

HOUSE COMMITTEE ON POWER DEREGULATION

February 13, 1997 Hearing Room E

1:00 P Tapes 14 - 15

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

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

MEASURE/ISSUES HEARD:

MANAGING THE TRANSITION FROM REGULATION TO COMPETITION

INTRODUCTION OF COMMITTEE BILL

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 14, A		
001	Chair Welsh	Calls meeting to order at 1:12.
<u>MANAGING THE TRANSITION FROM REGULATION TO COMPETITION</u>		
		Director, Oregon Municipal Electric Utilities, presents

020	Tom O'Connor	written testimony concerning power deregulation (EXHIBIT A) . Discusses OMEU's stand regarding restructuring.
050	O'Connor	Continues presentation, outlining major transition issues (EXHIBIT A, page 1) * providing for consumer benefits * moderation of market power consumer protection * timing
055	O'Connor	Discusses providing for consumer benefits (EXHIBIT A, page 2) * purpose of restructuring is to provide lower electric rates to consumers * best way to ensure fair treatment of customers is recognizing and strengthening local control * reciprocity * public purposes
090	O'Connor	Addresses moderating market power (EXHIBIT A, page 3) . Says maintaining diversity of providers is critical to moderating market power.
110	O'Connor	Discusses consumer protection; says local elected boards will ensure that all segments of the community receive reliable, fairly-priced electric services.
121	O'Connor	Notes concerns of timing (EXHIBIT A, page 3) * contractual obligations with Bonneville Power Administration * whether BPA intends to impose stranded cost charges if retail wheeling is mandated * obligations to pay off WPPSS bonds, yearly US Treasury payments, funding of salmon programs
<u>ISSUES DISCUSSED</u>		
188 190	O'Connor and Committee	Discuss * definition of short-term (wholesale markets)

235		* necessary changes in laws to allow municipalities to compete with other providers
277	Libby Henry	<p>Representing Eugene Water & Electric Board (EWEB), presents written testimony (EXHIBIT B)</p> <p>* questions whether all customers will achieve long-term benefit from restructuring</p> <p>* board's priority is to serve core customers rather than going outside service territory to compete with other providers</p> <p>* priority is that no legislation would cause cost shifting between customer classes</p>
325	Dale Kessinger	<p>Representing EWEB, discusses service territories</p> <p>* legislation should provide territorial protection for geographic areas where they currently own wires and distribution business</p>
355	Rep. Strobeck	Asks for clarification of territorial protection.
358	Kessinger	Says if retail wheeling is mandated, they would like to have territorial protection for local distribution services.
364	Rep. Strobeck	Asks if that is common with all municipals.
366	O'Connor	Says existing territorial statutes apply to wires function; duplication of wires and facilities should not be allowed inside exclusive distribution service territories.
378	Kessinger	<p>Concurs with O'Connor; discusses consumer protection (EXHIBIT B, page 3)</p> <p>* customer education and information important to make good choice</p> <p>no switching between power providers without written authorization from customer</p>
Tape 15, A		
001	Kessinger	<p>Continues discussing customer protection</p> <p>* legislation should require disclosure of price, risk elements, and environmental information</p> <p>* providers should be registered and required to meet same power reliability, safety, and quality standard as utilities</p>

		<p>* providers should not use interruptable power supplies to serve customers with high need for reliability</p> <p>* utilities should be compensated for backup services they are required to provide</p> <p>* customers should be charged for costs incurred in switching providers</p>
047	Kessinger	Discusses pilot programs, reliability and operational considerations, local government tax revenues (EXHIBIT B, page 3).
074	Sandra Flicker	Oregon Rural Electric Cooperative Association, submits written testimony; notes concerns about legislation on restructuring (EXHIBIT C).
106	Rick Crinklaw	Manager, Lane Electric Cooperative, submits written testimony and discusses Bonneville Power Administration sales contracts (EXHIBIT D).
150	Rick Crinklaw	Continues presentation, discussing benefits to customers (EXHIBIT D, page 2); notes customers have not asked for retail competition.
180	Bob Speckman	<p>General Manager, Salem Electric, presents written testimony, discussing timing in relation to deregulation (EXHIBIT E). Notes Salem Electric opposes retail wheeling. Points out</p> <p>* no urgency to act</p> <p>* complex issue</p> <p>* opportunity exists to learn from others</p> <p>* no national grid</p> <p>* no problem that needs fixing</p>
245	Flicker	<p>Discusses reasons Public Utility Districts and Cooperatives requested HB 2503 (EXHIBIT C, page 2)</p> <p>* believe it is time to begin discussing restructuring in Oregon</p> <p>* several states have begun discussions on restructuring</p>
295	Rep. Roberts	Asks when restructuring should occur.
305	Flicker	Says they are in continual contact with national association and congressional delegation regarding pending legislation; says they feel that Congress will not act for another couple of years and that there is "time to do this

		right."
ISSUES DISCUSSED		
322 325 338 357 373 395	Panel	Discusses with Committee * time frame for legislation * preservation of hydroelectric resources in region * Arizona study; State Retail Wheeling Summary (EXHIBIT C, page 6) * possibility of learning from others' experience by waiting * taking time to do legislation right the first time
Tape 14, B		
001	Greg Miller	Co-Chair, Oregon Energy Coalition, and Government Affairs Manager for Weyerhaeuser, presents written testimony in support of Oregon plan power deregulation legislation (EXHIBIT F). States reasons: * protect historically low rates, remain nationally and globally competitive * ensure customer choice * maintain local control
050	G. Miller	Continues testimony; says Oregonians want consumer choice. Refers to highlights of study done by Brookings Institution (EXHIBIT F, page 3).
ISSUES DISCUSSED		
081	G. Miller	Discusses with committee * timing and development of legislation * potential for savings for Oregon consumers
104	Mike Salsgiver	Government Affairs Manager for Intel in Oregon, describes how Intel used the competitive process to negotiate a five-year contract for power for their DuPont, Washington, facility at a rate that was 40 percent below rates in Oregon.
133	Elizabeth Shuler	Legislative Director for International Brotherhood of Electrical Workers, presents written testimony discussing consumer benefits, consumer protection, and timing (EXHIBIT G). Points out IBEW is not opposed to deregulation. Discusses providing for consumer benefits.

168	Bill Miller	<p>Business Manager, IBEW Local 125, discusses providing for consumer protection</p> <ul style="list-style-type: none"> * concerns about deregulation of wire side of business * example of shortages of qualified electrical workers in California after deregulation * current shortage of qualified electrical workers in Oregon
223	B. Miller	<p>Discusses timing</p> <ul style="list-style-type: none"> * protection of current programs * existing competition in transmission, distribution, and between private utilities, PUDs, REAs and municipals
246	Shuler	<p>Says three things need to be in place concerning timing (EXHIBIT G, page 4):</p> <ul style="list-style-type: none"> * transmission system that can handle complex operation, coordination, and flow of electricity in and out of state * customer complaint and billing mechanism ready to handle unbundling * meter standards
293	Rep. Roberts	Asks if state should mandate safety standards.
305	B. Miller	Says standards will be necessary; points out need for inspection and enforcement.
338	Pamela Lesh	<p>Vice-President of Regulatory Affairs for Portland General Electric, presents written testimony (EXHIBIT H). Discusses fair dealing</p> <ul style="list-style-type: none"> * prohibiting cross-subsidization between regulated and monopoly portions of the business * examples of cross-subsidization
390	Lesh	Continues discussing fair dealing.
Tape 15, B		
001	Lesh	Continues discussing fair dealing. Suggests policies to ensure fair dealing (EXHIBIT H, page 3).
025	Lesh	Discusses public versus private power (EXHIBIT H, page 3). Says it is not necessary to force public utilities into restructured world, but if they choose to compete, their territories should be open to competition.

056	Lesh	<p>Discusses several issues that should be included in legislation (EXHIBIT H, page 4)</p> <ul style="list-style-type: none"> * non-discriminatory pricing required at state level * not over-regulating consumer protection/information and education * Public Utility Commission to be licensing agency for providers * reliability and safety performance standards * timing; PGE expects to provide customer choice before July 1, 1999
100	Rep. Roberts	Asks about different charges to entities formulating to losses.
110	Lesh	Says not likely under regulated prices.
124	Bob McPheeters	<p>Mayor of Tillamook, member of Board of Directors in League of Oregon Cities, offers testimony regarding electricity restructuring. Discusses city and utility interactions under current framework</p> <ul style="list-style-type: none"> * cities served by both investor owned and consumer owned electric utilities * economic development often joint effort between cities and utilities * conservation programs which save energy and money for residents and businesses
175	McPheeters	<p>Continues discussing city/utility interactions</p> <ul style="list-style-type: none"> * franchise and license fees under deregulation
205	Mike Jordan	<p>City Administrator of Canby addresses issues that concern cities</p> <ul style="list-style-type: none"> * need for reasonably priced, reliable, safe, accessible electric power for all * equitable sharing of benefits * protection of environment * continuance of conservation and renewable resource efforts

255	Jordan	Continues testimony on cities' concerns * management of public rights of way
280	Chair Welsh	Closes hearing and opens work session on LC draft 3706.
<u>LC 3706 - WORK SESSION</u>		
295	Rep. Milne	MOTION: MOVES LC 3706 TO COMMITTEE with no objection.
		VOTE: 5-0
		EXCUSED: 2 - Hill, Edwards
	Chair	Hearing no objection, declares the motion CARRIED.
303	John Larson	Makes announcements regarding scheduling testimony for future meetings.
328	Chair Welsh	Closes work session and adjourns meeting at 2:50 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Written testimony, Tom O'Connor, 4 pp.

B - Written testimony, Libby Henry, 3 pp.

C - Written testimony and materials, Sandra Flicker, 13 pp.

D - Written testimony, Rick Crinklaw, 2 pp.

E - Written testimony, Bob Speckman, 2 pp.

F - Written testimony, Greg Miller, 4 pp.

G -Written testimony, Elizabeth Shuler, 5 pp.

H - Written testimony, Pamela Lesh, 5 pp.

I - Written testimony, Jane Cummins, 1 p.