers, one for employers, one for injured workers, one for MCOs, one chiropractor, one naturopath, one osteopath, and three to five medical doctors (orthopedist, family physician, neurosurgeon, radiologist, or physical therapist).
157	Tom Mattis	Deputy Administrator, WCD. Presents (EXHIBIT B) . States, after the February 5, 1999 public hearing, he worked with the Oregon Medical Association (OMA) to amend SB 222 according to the OMA's concerns. States the ñ1 amendments change the permissive language of the bill. States Melgard's suggestions are too prescriptive, where the WCD and the OMA subscribe to more flexibility in medical care provider types. Supports SB 222 with the ñ1 amendments.
171	Chair Derfler	Asks if Mattis is willing to work with Melgard on this issue in the future.
173	Mattis	States the WCD is willing to work with Melgard, the OMA, and the public.
186	Sen. Qutub	States the need to take under advisement the different types of providers involved, as well as different types of injuries.
196	Mattis	Explains the language of the bill will ensure a medical advisory committee which most closely reflects the range and type of providers. States there is flexibility to adapt the composition of the committee to the reality of the workplace and the kind of injuries arising.
204	Sen. Qutub	MOTION: Moves to ADOPT SB 222-1 dated 2/18/99.
		VOTE: 3-0 EXCUSED: 2 ñ Dukes, Wilde

	Chair Derfler	Hearing no objection, declares the motion CARRIED.
214	Sen. Qutub	MOTION: Moves SB 222 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 3-0 EXCUSED: 2 n̄ Dukes, Wilde
	Chair Derfler	Hearing no objection, declares the motion CARRIED. SEN. QUTUB will lead discussion on the floor.
236	Chair Derfler	Closes work session on SB 222 and opens informational meeting on Power Restructuring.
<u>POWER SYSTEM ISSUES</u>		
240	Smith	Presents (EXHIBIT C). States page one of LC 1317 contains "whereas" clauses. Explains Section 1, subsections 4, 7, 9, 13, 16, and 19 define "direct access, electric company, electric utility, governing body, one average megawatt and retail electricity consumer." States Section 2 explains the timeline allowed for commercial, industrial, and residential customers to gain direct access for retail electricity.
290	Smith	States Section 2, subsection 5 excludes Idaho Power from direct access provisions. States Section 3 is the public purposes section detailing the types of charges and credits and who is applicable. States Section 4 details portfolio descriptions and rate options.
340	Smith	States Section 5 requires rates and services to be unbundled. States Section 6 provides structure for the direct access market.
387	Smith	Section 7 allows suppliers to use distribution facilities of utilities. States Section 8 provides consumer protections. States Section 9 allows consumers to combine in buying groups to leverage the market when buying power. Section 10 provides equal access to distribution facilities.
TAPE 15, A		
027	Smith	States Section 11 details reciprocity. States Section 12 gives the Public Utility Commission (PUC) the authorization to investigate possible undue market power. States Section 13 details civil remedy procedures. States Section 14 requires electricity service suppliers to be certified by the PUC. States Section 15

		requires the PUC to adopt implementing rules. States Section 16 will ensure that direct access will not diminish a city's authority to collect franchise fees. States Section 17 allows for public utilities, electric cooperatives, and municipal electric utilities to elect not to be governed by direct access provisions. States Section 18 directs the PUC to report status of direct access to the 71 st Legislature. States Section 19 directs the PUC to adopt final rules for implementation by January 1, 2001. States Section 20 ensures present contracts will not be affected by the proposed act. States Section 21 shows placement in the Oregon Revised Statutes. States Section 22 is an emergency clause to allow the PUC to prepare for direct access prior to the start dates.
080	Chair Derfler	States there are amendments submitted by the public. States the electric industry wants to make changes. States the renewables resource providers are concerned with maintaining present contracts.
091	Sen. Wilde	Asks if now is the time to focus on all the issues.
092	Chair Derfler	States the committee needs to come up to speed. States LC 1317 is the first draft and there are many proposed amendments.
098	Sen. Wilde	States on page 12, lines 17 and 18, he would like to see the wording stated explicitly. Explains he would like a breakdown of what the consumer is paying in rates, fees, and taxes.
116	Chair Derfler	States the public utilities are objecting to the cost of business increasing due to the changes in the system.
117	Sen. Wilde	States, as a matter of fairness, that consumers have the right to know how they are being taxed, in what amount, and by whom.
120	Chair Derfler	Agrees with Wilde.
122	Sen. Wilde	Asks if a municipality has the right to institute additional taxes.
126	Chair Derfler	States the board is autonomous and could pass taxes with a vote of the people.
128	Sen. Wilde	Asks, if La Grande, Oregon, wishes to institute a municipal tax on utility bills, if the customer's bill would spell out that the additional tax is a city of La Grande tax.
140	Tom O'Connor	Oregon Municipal Electric Utilities. States, in the example given by Sen. Wilde, one would need to differentiate between a municipal electric utility in a city and a general purpose government without a municipal utility. States the League of Oregon Cities can relate how franchises are handled with specifics, but there are parts of the franchises that are rate-based. States a municipal electric utility charges franchise fees in lieu of tax under statute.

154	Sen. Wilde	Asks, referring to page 13 lines 4 through 10, who determines the late fee and how is the money allocated.
174	Chair Derfler	Asks not to get into the small details, as PUC would make those decisions.
182	Sen. Wilde	Believes the wording will lead the consumer to pay the bill twice.
202	Chair Derfler	States the utility is responsible for collecting the bill and deciding how billing breaks down. States the utility is responsible to the PUC.
206	Vice-Chair Dukes	Suggests a lengthy discussion with the PUC concerning these issues.
221	Bill Warren	Director, Utility Program, PUC. States the PUC would be available for a lengthy discussion.
232	Chair Derfler	Asks if Warren can comment on Sen. Wilde's billing process concerns.
236	Sen. Wilde	States industries that have been deregulated found a large quantity of bankruptcies from providers. States concerns with the wording because it can be interpreted as having to double pay a bill.
263	Warren	Does not have an answer at this time concerning that issue. States his office would be willing to look at all issues. States the PUC will construct rules that suit the marketplace and the direction given by the legislature.
276	Chair Derfler	Asks if the issue is an insurmountable problem.
277	Warren	States none of the problems are insurmountable, but some are more complex.
283	Sen. Qutub	Asks if 3% for public purposes is an arbitrary amount.
287	Warren	States a task force came up with that figure for consistencies between Oregon and the Northwest. States the amount is necessary to maintain public purpose activities.
303	Chair Derfler	States the 3% came out of a compromise with the Governor. States the public utilities who collect the tax can spend the fees for their areas.
313	Sen. Starr	States that 3% for rural electric cooperatives is extremely high, if related to the cooperatives' high cost of business. States if the cost were related to the number of units of power sold, instead of the cost of the power, it would prove to be a more fair distribution of the public purposes.

328	Chair Derfler	States most public utilities currently spend more than 3% for public purposes.
329	Vice-Chair Dukes	States that sometimes the public utilities are very rural and costs are high. States the high cost is a burden on the customers.
339	Chair Derfler	Asks what information is needed because no one in the committee is ready to vote on the bill.
345	Sen. Starr	States the committee needs to hear from those with proposed amendments and understand why the amendments are being submitted.
359	Diane Cowan	Oregon Peoples Utility District Association. States the public utilities are concerned about the start date of January 1, 2001. States the community-owned utilities are under contract with the Bonneville Power Administration (BPA) until October 2001. States, if a community-owned utility wants to participate in deregulation, they are at a disadvantage from the start because they are not able to offer anything new. States the BPA contracts run for 20 years.
TAPE 14, B		
001	Chair Derfler	Asks to explain BPA contracts.
006	Cowan	Explains that contracts specify a certain amount of power will be purchased from BPA and if the utility wishes to deregulate, the utility would first need to buy out their contract with BPA. States that by waiting until 2001, when the contract is up, there is no liability to the BPA contract.
014	Sen. Qutub	Believes that restructuring would free the utility from the BPA contract.
027	Vice-Chair Dukes	Asks Cowan to be specific about the disadvantages to public power utilities.
028	Cowan	States an industrial customer is disadvantaged.
029	Vice-Chair Dukes	Asks if the competitors will have the opportunity to go to other providers once deregulation is in place, and will have an advantage of going to another provider before the industrial customers are freed from the BPA contract.
032	Cowan	States the industrial customer cannot go to market unless they buy out the remaining portion of the current BPA contract. States the industrial customer would be responsible for paying the fee to end the BPA contract. States the cost to end the contract is more expensive than waiting until the contract ends.
039	Cowan	States the Public Utility District (PUD) would not let an industrial customer out of the BPA contract especially if the cost trickles down to the residential customer.

042	Vice-Chair Dukes	Asks if she is looking to move the 2001 date back so that deregulation occurs later.
044	Cowan	States the PUDs are not trying to impede industrial customers, but believes there are creative solutions to the BPA contract issues.
050	Chair Derfler	States 75% of power users are ready for deregulation.
058	Cowan	States, in the amendments OPUD offered to LC 1317, a publicly-owned utility can either assess public purposes by 3% of volume or by gross sales, whichever would be most equitable to their customers.
071	Sen. Qutub	Asks, referring to page 12, line 1, who determines who provides safe and reliable service to retail electricity consumers. Asks what the recourse is if the service is not safe or reliable.
081	Smith	Believes the PUC would make the determination.
083	Warren	States the provision refers to every electric utility entity in the state which owns distribution facilities, poles, wire, or infrastructure, but not the energy. States PUC's role would remain unchanged.
091	Chair Derfler	Asks what process to use to get information to educate the committee.
097	Sen. Qutub	Suggests the people in the industry come forward with issues.
104	Chair Derfler	Asks if Qutub prefers to have invited testimony.
106	Sen. Qutub	States she does and adds if they have amendments to explain they could discuss them with the committee. States she would also like to hear from opponents of the amendments, at the same time.
108	Sen. Starr	States that would be a good approach.
114	Vice-Chair Dukes	States she would like to start by spending time with the PUC and would like to see where the PUC is going with LC 1317.
122	Chair Derfler	Asks if the committee would be willing to meet at 7 p.m. Wednesday evenings. Discusses scheduling conflicts with the committee.
155	Warren	Asks what the committee expects of the PUC.
163	Chair Derfler	States the committee is interested in knowing how the PUC would implement

		this bill and how it would effect the PUC, in relation to the consumer.
166	Vice-Chair Dukes	Asks how the PUC approaches deregulation and asks them to give the committee some idea of how they would approach the bill.
169	Warren	Asks if the committee would like the PUC to give a general sense of the Commission's order with PGE. States the order with PGE is pending these activities.
178	Chair Derfler	States this bill will be introduced in the Rules and Elections Committee because of time issues.
196	Chair Derfler	Closes the informational meeting and adjourns meeting at 2:30 p.m.

Submitted By, Reviewed By,

Rachel E. Halupowski, Brian E. Smith,
Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 270, written testimony, Dan Hartman, 1 p

B ñ SB 222, written testimony, Tom Mattis, 1 p

C ñ Power Issues, LC 1317 summary, staff, 4 pp