

**HOUSE COMMITTEE ON COMMERCE**

**SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE**

April 22, 1997 Hearing Room 343

8:15 AM Tapes 56-57

**MEMBERS PRESENT:**

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Tom Whelan

Rep. Cynthia Wooten

**MEMBER EXCUSED:**

Rep. Eldon Johnson

**STAFF PRESENT:**

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

**MEASURE/ISSUES HEARD:**

HB 3675 - Public Hearing

HB 2060 - 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
Tape 56, A		
002	Chair Hill	Opens meeting at 8:15 AM. Opens public hearing on HB 3675.
<u>HB 3675 - PUBLIC HEARING</u>		
004	Julie Neburka	Committee Administrator. Presents staff measure summary. Discusses the purposes of transition bonds.
013		

	<b>Denise McPhail</b>	<b>Portland General Electric. Submits written testimony (EXHIBIT A). States that these are not state bonds. Discusses transition bonds and reductions in the costs of stranded investments. States that the bill assures the market that the bonds are viable. Talks of a bill in the '95 session allowing PGE to bond conservation investments. Talks of other states passing legislation allowing transition bonds. Notes that the issue of who "swallows" the costs of the Trojan Power Plant is not addressed in the bill. States that the committee will determine what is a stranded cost, but that the Senate will amend that definition to fit with legislation passing out of the power deregulation committee.</b>
<b>063</b>	<b>McPhail</b>	<b>States that legislation allowing the bonds is critical to the bond's rating on the market, as is the level of ease with which the legislation passes the chambers. Notes that disallowing changes to the legislation in future sessions ensures repayment of the bonds.</b>
<b>090</b>	<b>McPhail</b>	<b>Delineates the contents of bill section-by-section (EXHIBIT A, p. 3).</b>
<b>140</b>	<b>McPhail</b>	<b>Discusses power deregulation legislation. Asks that the committee direct the Public Utility Commission to look over their proposal for offering transition bonds.</b>
<b>170</b>	<b>Rep. Adams</b>	<b>Asks about the reference to section 13.</b>
<b>175</b>	<b>McPhail</b>	<b>Answers that the reference was to section 13 of the power deregulation bill.</b>
<b>178</b>	<b>Rep. Adams</b>	<b>Mentions that dealing with this issue in two separate committees might not be a good idea.</b>
<b>187</b>	<b>McPhail</b>	<b>Agrees, but notes the high level of understanding of the present committee.</b>
<b>195</b>	<b>Chair Hill</b>	<b>Asks about the affect of the legislation on consumers.</b>
<b>198</b>	<b>McPhail</b>	<b>Answers that it allows a non-bypassable transition charges.</b>
<b>211</b>	<b>Chair Hill</b>	<b>Asks what reasoning PGE would use to persuade the commission.</b>
<b>215</b>	<b>McPhail</b>	<b>Replies that with passage of the power deregulation bill they would predict a favorable result in their negotiations with the commission.</b>
<b>228</b>	<b>Rep. Adams</b>	<b>Asks who makes the payments to cover the bonds.</b>
<b>249</b>	<b>McPhail</b>	<b>Answers the customers.</b>
<b>254</b>	<b>Bill Dassenko</b>	<b>PGE. Answers that the "end-use" customer pays.</b>
<b>271</b>	<b>Rep. Adams</b>	<b>Asks who sends the bill when "someone else" is distributing the energy through PGE's facilities.</b>
<b>279</b>	<b>McPhail</b>	<b>Answers that there are various ways for bills to be sent.</b>
<b>302</b>	<b>Rep. Adams</b>	<b>Asks where else transition bonds are being used.</b>
<b>306</b>	<b>McPhail</b>	<b>Lists other states and countries. Notes that the markets are becoming more familiar with the bonds. States that sixty days will be insufficient to determine costs to apply for a qualified rate order.</b>

335	Rep. Adams	Asks whether or not PGE can cut off service for failure to pay if the customer purchases electricity from an alternate supplier.
358	McPhail	Answers that she will refer to the "tinman" bill and return with an answer.
377	Rep. Adams	Asks if the transition charge would be "above and beyond" customers current power bills regardless of whether they had switched to a competitor.
379	McPhail	Notes that everything included in the rates will be overseen by the commission.
394	Rep. Adams	Clarifies that obsolete equipment is included in the present rate-base, that PGE proposes to bond stranded costs, and that the savings in investment costs would be passed on to all customers.
415	McPhail	Responds that that is correct. Notes that if there weren't to be savings, that the commission wouldn't approve it.
427	Rep. Adams	Asks for the percentage of stranded costs included in investments.
<b>TAPE 57, A</b>		
006	McPhail	Guesses that there would be a 20% reduction in stranded costs.
016	Rep. Adams	Clarifies that there would be a 20% reduction in the 10% of investment costs constituted by stranded costs.
020	McPhail	Responds that that is correct. Clarifies that they are not predicting a 20% reduction in rates.
031	Rep. Adams	Asks if this bill's intent is to lower PGE's cost base and rates, thus enabling PGE to be more competitive without stranded costs.
045	McPhail	Answers that the bill allows recovery where approved by the commission. Notes that the commission won't allow bonding for something which isn't a recoverable cost.
058	Rep. Adams	Asks if the bill gives PUC the right to work through the numbers with PGE.
070	McPhail	Replies that the commission would decide which of PGE's assets are recoverable.
077	Rep. Adams	Expresses desire to understand the financial impact of the bill.
110	Ron Eachus	Commissioner of the Public Utility Commission. Submits written testimony (EXHIBIT B). Notes elements of HB 2821 threatened by the bill.
160	Eachus	Notes that currently there is no "open access." Requests waiting until the 1999 session when issues and questions surrounding stranded costs will have been resolved. States that the commission isn't convinced that the legislation would benefit the customer.
192	Rep. Adams	Asks for an example of an "above market asset."
197	Eachus	Gives as an example a hydroelectric plant sold above the market value because its usefulness surpasses its scheduled depreciation.

214	Rep. Adams	Asks if a fully depreciated plant might still be used as an asset to be offset.
220	Eachus	Answers that that is possible. Refers to a study finding that two municipal utilities have negative stranded costs. Notes that PGE has positive stranded costs, but that it has resources which could give it negative stranded costs. Notes that, under the bill, PGE could only bond what they submit as stranded costs. Agrees with Mr. Eachus that further work is needed on the bill.
262	Rep. Adams	Asks if an above market asset would be included in the rate base.
268	Eachus	Answers that if it was fully depreciated it wouldn't be included in the rate base.
282	Rep. Adams	Asks why offsetting is necessary when bonding and above market assets already reduce the rate.
292	Eachus	Notes that the amount to be bonded might not represent the company's total transition costs. Expresses the need to oversee whether that amount is representative. Notes ambiguity regarding the definition of transition costs. Mentions "Trojan costs."
342	Eachus	Notes that the bill gives the commission oversight yet maintains that the commission doesn't want to be placed in that position. Allows that the ultimate goal of benefiting the ratepayers is a good one. Concludes that it is difficult to go down "two different paths." Notes the possibility that the market could change resulting in higher rates for the customers.
<b>TAPE 56, B</b>		
003	Rep. Adams	Notes that the commission's testimony contradicts PGE's testimony concerning present levels of competition. Asks which is right.
010	Eachus	States that there won't be retail competition until January 1, 2000.
016	Kathryn VanNatta	Oregon Energy Coalition. Lists the coalition's membership. Cites work with PGE on the bill. Discusses HB 3675's relationship to HB 2821 and the need to synchronize the two. States that reductions in customer costs relating to stranded costs is "a good thing."
063	Chair Hill	Closes the public hearing on HB 3675. Opens public hearing on HB 2060.
<b><u>HB 2060 - PUBLIC HEARING</u></b>		
065	Chair Hill	Asks for testimony on -3 amendments
078	Bob Cantine	Association of Oregon Counties. Discusses recovering the costs of road cuts. States that the amendments apply only to municipalities and asks that the amendments be extended to include counties.
118	Rep. Adams	Asks about the process for recovering road cut costs. Asks where lies the burden of proof for determining the extent of those costs.
128	Cantine	Replies that they only repair roads when necessary, and that if a repair is performed then it is evident that "the patch" failed.

142	Sarah Hackett	League of Oregon Cities. Supports the -3 amendments.
145	Chair Hill	Asks for testimony on the -4 amendments.
151	Susan Schneider	City of Portland. Supports -4 amendments.
156	Chair Hill	Asks for testimony on the -15 and -17 amendments.
157	Mike Dewey	Oregon Cable Association. Supports removing cable television providers from "a portion of the bill." Requests a limitation on what a county can charge cable companies. Notes that competitors don't pay franchise fees. Mentions concern with double taxation. Supports the -14 amendments. Neither supports nor opposes -15 amendments.
205	Rep. Adams	States that the -15 amendments remove cable from the bill. Asks if the cable companies are also requesting a limit on their franchise fees.
217	Dewey	Answers yes. States that if there a limitation on fees to other providers of various services, that there should be a limitation placed on cities and counties.
237	Rep. Adams	Asks if that limitation is already in current law.
238	Dewey	Notes that there are currently ways to go above the limit set on franchise fees, e.g., public access fees.
263	Rep. Adams	Asks about cable companies providing telecommunications services.
269	Dewey	Expresses concern that cities might charge a cable company providing telecommunications both a 5% franchise fee and also 5% on their total revenues. Requests that cable companies be treated the same as telecommunications providers.
296	Chair Hill	Asks about the -17 amendments and Green Acres.
305	Dewey	Answers that smaller companies believes that there should be an exemption.
307	Cantine	Notes confusion over terms. Notes that franchise fees are limited to 5% of revenues generated from telecommunications service.
338	Robert Brady	Executive Director of Multnomah Community Television. Asks that cable be stripped from the bill. Notes that cable is a local service, and that presently agreements are negotiated locally. States that public access channels justify the use of public space by cable.
403	Chair Hill	Notes that in Multnomah County a portion of the franchise fees fund public access channels.
422	Brady	States that they do receive funds from franchise fees.
434	Chair Hill	Asks how much they are receiving.
TAPE 57, B		
005	Brady	Notes that it isn't a dedicated fund.
018	Dewey	

		Supports public access channels. Notes that companies wire schools for free. Mentions that C-Span was created by the cable companies. States that the current franchise fee structure is sufficient for providing public access channels.
036	Hackett	Supports the -15 amendments. States that there is "a great deal" of federal regulation of cable. States that "creative financing" does not exist in the state of Oregon. Reminds the committee that the franchise agreements are negotiated.
056	Chair Hill	Closes public hearing on HB 2060.
070	Rep. Adams	Asks for the -11 and the -16 amendments. Asks staff to date section-by-section analyses.
072	Neburka	Notes that the -16 amendments haven't arrived yet.
079	Chair Hill	Mentions his desire to work in work session to eliminate obsolete amendments. Adjourns meeting at 9:50 AM.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

#### **EXHIBIT SUMMARY**

A - HB 3675, written testimony, Denise McPhail, 5 pp.

B - HB 3675, written testimony, Ron Eachus, 3 pp.