

HOUSE COMMITTEE ON POWER DEREGULATION

April 29, 1997 Hearing Room E

1:00 P.M. Tapes 130 - 131

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Patti Milne

Rep. Lonnie Roberts

MEMBER EXCUSED:

Rep. Ken Strobeck

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

MEASURE/ISSUES HEARD:

HB 2821 PUBLIC HEARING AND 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 130, A		
001	Chair Welsh	Opens meeting at 2:02 p.m.
016	Steve Weiss	Fair and Clean Energy Coalition, reports on rally held this day at Capitol. Provides updated list of membership (EXHIBIT A).
<u>HB 2821</u> <u>PUBLIC</u>		

HEARING		
037	Tom Gallagher	U.S. Generating, introduces Doug Oglesby, who testifies on HB 2821, Sections 7 and 8.
040	Doug Oglesby	Vice President and General Council of PG and E Energy Services, testifies for HB 2821. Gives background on PG and E. Offers testimony in support of HB 2821. Discusses protection of residential and small commercial customers, Sections 7 and 8. * Assure residential and small commercial customers no increase in rates by introduction of market forces. * defined transition period for recovering stranded costs, with no further costs allowed after end date for recovery
080	Rep. Roberts	Asks if stranded costs should be absorbed in time period up to 2004.
083	Oglesby	Says yes.
093	Rep. Roberts	Asks if he supports PUC making determination of amount of stranded costs.
095	Oglesby	Affirms.
096	Rep. Roberts	Expresses concern with PUC making determination.
099	Oglesby	Says he doesn't oppose legislature establishing level of stranded costs recovery. Probably better public policy for legislature to establish percent recovery of stranded costs.
109	Oglesby	Discusses problems with HB 2821 * no assurance of no rate increase during transition period
120	Rep. Wooten	Asks basis utilities might raise rates during transition period.
131	Oglesby	Says way bill is drafted utilities determine costs to be recovered. Advocates flat rate cap.
144	Rep. Wooten	Asks how he would guarantee rate cap.
148	Oglesby	Says just setting flat rate cap based on rates in effect as of date certain. Says if rates capped at time when stranded costs being captured through rates, presumably stranded costs would continue to be collected in capped rate.
163	Rep. Wooten	Asks how he sees public utilities capturing their costs with rate cap.
171	Oglesby	Says might have to be exception for Bonneville Power Administration (BPA) contracts. If utilities can't recover stranded costs in limited period with rate cap, may have to divest generation.
188	Rep. Wooten	Asks if same divestiture principle should apply to generation assets of companies with generation assets outside the state.

191	Oglesby	Says yes, if rate-based assets.
197	Rep. Hill	Asks if PG & E divested generation facilities in California.
198	Oglesby	Explains PG & E's California divestiture. Discusses PG & E's plants that could be divested. Says other California utilities are putting 100 percent of fossil generation on market. California encouraged, did not order, divestiture of generation.
228	Oglesby	Resumes testimony: <ul style="list-style-type: none"> * rate cap for cost of service * market-based rate option problems: anticompetitive, envisions too much regulation * PUC required to consider utility's cost in determining market-based rate option. * Market-based rate option makes sense only because lower than cost-based rate option. If lower than cost-based rate option, let competitive suppliers offer market-based rate. If rate option higher than cost-based rate, no one will offer it. If utility offers market-based rate option as well as cost-based rate option, and market lower than cost-based rate option, large number of residential and small commercial customers will stay with local utility.
282	Rep. Hill	Asks how market-based rate can be lower than cost-based rate.
284	Oglesby	Explains <ul style="list-style-type: none"> * cost-based rate average price * market-based rate based on power to purchaser * distribution, transmission, and non-competitive ancillary services charges same regardless of source of power * during transition period utility should not offer both cost of service rate and market rate
334	Rep. Hill	Asks if he would use a portfolio of energy to ensure availability of electricity to customers at a certain price, when market prices might be fluctuating daily.
350	Oglesby	Explains <ul style="list-style-type: none"> * depends on risk consumer willing to take * advantage of competitive market is to allow consumer to decide risk tolerance; spot market puts all risk on consumer * some price control methods may be difficult under cost of service rate-making

		* floating price * marketing through aggregation. * Aggregation better able to eliminate peaks and valleys in demand * more efficient portfolio of power
404	Rep. Wooten	Asks if he has an estimate of percent of market shift in California from utilities to market suppliers.
428	Oglesby	Says he doesn't have that data. Explains transition period in California.
Tape 131, A		
001	Oglesby	Continues explanation.
009	Rep. Hill	Asks if someone comes in to sell to aggregated customers, who would sell to individual customers.
013	Oglesby	Says individual consumers would be aggregated and explains process.
028	Rep. Hill	Asks if aggregator like telemarketer.
030	Oglesby	Says they are different and explains difference. Says need consumer protection provisions in legislation that are managed by PUC or governing bodies of publicly owned utilities.
038	Rep. Wooten	Asks if there were discussions in California about whether market-based rates should have been available.

045 Oglesby Says not aware of any debate in California about market-based rate option.

046 Rep. Wooten Asks if there was debate whether PUC should have oversight of rate itself in that option.

049 Oglesby Says no discussion in California about PUC having oversight of market-based rates and that it was expected PUC would not have oversight of market-based rates.

050 Rep. Roberts Asks if that is fair to utility.

051 Oglesby Says fair to utility if it has reasonable opportunity to recover stranded costs with legislature determining amount. Says fair to utility that it not be permitted to offer market-based rate option, whether regulated by PUC or purely market determined, during transition period. Says utilities should be kept out of competitive market until certain there is healthy competitive market after period of time allowed for recovering stranded costs. Then appropriate to offer market-based options, but with truly market-determined price.

065 Rep. Roberts Comments on need to make distinction between regulated and unregulated and what will continue to be regulated.

077 Oglesby Says cost-based rate needs to be regulated by PUC, but not market based rate, which should be determined by market.

Resumes testimony. Discusses dealing with end of transition period, completion of stranded costs recovery.

* Allow competition for default suppliers.

- * default suppliers bid for opportunity to serve, market price determined through bidding system
- 089 Oglesby
- * If concern that utilities, after transition period, will exercise market power through owning generation, continue regulating utilities.
Portland General Electric, offers amendment to Section 7 of HB 2821 (**EXHIBIT B**).
- * wants more market, less regulation
- 127 Denise McPhail
- * Suggests adding to Declaration of Policy that regulation of electric utility industry would be replaced to extent possible with competition by implementing Sections 1-25 of act. Wording taken from AOI-ICNU bill.
- * Add definition of default supplier to bill; suggested language included in amendment.
- * confusion in areas of bill about relative roles of competitive and default suppliers
Discusses Section 7 amendments.
- * page 5, line 32, add: "that do not choose direct access"
- 175 McPhail
- * page 5, line 29, delete: "other sources" and insert "providing distribution in that service territory" after "utility"
- * notes amendments offered in Sections 1, 2, 3, 5, 6, and 7
- 204 Chair Welsh
- Says will have other amendments handed out to committee.
Public Utility Commission offers testimony on Section 7.
- * differences between California and Oregon legislation
- * positive and negative stranded costs balance out
- 210 Ron Eachus
- * higher costs in California
- * reason for default supplier at market based rate in Oregon
- * provisions in bill for another provider than utility to be default supplier for market-based rate
- 272 Chair Welsh
- Asks about possibility of bidding out on cost-based rate.
- 274 Eachus
- Says bill includes provision that allows Commission or governing bodies to waive obligation and authorize one or more alternative default suppliers through competitive bid process.
- 288 Rep. Hill
- Asks how market-based rate for default supplier would work.
- Says they would look at portfolios and other data in determining competitive bid

- 309 Eachus process. Discusses examples of what happens when customer doesn't choose or wants to change back to original supplier.
- 360 Eachus Continues discussing default supplier and market-based rates.
- 400 Rep. Hill Asks if possible in this bill to sign up multiple default providers and divide customers among them through bid process or other means.
- 417 Eachus Says yes and refers to Section 7.a. where PUC is authorized to waive obligation and authorize one or more default suppliers.
- 431 Rep. Hill Asks relationship of PP & L's amendment for Section 6 on metering with Section 7.4 which addresses change fee.

**Tape
130,
B**

- 006 Eachus Says he will let PP & L and governing bodies answer for themselves. PUC envisions it as covering administrative costs, but not necessarily metering. Says if utility maintains meters, should be no additional charge for changing; but if meter removed and later replaced, would probably be legitimate charges.
- 017 Rep. Hill Asks if possible to group all those fees to figure a likely charge so someone could choose a competitive marketer who might allow use of their meter. That information could be used to determine whether there would be savings if the customer chose to go with market-based rate.
- 023 Chair Welsh Says he would like to determine some of that during interim. Requests that amendments to Sections 1 through 7 be provided to committee members prior to next meeting. Adjourns meeting at 3:03 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2821, Written materials, Steve Weiss, 2 pp.

B - HB 2821, Proposed amendments, Denise McPhail, 6 pp.