

HOUSE COMMITTEE ON POWER DEREGULATION

April 17, 1997 Hearing Room E

1:00 P.M. Tapes 120 - 121

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Patti Milne

Rep. Lonnie Roberts

Rep. Ken Strobeck

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

MEASURE/ISSUES HEARD:

HB 2821 INFORMATIONAL 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 120, A		
002	Chair Wooten	Opens meeting at 1:23 p.m., makes announcements
<u>HB 2821 INFORMATIONAL HEARING</u>		
042	John Larson	Overviews section by section draft of HB 2821; offers written summary of bill (EXHIBIT A)
065	Larson	Continues overview of HB 2821 draft (EXHIBIT A, page 2).

115	Larson	Continues overview of HB 2821 draft (EXHIBIT A, page 3).
155	Larson	Continues overview of HB 2821 draft (EXHIBIT A, page 4).
205	Larson	Continues overview of HB 2821 draft (EXHIBIT A, page 5).
250	Larson	Continues overview of HB 2821 draft (EXHIBIT A, page 6).
300	Larson	Continues overview of HB 2821 draft, Section 19 (EXHIBIT A, page 7).
350	Larson	Continues overview HB 2821 draft, Section 19 (EXHIBIT A, page 7).
400	Larson	Continues overview of HB 2821 draft (EXHIBIT A, pages 7-8).
Tape 121, A		
001	Larson	Continues overview of HB 2821 draft., Section 21 (EXHIBIT A, page 9).
043	Larson	Continues overview of HB 2821 draft, Section 22 (EXHIBIT A, page 10).
095	Larson	Continues overview of HB 2821 draft, Section 23 (EXHIBIT A, page 10).
132	Larson	Continues overview of HB 2821 draft, Section 23, 24, 25 26, (EXHIBIT A, page 11).
170	Chair Welsh	Comments on HB 2821 and invites testimony on areas of concern with bill. Asks that anyone wishing to propose amendments provide language at next Tuesday's meeting.
210	Rep. Roberts	Asks about possibility of dividing bill due to possible revenue impact of certain sections.
218	Chair Welsh	Says if there is revenue impact of any portion of bill, it may need to be dealt with separately.
231	Rep. Wooten	Expresses concern about two separate bills and says that she would like to see the bill remain whole.
253	Jason Eisdorfer	<p>Representing Citizens Utility Board and Fair and Clean Energy Coalition, testifies on HB 2821, says bill going in right direction. Notes areas of concern for which they will provide amendments.</p> <ul style="list-style-type: none"> * portion of public purposes * IOU access to Bonneville power * large industrial customers get open access first; all

		<p>other states open access at same time for everyone</p> <p>* no guarantee for small rate payer that rates will not go up</p> <p>* feels 100 percent recovery for stranded costs not warranted or justifiable</p> <p>* pooling of public purposes funds</p>
346	Eisdorfer	<p>Continues testimony</p> <p>* Section 8.2: default provider rate seems to end in 2011; default provider needs to be in perpetuity, if necessary.</p> <p>* Section 3.2: has delaying provision; if Commission decides conditions precedent to open access don't exist, but also seems to say open access will happen anyway.</p>
371	Chair Welsh	Asks recommendation for getting all to open access.
375	Eisdorfer	Says in HB 3232 wording explicit on open access beginning date, but HB 2821 says by January 1, 2000, which means people could go in advance of that date, but does not preclude any class from going prior to another class. Suggests either stating no class of customer can begin before any other, or make date explicitly a beginning date rather than ending date.
392	Chair Welsh	Asks what to do about Consumer Owned Utilities (COU).
397	Eisdorfer	Says should be statewide policy, no matter type of utility.
410	Chair Welsh	Asks about using 2001 for everyone.
411	Eisdorfer	Says that would work.
Tape 120, B		
001	Fred Heutte	<p>Northwest Energy Efficiency Council, offers written testimony on HB 2821 regarding public purposes (EXHIBIT B).</p> <p>* supports pooled funding</p> <p>* purpose of conservation funding</p> <p>* promote fair and competitive conservation markets</p>

		<ul style="list-style-type: none"> * improve large industrial conservation * clarify large industrial conservation credits
062	Steve Munson	<p>Vulcan Power, testifies on public purposes funding.</p> <ul style="list-style-type: none"> * public purposes funds not a tax, but rather insurance policy for renewable energy * amount designated for public purposes too small * Suggests changes to public purposes Section 19.1.a: increase 3 percent to 5 percent, and renewables receive 2.3 of total public purposes funds to build green base during transition period.
091	Rep. Roberts	<p>Comments that in open market Munson wants people they will compete against to put up money to get them started. Asks if there is anything keeping them from openly investing in geothermal and wind companies now.</p>
096	Munson	<p>Says nothing to preclude them from investing in industry and thinks some will, but problem is timing, because to compete, the developer needs projects on line that can be expanded to provide market share. No binding geothermal contracts in effect in Pacific Northwest now.</p>
109	Rep Roberts	<p>Asks if he is saying established utilities have closed market to Vulcan.</p>
112	Munson	<p>Says they have. Other areas of concern:</p> <ul style="list-style-type: none"> * If no full utility deregulation, propose amendment to establish renewable portfolio standard in Pacific Northwest. * Section 19.1.c.A & B: if not increased to 5 percent, divide 3 percent equally between conservation and renewables, less low income designated portion. * Section 19.1.c.B: should be mandatory to be spent in Oregon or Northwest for renewables. * Section 19, 2.e: clarification of "as designated by the Office of Energy", what it designates, who sets policy * Wants to require Department of Geology to oversee resource analysis for geothermal projects * Recognizes lack of experience with renewables in

		<p>Northwest.</p> <ul style="list-style-type: none"> * Section 16.3.d: should allow full recovery of stranded costs for renewables during transition period * priority green power marketing prior to open access
174	Munson	<ul style="list-style-type: none"> * Section 7: default supplier designated as backup supplier for renewable supplier * Section 19: DSI's and other large energy users over 10 megawatts should not be allowed to offset renewable energy projects they invest in or buy power from as offset against 0.4 percent allowed for commercialization of renewables. Says disruptive to utility planning and could give competitive advantage to other renewables developers.
220	Chair Welsh	Requests proposed amendments in writing.
244	Jim Tarpey	<p>Enron, testifies about areas of concern in HB 2821</p> <ul style="list-style-type: none"> * stranded costs * current monopoly system more expensive than needs to be * If mitigation done; then allow recovery at 100 percent. * To move ahead with competition, look at what utilities have done; doesn't need to be adversarial process, which is invitation to lawsuit.
300	Tarpey	<p>Says bill as written allows Public Utility Commission (PUC) to go further, to allow sharing, even to mandate sharing. Says provision for recovering stranded costs within five years means utility has to absorb some of the amounts. Other areas of concern</p> <ul style="list-style-type: none"> * allows stranded costs to be addressed in future years * allows BPA and WWPPS 100 percent recovery * doesn't allow utilities to minimize stranded costs by securitizing * cost-based rates as option through 2011 impractical for utilities
		Continues testimony explaining concerns about HB

355	Tarpey	2821. * default supplier not necessarily supplier offering cost-based rate
395	Tarpey	Continues testimony about HB 2821. Discusses BPA provisions * mandatory purchase of BPA power * BPA contracts handled by PUC * used for core customers, distorts market
425	Rep. Wooten	Asks about context of mandates relative to stranded costs.
Tape 121, B		
006	Tarpey	Responds to Rep. Wooten * Government mandated costs include PURPA contracts, which were not negotiable; 100 percent recovery probably should be allowed. * Utility investments made prudently, using review process with many people passing on prudence; Enron's perspective is they are no different from government mandated investments.
020	Rep. Wooten	Asks if will be proposing language or amendments specifying 100 percent recovery of costs.
023	Tarpey	Says if investment was prudent and mitigated, will ask for 100 percent recovery.
025	Rep. Wooten	Asks confirmation they will provide such language for bill.
032	Ron Eachus	Responds to Enron testimony discussing PUC approach to direct access. * ensure against loss of low cost resources in region that keep rates low * consumer protection * stranded costs, cost-based rates, and BPA provisions inter-related * hard to figure stranded costs treatments, reason for PUC guidelines * doesn't know of economic or legal theory that

		<p>requires 100 percent cost recovery</p> <p>* guarantee of 100 percent stranded cost recovery not necessary</p> <p>* Two things can happen in guarantee of 100 percent recovery: insulate company from market changes, reduce benefits to customers</p>
089	Eachus	<p>Continues discussing PUC approach to stranded costs, direct access</p> <p>* 100 percent guarantee needs something in bill to guarantee benefits to rate-payers.</p> <p>* PUC built in cost-based approach to protect rate-payers from loss of low-cost resources.</p> <p>* BPA provision included because BPA moving to subscription process which replaces residential exchange.</p>
169	Chair Welsh	Adjourns meeting at 3:00 p.m.
<p>Letter submitted from Jim Anderson of PacifiCorp regarding stranded costs in reply to question from Rep. Hill during March 25, 1997 meeting (EXHIBIT C).</p>		

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2821, written summary and draft HB 2821, Staff, 62 pp.

B - HB 2821, written testimony, Fred Heutte, 1 p.

C - HB 2821, letter from Jim Anderson, 2 pp.