

HOUSE COMMITTEE ON POWER DEREGULATION

April 30, 1997 Hearing Room E

6:00 P.M. Tapes 132 - 135

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Ken Strobeck

MEMBER EXCUSED:

Rep. Patti Milne

Rep. Lonnie Roberts

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Mieko Aoki, Committee Clerk

MEASURE/ISSUES HEARD:

HB 2821 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 132, A		
003	Chair Welsh	Opens meeting at 6:17 p.m., opens work session on HB 2821.
<u>HB 2821</u> <u>WORK</u> <u>SESSION</u>		
		Requests submission of hand engrossed amendments to avoid

018	Rep. Hill	confusion.
024	Rep. Wooten	Suggests creating summary which contains comparison of amendments.
035	Jim Anderson	Senior Government Affairs Representative, PacifiCorp. Presents amendment on section 7 (EXHIBIT A). Introduces James Paine, PacifiCorp.
045	James Paine	Describes PacifiCorp's proposed amendments to section 7.
078	Paine	Continues testimony on section 7.
087	Rep. Wooten	Requests further explanation of their amendment lines 33 through 36.
094	Paine	Responds. Comments existing supplier should be able to access Northwest low cost resources.
132	Jim Deason	Eugene Water and Electric Board (EWEB). Proposes amendment on section 7 (EXHIBIT B).
149	Committee	Discusses * the meaning of "the end of the day" * structure of the bill
185	Jason Eisdorfer	Fair and Clean Energy Coalition, Citizens' Utility Board of Oregon. Presents testimony opposing PacifiCorp's proposed amendments on section 7.
217	Steve Weiss	Fair and Clean Energy Coalition, Northwest Conservation Act Coalition. Adds to Eisdorfer's statement.
236	Rep. Wooten	Supports existing language because it provides consumer protection.
247	Denise McPhail	Governmental Affairs, Portland General Electric (PGE). Supports existing language.
269	Jim Tarpey	Enron Capital & Trade Resources. Supports existing language.
277	Chair Welsh	Moves on to section 8.
281	Ron Eachus	Oregon Public Utility Commission (PUC). Gives overview of section 8. * designated to reduce customers' risks * Oregon utilities provide low-cost electricity
331	Eachus	Continues presentation. * necessity of including consumer protection * preserving low cost benefits for citizens

381	Eachus	Continues presentation. * comparison of deregulation between state of Oregon and California * all customers should have choices of cost-based rate or market-based rate to have low cost resources benefits
431	Eachus	Continues presentation.
TAPE 133, A		
006	Eachus	Continues presentation on section 8 which is designed to protect ratepayers without deregulation.
020	Chair Welsh	Comments on necessity of discussion on guaranteeing low cost resource benefits to consumers.
025	Eachus	Says price cap would provide guarantee, but it depends on how price cap would be established.
037	Chair Welsh	Asks about details of price cap.
039	Eachus	Describes difficulty of separating price cap from transition charge.
061	Rep. Wooten	Asks how to adjust transition charge when price cap goes up.
075	Eachus	Describes influences of fluctuation of cost-based rate and market-based rate.
118	Rep. Wooten	Asks if rate cap only applies to cost-based rate, if it would obstruct competition by encouraging ratepayer to stay.
125	Eachus	Responds to Rep. Wooten's question.
144	Rep. Wooten	Asks if price cap applies to both market-based rate and cost-based rate, which may cause back door risks for ratepayers.
158	Eachus	Says it will put utilities at risk unless PUC adjusts stranded costs. Mentions PUC has authority to change transition period.
183	Rep. Wooten	Asks if it is defeating competition that price cap applies to market-based rate and cost-based rate.
192	Eachus	Responds to Rep. Wooten's question. Describes situation without price cap which may make competition more difficult.
243	Chair Welsh	Asks about opportunities of market-based rate and cost-based rate.
247	Eachus	Explains * how to switch between market-based and cost-based rate * problems of keeping standard condition without any regulation
291	Committee	Discusses * advantage of market-based rate

		* allowing to switch back to cost-based rate but not to market-based rate
324	Bill Warren	Oregon Public Utility Commission. Explains process using natural gas market as an example.
341	Committee	Discusses definition of core customer.
391	Committee	Continues discussion.
TAPE 132, B		
001	Committee	Discusses * how to create competitive bidding process * how to calculate market-based rate
051	Committee	Continues discussion on market-based rate.
063	Rep. Hill	Asks how to distinguish availability of market-based rate and cost-based rate to different classes of customers.
069	Eachus	Responds to the question.
081	Rep. Hill	Asks about opportunities for reasonable profit.
090	Eachus	Says concept of opportunity to earn reasonable rate of return comes from court decisions.
097	Committee	Discusses * opportunities of earning reasonable rate of return * traditional rate of return regulation
147	Committee	Continues discussion.
176	Committee	Discussion on whether cost-based rate is reasonable and stable or not.
226	Committee	Continues discussion.
235	Rep. Wooten	Requests that PUC submit information on cap of cost-based rate, through 2001 to 2004.
260	Warren	Responds the information will be available on Monday.
265	Committee	Discusses * advantages and disadvantages of implementing a cap * creating assumption for forecasting * whether there is language requiring portfolio of energy or not
315	Committee	Continues discussion. * no authority or no existing law requiring utilities to make a purchase * PUC has authority to adjust rates

392	Douglas Myers	Fair and Clean Coalition. Proposes amendment on section 8.
406	Eisdorfer	Presents testimony on section 8, opposed to unstable rates (EXHIBIT C).
TAPE 133, B		
001	Eisdorfer	Continues testimony.
024	Weiss	Adds to Eisdorfer's testimony.
038	Eisdorfer	Continues presenting amendments.
066	Rep. Wooten	Asks if purchasing Bonneville Power Administration (BPA) power would be considered as an exemption.
087	Weiss	Responds to Rep. Wooten's question that section 22 deals with her concerns.
101	Committee	Discusses mechanisms in section 22.
123	Eachus	Describes how to set rate cap addressing Rep. Wooten's concerns.
145	Eisdorfer	Continues presentation on section 8. * requests PUC to establish fair rate cap for both customers and utilities * supports establishing separate rate cap for residential customers and core customers to protect residential customers
189	Weiss	Adds to Eisdorfer's proposal.
220	Rep. Wooten	Asks what will happen if utilities want to take advantage of cash flow generated by good market and reinvest stranded cost in another part of their business instead of reducing.
233	Weiss	States rate cap would be secure even if utilities reinvest the cash flow generated by market.
250	Rep. Hill	Disagrees with Weiss's proposal.
262	Committee	Discusses * relationship of rate cap to market-based rate * relationship of market-based rate to stranded cost
312	Committee	Continues discussion on customer protection by cost-based rate.
338	Bob Jenks	Citizen's Utility Board. Comments on importance of establishing rate cap on cost-based rate for residential customers.
388	Jenks	Continues presentation.
397	Committee	Discusses concerns about cost shifting.
TAPE 134, A		
		Continues discussion on cost shifting. * allocation of the various costs

001	Committee	* definition of "cost-based rate" should be consistent * how the cost shifting occurs
064	Tarpey	Comments on section 7. Opposes existing language in the bill that relates to default supplier.
089	Rep. Hill	Asks how to settle stability of rates issue.
104	Committee	Discusses * providing portfolio to manage utilities' risk * how the rate cap regulation applies to utilities * length of transition period
154	Committee	Continues discussion.
206	Anderson	Presents proposed amendments on section 8 (EXHIBIT D).
256	Anderson	Continues testimony.
280	Paine	Gives explanation for their proposed amendments. * customer protection not necessary if there is competitive market * imposing risks through the transition period on shareholders of utilities and eliminating customers' risks * difficulties in calculating cost-based rates of utilities
330	Paine	Continues presentation.
380	Paine	Continues testimony. Comments on projected market price.
413	McPhail	Presents proposed amendments on section 8 (EXHIBIT E). Supports market-based rate.
TAPE 135, A		
020	McPhail	Continues testimony * believes market-based rate offered by default suppliers would be good rate for customers * opposes having two rates
028	Chair Welsh	Asks if prohibition on returning from market-based rate to cost-based rate would help.
032	McPhail	Suggests having ten-year transition period.
053	Rep. Edwards	Asks what will happen after transition period.
064	McPhail	Believes market will bring good prices and choices to customers in the future. Encourages shortening the period and not to over plan.

078	Rep. Hill	Asks if the market-based rate exists now.
099	McPhail	Says PGE already started for large customers. Describes how market-based rate would work to benefit customers.
130	McPhail	Continues testimony on section 8.
153	Chair Welsh	Adjourns meeting at 9:05 p.m.

Submitted By, Reviewed By,

Mieko Aoki, John Larson,

Committee Clerk Administrator

EXHIBIT SUMMARY

A - HB 2821, proposed amendments, Jim Anderson, pp 1.

B - HB 2821, proposed amendments, Jim Deason, pp 1.

C - HB 2821, proposed amendments, Jason Eisdorfer, pp 2.

D - HB 2821, proposed amendments, Jim Anderson, pp 1.

E - HB 2821, proposed amendments, Denise McPhail, pp 2.