

HOUSE COMMITTEE ON POWER DEREGULATION

February 20, 1997 Hearing Room E

1:00 P.M. Tapes 18 - 19

**MEMBERS PRESENT:**

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Lonnie Roberts

Rep. Ken Strobeck

**MEMBER EXCUSED:**

Rep. Patti Milne

**STAFF PRESENT:**

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

**MEASURE/ISSUES HEARD:**

**RECONFIGURING THE TRADITIONAL ELECTRIC UTILITIES**

**LOCAL REVENUE IMPACTS**

**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 18, A</b>		
001	Chair Welsh	Opens meeting at 1:07 p.m.
<u><b>RECONFIGURING THE TRADITIONAL ELECTRIC UTILITIES</b></u>		

016	Bruce Hellebuyck	Regulatory Policy Director for PacifiCorp, presents written testimony in favor of consumer choice ( <b>EXHIBIT A</b> ). Discusses * not mandating divestiture, but allowing divestiture when warranted * not mandating disaggregation * affiliated companies
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**ISSUES  
DISCUSSED**

		Discusses with committee
075	Hellebuyck	* clarification of definition of affiliate companies * mitigation of stranded costs in a reorganization Continues presentation, discussing functional unbundling * codes of conduct to prohibit unfair advantages by affiliates
120	Hellebuyck	* continued regulation of transmission systems by Federal Energy Regulatory Commission * continued regulation of distribution companies by state commissions * functional separation as least costly option to ensure development of adequate market Continues presentation; says functional unbundling requirement to make customer choice happen. Describes example of an unbundled customer bill.
165	Hellebuyck	

**ISSUES  
DISCUSSED**

170		Discusses with Committee
172		* unbundling of customer bills, present and proposed practices.
186		* importance of unbundling to make customer choice happen
198	Hellebuyck	* company reaction to mandated divestiture
223		* advantages to customers of restructuring sooner rather than later
240		* vertical transition to direct access
250		* PacifiCorp's stranded costs Asks if a regulatory agency will be necessary to provide consumer

- 300 Chair Welsh protection on market power issue.
- 309 Hellebuyck Says PacifiCorp hopes that after transitional period generation assets are totally unregulated; says transmission rates will be determined by FERC; says cost of distribution will be subject of typical regulation. Representing Portland General Electric, presents written testimony in favor of direct market access (**EXHIBIT B**). Discusses evaluation criteria
- 338 Denise McPhail \* issues of horizontal and market power  
\* valuing generation assets to determine stranded costs  
\* cost and difficulty of implementing the option  
Continues presentation discussing (**EXHIBIT B, page 2**)
- 389 McPhail \* functional unbundling  
\* legal separation

**Tape 19, A**

- Continues discussing legal separation (**EXHIBIT B, page 2**)
- \* transaction costs
- 001 McPhail \* divestiture of generating assets and contract rights  
\* PGE's recommendation for legal separation of distribution from generation and contracts  
\* unbundling
- 045 Rep. Strobeck Asks if PGE's legal separation would be same as what PacifiCorp calls disaggregation.
- 047 McPhail Says it is the step beyond functional, where there are separate corporations owned by a holding company, but are legally separate corporations; says affiliated interest statutes govern those relationships.

**LOCAL  
REVENUE  
IMPACTS**

- 063 Bill Diest City Manager of John Day, presents written testimony in favor of restructuring the electric power industry (**EXHIBIT C**). Introduces panel representing League of Oregon Cities. Discusses franchise, privilege, and utility business license fees.
- 114 Diest Continues presentation discussing percentages of franchise fees.
- 140 Diest Discusses permit fees and damage to rights-of-way (**EXHIBIT C, page 3**).

**ISSUES**

## DISCUSSED

184		Discusses franchise fees with Committee
190		* reason franchise fees are not shared with counties
205		* importance of franchise fees to cities' budgets statewide
225		* reasons for charging franchise fees at higher end of range
244	Panel	* authority for size of franchise fee
255		* total amount statewide collected for franchise fees for electricity
270		* possible solutions to franchise fee problem
315		* primary use of franchise revenues
360	Steven Weiss	Representing Fair and Clean Energy Coalition presents testimony concerning electric power deregulation ( <b>EXHIBIT D</b> ). Says statewide franchise fee collections total about \$80 million if all was charged at 3.5 percent and approximately 1 percent of electricity revenues equal \$23 million. Discusses stranded costs; quotes from ENRON testimony to state of Massachusetts.

## **Tape 18, B**

		Comments on quote from ENRON; presents written testimony on local revenue impacts ( <b>EXHIBIT D</b> ). Discusses
001	Steven Weiss	* avoiding unintended consequences of restructuring * potential bypass of costs and fees now included in bundled utility bills * avoiding redlining and increase of collection and credit costs Discusses proposed solutions ( <b>EXHIBIT D, page 2</b> )
050	Weiss	* role of distribution utility * prevention of bypass

## ISSUES DISCUSSED

118	Chair Welsh	Asks League of Oregon Cities panel to return for additional discussion on franchise fees.
145		Discusses with Committee
153		* expenditures per year on rights-of-way
165		* use of permit fees
208		* cost recovery related to rights-of-way

- 215 \* rights-of-way fees
- 226 \* permit fees
- 246 \* calculations of franchise fees based on gross revenues
- 302 \* contribution of service to offset fees
- 345 Panel \* importance of franchise fees to city budgets
- 366 \* tracking gross revenues
- 382 \* maintenance of utilities
- 395 \* difference between percentages for electric and gas franchise fees

**Tape 19, B**

- 001 Panel Continues discussion with Committee.
- 017 Chair Welsh Makes announcements. Adjourns meeting at 2:30 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A - Written testimony, Bruce Hellebuyck, 5 pp.**

**B - Written testimony, Denise McPhail, 3 pp.**

**C - Written testimony, Bill Diest, 15 pp.**

**D - Written testimony, Steven Weiss, 2 pp.**