

## SENATE COMMITTEE ON PUBLIC AFFAIRS

March 12, 1999 Hearing Room 50

1:00 p.m. Tapes 20 ñ 21

**MEMBERS PRESENT:** Sen. Gene Derfler, Chair

Sen. Eileen Qutub

Sen. Charles Starr

Sen. Thomas Wilde

**MEMBER EXCUSED:** Sen. Joan Dukes, Vice-Chair

**STAFF PRESENT:** Brian E. Smith, Administrator

Rachel E. Halupowski, Administrative Support

**MEASURE/ISSUES HEARD:** HB 2477 Public Hearing

SB 591 Public Hearing and Work Session

SB 1149 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 20, A</b>		
000	Chair Derfler	Opens meeting at 1:10 p.m. and opens public hearing on HB 2477.
<b><u>HB 2477 PUBLIC HEARING</u></b>		
007	Rep. Diane Rosenbaum	House District 14. Presents <b>(EXHIBIT A)</b> . States HB 2477 passed through the house with a unanimous vote from the House of Representatives. States HB 2477 would increase the fund for the Worker Memorial Scholarship Program, created to assist children and spouses of workers who were killed or permanently

		disabled on the job. Supports HB 2477.
037	Brad Witt	Oregon American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). Supports HB 2477. Explains that HB 2477 received unanimous support from the State Employment Education and Training Advisory Committee (SEETAC), which is a joint labor/management committee comprised of persons who serve on the State Accident and Insurance Fund (SAIF) Employment Training Advisory Committee.
054	Betsy Earls	Associated Oregon Industries (AOI). Presents <b>(EXHIBIT B)</b> . Supports HB 2477. States AOI has participated on the SEETAC Committee for many years. States in the last few years the amount of interest the fund has generated is less effective than the rising cost of college tuition. States that increasing the amount of the principle in the fund will make a more meaningful difference in the college careers of the recipients.
071	Chair Derfler	Closes public hearing on HB 2477 and opens public hearing on SB 591.
<b><u>SB 591 PUBLIC HEARING</u></b>		
076	Rob Douglas	Oregon Self-Insurers Association. States SB 591 would allow more people to take advantage of group self-insurance for workers' compensation. States all other requirements necessary for group self-insurance are in SB 591, including joint liability, several liability, requirements of the State of Oregon, and the financial requirements. States the Management Labor Advisory Committee (MLAC) took no position on SB 591, as they deemed it to be an insurance issue.
095	Dave Schaerer	Senior Vice President, Sedgwick of Oregon, Inc. Presents <b>(EXHIBIT C)</b> . Explains they are the state's largest insurance broker and are also involved in third party claims administration for workers' compensation. States group self-insurance is allowed in other states. Believes that loss experience (loss control, claims and medical management, as well as employee relations) determines the ultimate workers' compensation experience. States SB 591 would provide equity among service sectors, but will also improve the competitive environment of the industry.
135	Joe McLaughlin	Vice President, Self-Insured Management Services, Inc. Presents <b>(EXHIBIT D)</b> . Supports SB 591. States that statutes prohibit group self-insurance, but there are exceptions, including cities, counties, special districts, intergovernmental agencies, and public housing authorities. States Oregon law allows temporary services and employee leasing companies to self-insure, provided they meet all qualifying standards. States passage of SB 591 would allow all employers in Oregon to have the same advantages that have only been given through special legislation.
172	Lisa Trussell	Associated Oregon Industries. Supports SB 591.
180	Jennifer Miller	Special Districts Association. Supports SB 591.

186	Chair Derfler	Closes public hearing and opens work session.
<b><u>SB 591 WORK SESSION</u></b>		
188	Sen. Starr	<b>MOTION: Moves SB 591 to the floor with a DO PASS recommendation.</b>
		<b>VOTE: 4-0</b>  <b>AYE: In a roll call vote, all members present vote Aye.</b>  <b>EXCUSED: 1 ñ Dukes</b>
	Chair Derfler	<b>The motion CARRIES.</b>  <b>SEN. STARR will lead discussion on the floor.</b>
205	Chair Derfler	Closes work session and opens public hearing on SB 1149.
<b><u>SB 1149 PUBLIC HEARING</u></b>		
218	Doug Oglesby	PG&E Energy Services. Presents ( <b>EXHIBIT E</b> ). States SB 1149 is moving in the right direction. States the electric utility industry is fundamentally a vertically integrated and bundled industry: generation, transmission, distribution, and retail are all centered in the same company. States that in order to move to competition there needs to be a separation of functions of those businesses. Encourages structural separation to increase the playing field and create a more vigorous competitive market. States, in the future, there are likely to be two regulated functions, transmission and distribution, and two unregulated/competitive functions, generation and retail. States the retail function is customer care, metering, billing, collection, sales, and advertising. States the retail function needs to be unregulated and competitive.
283	Chair Derfler	Asks how to separate the retail function. States there is not a value to the retail part of it. Asks how to separate it if there is not an income base for that purpose.
290	Oglesby	Believes there is a value to the retail function and there are revenues associated with it. States metering can be a line of business. States outsourcing could occur by having an alternate company doing the billing and metering. States the alternate company would view this as their revenue base, their business. States his company bought a company whose business was to do billing and he uses this company to consolidate and aggregate bills from multiple facilities of large customers. States one can separate out these retail functions to be revenue sources and keep costs competitive.

342	Chair Derfler	Asks if there have been any states who have separated those functions.
343	Oglesby	Explains that some states have separated transmission, distribution, and generation, but not many states are focusing on the retail issue. States utilities, if not providing a billing function because an energy service company is providing it, would prefer to give credit based on the cost of the bill they did not send. States Arizona Public Service would credit the customer \$.30 for each bill that it did not need to send to a customer who switched over to a retail energy services company. States SB 1149 needs to recognize the importance of the retail function and empower the PUC to address this issue.
393	Oglesby	Explains PG&E Energy Services is a retail energy services subsidiary of PG&E Corporation and are not the same company as Pacific Gas and Electric Company, the utility. States PG&E Energy Services is not regulated by the California Public Utilities Commission and one does not need to buy PG&E Energy Services' products in order to continue to receive quality regulated services from Pacific Gas and Electric Company, the utility. States this disclaimer is important to avoid confusion in the marketplace and to inform the customer of the difference between Oglesby's business and the regulated utility.
<b>TAPE 21, A</b>		
016	Oglesby	States that as one separates the functions of generation, transmission, distribution, and retail, part of those functions will be unregulated. States with the unregulated functions there needs to be a strict code of conduct and affiliate rules, with authority delegated to the PUC to implement. States, with the same name and logo, the customer needs to be informed. Explains that retail competition is not working effectively in California, Pennsylvania, Massachusetts, New Jersey, and Illinois. States that Pennsylvania, especially with their shopping credit approach, did not effectively deal with the problem of the relationship with the regulated businesses and unregulated businesses. States that as a result the unregulated businesses are getting a disproportionate amount of the customers.
045	Chair Derfler	Asks to clarify why the market has not worked in Pennsylvania.
046	Oglesby	States the incumbent utility owns generation, the Public Utilities Commission in Pennsylvania did not provide adequate separation between the generation business owned by the utility and the affiliates. States that, as a result, the utility is able to sell generation through a power pool to its affiliates at a preferential rate, leaving those without access to that power at a disadvantage. States the shopping credit for switching to an alternate utility supplier is set higher than the wholesale price of power. States the issue is that the utility was left as a default power supplier. States the utility then has the incentive to obtain those customers, avoiding the high energy credit and making a profit as a default supplier. States legislation needs to empower the PUC to make decisions on these issues. States there are fundamental problems with energy credits.
081	Oglesby	States if the credit is too low there is no incentive for the customer to switch. States if the credit is too high, and the utility remains the default power supplier, the utility has the incentive to keep those customers. States cost advantages need to be made neutral. Explains one way to do this is to remove the utility from the

		supply business. States the portfolio is an effective approach for addressing the needs of residential customers in a low cost state. Supports SB 1149 and hopes it passes with referral to the PUC to address these issues. States they will offer some amendments to SB 1149.
105	Chair Derfler	States unbundling and separating the functions would not be an issue for PGE, but Pacific Power and Lighting (PP&L) would find it difficult to separate functions just to sell power in Oregon. Asks if PP&L could unbundle and keep separate corporations to establish costs, or if they would need to sell those assets to be free of the federal market.
114	Oglesby	States PacifiCorp made the choice to be a multi-state utility. States that if the most effective way to implement retail competition in Oregon is to require structural separation of the generation business, then that is what legislation should mandate. Explains that since PacifiCorp is providing power to five states it is a consideration, but should not inhibit Oregon from implementing what is in the public interest. States it is essential to separate functions. States the PUC should have the ability to monitor, police, and detect abuses across the functions so there is no cross subsidy, or preferential exchange of information between the regulated and unregulated sides of the business. States the PUC cannot regulate abuses until the results are seen in the market.
142	Tom Gallagher	Industrial Customers. Anticipates the amendments to SB 1149 will be accepted by the PUC. States the PUC needs principles to follow, not specific directions. States that UE 102 is in the direction of the principles necessary to move toward a competitive market.
163	Chair Derfler	States if SB 1149 passes, there would be no need for UE 102.
163	Gallagher	Agrees. States the way UE 102 would fit in would be to have the PUC do a rate case on each utility before it goes to market. States the case would look exactly like UE 102.
172	Oglesby	States with the bill there will not be rules of the marketplace. States if those rules are set out in SB 1149 they would not need to be set forth again in UE 102. States UE 102 would implement the rules. States both SB 1149 and UE 102 are headed in the right direction.
200	Tom Schraw	Oregon Energy Partnership. Presents <b>(EXHIBIT F)</b> . States the legislature has not granted the PUC the authority to implement a meter charge for energy assistance. States the energy assistance program has been cut by more than half. States that when customers do not pay their bills the energy company incurs costs.
250	Schraw	States, by intervening early, there are savings in delinquent notices. States there was a mistake made by PacifiCorp by shutting down the local customer service centers and replacing them with a 1-800 number. States during that year customers ended up paying an extra \$1 out of their rates that went to collections.
300	Schraw	States PacifiCorp came up with the GOSP Program which held its customers

		<p>responsible to pay their electric bill, but helped with subsidizing the differences for those in the program. States everyone needed to pay nine percent of their income and would be subsidized for the remaining balance. States that, after a year, anyone coming into the plan with arrearages would be forgiven if the customer paid the nine percent on time during the year. States the plan reduced delinquency from 74 percent to 18 percent and the amount of government assistance was cut. States over 12,000 have become rehabilitated customers. States energy assistance is a win-win situation because it benefits the customers and the utilities.</p>
345	Chair Derfler	<p>Asks, if it a good deal for the utilities, why legislation is needed to make this happen.</p>
348	Schraw	<p>States some of the publics have already started energy assistance programs. States these programs need local control. States investor-owned utilities are not allowed by statute because it is rate discrimination. States they would like to see that changed, but the PUC ruled against that. States a mandate from the legislature will aid in setting up programs.</p>
372	Chair Derfler	<p>Wonders why the utilities are not here asking for these programs.</p>
373	Schraw	<p>States it costs the utility more to cut off a customer than to give the customer energy assistance. States everyone who needs help should get help.</p>
399	Sen. Qutub	<p>Clarifies that the program is a subsidy. Asks if there is a "means" testing first, before the customer would receive a different bill.</p>
405	Schraw	<p>States the bill is calculated as to what is affordable according to onesí income. States the grant given is one size fits all. States a change in procedure could allow reduced grants and spread the money among more of the customers who need it. States there is currently a long waiting list for energy assistance.</p>
<b>TAPE 20, B</b>		
011	Sen. Qutub	<p>States in the Northwest there are low rates. Asks to what extent other states give assistance. Asks what percentage of the income is considered to be affordable.</p>
020	Schraw	<p>States there is a relationship between cost and default because uncollectables and losses in Oregon are low in percentages. Explains the higher cost states have higher percentage on collectables and delinquencies, simply because energy costs more. States Oregon is in a good situation because bills tend to be more affordable. States there is no magic percentage that is considered affordable.</p>
033	Chair Derfler	<p>States the publics do not want legislation that mandates any energy assistance programs through them. States the programs would strictly be on the IOUs.</p>
037	Schraw	<p>Agrees and adds he believes in local control. States he is afraid of moving to retail direct access for residential customers. States when systems change, people</p>

		get confused and do not pay their bills. States that local utilities are more involved, on the local level, and expresses his hope that these programs would be done voluntarily.
052	Chair Derfler	Closes public hearing and adjourns meeting at 2:40 p.m.

Submitted By, Reviewed By,

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

#### **EXHIBIT SUMMARY**

**A ñ HB 2477, written testimony, Rep. Rosenbaum, 8 pp**

**B ñ HB 2477, written testimony, Betsy Earls, 1 p**

**C ñ SB 591, written testimony, Dave Schaerer, 2 pp**

**D ñ SB 591, written testimony, Joseph McLaughlin, 1 p**

**E ñ SB 1149, written testimony and charts, Doug Oglesby, 15 pp**

**F ñ SB 1149, written testimony and graphs, Tom Schraw, 3 pp**