

HOUSE COMMITTEE ON POWER DEREGULATION

May 6, 1997 Hearing Room E

1:00 P.M. Tapes 143 - 144

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

MEMBER EXCUSED:

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 143, A		
001	Chair Welsh	Opens meeting in subcommittee at 1:16 p.m. Notes correction on footnote of HB 2821.
<u>HB 2821 PUBLIC HEARING</u>		
018	Jim Paine	PacifiCorp, discusses concern with portion of bill mandating 10 percent of average Oregon load be represented in pilot program

		by January 1, 1998.
035	Rep. Wooten	Asks if there is way to accommodate the pilot commencement date of January 1, 1998.
040	Paine	Says committed to filing pilot program in Oregon first quarter of 1998.
044	Ron Eachus	Public Utility Commission (PUC), offers amendments to Section 9 (EXHIBIT B). Reviews amendments. * purpose of pilots to provide information to 1999 legislature * changes percent of representation in pilot projects to five percent * determining transition costs and application for pilot somewhat different from full direct access for entire territory * Reporting date of September 1, 1998, may be adjustable.
106	Rep. Hill	Asks if there would be conditions imposed on unregulated marketers.
110	Eachus	Says possible; gives examples of conditions that would apply.
120	Rep. Hill	Asks about collection of franchise fees from alternative energy providers.
124	Eachus	Says not included in this portion.
127	Rep. Hill	Asks if "h" doesn't give broad enough authority for PUC to require payments be made to cities.
134	Eachus	Says that would have to be addressed and they plan to discuss issue with cities and utilities.
136	Bill Warren	Explains that checklist was created for regulatory purposes and that they have been working with cities on another provision that would address stopgap situations.
141	Rep. Hill	Asks if PUC has sufficient legal authority absent some other statutory authority to do it.
143	Warren	Says he can't comment on legality.
144	Eachus	Explains that such language is usually used when they anticipate there might be additional things to consider beyond that which they are requiring. Says franchise fees and other issues were addressed in other sections of the bill, and he would prefer that the authority be specific rather than general.
177	Rep. Wooten	Asks if utility can file tariff by January 1, 1998, without triggering pilot project at that time.
		Says yes, but to successfully get information from pilot projects, must consider * what potential players need to know to participate

182	Eachus	* period of time pilot project covers * period of pilot project long enough to determine high and low usage periods
204	Rep. Wooten	Agrees having comparative data from pilot projects is necessary. Asks if possible to accommodate needs of companies within small margins without changing legislation.
217	Eachus	Suggests they could require filing by particular date and including a "not later than" date for pilot projects to start.
222	Rep. Wooten	Says as she understands, statutory authority regarding imposition of franchise fees not necessary as condition of pilot projects.
229	Eachus	Says yes, but they think it is needed and have included in another section.
234	Rep. Wooten	Mentions because language is being crafted by some participants.
237	Eachus	Says is in some language Rep. Wooten asked PUC to draft, but it has not yet been submitted to Committee.
243	Rep. Wooten	Says two sets of recommendations on franchise fees concerning pilot projects are being crafted, due to conflicts among participants.
249	Eachus	Says they have some language they will submit.
255	Rep. Wooten	Says she has submitted amendment for drafting.
259	Rep. Hill	Asks if pilot projects will happen with or without legislation.
263	Eachus	Says yes; PGE and PP & L plan pilot projects but time frames may not fit Legislature's needs.
273	Committee	Discusses with Eachus
283		* PUC's authority to impose fees on alternative energy providers with subsequent transfer of those fees to cities
298		* how PUC would hold cities harmless on franchise fees * methods of collecting fees during pilot projects
333	Rep. Welsh	Opens in full committee 2:40 p.m.
334	Jane Cummins	League of Oregon Cities, discusses pilot programs and effects on members. * impact on city revenues * programs for different sizes, types of customers

		<p>* community pilot projects without knowing effect on franchise fees</p> <p>* Cities should be held harmless in pilot projects.</p>
389	Rep. Hill	Asks Cummins about her definition of being held harmless.
399	Cummins	Explains they feel franchise fees should be at level cities would have received if no pilot done.
409	Rep. Hill	Asks if that is expected to continue into deregulation.
416	Cummins	<p>Says not solution for long-term. Market changes need to be addressed; will be looking at variety of factors.</p> <p>* maintain city revenues</p> <p>* recognition of competitive market place with level playing field</p> <p>* avoid cost shifts</p>
Tape 144, A		
001	Cummins	Continues testimony.
005	Rep. Welsh	Says work on issue will continue during interim and cities will be considered in any decisions made.
010	Denise McPhail	Portland General Electric (PGE), offers SB 837 as conceptual amendment. Describes SB 837 and explains effects.
027	Rep. Wooten	Moves to Section 10.
039	Gary Conkling	Oregon Energy Coalition, says proposed amendment does not need discussion.
047	McPhail	<p>PGE, offers amendments to Section 10 (EXHIBIT C). Discusses amendments.</p> <p>* recommending substituting phrase "transition investments" for "uneconomic utility investments"</p>
059	Rep. Wooten	Comments on recommended phrase.
066	McPhail	Discusses mitigation with respect to Trojan. Says they are asking for same opportunity to recover 100 percent in same sense now have.
099	Rep. Wooten	Comments PGE wants 100 percent stranded cost recovery, change description by calling it transition costs, and remove language that calls for ongoing obligation to good faith effort.
103	McPhail	Says good faith effort goes to language in regulation now. Want opportunity, not guarantee, to recover 100 percent.
113	Paine	PacifiCorp, offers amendment to Section 10 (EXHIBIT D).

		Discusses their view of mitigation and good faith effort.
153	Rep. Wooten	Asks if Paine is saying something different about understanding of obligation than PGE said.
158	Paine	Says no. Says if current language in statute left in, they couldn't meet standard.
171	Rep. Wooten	Comments that while they may not be able to move entirely to divestiture, it seems as if they are trying to get out of what public perceives as uneconomic investments.
182	Paine	Disagrees with Rep. Wooten's comment; says the present wording is strict liability and an unattainable goal.
208	Jim Deason	Eugene Water and Electric Board (EWEB), offers amendments to Section 10 (EXHIBIT E). Notes same concerns as PGE and PacifiCorp that there be a reasonable standard incorporated into duty to mitigate. Agrees with obligation to mitigate and wants assurance that attempts to mitigate do not leave utilities in violation of statute.
224	Committee	Discusses with Deason
238		* comparison of customer good faith effort to utility good faith effort to mitigate
244		* avoiding litigation
265		* specific amounts for reasonable recovery
286		* different levels for different utilities, level playing field
299		* decision makers need to accept responsibility for decisions
334		* rate of recovery determination by utility's governing board, or PUC for electric companies
		* bill in another committee which allows bonds for recovery of uneconomic investments
348	Eachus	Says no amendments to Section 10, but could be difficulty with PGE's use of transition because no definition for new term.
358	Chair Welsh	Suggests requesting PGE supply definition.
382	Brad VanCleve	Oregon Energy Coalition, discusses amendment to Section 11.
397	Chair Welsh	Moves to Section 12 amendments.
402	Steve Weiss	Fair and Clean Energy Coalition, supports PUC amendment on Section 12. Points out Section 12 hooks with Section 16. Section 12 establishes methodology for calculating stranded

		costs recovery, but doesn't address sharing.
Tape 143, B		
008	Jim Deason	<p>EWEB, discusses amendments to Section 12, (EXHIBIT F).</p> <ul style="list-style-type: none"> * necessary for flexibility to allocate transition costs among customer classes and ability to respond to individual customer needs * standard already included will protect against unfair allocation * agrees with deletion of "without shifting costs from one class to another"
034	Denise McPhail	<p>PGE, discusses amendments to Section 12 (EXHIBIT G). Notes they had asked for definition change from "uneconomic utility investments" to "transition investments". Explains other language changes.</p>
054	Anderson	PacifiCorp, offers amendments to Section 12 (EXHIBIT H) .
027	Paine	<p>PacifiCorp, discusses amendment to Section 12.</p> <ul style="list-style-type: none"> * predetermined set rate for fixed period of time
080	Paine	<p>Continues discussing proposed amendments</p> <ul style="list-style-type: none"> * differing treatment for recovery of stranded costs associated with regulatory assets * provides if utility elects to address stranded costs issue, PUC determines stranded costs related to regulatory assets only
109	Rep. Roberts	Asks Ron Eachus about PUC experience with term "fairly and accurately" in Section 12.2.b in this context.
115	Eachus	Explains how PUC uses term in regulatory statutes.
134	Rep. Roberts	Asks if there is an appeal process in PUC.
135	Eachus	Says yes and explains process. Offers amendments to Section 12, submitted to committee prior to meeting. Amendment deletes words "without shifting costs from one class to another". Explains.
167	Rep. Hill	Asks number of classes anticipated.
165	Eachus	Residential, industrial, commercial, lighting, irrigation.
169	Rep. Hill	Asks for written list of classes and definition of those included.
178	Rep. Wooten	Expresses concern that eliminating language will inadvertently shift stranded costs recovery to residential and/or small business customers.
184	Eachus	Says goal is to make fair and accurate cost allocation.

213	Rep. Welsh	Comments he thought it was closer with EWEB proposal.
223	Eachus	Says EWEB's amendment still creates potential inconsistency. Says in anticipation of these issues, and because of previous cases dealing with allocation among customer classes was significant issue, PUC has opened proceeding to review methodology for doing allocations.
264	Chair Welsh	Notes governing boards will have to address same issues for cooperatives and public utility districts.
267	Rep. Roberts	Asks about stranded costs in relation to fees and rates.
273	Eachus	Says stranded costs will either be imbedded in cost based rate or is separate identified charge customer pays,
286	Jason Eisdorfer	Citizens Utility Board, testifies in support of PUC amendment. * allocation of costs fairly and accurately * potential for movement of costs in different directions * shifting could be inequitable * eliminating language of cost shifting affects PUC latitude
313	Rep. Welsh	Asks EWEB if they agree with PUC language changes and if they want addition of their amendment on retail customer classes.
322	Deason	Yes.
323	Rep. Hill	Asks for clarification of language.
331	Deason	Says not prohibition, allows flexibility within the class to allow for individual customer needs.
341 384	Rep. Hill	Discusses with Deason * how flexibility might be used for individual customer needs * safeguards against cost shifting and bypass
Tape 144, B		
001-086 duplicates same portion of 143 B due to equipment malfunction.		
087 107		Continues discussion with Deason. * who pays under flexibility clause * intent to target repayment time period, methodology, and other related issues and ability to respond to individual

112		customer requests
117		* possibility utility absorbs uncollectable charges
137	Rep. Hill	* intent with language to make allocations and protect other customers or customer classes * language pertains only to Consumer Owned Utilities (COUs) portion
164	Rep. Hill	Comments that nonbypassable should be nonbypassable.
168	Deason	Suggests could leave language as is, which removes ability for COUs to be responsive to individual customer circumstances. Amendment preserves flexibility COUs currently have and need in move to deregulated environment.
189	Daniel Meek	Representing Utility Reform Project, says Section 12.1.a doesn't clearly define which assets to be evaluated. Describes problems with this section and section 16 of bill. * separates out two types of assets he believes should not be separated out * Utility assets for which rate payers have been paying include both generation and transmission. * above market, or "good" investments mostly transmission; below market investments mostly generation, e.g., Trojan * some transmission investments sold for large amounts of money
243	Meek	Continues testimony. * While not intended, current language seems to allow not including transmission assets in calculation of uneconomic utility investments, gives "bad" assets to rate payers to pay for permanently, and leaves "good" assets with utility permanently, with continuing opportunity to sell them without accounting for gain
256	Rep. Roberts	Asks if Meek has replacement language.
257	Meek	Not yet, but will provide if desired.
265	Eachus	Comments on Section 10 * assumed transmission assets remain with utility, continue to be regulated by FERC as part of unbundled prices and service PUC approves

		* PUC needs to research what happens if utility sells assets, and whether rate payers lose benefits of transmission through deregulation of generating assets
340	Rep. Hill	Comments again on EWEB proposed amendment.
361	Chair Welsh	Suggests talking to EWEB and PUC representatives further about concerns.
367	Chair Welsh	Adjourns meeting at 3:00 p.m.
HB 2821 written testimony submitted by Chris Taylor of OSPIRG outside of meeting (EXHIBIT I) .		

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2821, hand engrossed version HB 2821, Staff, 57 pp.

B - HB 2821, proposed amendments, Eachus, 1 p.

C - HB 2821, proposed amendments, McPhail, 1 p.

D - HB 2821, proposed amendments, Paine, 2 pp.

E - HB 2821, proposed amendments, Deason 1 p.

F - HB 2821, proposed amendments, Deason 1 p.

G - HB 2821, proposed amendments, McPhail, 1 p.

H - HB 2821, proposed amendments, Anderson 2 pp.

I - HB 2821, written testimony, Taylor, 2 pp.