

**HOUSE COMMITTEE ON POWER DEREGULATION WORK GROUP**

**April 11, 1997 Hearing Room 137**

**1:00 P.M. Tapes 115-119**

**MEMBERS PRESENT: Rep. Jim Welsh, Chair**

**Rep. Cynthia Wooten, Vice-Chair**

**MEMBERS OF PUBLIC PRESENT:**

**Jim Anderson, PacifiCorp**

**Sara Baker-Sifford, Oregon Rural Electric Cooperative Association**

**Gary Conkling, Oregon Energy Coalition**

**Diane Cowan, Oregon People's Utility District Association**

**Randy Dahlgren, Portland General Electric**

**Ron Eachus, Oregon Public Utility Commission**

**Jason Eisdorfer, Fair and Clean Energy Coalition**

**James Gardner, ENRON**

**Thomas Grim, Eugene Water and Electric Board**

**Marc Hellman, Oregon Public Utility Commission**

**Libby Henry, Eugene Water and Electric Board**

**Dale Kessinger, Eugene Water and Electric Board**

**Denise McPhail, Portland General Electric**

**Jock Mills, Bonneville Power Association**

**Tom O'Connor, Oregon Municipal Electric Utilities**

**Jim Paine, PacifiCorp**

**John Savage, Office of Energy**

**Brad VanCleve, Oregon Energy Coalition**

**Bill Warren, Oregon Public Utility Commission**

**STAFF PRESENT:**

**John Larson, Administrator**

**Julie Havel, Administrative Support**

**MEASURES/ISSUES HEARD:**

**Development of Consensus Bill**

**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.**

<b>Tape/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>Tape 115, A</b>		
013	John Larson	Administrator, calls meeting to order at 1:13 pm, and states the agreement is the draft consensus bill known as the "Tinman", which will be delivered to Legislative Counsel Monday morning ( <b>EXHIBIT A</b> ).
021	John Savage	Office of Energy, outlines customer-owned utilities and how customer-owned pooled funds will be administered. States the last time they talked, they had agreed there would be an entity to collect the funds from the investor-owned utilities (IOUs), for conservation and for renewable resource, research, and development activities. The agreement included a provision that since the IOUs would be sending funds to a single, board-structured entity, they would be relieved of current statutory obligations to run energy conservation programs.
042	Denise McPhail	Portland General Electric (PGE), states her company does not want to send the local funds to a pool.
044	Ron Eachus	Oregon Public Utility Commission (OPUC), asks if that means that they no longer have expectations that the statutory obligations would also be removed.
048	McPhail	States they might want to consider revising the obligations to make them more effective in light of the two percent conservation requirement.
059	Eachus	States he understands PGE's position, but still thinks if their objective is to have a competitive demand-side management the same as they have a competitive supply-side management, they won't get there if they continue to let the utilities be the implementors of the programs.
073	Work Group	Discusses issue of removing statutory obligations.
069	McPhail	States at the time she originally voted for pooling, she was unaware the issue had been dissected and hard-fought at the regional review level, and the regional review left the option to both locally-owned utilities (LOUs), and (IOUs) to either administer the funds themselves or to pool them, and she simply wants this group to support the regional group's decision.
085	Work	Discusses pros and cons of having a pot for market transformation and if they are going to be separating conservation into separate pots, who those dollars

	Group	should go to. They currently go to a regional non-profit entity to be designated by them.
100	McPhail	States she wants to make it clear that they were being congruent with the regional review recommendations and they support the market transformation for the renewable and conservation and the third pool. States they are not trying to opt out of that.
125	Work Group	Holds discussion on transfer of conservation and renewable funds and what type of entity they should be pooled to.
175	Jason Eisdorfer	Fair and Clean Energy Coalition, states they may not be able to muster the funds for either mechanism; the one in the bill or the one they worked on in the work group, and states he isn't sure they can get enough votes for either one.
183	Larson	Asks why it is important to direct the money to the regional entity rather than to a state entity during these next two years of transition, given that they don't know whether the regional entity has a life that will extend beyond that.
192	Tom O'Connor	Oregon Municipal Electric Utilities, states right now the conservation dollars are going there from the Bonneville Power Administration (BPA) through 1999, they are committed and budgeted there, and they are not interested in double-paying.
212	Work Group	Discusses issue of local and regional utilities and their conflicting positions in relation to their supply and their competitors, and whether the group needs to pursue an effort that moves to a competitive demand-side market.
224	Eachus	States whoever makes these decisions is going to also have to decide how the market transformation dollars can best be used, and they must not assume that the current situation will remain the same in the future.
253	Larson	Asks if he is suggesting that for the local conservation dollars as well, or just the transformation dollars.
254	Eachus	States he was suggesting it for the transformation dollars.
260	Jim Anderson	PacifiCorp, states they have no problem with re-designing the board, but just give them an idea how they want it to be set up. Asks how it is set up currently.
257	Savage	States it is comprised of six IOUs, six consumer-owned utilities (COUs), one representative from each state, one from Northwest Conservation Act Council, and one from the Northwest Energy Efficiency Council.
266	Larson	Asks for and receives clarification on whether they could get to a simpler mechanism with less money that is good middle ground.
288	Savage	States he believes at the local level, there should be language strongly encouraging a competitive energy service industry for the future.
300	Eachus	States objective is to utilize energy efficiency, but also to encourage the development of a demand-side energy service which will give the PUC direction of how it would evaluate and oversee the expenditure of the dollars.
313	Savage	Regarding the IOU dollars on the renewable side, asks what would happen if they were potentially pooled, but under the direction of the PUC.
330	Work Group	Discusses the possibility of pooling local funds, but giving commission some opportunity to direct.

335	McPhail	Asks for clarification that the whole region would have one million dollars to use on research, with six million dollars the whole region was going to give on "proving up distributive generation," and asks what that would mean for Oregon.
339	Savage	States basically the intermediary in this instance would be the PUC.
341	McPhail	Clarifies she wanted to know the dollar amount.
342	Savage	States it is about \$1.2 million starting in the year 2000.
356	Larson	Introduces committee staff.
371	Anderson	States he doesn't see any reason why the PUC should not be the administrator of the renewables, so they are in agreement with Savage.
380	Savage	Asks if that includes the conservation market transformation.
382	McPhail	States she thought they were just talking about renewables.
383	Savage	Proposes adding the conservation market transformation to that as well, making it an estimated \$7 million pooled between the two, with the option that they could send it to a regional entity.
400	Work Group	Discusses issue of pooling certain IOUs statewide.
<b>TAPE 116, A</b>		
008	Diane Cowan	States the Public Utility District (PUD) is interested in the option of pooling, and they would like to have a non-profit entity set up in the state if there's not already a regional one that people are comfortable with.
013	Work Group	Discusses whether group members had already voted that idea down .
017	McPhail	Refers to page 19, lines 23 and 24, and suggests changing it to a regional or state non-profit.
026	Gary Conkling	Oregon Energy Coalition, asks for and receives clarification on proposed changes to lines 23 and 24 of page 19.
036	Eisdorfer	Shares his concerns that they already had a four hour meeting on this issue and had started down a different trail and were close to deciding something different on this issue. States he thinks people would be surprised at what they decided versus what is contained in this bill.
064	Eachus	States he thought they were on the verge of agreeing to pool certain conservation funds and renewables, send them to a single existing state entity with a requirement that a certain amount of money be spent in the service territory itself, and give industrial customers an opportunity for a credit or offset in their dollars.
080	Work Group	Discusses issue of PGE changing its position and the possible resolution to the disagreement.
130	Savage	States they need to develop some guidelines on what to do with these funds, and he is now hearing two options:  * one that is under the PUC investment-owned

		* one entity that is now a non-profit state entity for both market transformation and conservation sides.
158	Eachus	States they will need to look at their obligations, responsibilities, and their costs.
174	O'Connor	Summarizes concept contained in COUs local option proposal. <b>(EXHIBIT B)</b> .
212	Eisdorfer	States he is frustrated because he was not even close to that concept, and he was absent a few days ago, so PGE's position is news to him. States now they're talking about wholesale changes that are diametrically opposed to the original direction in which they were originally taking.
232	O'Connor	States the local option has been their position the whole time and they have remained clean and fair about it.
242	Work Group	Discusses issue of slashing funds.
249	Larson	States there is not time to resolve this and all the other issues before them today, and suggests they move on to section 18.
273	James Deason	Eugene Water and Electric Board (EWEB), asks for clarification as to whether this bill is the "Tinman" bill and if so, if it's essentially a new version of the "Strawman" bill. Asks about language regarding stranded cost transition charge. States there is a new section in this bill that he's never seen before, that was not in the "Strawman" version, and asks where this language comes from.
281	Savage	Asks to return back to the three issues under item one on the agenda.
287	Larson	States they will return to those issues as soon as they finish with the issue brought up by EWEB.
302	Deason	States now there is a new definition of transition cost, and he's not sure how it came in because now what they had planned on presenting today is not going to fit, and they would like 10 or 15 minutes to sort it all out.
294	Larson	States they'll move on to the section on municipal ownership of power facilities while Deason sorts out section 18.
325	Larson	Clarifies this section is not in the "Tinman" version.
330	Thomas Grim	EWEB, asks for and receives clarification that they are now addressing the issue of municipal ownership of power facilities for joint ownership, highlights handout, and summarizes three revisions they had proposed at previous meeting held April 10th, 1997.  * in the definition of "city," they had struck the words, "and owning and operating an electric light and power system," but have now removed that strikeout, so the language remains as it is currently under ORS 225.450  * in the definition of "common facilities," subsection two, they had interlineated the words "likely to enhance," but have now removed that interlineation  * on page two, ORS 225.470, they had interlineated language regarding capacity, and they have removed that interlineation as well.

370	Larson	States he is sorry that Jim Anderson is not here at the moment, because he believes Anderson had something to say on this subject.
373	Jim Paine	PacifiCorp, asks for and receives clarification that they are talking about the April 10, 1997 session, and confirms this version has responded to the concerns they had raised.
380	McPhail	States she is concerned that this vehicle allows them to get into retail and wholesale competition and maybe even into the gas business, which doesn't bother them at all. But they are concerned that this would further tax-exempt facilities into this, because some of them who are not tax-exempt feel the playing field is pretty tilted already. States they would like to add language on the last page that says "any portion of common facilities owned by a city and used to serve customers within its jurisdiction, shall be considered public or corporate property of municipal corporation for purposes of tax laws."
417	Grim	States they are adamantly opposed to that change, because it would be a change to the substantive tax laws that currently apply to a municipality or a city, and states they will not change their tax exempt status for any reason.
423	Larson	Asks if this language is acceptable to everyone.
426	Vote	Vote is 4-1 in favor of this language.
435	Grim	States if it would make PGE satisfied, they would be willing to remove that last interlineation starting with "any portion of," because it is just clarification of existing law.
440	Larson	Receives confirmation that everyone is agreeable to removing the last sentence.
<b>TAPE 115, B</b>		
018	Larson	Asks if group wants to proceed with Section 18.
019	Deason	States he can go ahead and proceed, and explains he has combined section 18, which addresses transition costs, with sections 14, 15, and definitional sections in section 3, because they are interrelated ( <b>EXHIBIT C</b> ).
025	Deason	Suggests since the "Strawman" is what they've all been working from, they use his compilation of that and then substitute it into the "Tinman," so they are all on the same document. States the key issue they all need to reach a consensus on is the definition of "uneconomic utility investment."
050	Deason	States section 18 allows recovery of transition charges, and section 27 only defines transition charges with respect to uneconomic utility investment. States there may be other transition charges, and he left that open for the committee, but states the main focus is to move to section 31 and address the definition of "uneconomic utility investment."
057	Larson	States he doesn't think there's any point in them dwelling on section 18, and states he really meant the other section 18, in the "Tinman" version. Urges group to move onto the issue of uneconomic development and not to spend time on the old section 18.
063	Deason	Explains that what makes an investment uneconomic is the sense that you can no longer recover the full cost under generally accepted rate-making principles if your customers are not there or are not captive in order to recover those costs.

065	Deason	Continues explaining proposed amendments regarding definition of uneconomic utility investment, outlining subsections a-e in exhibit C, and explains those categories only apply if they result in the utility having to raise the rates to remaining customers as the result of customers leaving pursuant to revisions of this act.
106	McPhail	Asks if he would be agreeable to adding subsection d to today's "Tinman" version on page 6.
110	Deason	States he would not because there are a number of problems with the definition as it exists in the "Strawman." Explains problems, and states it is a new category in any aspect.
119	Randy Dahlgren	PGE, shares his concerns regarding the language that talks about raising power rates to customers and states there are a number of potential organizational and structural alternatives under which a distribution company wouldn't even have power rates.
145	Eachus	States the "Tinman" says these certain investments that were prudent at the time the obligations were assumed, but the full costs of which are no longer recoverable as a direct result of this act. States that may be somewhat different than what the other language says. Says it seems to him there's a difference here, and explains there are a lot of things, such as operation and maintenance costs, that may cause rates to rise, that may not necessarily be what they anticipated, and he will need to think through it.
167	Deason	States their intent was to work off the same lines, and maybe they can move a few categories into the definition of the "Strawman," but if they do that they would have to make some distinct modifications, because they had major concerns with the modifier as a direct result of the implementation of this act. States he believes that would penalize utilities which have made decisions that were prudently incurred at the time but are no longer economic. If the utility shut those down as a good business decision, he believes those should be recoverable.
180	Work Group	Discusses issue of incurring costs for mitigation which are covered in the rates, vs. incurring costs to reduce rates but which results in stranded costs.
190	Dale Kessinger	EWEB, states their concerns about what might happen with Bonneville Power Administration (BPA) and its ability to meet its obligations in a competitive generation market, and states he would like to preserve the ability to pass through those stranded costs that BPA may pass down to them if they do indeed occur, that may not be something they can interpret as a direct result of this act.
211	Work Group	Discusses issue of stranded costs and contractual arrangements between the supplier and BPA.
224	Conkling	States this issue is addressed in the "Tinman" on page 15, lines 7-12.
242	Conkling	States maybe it would help to take some time today and read this relative to these provisions and have a chance to look more closely at the language.
252	Larson	Suggests they take a thirty minute break to allow them all to skim through and familiarize themselves with this portion.
265	Savage	Suggests that as an alternative to a thirty minute break, they take out the sections that are new and do a five minute overview of what is new and what has been

		changed.
273	Work Group	Discusses what sections they should be reading through in a break vs. whether they should consider other parts of the agenda which they can work with.
280	Eachus	Suggests they stick with the agenda and deal with amendments as they pertain to the subject matter.
300	Larson	Directs the group to set aside the administration issue, and move on to the issues of collection and handling and "three percent of what?" Reverses order and holds discussion on "three percent of what?" issue.
335	Work Group	Discusses franchise fees with regard to the cost of doing business.
385	Work Group	Discusses issue of taking "taxes and franchise fees" out of the language on page 5, line 25.
400	Sara Baker-Sifford	Oregon Rural Electric Cooperative Association, states anytime you tax or propose fees on distribution, rural people are unfairly burdened with higher proportional taxes.
<b>TAPE 116, B</b>		
005	Larson	Clarifies his changes to the definition, and states it now reads, "Total revenues from the sale of electricity services in the state means the total amount of revenues collected from Oregon retail electric customers for electricity services including distribution, transmission, generation and generation-related energy services, stranded cost charges, and any other types of costs presently included in electric utility tariffs and rates."
012	McPhail	Asks if that includes disconnect and re-connect charges.
014	Eachus	States it looks to him that it is inclusive enough if they stop with "stranded cost charges."
016	Work Group	Discusses feasibility of stopping with "stranded cost charges" and do away with the rest of the sentence.
035	Work Group	Discusses transmission revenues and how they fit into the definition.
068	Eisdorfer	States the review measured the three percent against the regional revenues collected at the retail level, which he believes includes franchise fees.
081	Co-Chair Wooten	Asks for summary of the new language starting on line 22.
083	McPhail	Clarifies for Co-Chair Wooten what they are considering and how the regional review arrived at the current figures.
094	Eachus	States he may have confused the issue, and states he was trying to describe a situation in which some of the franchise fees are included as the cost of doing business of the utility, and are therefore embedded in the distribution cost or the rate they would ordinarily charge. States there are then some franchise fees that are not considered as the cost of doing business in the sense that they are spread across everybody. They are fees which people in that individual city pay, so in a sense they are related to the energy use, but only on the basis that the customer

		pays the difference, whereas the other part of the cost of doing business is spread among all customers regardless of which city or franchise they happen to be in. So the only difference between the two is how it's allocated to the customer, and there's no distinction from a revenues point of view between that separation. Explains he thinks if they were included in the regional review calculation, the distinction he made is irrelevant to the revenues calculation.
125	Co-Chair Wooten	Asks for and receives confirmation that Eachus wants "franchise fees" to remain in line 25, and the only change is in line 23.
135	McPhail	Asks if it should include disconnect, re-connect, and late charges.
136	Co-Chair Wooten	States she agrees it is not appropriate to include those minor fees and revenues in the context of this calculation.
145	Dahlgren	States those particular charges are not included as revenues from sales of electricity, so he's 99 percent sure the regional review did not include those revenues when they did their calculation.
149	Co-Chair Wooten	States she supports the deletion of that particular clause, as long as she can be assured that it doesn't include sales of equipment on a wholesale or retail application.
169	Work Group	Discusses issue of equipment being considered calculable revenues.
177	Co-Chair Wooten	Asks what the likelihood is that utilities would have a fair amount of sales of services and products to consumers that would be significant enough to justify this particular clause.
182	Eisdorfer	States before they start de-constructing what those revenues are, they need to figure out what the total revenues are at the retail level, and states this may be a very small amount, but he needs to know what that figure is.
200	Work Group	Continues discussion.
210	Co-Chair Wooten	State she supports putting a period after the word "franchise fees" and moving on. Suggests if they decide later it doesn't work, they can go back and amend it.
215	Co-Chair Wooten	States this bill will be re-printed Monday morning at Legislative Counsel, therefore they should prioritize the most important parts between now and five o'clock.
246	O'Connor	Points out that none of them had seen this until 1:00 this afternoon.
256	Work Group	Discusses what parts to deal with after the break.
273	Co-Chair Wooten	Declares 15 minute recess.
<b>RECESS</b>		
297	Co-Chair Wooten	Summarizes where they were before they left off, and clarifies what they need to agree on before this bill goes to the printer. States they have essentially dealt with the "three percent of what" issue.
	Co-Chair	States over the next two hours they will address the issues of stranded costs, and

305	Wooten	numbers 5, 6, and 7 on the agenda, but will not discuss numbers 3, 4, or 8 on the agenda.
364	Eachus	Asks if they do not discuss an issue, how can they go about getting it in the bill.
365	Co-Chair Wooten	Replies it will be part of the amendment process.
370	McPhail	States the Publicly Owned Utilities need to quickly revisit the substitute definitions regarding "uneconomic utility investment" and "stranded costs."
373	Savage	Asks to address the issue of collection and handling under Section 19 if there's time.
377	Co-Chair Wooten	States she will circle that item and states right now they are starting with agenda item number 7, section 26, Interim task force.
385	Larson	Gives overview of section 26, beginning on page 28 of the "Tinman."
<b>TAPE 117, A</b>		
004	Chair Wooten	States the language regarding the creation of the Electric Industry Restructuring Task Force is pretty straightforward and asks for group's input.
008	Eisdorfer	States he believes it is appropriate language, but the responsibilities are vague as to what the task force handles vs. what the commission handles. Suggests adding the phrase "delivering the benefits of competition to all customer classes," and receives approval from group.
020	Co-Chair Wooten	States it is not specifically identified, but she assumes it will be inclusive of assisting with and evaluating monitoring pilot projects.
035	Eachus	Points out typographical error in line 16 page 28.
040	Eisdorfer	States that with regard to section 21, the blue-ribbon commission did resolve the amount of money needed for low income assistance from the state which was \$6 million, to be added to \$14 million provided by the federal government. States the governor's direction for the blue-ribbon commission was to figure out what to do with low income assistance as federal funds went away. Explains the point of subsection 2 is to create a fund of \$20 million which would include the current \$14 million, and if that were to be cut, the state would contribute more to meet the \$20 million, adjusted for inflation. <b>(EXHIBIT D)</b>
073	McPhail	Asks about start date of January 1, 1998 as opposed to the year 2,000.
080	Co-Chair Wooten	Asks if they wanted to do something in advance of full open access.
081	Larson	States in the language in exhibit D, there was a credit to the utility for collections, so he left it out because he didn't see it serving any purpose. Clarifies changes.
100	Co-Chair Wooten	Asks Eisdorfer to identify the two sections where the language is different and what the implications are in his opinion.
		States they are both in sub-section four, page 22, line 18 of the "Tinman":  * there is a period after "electric utilities," and in the corresponding part of exhibit D, the sentence continues, "...and if appropriate, natural gas utilities, and

102	Eisdorfer	heating fuel oil distributors." Explains the discussion at the blue ribbon commission meeting was a fuel blind collection mechanism, which is now reflected in the "Tinman."  * the end of that paragraph in subsection four, the language reflects the inclusion of fuel-oil distributors and needed a way to deal with them differently.
118	McPhail	Asks if electric utilities will be included in those making the collections who get a credit for their voluntary contributions.
119	Eisdorfer	Explains if voluntary contributions get that much further toward the \$20 million, it is not collected in this mechanism.
129	McPhail	States PGE's concerns is that they have an effective voluntary program of company and customers, and they have agreed to beef that up, but if it is implemented in an involuntary way, it reduces their desire to contribute voluntarily, so she doesn't support the idea to make an exaction of what was charitable.
142	Eisdorfer	States they are six million dollars short.
142	Co-Chair Wooten	States she would like McPhail come up with a way to provide some level of comfort that the transition prior to the date of open access is covered. States she supports McPhail's concerns, and would like to figure out a way in language of statute to provide the necessary assurance that it will not cause problems.
156	McPhail	States they already have a memorandum of understanding with the people across the table, yet states none of that is reflected here.
	Jim Gardner	ENRON, states in the event that open access ensues prior to the effective date of this bill, there is in existence a memorandum of understanding which would address that issue.
164	Co-Chair Wooten	Clarifies right now they are looking at page 22, section 21 of the "Tinman," and states she still wants to see some form of compromise that they can insert into this language so this issue will not get in the way of moving this bill out during legislative consideration.
175	Savage	Offers one "out" by offering to not determine or specify how an electric utility collects the funds.
199	Eisdorfer	States it may change the heading on the summary on page one, because they are now starting to get out of electric power, but he would vote for doing an all-fuels fund.
208	McPhail	States she agrees they can leave that up to rule-making if that is the intention, but she really supports an all-fuels fund.
210	Savage	States he was deleting rule-making in their role as a compromise.
212	Work Group	Discusses issue of charitable contributions being explicitly stated in the language regarding all-fuel funds vs. leaving it up to rule-making.
230	McPhail	Moves to substitute low income assistance section 26 to replace section 21 on page 22 in the "Tinman."
235	Work Group	Discusses motion.

240	Cowan	Asks for and receives clarification that this motion means all money collected from everywhere in the state goes into state coffers, and states she has a serious problem with that.
247	Co-Chair Wooten	Acknowledges her concerns but states she would like to move forward and they can consider any changes in future amendments.
255	Larson	States he's not sure if they can do this under the current relating clause.
273	Work Group	Discusses language in relating clause and use of electric meters for purpose of measuring where to assess a charge that will apply to a number of different purposes.
284	McPhail	Withdraws motion.
304	O'Connor	States his instructions from Oregon Municipal Electric Utilities are to oppose any use of electric meters as a collection mechanism for transportation, low income, or anything else.
315	Co-Chair Wooten	Directs group's attention to section 22.
317	Eachus	States he wants to ensure that residential and small farm customers of the IOUs who have no significant conflicts continue to have access to BPA power <b>(EXHIBIT E)</b>
325	Co-Chair Wooten	Asks for and receives clarification that Eachus' section 27 is a complete substitute for section 22.
363	Eachus	Continues overview of proposed changes.
400	Eachus	Continues overview.
<b>TAPE 118, A</b>		
009	McPhail	Asks when this would start.
020	Eachus	Explains BPA was hoping to conclude negotiations by the year 2,000 which means negotiations for the contracts would happen in 1998, and they felt they would need to have some process in place during that period.
023	McPhail	Asks for and receives clarification of details in Eachus' proposal.
073	Work Group	Discusses who has authority to collect stranded costs.
102	Libby Henry	EWEB, states they already have in the "Strawman" and the "new bill" the authority to collect stranded costs after 2004, so asks if there would be any objection to removing them from this section.
152	Eachus	Explains why he believes it is important to have that in the bill.
180	Work Group	Discusses issue of removing reference to EWEB in these sections of the bill. Consensus reached on decision to leave it in for now and modify it later.
188	Co-Chair Wooten	Asks if there is other objection to substituting OPUC's new language for the new section 22 .
187	Dahlgren	States throughout the "Tinman," they had references to a five year period for collection of transition costs, but he thinks they had agreement to change that, and states it now really needs changing with this new language, because it can

		easily go beyond five years.
200	Larson	States they will discuss this issue when they begin addressing transition costs.
204	Cowan	Asks if they need to clarify that this is intended to substitute for the residential exchange program.
210	Work Group	Discusses issue of subscription process.
216	Eachus	States the exchange may stay but the dollar amount may be zero.
215	Jock Mills	BPA, states they were asked to provide comments on this language by the PUC, and their intent of the subscription process would be to replace the residential exchange, which he expects the Transition Board to Congress to address by June. States as a result, it would be premature for him to comment, but there is disagreement as to whether they have to have legislation to ensure it.
233	Mills	States instead of using the term "cost-based federal energy," they would prefer to use the term "cost-based federal power."
295	Work Group	Discusses issue of cost and customer access to services.
305	Co-Chair Wooten	Clarifies there seems to be a consensus for substituting the new section 27 as proposed by the PUC for the existing section 22, but with some "caveats." Directs staff to make the substitution.
325	Marc Hellman	OPUC, states if the IOUs have a better proposal on how they can preserve the benefits of low-cost BPA power with the subscription process for the residential and small farm customers, they should come forward and recommend how that can be done.
337	Co-Chair Wooten	Replies that will have to be considered next week after the actual document goes to the printer.
358	Chair Wooten	Directs group's attention to section 16.
359	Jim Deason	EWEB, states the only real outstanding issue for them in is in section three, and the definition of "uneconomic utility investment."
379	Co-Chair Wooten	States as a "warm-up act" to section 16, they will return to section 3 to see if they can reach a consensus there.
386	Deason	Refers to page 6 of the "Tinman," and proposes:  * replacing "a portion of," with "all or a portion of," in number 31  * deleting section 32, the definition of "transition costs."  * replacing "contractual obligations," with "contractual or other legal obligations," on line 20.
<b>117, B</b>		
005	Work Group	Discusses implications of inserting wording into bill and whether it would cover post-retirement benefits other than pensions.
	Bill	

025	Warren	OPUC, states he does not have a comment on that issue.
029	Co-Chair Wooten	States they will insert the language, but reserve the right to re-visit the issue.
035	McPhail	States they need to address issue of transition periods.
056	Work Group	Discusses transition and varying recovery periods.
083	Deason	States the rest of his recommendations are very minor, and proposes inserting "necessary ancillary services," in place of "ancillary services," on page 13, line 6.
103	Deason	Clarifies difference between ancillary services and "necessary" ancillary services.
197	Deason	Continues outlining proposed amendments.
250	Work Group	Continues discussion over Deason's proposed amendments and issue of transition charges.
324	Conkling	States his concerns with the issue.
325	Deason	States they wanted to make it consistent with what is now the "Tinman," section 20, and have it explicitly stated that the transition charge is non-bypassable.
338	Work Group	Continues discussion.
346	Co-Chair Welsh	Co-chair, states he thought they cleared this issue up weeks ago.
365	Work Group	Continues discussion on issue of customers purchasing electricity and paying on the basis of services.
373	Conkling	Clarifies his concerns that the additional language is not needed.
<b>TAPE 118, B</b>		
010	Work Group	Discusses possible alternative language, discretion of PUC to authorize transition charges, and proposal to add the word "shall."
037	Larson	Re-states new language with addition of the word "shall." on page 15, line 1 of the "Tinman."
048	Work Group	Discusses what else they want to strike from that section.
050	Co-Chair Wooten	Asks for and receives confirmation from Deason that by adding this language it is "not intended nor would be implied to seek" anything additional from self generators.
058	Co-Chair Wooten	States they will move forward without the inclusion of that sentence for now, and can re-visit the issue during the amendment process.
063	Deason	Continues summarizing proposed changes:  * striking provision allowing rate freeze during the transition period in subsection 3, page 15, section 16 of the "Tinman."
	Work	

074	Group	Discusses issue of proposed rate freeze.
139	Bill Warren	OPUC, uses hypothetical example of rates per kilowatt hour and explains how you could end up with zero recovery of transition charges.
148	Dahlgren	PGE, states there are any number of other costs that could go up besides market costs, that would normally drive rates up, so they don't think an absolute freeze is appropriate.
154	Larson	States the other element of variability is the length of recovery for the transition charge, where one could achieve some flexibility.
166	Eachus	States he believes as long as they have their suggested amendments on cost-based and market-based options in what is now section 8, he's not sure they need this language.
174	Work Group	Discusses whether default rates eliminate the need for a rate freeze, and the cost-based options available to customers.
204	Conkling	Clarifies the issue of language with regard to rate protection for customers, whether they are default customers, or customers in the market.
234	O'Connor	States his concerns with this language about imposing these costs when you can't recover them, and they are effectively denying that they're there, but they are there, and they will affect the smaller system.
245	Work Group	Holds discussion on O'Connor's concerns.
283	McPhail	Asks whose language this is, and if it is congruent with the other things they are doing in the bill.
280	Deason	Clarifies it is the American Legislative Exchange Council (ALEC) bill, and suggests deleting provision entirely.
297	Co-Chair Wooten	States her support for that idea but questions how they will accommodate the process if they delete it.
303	Deason	States he believes there are enough safeguards in the calculation of stranded costs that are prudent and verifiable.
309	Co-Chair Wooten	States page 15, subsection 3, lines 13-16 are deleted.
315	Eachus	States they would concur with that, but only on the assumption that what is now section 8 maintains those two cost-based and market-based options for those customers, which are currently in the bill.
321	Conkling	States his objections to deleting the lines, because they serve a useful purpose on behalf of all customers, because what they are trying to do is make sure that customers don't wind up paying more for their electricity.
329	Work Group	Discusses deleting provision with regard to transition charge and the need to allow for flexibility during the recovery period.
400	Co-Chair Wooten	States they will go forward with the deletion of lines 13-16, for printing purposes, but recognizes that it will need to be amended in further detail during legislative consideration.
		Proposes final amendment:

409	Deason	* allowing the governing bodies to recover in a transition charge, 100 percent of the net verifiable cost as determined by their governing boards on last page of EWEB amendments, subsection 4.
428	Conkling	States they amended the definition of uneconomic investment, which already achieves that.
438	Co-Chair Wooten	States they will reject that amendment since it has already been addressed.
<b>TAPE 119, A</b>		
002	Eachus	Explains OPUC's proposed amendments ( <b>EXHIBIT F</b> ): <ul style="list-style-type: none"> <li>* adding criteria to require substantiation that reasonable mitigation efforts have been pursued</li> <li>* allowing less than full recovery or adopting other mechanisms to provide incentives to mitigate the costs of uneconomic utility investments.</li> <li>* allowing recovery for a period not to exceed five years, which may be waived under certain conditions.</li> <li>* basing the recovery level authorized in rates on certain specific requirements and applications.</li> </ul>
045	Eisdorfer	Asks where the negative stranded cost provision was mentioned.
047	Eachus	Clarifies it is on page 4, subsection f.
051	Eisdorfer	States in general, he believes this is good language.
058	Eachus	Suggests this language be added, and states they won't have to delete anything because the ALEC language, by virtue of the definition they've adopted, says they can propose a transition charge and specifies the time period. States what OPUC wants is: <ul style="list-style-type: none"> <li>* some guidelines on what to approve</li> <li>* some requirements for mitigation</li> <li>* guidelines for the financial health of the utility</li> <li>* the ability to change the time period under certain conditions</li> </ul>
068	Conkling	States he agrees the language is helpful, and asks for clarification on page 2, subsection a, where it states "the commission may allow less than full recovery or adopt other mechanisms to mitigate the costs of uneconomic utility investments."
089	Eachus	Explains his interpretation of the language.
100	Work Group	Discusses language and possible amendments.
		OE, asks for clarification on page 4, subsection f, on language about the

102	Brad VanCleve	market value vs. the net cost and the provision in subsection 4 that also applies net verifiable costs, but states he doesn't see the "netting" concept applying to the transition charge here.
117	Work Group	Discusses issue.
121	VanCleve	Suggests inserting the word "net" on page one of exhibit F before the phrase, "uneconomic utility investments."
131	Co-Chair Wooten	States that section is already completely eliminated.
135	Work Group	Holds discussion on how to best address the issue.
142	Van Cleve	Suggests adding the word "net," after the word "recover," in the last line on the bottom of page one of the exhibit.
147	Conkling	Asks if language regarding credits should be mirrored to reflect the addition of the words "and legal" before the word "obligations," on page four, subsection f, in exhibit F.
160	Co-Chair Wooten	States they will insert those words.
154	Gardner	Advocates the ALEC approach be the model they go with in the printed bill.
173	Work Group	Discusses issue of ALEC model bill.
197	Deason	Suggests the language on page two, subsection b and its sections a, b, and c of exhibit F, be mirrored with subsection four, section 16 of the "Tinman," to basically allow the governing bodies to act in the capacity of the commission to extend the period under extenuating circumstances.
214	Work Group	Discusses issue of ambiguous language regarding mitigation.
223	Eisdorfer	Asks if it is the group's intent to leave language in subsections two and three in and say "100 percent stranded-cost recovery."
235	Co-Chair Welsh	Suggests they remove section 3 and insert the language they have before them for now.
250	Co-Chair Wooten	Summarizes changes the group has made up to this point, and what remains to be done. States all future changes will have to be done through the amendment process. Explains that leaves the following agenda items undone: <ul style="list-style-type: none"> <li>* section 19, public services administration of pooled funds</li> <li>* collection and handling</li> <li>* additional conversation on renewables</li> </ul>
268	Co-Chair Wooten	Declares work group adjourned at 5:35pm.

Julie Havel, John Larson,

Administrative Assistant Administrator

**EXHIBIT SUMMARY**

**A - Consensus bill, "Tinman" draft, staff, 43pp.**

**B - Consensus bill, proposed changes to 3 percent requirement, Tom O'Connor, 1p.**

**C - Consensus bill, proposed amendments, James Deason, 4pp.**

**D - Consensus bill, proposed amendments, Jason Eisdorfer, 2 pp.**

**E - Consensus bill, proposed amendments, Ron Eachus, 5 pp.**

**F - Consensus bill, proposed amendments, Ron Eachus, 4pp.**