

**JOINT MEETING OF HOUSE COMMITTEE ON POWER DEREGULATION AND SENATE  
COMMITTEE ON BUSINESS, LAW AND GOVERNMENT**

**January 28, 1997 Hearing Room 50**

**1:00 PM Tapes 2 - 3**

**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**

**Sen. Neil Bryant, Chair**

**Sen. Randy Miller, Vice-Chair**

**Sen. Kate Brown**

**Sen. Gene Derfler**

**Sen. Randy Leonard**

**Sen. David Nelson**

**STAFF PRESENT:**

**John Larson, Administrator**

**Julie Neburka, Asst. Administrator**

**Jan Nordlund, Administrator**

**Lynda Sloan, Administrative Support**

**MEASURE/ISSUES HEARD: OVERVIEW ON ELECTRIC POWER DEREGULATION  
ISSUES**

**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
<b>Tape 2, A</b>		
005	Chair Welsh	Opens meeting, welcomes audience members, members of Senate committee present. Asks John Larson to make announcements.
014	John Larson	Announces video tape of this or any of the informational proceedings are available through Committee Records and that the proceedings are being broadcast over EdNet.
020	Chair Welsh	Introduces Co-Chair for the meeting, Senator Neil Bryant.
023	Chair Bryant	Introduces Senate committee members present. Notes Sen. Derfler will join committee shortly.
<b><u>OVERVIEW ON ELECTRIC POWER DEREGULATION ISSUES</u></b>		
043	Terry Morlan	Demand Forecasting Manager, Northwest Power Planning Council, gives overhead slide presentation on electricity industry.
064	Morlan	Discusses electricity basics and industry components <b>(EXHIBIT A, page 1)</b>
081	Morlan	Explains types of utilities in the Northwest <b>(EXHIBIT A, page 2)</b> <ul style="list-style-type: none"> <li>* Investor Owned Utilities (IOUs)</li> <li>* Publicly Owned Utilities (POUs)</li> <li>* Bonneville Power Administration (BPA)</li> </ul>
097	Morlan	Discusses traditional industry structure: IOUs <b>(EXHIBIT A, page 2)</b> <ul style="list-style-type: none"> <li>* IOUs traditionally vertically integrated monopoly</li> <li>* Regulated by public utility commissions</li> </ul>
<b><u>ISSUE DISCUSSED</u></b>		
171	Morlan	Discusses question about IOUs producing their own power. <ul style="list-style-type: none"> <li>* IOUs traditionally produce most of their own power.</li> <li>* Sometimes purchase surplus power from BPA</li> </ul>

177	Morlan	Explains slide of publicly owned utilities that do not generate their own electricity ( <b>EXHIBIT A, page 3</b> )
<b>ISSUE DISCUSSED</b>		
180	Chair Welsh	Asks about distinction between municipals, PUDs, and cooperatives
199	Morlan	Continues slide presentation with Oregon sales by utility type ( <b>EXHIBIT A, page 4</b> )
215	Morlan	Presents slide on sources of electricity in northwest, ( <b>EXHIBIT A, page 4</b> )
<b>ISSUE DISCUSSED</b>		
232	Rep. Roberts	Asks what biomass is.
233	Morlan	Defines biomass in relation to alternative energy sources * Waste wood products * Garbage burners
250	Morlan	Continues presentation explaining slide on state shares of regional electricity use ( <b>EXHIBIT A, page 5</b> )  Regional Public vs. Private Prices, <b>Exhibit A</b> * Washington, Oregon, Idaho * US average  States that are typified by rather high prices for electricity: Illinois, California, New York.
257	Morlan	Continues slide presentation, describing consumption of electricity in the region and in Oregon ( <b>EXHIBIT A, page 5</b> )
281	Morlan	Shows slide on historical electricity prices ( <b>EXHIBIT A, page 6a</b> ) * Difference between electricity prices in northwest and other areas of country * Comparison of natural gas prices  Gas and electricity main competitors for serving energy needs
		Discusses slide comparing regional public vs. private prices ( <b>EXHIBIT A, page 6b</b> ) and average prices by utility type

318	Morlan	<ul style="list-style-type: none"> <li>* Regionally public utility prices lower than IOU prices</li> <li>* Residential and irrigation prices</li> <li>* Cooperatives' prices higher than IOU prices</li> </ul>
369	Morlan	Continues discussing comparison of utility types
386	Morlan	Discusses history of BPA role ( <b>EXHIBIT A, page 6a</b> )
<b>TAPE 3, A</b>		
001	Morlan	<p>Continues discussing BPA role.</p> <ul style="list-style-type: none"> <li>* July 1976 BPA issued notice of insufficiency</li> <li>* 1980 Northwest Power Planning and Conservation Act</li> <li>* BPA's ability to meet growing regional needs</li> <li>* Residential exchange</li> <li>* Creation of Northwest Power Planning Council</li> </ul>
050	Morlan	Introduces slide on Bonneville rate history ( <b>EXHIBIT A, page 7</b> )
053	Morlan	Discusses NW Power Planning Council's Charge ( <b>EXHIBIT A, page 7</b> )
<b><u>ISSUE DISCUSSED</u></b>		
076	Sen. Nelson	Asks about 1976 forecast of electricity shortage
080	Morlan	<p>Responds to question about 1976 forecast of electricity shortage</p> <ul style="list-style-type: none"> <li>* Surplus, \$6 billion mistake</li> <li>* Price increases prompted conservation</li> <li>* Impact from conservation</li> </ul>
118	Morlan	<p>Resumes presentation with focus on what is going on in industry now.</p> <p>See draft of Council's 1996 power plan for additional detail (<b>EXHIBIT B</b>)</p>
128	Morlan	Presents slide on marginal resource comparison ( <b>EXHIBIT B, page 8</b> )
		Discusses Public Utilities Regulatory Policy Act (PURPA) of 1978.

165	Morlan	<ul style="list-style-type: none"> <li>* Promoted competition in electricity market</li> <li>* Mechanism for independent generator to sell to vertically integrated monopoly utility at comparable price to building new resources</li> <li>* Encourage renewable technologies</li> <li>* National Energy Policy Act (NEPA) of 1992</li> <li>* Opened wholesale market</li> </ul>
<b><u>ISSUE DISCUSSED</u></b>		
224	Morlan	<p>Explains implementation of FERC Order 888 under NEPA Act.</p> <ul style="list-style-type: none"> <li>* NEPA authorized implementation</li> <li>* Addresses stranded investments due to wholesale competition</li> </ul>
246	Morlan	<p>Discusses what FERC Order 888 and NEPA didn't do</p> <p>Importance of low natural gas prices</p> <p>Merging of natural gas and electrical utility companies</p>
298	Morlan	Discussion continues concerning form deregulation will take
352	Morlan	Responds to question about how energy commodities market will affect rates in market place; explains possible effects.
<b><u>ISSUE DISCUSSED</u></b>		
376	Sen. Nelson	Question about deregulation of natural gas, distribution, pipelines not deregulated
<b><u>TAPE 2, B</u></b>		
002	Morlan	Continues presentation discussing FERC Order 888; access to distribution system; difference between electricity and natural gas supply and demand.
022	Morlan	Shows slide comparing resources ( <b>EXHIBIT B, page 8</b> )
050	Morlan	Continues presentation comparing resources
100	Morlan	Continues presentation; availability of excess power capacity; volatile commodity prices
150	Morlan	Continues presentation; discusses current wholesale electricity market; Bonneville's position in market
	Rep.	

168	Wooten	Asks about market prices; discussion follows
196	Morlan	Continues presentation; talks about Bonneville's position; retail trade associations
250	Morlan	Continues presentation, explaining distribution of power in deregulated market
<b>ISSUE DISCUSSED</b>		
290	Hill	Asks about vertically integrated company continuing to plan in all three areas: generation, distribution, and sales * Addressed by FERC Order 888 * Monopoly function separate from competitive function * Possibility of direct telemarketing of services
300	Morlan	Continues discussion concerning Rep. Hill's question
350	Morlan	Continues presentation discussing possible effects of deregulation
400	Morlan	Continues presentation discussing unbundled consumer bills; conclusion of presentation
<b>TAPE 3, B</b>		
040	Morlan	Previews next presentation
062	Chair Welsh	Thanks Morlan; makes announcements
094	Chair Bryant	Announces Senate Rules Committee meeting this afternoon
099	Chair Welsh	Adjourns meeting at 2:35 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A - Electricity Basics, Terry Morlan, Northwest Power Planning Council, 8 pp.**

**B - Chapter 2, The Evolving Northwest Electricity Industry, Morlan, 8 pp.**