

**HOUSE COMMITTEE ON POWER DEREGULATION WORKGROUP**

**March 12, 1997 Hearing Room 137**

**1:00 P.M. Tape 41 - 44**

**MEMBERS PRESENT:**

**Rep. Jim Welsh, Chair**

**STAFF PRESENT:**

**John Larson, Administrator**

**Mieko Aoki, Committee Clerk**

**MEMBERS OF PUBLIC PRESENT:**

**Jim Anderson, PacifiCorp**

**Sarah Baker-Sifford, Oregon Rural Electric Cooperative Association**

**Gary Conkling, Oregon Energy Coalition**

**Diane Cowan, Oregon People's Utility District Association**

**Randy Dahlgren, Portland General Electric**

**Jim Deason, Eugene Water and Electric Board**

**Ron Eachus, Oregon Public Utility Commission**

**Jason Eisdorfer, Fair and Clean Energy Coalition**

**Sandra Flicker, Oregon Rural Electric Cooperative**

**Michael Graine, Office of Energy**

**Libby Henry, Eugene Water and Electric Board**

**Denise McPhail, Portland General Electric**

**Daniel Meek, Energy Electrons Environment**

**Tom O'Connor, Oregon Municipal Electric Utilities**

**Bob Sipler, Oregon Public Utility Commission**

**James Tarpey, Regulatory Affairs for Enron Capital and Trade Resources**

**Brad VanCleve, Oregon Energy Coalition**

**Kathryn VanNatta, Oregon Energy Coalition**

**Bill Warren, Oregon Public Utility Commission**

**MEASURE/ISSUES HEARD:**

**DEVELOPMENT OF CONSENSUS ON 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.**

<b>Tape/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 41, A</b>		
005	Chair Welsh	Opens meeting at 1:24 p.m.
008	Chair Welsh	Suggests discussing meeting process.
020	Ron Eachus	Gives suggestions. * identifying discussion items prior to meetings * discussing principle first and then language
044	Michael Graine	Suggests keeping track of changes of language.
061	Denise McPhail	Asks the status of Strawman Bill.
070	Chair Welsh	Says it is an Oregon bill.
078	Diane Cowan	Asks when the Strawman Bill will be proposed to the committee.
080	Chair Welsh	Says it will be end of the month, but Workgroup can request more time for discussion.
108	Chair Welsh	Announces he has information of cost based rate for distribution facilities and ancillary services. Says each caucus will present proposal of declaration of policy.
154	Chair Welsh	Suggests postponing discussion on declaration of policy to next meeting.
166	McPhail	Addresses her concerns on legality of language
182	James Tarpey	Suggests discussing policies and determining appropriate statement for competition.
202 252	Eachus	Suggests discussing issues. * creating competition through deregulation * utilizing competition for production of energy

		* the most efficient production and use of energy * giving customer choice of distribution utilities
280	Chair Welsh	Asks how to review proposals of declaration of policy from each caucus.
284	Cowan	Suggests reviewing separately and identifying agreements and disagreements, then discussing language.
296	Jim Anderson	Suggests following same order to Strawman Bill.
306	Michael Graine	Suggests keeping the Strawman Bill as a reference.
330	Chair Welsh	Moves on to section 25, Prevention of Bypass.
331	Chair Welsh <b>Vote</b>	Calls for vote. <b>YES</b> to include statutory provision on prevention of bypass in the final package.
362	Eachus	Presents Public Utility Commission's (PUC) proposal on section 25.
393	Jason Eisdorfer	Presents Fair and Clean Energy Coalition's proposal on section 25.
443	Eisdorfer	Continues presentation.
<b>TAPE 42, A</b>		
021	Workgroup	Discusses section 25. * prevention of bypassing
029		* allocating stranded distribution costs
034		* definition of stranded distribution costs * charging stranded distribution costs to self-generation customers
055		Tom O'Connor
067	Workgroup	Discusses stranded costs. * charging system for self-generating customers
073		* obligation of bypassing
113		* relationship of charging self-generators to inclusion of dates
159	Chair Welsh	Suggests moving on to next issue.
165	Workgroup	Discusses bypass issue. * possibility of bypassing without self-generating or connecting transmission grid
187		
202		* bypassing is possible through alternate transmission facilities

245		<ul style="list-style-type: none"> <li>* relationship of service territory to distribution system</li> <li>* possibility of switching distribution utilities</li> </ul>
272	Eachus	<p>Suggests inclusion of necessary provisions.</p> <ul style="list-style-type: none"> <li>* prevention of bypassing</li> <li>* restricting distribution utilities that obtain direct access from another distribution utility</li> <li>* charging self-generators for bypassing</li> </ul>
310	Eisdorfer	States prohibiting ways of bypass is the most important principle.
331	Randy Dahlgren	Asks how distribution system works.
345	Eachus	Describes structure of distribution system.
391	Kathryn VanNatta	Comments Oregon Energy Coalition (OEC) opposes bypassing public purpose costs and stranded costs.
430	Chair Welsh	Moves on to next issue.
<b>TAPE 41, B</b>		
008	Brad VanCleve	Comments customers should have rights to switch distribution company upon paying public purpose costs and stranded costs. Opposes charging low-income assistance and stranded distribution costs.
023	Workgroup	Discusses interconnecting second distribution facility.
034		* OEC supports interconnecting second distribution facility
040		* necessity of interconnecting second distribution facility
045		* creation of competitive market
085		* monopoly of distribution companies
100	Chair Welsh	States that he has concerns about efficiency of interconnecting second distribution facility.
111	Eachus	Comments switching distribution companies would require new structure of system.
144	VanCleve	<p>Presents OEC's position. Suggests approving large customers to switch distribution companies and states reasons.</p> <ul style="list-style-type: none"> <li>* As they consume high voltage power, large customers can reduce their costs by switching distribution companies.</li> <li>* Allocating markets without it being state policy will raise trust issues.</li> </ul>
		Comments

162	Jim Deason	* Exclusive service territories prevents duplicating facilities for safety and reliability concerns.  * It is not necessary to build additional distribution facilities and creating right of interconnection.
187	VanCleve	States customers already have had legal abilities to switch distribution companies; they should not lose those rights by this legislation.
191	Deason	Comments about intention of the section.
202	Eachus	Says section 25 is not addressing existing law. Opposes developing prevention of bypass provision that allows customer to switch distribution companies.
232	Chair Welsh	Opposes allowing bypass.
270	Eachus	Suggests calling for vote on allowing large customers to switch distribution companies and moves on to self-generation issue.
280	Chair Welsh <b>Vote</b>	Calls for vote. <b>NO</b> on allowing retail electric customers to switch distribution companies.
286	VanCleve	Asks if existing law prohibits switching distribution companies.
292	Eachus	Responds it requires amending statute.
304	McPhail	Suggests presenting state of Washington's provision on duplication of facilities.
314	Chair Welsh	Reads state of Washington's provision.
333	Eachus	Comments existing law does not prohibit bypass.
362	Chair Welsh	Suggests discussing duplication of facilities.
385	Workgroup	Continues discussion on bypass.
427	Gary Conkling	Suggests replacing "stranded costs charges" with "transition charges."
<b>TAPE 42, B</b>		
015	Conkling	Suggests replacing "prevention of bypass" with "obligations in the event of bypass."
023	O'Connor	Asks if workgroup approves definition of transition charges.
031	Conkling	Says workgroup needs to discuss definition.
039	Eisdorfer	Comments on definition of transition charges.
071	Conkling	Suggests discussing definitions later.
090	Larson	Reads amended section 25.
106	Chair Welsh <b>Vote</b>	Calls for vote. <b>YES</b> to amended section 25.
112	Conkling	Opposes stranded distribution costs.
128	Chair Welsh Moves on to	Moves on to self-generation issue. Suggests discussing only principle.

143 185	Workgroup	Discusses stranded costs for self-generators. * exemption of self-generators * definition of self-generators * difference between self-generators with and without proper contracts
232 252	Workgroup	Continues discussion. * distinction of facilities that have their own generator and facilities that have additional output for commercial purpose with proper contracts * Recovery period for transition charges
267	Chair Welsh	Asks if a retail customer should be charged transition charges, systems benefit charges and so on.
281	Workgroup	Continues discussion.
322	Kathryn VanNatta	Suggests postponing discussion and gathering more information from customers.
352	Chair Welsh	Moves on to next issue. Asks which issue workgroup should discuss.
360	Workgroup	Discusses which should be discussed first.
399	Chair Welsh	Suggests discussing section 8, Default Supplier.
<b>TAPE 43, A</b>		
003 050	Workgroup	Discusses section 8. * necessity of default supplier * relationship of default supplier to market-based index rate
061	McPhail	Suggests separating generation, transition, and distribution legally.
070 077 085 095	Workgroup	Discusses * obligation of distribution utilities * relationship of distribution utilities to affiliate function * position of default suppliers * unregulated competitive bid for setting price
120 146	Workgroup	Continues discussion. * collection of stranded costs * relationship of low-cost resource base to divesting resources
195	Anderson	Mentions default utilities are the original utilities providing services to

		customers.
218	Workgroup	Discusses * customers' rights to choose providers * creation of competitive market
245	Bill Warren	Asks if facilities agree with customer's pricing options.
252 290	Workgroup	Discusses * price setting * market-based index rate
342	McPhail	Mentions workgroup agreed to having default supplier.
352	Chair Welsh	Announces postponing discussion on default supplier issue until state agency submits proposal.
360	Workgroup	Continues discussion on default supplier. * utility with statutory obligation to serve versus market oriented system * combination of statutory obligation and market oriented system
410	Workgroup	Continues discussion. * revising system structure
<b>TAPE 44, A</b>		
022	Conkling	Says "structure does not depend on the offer, the offer can be a requirement on the structure."
054	Chair Welsh	Announced continuing discussion on sections 7, 8, 9, 22, and 27 at next meeting.
062	Deason	Presents proposal of Eugene Water and Electric Board (EWEB) on section 22, Statutory Obligation to Serve.
112	Deason	Continues presentation.
163	Conkling	Comments on EWEB's proposal. * subsection (2) (a), "necessary to prevent any adverse financial impacts" could apply to everything. * supports creating competitive system
189	Anderson	Suggests discussing section 22 (1) separately because it contains legal issue.
196	Deason	Mentions * necessity of establishing ancillary services to prevent adverse financial impact

		* describing how large customers may affect transmission level
227	Workgroup	Discusses * restructuring the system to prevent cost shifting * transmission versus distribution level * function of ancillary services * maintaining integrity of the system
277	Workgroup	Continues discussion. * establishing new mechanism allows individual evaluation
313	Warren	Comments protecting integrity of system is the most important issue.
324 374	Workgroup	Discusses * language of section 22 Continues discussion. * requirements of distribution companies
396	Dahlgren	Suggests the system should not disadvantage small customers.
427	Chair Welsh	Adjourns meeting at 4:56 p.m.

Submitted By, Reviewed By,

Mieko Aoki, John Larson,

Committee Clerk Administrator