

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

May 1, 1997 Hearing Room 343

8:15 AM Tapes 67 - 68

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Tom Whelan

Rep. Cynthia Wooten

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

HB 2060 - Work Session

HB 3675 - Work Session

HB 3378 - Work Session

HB 3382 - 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 67, A | | |
| 003 | Chair Hill | Opens meeting at 8:50 AM. Opens work session on HB 3382. |
| <u>HB 3382 - WORK SESSION</u> | | |
| 010 | Julie Neburka | Explains that the -1 amendments (EXHIBIT A) combine HB 3378 with HB 3382. |
| 027 | | |

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| | Rep. Adams | Asks for a list of all the "pieces" on which the Oregon Economic Development Department is working. |
| 036 | Mark Huston | Manager of Business Finance for the Oregon Economic Development Department. Submits written materials (EXHIBIT B). |
| 074 | Chair Hill | Asks what information the members would like. |
| 080 | Rep. Adams | Requests a summary of the combined bill. |
| 081 | Huston | States that the -1 amendments do the following in the Capital Access Program: <ul style="list-style-type: none"> * extend the distressed area provision * reduce the access fee paid by borrowers and banks from 4% to 3% and in the Credit Enhancement Program: <ul style="list-style-type: none"> * create an export finance program * expand the term "qualified business" to include professional service companies providing services to traded- sector businesses |
| 143 | Rep. Adams | Asks if it would add \$1.5 million to the combined programs. |
| 147 | Huston | Answers yes. Notes the flexibility to use the funds for either program. |
| 152 | Rep. Adams | Asks if the funds are for personnel. |
| 156 | Rep. Wooten | Responds that the funds are not for expenses but for reserve pools. |
| 172 | Rep. Adams | Asks where in the amendments they reduce the amount the individuals and the banks provide to the \$1.5 million. |
| 181 | Chair Hill | Asks if we want to send the bill to the Ways and Means Committee with the \$1.5 million. |
| 188 | Rep. Wooten | Answers that there is room to negotiate that amount. |
| 193 | Rep. Adams | Notes that this committee should move policy and leave the amount to Ways and Means. |
| 200 | Rep. Adams | MOTION: Moves to ADOPT HB 3382-1 amendments dated 4/30/97. |
| 201 | | VOTE: 4-0 |
| | Chair | Hearing no objection, declares the motion CARRIED. |
| 220 | Rep. Whelan | MOTION: Moves HB 3382 to the full committee with a DO PASS AS AMENDED recommendation. |
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| 223 | | VOTE: 4-0 AYE: In a roll call vote, all members present vote Aye. |
| | Chair | The motion CARRIES. REP. ADAMS will lead discussion on the floor. |
| 239 | Neburka | States that there will be new fiscal and revenue statements now that the bills have been combined. |
| 242 | Chair Hill | Opens work session on HB 3675. |
| <u>HB 3675 - WORK SESSION</u> | | |
| 255 | Neburka | Presents staff measure summary. |
| 268 | Denise McPhail | Portland General Electric. Submits written testimony and proposed amendments (EXHIBIT C). Discusses proposed amendments. |
| 317 | Chair Hill | Asks if there is an expectation that the commission would provide these bonds. |
| 324 | Ron Eachus | Oregon Public Utility Commission. Answers no. States that the amendments have satisfied their concerns, and that the bill as amended is discretionary. |
| 338 | Rep. Wooten | Asks if bonding stranded costs will create "double jeopardy" for the ratepayer. |
| 365 | Eachus | States that the purpose is to reduce costs. Discusses the irrevocable nature of rate orders as a potential risk. |
| 413 | Rep. Wooten | Gives as an analogy refinancing a house originally purchased with a high interest rate. |
| 430 | Chair Hill | Mentions stranded costs which fluctuate with the market. Asks if a company could come back and request more money after an initial request. |
| TAPE 68, A | | |
| 011 | Eachus | Answers that they can come back for additional dollars and state that they want another rate order, but that their first rate order would be irrevocable. Predicts that company will initially bond a modest portion of their stranded costs, and subsequently they could choose to bond more. |
| 036 | Bill Dassenko | PGE. Clarifies that they can't amend set rate orders but that there is the possibility to submit additional rate orders. |
| 040 | Chair Hill | Asks whose responsibility it is to refinance the bonds when necessary, i.e., who looks after the ratepayers' interest. |
| 050 | Eachus | Answers that the commission and the company would share responsibility. |
| 057 | Chair Hill | Asks about changes in the market making refinancing the bonds profitable. |

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| 063 | Dassenko | Answers that the bill allows a company to refinance outstanding bonds. |
| 066 | Rep. Wooten | Notes that the PUC can't require refinancing. States that they must count on the company to look after the ratepayers' interest. |
| 074 | McPhail | Notes the company's intention to mitigate their stranded costs investments. |
| 080 | Chair Hill | Points out that the company would have no financial interest in refinancing the bonds. |
| 094 | Dassenko | States that through a qualified rate order the commission can direct a company to refinance their bonds when it is advantageous to ratepayers. |
| 115 | Eachus | States that they would have to rely on the persuasive power of the commission but that the power to act would lie solely with the company. Agrees that the commission could impose a condition in the rate order that a company refinance their bonds when it is profitable to do so. |
| 140 | Rep. Adams | Asks where in the bill it says "irrevocable." |
| 144 | Eachus | Answers page 4, section 6. |
| 147 | Rep. Adams | Asks if the commission grants a portion of a company's request if the remaining portion remains in the ratebase. |
| 153 | Eachus | Answers that the term "ratebase" is inaccurate. Notes that the commission would determine both the amount of the stranded costs and also the amortization period. |
| 177 | Rep. Adams | Asks if, in ten years with full competition, a company could reduce rates to a competitive level and recover their stranded investments at whatever rate they could get. |
| 195 | Eachus | Answers that it depends on the relationship between the cost base and market prices at that time. States that after the stranded cost schedule is done then stranded costs would be recovered through the market. |
| 205 | Chair Hill | States that stranded costs will be determined during the first five years, and that although repayment might extend beyond that, future stranded costs will not be bonded in this program. |
| 213 | Rep. Adams | Asks about remaining concerns. |
| 216 | Eachus | Answers that the remaining concerns are whether there will be benefits to the ratepayers, and whether the company's stranded cost numbers are accurate. States that those concerns would be part of the application process. |
| 231 | Rep. Adams | Asks if the bill gives the companies a useful tool "moving into the future." |
| 237 | Eachus | Answers that it gives the companies and the commission a tool not presently available. |

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| 247 | Chair Hill | Asks if they are primarily talking about the Trojan Power Plant. |
| 251 | McPhail | Answers that that is the one area they are sure they want to bond but that there are other areas as well. |
| 260 | Rep. Adams | Asks if the "tool" has been implemented in other states. |
| 265 | McPhail | Answers that it hasn't been implemented but that there is law in other states allowing it. |
| 284 | Eachus | Agrees. States that it will help with the high costs of restructuring. |
| 320 | Rep. Wooten | Adds that other states have broader language than the present bill. States that this idea would act as a "safety net" for ratepayers. |
| 338 | Rep. Adams | Asks if 180 days is sufficient for the commission to review requests. |
| 341 | Eachus | Answers that it is the minimum necessary. Notes that there is generally flexibility given the commission in these areas. |
| 374 | Rep. Adams | MOTION: Moves to ADOPT HB 3675-1 amendments dated 5/1/97. |
| 367 | | VOTE: 4-0 |
| | Chair | Hearing no objection, declares the motion CARRIED. |
| 372 | Rep. Adams | MOTION: Moves HB 3675 to the full committee with a DO PASS AS AMENDED recommendation. |
| 374 | | VOTE: 4-0 AYE: In a roll call vote, all members present vote Aye. |
| | Chair | The motion CARRIES. REP. WOOTEN will lead discussion on the floor. |
| 384 | Chair Hill | Adjourns the meeting at 9:47 AM. |

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 3382, LC amendments, staff, 7 pp.

B - HB 3382, written materials, Mark Huston, 14 pp.

C - HB 3675, proposed amendments, Denise McPhail, 12 pp.