

HOUSE COMMITTEE ON POWER DEREGULATION

May 5, 1997 Hearing Room E

6:00 P.M. Tapes 139 - 141

**MEMBERS PRESENT:**

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Patti Milne

Rep. Ken Strobeck

**MEMBER EXCUSED:**

Rep. Lonnie Roberts

**STAFF PRESENT:**

John Larson, Administrator

Julie Neburka, Asst. Administrator

Mieko Aoki, Committee Clerk

**MEASURE/ISSUES HEARD:**

HB 2821 Public 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.

| <b>Tape/#</b>                        | <b>Speaker</b> | <b>Comments</b>   |
|--------------------------------------|----------------|---|
| <b>TAPE 139, A</b>                   |                |   |
| 001                                  | Chair Welsh    | Opens meeting at 6:23 p.m. and opens public hearing on HB 2821.         |
| <b><u>HB 2821 PUBLIC HEARING</u></b> |                |   |
|                                      |                | Oregon Public Utility Commission (PUC). Presents testimony on section 8 |

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|--------------------|---------------|--|
| 022                | Ron Eachus    | * effects of providing stranded cost during transition period<br>* protection for small customers  |
| 072                | Eachus        | Continues presentation<br>* effects of competitive market to small customers<br>* small customer protection by creating competitive market                       |
| 122                | Eachus        | Continues presentation<br>* difficulties guaranteeing residential customers will be benefited<br>* replacing divestiture   |
| 172                | Eachus        | Continues presentation<br>* relationship of pilot programs to open market<br>* emphasizes importance of cost-based rate during transition to competitive markets |
| 233                | Committee     | Discussion on designing pilot programs which allow full direct access.   |
| 283                | Committee     | Continues discussion on designation of pilot programs.   |
| 333                | Committee     | Continues discussion.  |
| 362                | Rep. Edwards  | Asks Eachus to describe how to approach transmission system issue.   |
| 372                | Eachus        | Mentions necessity of distribution companies and third party marketers working together.   |
| 436                | Bill Warren   | Oregon Public Utility Commission. Compares pilot programs to natural gas market programs.  |
| <b>TAPE 140, A</b> |               |  |
| 013                | Rep. Wooten   | Asks Eachus's opinion about rate cap on cost-based rate during transition period.  |
| 020                | Eachus        | Describes effectiveness of rate cap, which depends on the design and application.  |
| 038                | Rep. Wooten   | Asks Eachus' perspective of rate cap structure.  |
| 050                | Eachus        | Comments<br>* prefers to start rate cap as soon as possible<br>* effects of implementing rate cap  |
| 094                | Gary Conkling | Oregon Energy Coalition (OEC). Gives overview of their proposed amendment to HB 2821. Introduces Brad VanCleve.  |

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| 122 | Brad VanCleve | Oregon Energy Coalition. Proposes amendment to HB 2821 <b>(EXHIBIT A)</b> .  |
| 172 | VanCleve      | Continues presentation.  |
| 202 | Rep. Wooten   | Asks how to calculate the cost associated with cost-based rate.  |
| 206 | VanCleve      | Suggests leaving the issue to PUC to decide process. Mentions the cost will be based on the cost of resource base.   |
| 216 | Rep. Wooten   | Asks questions<br>* if cost-based rate would be lower than market-based rate<br>* necessity of utilities to absorb differences between cost-based rate and market-based rate |
| 220 | VanCleve      | States utilities have obligation to provide electricity at certain price and customers are free to go to other markets.  |
| 229 | Rep. Wooten   | Clarifies utilities potentially have risks by providing cost-based rate. Asks why OEC opposes customer switching suppliers.  |
| 242 | VanCleve      | Explains problem of allowing customers to switch suppliers.  |
| 253 | Rep. Edwards  | Asks concept of switching suppliers.   |

Responds to Rep. Edwards's question

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| 270                | VanCleve        | * residential customers can return to default supplier<br>* residential customers would have choices among competing suppliers |
| 279                | Conkling        | Gives further explanation of choices when switching suppliers.   |
| 306                | Rep. Hill       | Asks how the mechanism would work for switching market-based rate and cost-based rate.<br>Describes                            |
| 346                | Conkling        | * cost-based rate provides protection to consumers who would not change supplier<br>* all consumers should have options        |
| 393                | Chair Welsh     | Moves on to next testimony.  |
| 402                | Jason Eisdorfer | Fair and Clean Energy Coalition, Citizens' Utility Board. Presents testimony on section 8 <b>(EXHIBIT B)</b> .                 |
| <b>TAPE 139, B</b> |                 |  |
| 001                | Eisdorfer       | Continues reading testimony.   |
| 051                | Eisdorfer       | Continues presentation.  |
| 081                | Chair Welsh     | Requests Investor Owned Utilities (IOU) to comment about section 8.  |
| 089                | Bruce           | PacifiCorp. Mentions difficulties of switching suppliers.  |

Hellebuyck

106 James Paine PacifiCorp. Comments about risks from allowing customers to switch suppliers.

122 Hellebuyck Comments on support to create competitive market.

138 Committee Discusses differences among customer choices.

188 Committee Continues discussion on different conditions of different resources.

238 Committee Discusses how often customers should be allowed to switch suppliers.

290 Eachus Comments on language from section 8 which imposes conditions on core customers regarding abilities to switch between standard transition rate and service options.  
Discusses

325 Committee \* interval of switching suppliers  
  
\* cost-based rate will provide customers with protection

375 Committee Continues discussion.

435 Chair Welsh Asks if committee members have amendments.

**TAPE  
140, B**

011 Rep. Wooten Notes amendments on section 8 which she supports.  
Requests Eachus to present PUC's opinion on Fair and Clean Coalition's

047 Rep. Wooten amendment. Announces information on price cap submitted by PUC is available (**EXHIBIT C**). Asks committee to review it.

060 Eachus Responds to Rep. Wooten's question.

080 Rep. Wooten Gives her opinions about amendments on section 8.

130 Rep. Wooten Continues.

172 Rep. Hill Comments about adjustment of rate. Supports five year transition period.

197 Rep. Wooten Mentions the date which she supports.  
Suggests getting statements of principles, setting goals and alternate targets.

203 Rep. Strobeck Mentions difficulties of determining long-term plan because situation will keep changing.

241 Chair Welsh Summarizes discussion. Mentions importance of flexibility to change during interim.

259 Rep. Edwards Supports Rep. Strobeck's suggestion.

282 Rep. Milne Agrees with opinions of Rep. Strobeck and Rep. Edwards. Comments on necessity of flexibility to establish basic guideline rather than details.

291 Rep. Hill Addresses importance of implementing deregulation.

313 Chair Welsh Suggests deciding dates. Gives overview of meeting process. Mentions importance of addressing policy questions.

395 Chair Welsh Suggests discussing section 9.

**TAPE  
141, A**

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| 008 | Steve Weiss  | Fair and Clean Coalition. Presents proposed amendments on section 9.  |
| 059 | Rep. Milne   | Asks about specifying the number of participants in pilot programs.   |
| 063 | Weiss        | Responds 25 percent of total aggregate will be the maximum which utility could offer before open access.  |
| 068 | Rep. Milne   | Asks the number of utilities.   |
| 071 | Weiss        | Explains there are three private utilities which could offer several pilot programs and each of them could offer maximum of 25 percent of total load.   |
| 085 | Rep. Hill    | Asks about possibility that legislature will change the programs significantly at next legislative session.   |
| 102 | Weiss        | Suggests trying variety of programs: consumer education, variety of aggregators, and research which would work the best.  |
| 122 | Eisdorfer    | Comments on importance of determining limitations on pilot programs.  |
| 152 | Rep. Hill    | Suggests establishing rules which define functions to avoid confusion.  |
| 191 | Eisdorfer    | Comments that the goal is to find out what makes an effective pilot program by trying as many different programs as possible.   |
| 225 | Rep. Hill    | Asks how the pilot programs will cope with wide range of customers.   |
| 250 | Weiss        | Describes many different ways of implementing pilot programs. Gives example of New Hampshire which did not succeed because of lack of customer protection. Mentions importance of getting feedback from other states. |
| 294 | Rep. Edwards | Suggests setting up principles for pilot programs and confirming with PUC that proposed rationale for pilot programs is valid. Mentions importance of establishing effective programs which benefit everyone.         |
| 325 | Weiss        | Agrees with Rep. Edwards. Mentions importance of PUC requiring utilities to offer pilot programs and setting maximum percentage of participating customers.   |
| 359 | Rep. Hill    | Agrees with establishing guidelines. Asks where to start pilot programs.<br>Presents PUC's position   |
|     |              | * suggests offering programs to at least five percent of all customer classes and maximum percent is not necessary  |
| 398 | Eachus       | * necessity of preventing cost shifting   |
|     |              | * customers should have ability to choose from options  |
|     |              | * necessities of requiring consumer protection and including consumer information programs  |
|     |              | Continues presentation  |
| 448 | Eachus       | * supports allowing transition charges  |
|     |              | * establishes adequate funding procedures   |

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| 030 | Eachus        | Continues presentation on importance of identifying operational issues.   |
| 068 | Jim Anderson  | PacifiCorp. Submits proposed amendments on section 9 ( <b>EXHIBIT D</b> ).<br>Introduces Paine to present amendments on section 9.  |
| 087 | James Paine   | PacifiCorp. Presents amendments on section 9.   |
| 111 | Tom Gallagher | U.S. Generating Company. Presents testimony on section 10 ( <b>EXHIBIT E</b> ).<br>Discusses  |
| 135 | Committee     | * why independent power producers would not build gas turbine with 20 percent of surplus in the market<br><br>* necessity of running uneconomic facilities in order to recover stranded costs |
| 185 | Committee     | Continues discussion on possibility of selling uneconomic facilities' products to out of state customers and getting profits.   |
| 211 | Chair Welsh   | Adjourns meeting at 9:11 p.m.   |

Submitted By, Reviewed By,

Mieko Aoki, John Larson,

Committee Clerk Administrator

**EXHIBIT SUMMARY**

**A - HB 2821, proposed amendments, Gary Conkling, 2 pp.**

**B - HB 2821, written testimony, Jason Eisdorfer, 2 pp.**

**C - HB 2821, written testimony, Ron Eachus, 6 pp.**

**D - HB 2821, proposed amendments, Jim Anderson, 2 pp.**

**E - HB 2821, proposed amendments, Thomas Gallagher, 1 pp.**