

HOUSE COMMITTEE ON POWER DEREGULATION WORK GROUP

March 14, 1997 Hearing Room 137

3:00 P.M. Tapes 47-49

STAFF PRESENT:

John Chair Larson, Administrator

Lynda Sloan, Administrative Support

MEMBERS OF PUBLIC PRESENT:

Jim Anderson, PacifiCorp

Gary Conkling, Oregon Energy Coalition

Diane Cowan, Oregon People's Utility District Association

Randy Dalgren, Portland General Electric

Ron Eachus, Oregon Public Utility Commission

Jason Eisdorfer, Fair and Clean Energy Coalition

Tom Grim, Eugene Water and Electric Board

Denise McPhail, Portland General Electric

Paul Murphy, PG & E Energy Service et al

Tom O'Connor, Oregon Municipal Electric Utilities

John Savage, Office of Energy

Brad VanCleve, Oregon Energy Coalition

ISSUES DISCUSSED:

DEVELOPMENT OF CONSENSUS 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 47, A		

001	Chair Larson	Calls meeting to order at 3:10 p.m. Says Work Group will discuss Section 22. Statutory obligation to connect.
019	Tom Grim	<p>Discusses Section 22 suggested amendments.</p> <p>* Defines "ancillary services" as the whole universe of services that might be provided which are necessary for the delivery of power from generation resource to electric customer. Says a subset termed "necessary ancillary services" as those services necessary only to maintain integrity of system or to prevent any uncompensated costs being passed along to distribution utility. Says in 22.1.(a) they added obligation on distribution utility to connect all its retail customers in service territory, and a permissive section allowing electric utility, if not otherwise prohibited by law, to connect a customer not physically located within its territory.</p> <p>Proposed Section 22.(1)(b) allows an electric utility to offer to provide or make available all ancillary services; but if the ancillary services are otherwise competitively available, it is not required to offer the services.</p>
063	Grim	<p>Continues discussing proposed amendments</p> <p>* Proposed Section (2)(a) goes to distinction between "ancillary services" and "necessary ancillary services". According to this section, a retail customer would be obligated to purchase necessary ancillary services from distribution utility, and distribution utility would be obligated to provide those necessary ancillary services.</p> <p>* Proposed Section (2)(b) allows or authorizes customer to purchase from third parties optional ancillary services if competitively available.</p> <p>* Proposed Section (2)(c) is an authorization for electric utilities authorized, but not required, to provide ancillary services in addition to necessary services.</p> <p>Says main point is that if ancillary services are competitively available, the customer has the right to purchase from a third party; but when they are necessary ancillary services for protecting the integrity of distribution system, with uncompensated costs being passed to utility, the obligation is on distribution utility to provide the services, and obligation on customer to purchase from distribution utility.</p>
083	Work Group	<p>Discusses proposed changes</p> <p>* requirement to purchase ancillary services from distribution utility even if competitively available</p> <p>* rationale for requirement</p> <p>* who makes determination ancillary services competitively available</p>
112	Brad VanCleve	Suggests inserting "which cannot be reliably purchased from the market" in definition of necessary ancillary services, after "uncompensated costs". Says

		Public Utility Commission or governing body would make determination if services were reliably available.
122	Grim	Says it might place an inappropriate burden on smaller utilities to determine what can be reliably provided. Says that the commission and governing body need to make that determination, as stated in definition. Says if anyone has problem with determination, they would follow normal appeal procedures for resolution.
139	Bill Warren	Asks under 1(b) if it is utility that determines whether ancillary service is competitively available.
142	Grim	Says he doesn't think it is utility's sole determination, rather would be a fact of the market. Whether it is competitively available in this circumstance is whether someone else is offering that particular service.
146	Warren	Says may be difference in perspective of customer and utility as to whether it is competitively available. Asks if would be preferable to allow governing body or commission to make that determination.
153	John Savage	Suggests amending language in existing Section 1(b) by adding "as determined by the Public Utility Commission for an electric company or the governing body of other electric utilities" to the end of the sentence.
163	Chair Larson	Suggests inserting new phrase after "competitively available".
171	Brad VanCleve	Notes that Federal Energy Regulatory Commission (FERC) addresses this issue in Orders 888 and 888A. Says they found six necessary ancillary services; required two of those necessary ancillary services be provided by specific provider; allowed remaining four to be purchased from the market. Says they would like to see similar distinction in this language.
182	Grim	Says he realizes FERC Order 888 addresses ancillary services on transmission basis and there are differences between these services and those provided through distribution services. Says language should allow technical people to determine what is necessary service and what is not.
195	Work Group	<p>Discusses wording for section, and who makes determination about what is necessary service</p> <ul style="list-style-type: none"> * for unnecessary ancillary services, no obligation for customer to purchase from distribution utility * whether customer must purchase competitively available necessary services from distribution utility * inclusion of language indicating service must be reliably available, which gives discretion to decision maker to make that determination * assigning authority to Commission or governing body to determine (1) necessary service and (2) who has burden of proving a service can be reliably provided by somebody other than the government * potential for problems if necessary service is provided by someone not responsible for integrity of system or rate payers on system

250	Ron Eachus	Asks if the problem is wording or principle. Suggests stating the principle and discussing it rather than the wording in the bill.
252	VanCleve	Says principle question is: if a necessary ancillary service is reliably available from the market, should a customer be allowed to purchase it from the market, or should it be required to purchase it from the utility?
259	Grim	Says an additional principle is who is going to determine whether it is reliably available.
261	Savage	Suggests assuming, for purposes of discussion, that governing bodies have determined that the service is reliably provided and competitively available. Then discuss whether a customer should only be able to purchase that particular service from the electric utility.
272	Randy Dalgren	Says if customer is willing to pick up costs associated with the service and it is competitively available, customer ought to be able to buy it. Says they could support amendment if governing body has determined it is reliable, can be provided by a third party, and if utility has recourse against customer purchasing for consequential damages that might result from impacts on system.
296	Work Group	Discusses principles, issues, and concerns about consequences for systems failure resulting from customer choosing third party for provision of ancillary service
332	Eachus	Discusses PUC concern regarding having two different types of ancillary services: * service a customer can purchase on the market, and impact of which is confined to customer * ancillary services, which may or may not be competitive, with impacts not confined to the individual customer but affecting other customers and the distribution system as a whole Says the question is whether and under what conditions a customer should be allowed to purchase necessary ancillary services from someone other than the distribution utility if they are available competitively in the marketplace, when risks are not borne solely by the customer but by the rest of the system.
372	Work Group	Continues to discuss principles * need for criteria to determine conditions for purchasing ancillary services competitively * potential for waiving distribution company's responsibility * services that might be available competitively * authority that would allow customer to purchase necessary ancillary services that are competitively available
Tape 48, A		
001-		

224		Due to equipment malfunction, Section 000 to 224 of Tape 48, A is duplication of Tape 47, A.
224	Work Group	Continues to discuss principles * liability of facility offering ancillary services if offered service causes a system failure * responsibility of distribution company to impose conditions on customer who chooses to buy necessary ancillary services from another provider so that there is no impact on distribution utility's system
270	Eisdorfer	Suggests that governing bodies determine what necessary services are and under what conditions a customer can buy necessary services from someone other than the distribution company.
274	Work Group	Discusses Eisdorfer's suggestion.
313	Cowan	Asks for clarification of where Eisdorfer's suggestion would be inserted and repetition of language.
317	Chair Larson	Calls for vote on concept.
326	O'Connor	Notes that Section 20 already contains requirement for each utility to be obligated to maintain integrity of system, and Subsection 2 a "mission for the electric companies and governing bodies . . . shall adopt rules and standards of service quality in order to maintain a reliable, safe, and efficient distribution system." Asks if it would help if this portion were adopted as the rule dealing with service quality.
351	Chair Larson	Says that may be true and suggests discussing after concept vote.
364	Chair Larson	Suggests vote on question: " Shall we allow for retail electric customers to go into the market and buy competitively priced necessary ancillary services with Commission or governing body approval?"
375	Eisdorfer	Says they need to determine both what necessary services are and conditions under which a customer may get necessary services.
380	Vote	5-0 to allow retail electric customers to purchase necessary ancillary services with Commission or governing body approval.
382	Chair Larson	Asks if full Work Group or sub-Work Group should work on language; determines sub-Work Group will work on it.
392	Chair Larson	Notes Work Group has not defined terms; discusses whether to continue using phrase electric cooperatives, municipal electric utilities, and People's Utility Districts.
Tape 47, B		
		Discusses Section 7 * deleted portions of Section 7.1 because will be handled in Section 22

001	Grim	<p>* unbundled rates, terms, and conditions necessary to be offered for direct access and ancillary services</p> <p>* Section 7.2: inserted "necessary" before "ancillary services"</p> <p>* other changes clarifying that Commission reviews and revises rates for electric companies, not electric utilities</p>
036	Eachus	<p>Discusses Section 7.1</p> <p>* deleted language covered elsewhere</p>
066	Chair Larson	<p>Calls for vote on Section 7.1. Reads proposed section: "Every electric utility shall offer unbundled rates, terms, and conditions for direct access and for ancillary services."</p>
071	Vote	YES for revised language
076	Grim	<p>Discusses Section 7.2 changes</p> <p>* Obligates utility to provide cost-based rates only for necessary ancillary services.</p> <p>* Clarifies that PUC performs whatever duties necessary for electric companies.</p>
082	Work Group	<p>Discusses necessary ancillary services that fall into competitive category.</p>
135	Work Group	<p>Continues discussing ancillary services.</p>
186	Chair Larson	<p>Asks about PUC setting parameters for pricing of necessary ancillary services by distribution facilities when they become competitively available.</p>
195	Eachus	<p>Says Commission looks at whether or not rates are just, reasonable, and non-discriminatory.</p>
217	Work Group	<p>Discusses possibility of facilities providing services at much higher rates because another facility could do it. Determines language in other parts of bill probably precludes this occurring.</p>
255	Work Group	<p>Discusses language concerning determination of competitive market</p> <p>* whether covered in Section 22 or 7</p> <p>* PUC's suggested changes in language</p> <p>* changed "revise" to "approve"</p> <p>* removed prescriptive language on embedded cost of service principles</p> <p>* removed "without shifting costs from one class to another"</p>
305	Work Group	<p>Continues discussing language</p>

		* removed "directly" from "as it relates to overhead...attributable"
355	Work Group	Continues discussing language * whether to remove "accurately reflects costs" and insert reference to PUC rate making authority * language refers to all utilities
400	Work Group	Continues discussing whether to change language.
Tape 48 B		
001	Work Group	Discusses taking out language regarding imbedded costs * ruled out market based rate * penalty features * suggestion sentence read "ancillary services that are just, reasonable, and non-discriminatory"
045	Chair Larson	Reads amended section: "Every electric utility shall offer rates for direct access and necessary ancillary services that are just, reasonable, and non-discriminatory. For electric companies the Commission shall review and approve rates for direct access and ancillary services and shall insure that such rates are just, reasonable, and non-discriminatory. The Commission shall insure that each electric company's costs including, but not limited to overhead, attributable to distribution facilities and providing ancillary services are allocated fairly and accurately among the various classes of customers."
054	Grim	Requests insertion of "necessary" before ancillary services.
060	Chair Larson	Reads again, including suggested amendment.
072	Work Group	Discusses language * reference to existing statute * suggestion to change "accurately reflects costs" to "cost-based rate" * index of rates
125	Work Group	Continues discussing suggestion * give Commission leeway where cost-based is not applicable to nature of ancillary service
177	Chair Larson	Reads sentence as amended: "Every electric utility shall offer rates for direct access and necessary ancillary services derived from cost-based principles, where applicable, that are just, reasonable, and non-discriminatory."
		Continues discussing suggestion

183	Work Group	<p>* suggests "Every electric utility shall offer cost-based rates for direct access, and where applicable, necessary ancillary services that are just, reasonable, and non-discriminatory."</p> <p>* possibility of rates changing with an index</p> <p>* give Commission latitude</p>
242	Work Group	Discusses language
256	Chair Larson	Reads original sentence: "Every electric utility shall offer rates for direct access and necessary ancillary services that are just, reasonable, and non-discriminatory." Calls for vote on this language.
268	VOTE	YES, 4-1 for language.
275	VanCleve	Says will need to change heading on Section with amendment. Suggests "Rates for direct access and ancillary services".
282	Chair Larson	Asks about voting on change of heading; Work Group says not necessary.
291	Chair Larson	Says they need to finish discussing balance of Section 2. Reads: "For electric companies the Commission shall review and approve" Notes they were going to insert "in accordance with ORS 757 (<i>proper reference</i>)." ". . . rates for direct access and ancillary services and shall insure that such rates are just, reasonable, and non-discriminatory. The Commission shall insure that each electric company's costs including, but not limited to, overhead attributable to distribution facilities and providing necessary ancillary services are allocated fairly and accurately and on the various classes of customers." Calls for vote on balance of 2.
306	VOTE	YES, 5-0 balance of 2.
310	Work Group	Discusses Section 3 * removed language
324	Chair Larson	Reads revision: "No electric utility shall levy or impose any fees or charges related to the costs of generating assets or transmission facilities on the use of its distribution facilities for direct access as a transition charged authorized by Sections 1 to 30 of this act." Calls for vote.
334	Eachus	Says they can't charge any fees related to generation or transmission facilities on distribution facilities for direct access.
344	Work Group	Discusses revision * need to clarify definition of transmission facility
382	Chair Larson	Asks about taking action on Section 3 with understanding that clarification needs to be made. Calls for vote.
390	VOTE	YES, 5-0 on Section 3.
		Discusses section 4.

394	Work Group	<ul style="list-style-type: none"> * PUC accepts principle customer can own meter * suggestion to add "provide access to the facility by the utility to determine meter accuracy in compliance with the facilities with applicable codes and standards"
Tape 49, A		
001	Work Group	<p>Continues discussing metering</p> <ul style="list-style-type: none"> * include non-bypassability * no right of interconnection
050	Work Group	Continues to discuss metering
100	Work Group	<p>Continues discussing metering</p> <ul style="list-style-type: none"> * existing language * principles dealing with consumer protection and rules to govern * PUC establish governing principles * conditions for customer owning meter * who sets standards for facility
150	Work Group	<p>Continues discussing metering</p> <ul style="list-style-type: none"> * ownership, use, and regulation
205	Work Group	<p>Continues discussing metering</p> <ul style="list-style-type: none"> * potential for stranded costs due to pulling meters off
250	Work Group	<p>Continues discussing meter issues</p> <ul style="list-style-type: none"> * insuring against leading to diversion and/or bypass * provision of backup power
300	Work Group	Continues discussing meter issues.
350	Work Group	Continues discussing meter issues.
360	Cowan	Suggests coming back to this issue next week.
367	Chair Larson	<p>Suggests revisiting at Monday meeting. Notes two approaches being discussed</p> <ul style="list-style-type: none"> * electric distribution company could decline meter to be installed by customer

382	Chair Larson	Calls for vote on whether electric distribution company should be allowed to decline to allow retail electric customer to install its own meter
392	Eachus	Suggests voting on whether customer has the right to own its own meter subject to establishment of standards.
400	Work Group	Discusses question to be voted on.
422	Chair Larson	Adjourns meeting at 5:10 p.m.
Tape 50, A Not used.		

Submitted By, Reviewed By,

Lynda Sloan, John Chair Larson,

Administrative Support Administrator