

HOUSE COMMITTEE ON POWER DEREGULATION

March 18, 1997 Hearing Room E

01:00 P.M. Tapes 55 -56

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Ken Strobeck

MEMBER EXCUSED:

Rep. Patti Milne

Rep. Lonnie Roberts

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

MEASURE/ISSUES HEARD:

A LEGISLATIVE APPROACH TO DEREGULATION OF THE ELECTRIC POWER INDUSTRY

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 55, A		
002	Chair Welsh	Calls meeting to order at 1:15 p.m. Makes announcements.
023	Rep. Wooten	Welcomes Lane County League of Women Voters.
	Doug	Representing Fair and Clean Energy Coalition announces additions to

034	Myers	membership in Coalition.
045	Steven Weiss	Representing Fair and Clean Energy Coalition presents testimony regarding HB 3232 (not yet introduced) (EXHIBIT A). Explains purpose of bill and summarizes it.
072	Weiss	Reviews HB 3232 draft section by section (EXHIBIT A, page 2). Discusses * retail customer choice * standards for marketers and aggregators * unbundling of services and rates * market-price provider * stranded costs
130	Weiss	Continues reviewing HB 3232 draft regarding stranded costs (EXHIBIT A, page 2)
164	Rep. Wooten	Asks about leaving determination of stranded costs to Public Utility Commission.
160	Weiss	Says several technical issues need to be worked out, but that policy issues should be covered in legislation, including direction to PUC on dealing with policy issues.
189	Weiss	Resumes testimony reviewing HB 3232 draft (EXHIBIT A, page 3) * standard offer, which requires marketers to offer residential and low-usage customers standard basic rate
197	Rep. Edwards	Asks who will define standard offer.
200	Weiss	Says standard offer defined by Energy Office.
210	Rep. Wooten	Reading from Section 8, Standard offer, notes that this section does not preclude other packages of services which may include consumer load management, internet services, or other services that could become available as competitors enter marketplace (EXHIBIT A, page 14).
216	Weiss	Says would not preclude any marketer from offering anything, but it would be one product that could be equitably compared with any other marketer's product.
225	Weiss	Resumes testimony. Discusses Section 9, Role of Distribution utility (EXHIBIT A, page 3) * description of method to keep cities whole * prevention of redlining
250	Rep. Wooten	Asks about proposals for consistency among cities regarding terms of franchise agreements.

255	Weiss	Says that issue not addressed, that the goal was to keep cities whole, and this solution maintains status quo until another solution is agreed on.
264	Rep. Wooten	Asks if this could be an interim measure relative to pilot projects if nothing else were to be implemented.
271	Weiss	Discusses Section 9(3), which prevents redlining, and Section 10 Public Purposes, which follows recommendations of the Comprehensive Review (EXHIBIT A, page 3) .
290	Rep. Wooten	Asks about response to Consumer Owned Utilities, PUDs, and/or publics that are concerned about future decisions regarding renewable resources as stated in HB 3232.
298	Weiss	Says amount of renewables in this bill is tiny (less than .5 percent of revenues) as result of compromise made. Says they believe demand for renewable resources is much higher, but that any utility in Oregon can meet this amount. Says 3 percent total for public purposes is compromise amount.
339	Rep. Edwards	Asks what factors were used to arrive at 3 percent figure.
348	Weiss	Says low-income weatherization based on estimate of number of houses in region needing weatherization over 20 year period; conservation based on Northwest Power Planning Council estimate of 20 years worth of cost-effective conservation.
387	Rep. Wooten	Asks where in description of public purposes is explanation of how funds will be collected and allocated. Also asks what standard may be determining factor in failure to satisfy annual expenditures.
410	Weiss	Explains where to find in HB 3232 draft. Discusses HB 3232, Section 4, Standards for marketers and aggregators (EXHIBIT A, page 10) .
Tape 56, A		
001	Weiss	Continues to explain Section 4. Says Office of Energy would set standards for IOUs, but public utilities would set their own standards. Says Section (2)(a), line 8 addresses standards; quotes from this section (EXHIBIT A, page 17) .
035	Rep. Wooten	Asks Weiss to comment on whether there is need for legislation or policy to direct creation of a regional nonprofit entity dedicated to implementing renewable energy sources. Also asks for comments on the provision for a local utility being able to forward its portion of renewable funds to the regional nonprofit presumably when it might result in a greater benefit as part of a larger project.
052	Weiss	Says the entity referred to is called the Northwest Energy Alliance which was set up for the purpose of taking regional funds from all the states and spending it for market transformation. Says BPA and utilities jointly formed this entity. Says he assumes Office of Energy would designate that group.
064	Rep. Wooten	Asks Weiss to get information on the group for the committee.

066	Weiss	Says that designation is for regional conservation portion and that for the regional renewables piece, a portion goes to that entity, and a portion is kept by the local utility to spend on renewables.
071	Rep. Edwards	Asks Weiss to explain the split between the 2.43 for effective energy conservation, low-income energy services, and the .57 renewable energy research and development.
078	Weiss	Says this amount is a minimum and that any utility could spend more if it wishes. Says if it became a cap, some utilities would have to slash spending considerably. Says Rachel Shimshak can explain how the .57 figure for renewables was derived. Explains 2.43 figure for conservation.
122	Weiss	Discusses Section 11, Prevention of bypass, and Section 12, Low-income assistance. Says low income assistance is in addition to low-income weatherization (EXHIBIT A, page 3)
<u>ISSUES DISCUSSED</u>		
142 180 204	Weiss	Discusses with Committee * low-income energy assistance and weatherization funding relationship * funding source for energy assistance and weatherization * standards for assistance level and responsibility of recipient to be conservative
249	Rep. Hill	Submits to Committee a table of gross charges for various types of utilities that may be helpful in understanding total amounts of money being discussed (EXHIBIT B).
<u>ISSUES DISCUSSED</u>		
263 285 342 370	Weiss	Discusses with Committee * lack of inclusion in HB 3232 of review of public purposes funding * collection and distribution of public purposes funds * whether disproportionate amounts of money for public purposes would be collected from large facilities compared to those that don't have as high consumers * whether there is potential for loopholes that allow competitors from out of state to avoid public purposes charges
387	Weiss	Discusses Section 13, Access to Bonneville Power Administration cost-based power by residential and small farm customers (EXHIBIT A, page 4). Says this section allows PUC and public utilities to decide how much power to buy from BPA when new contracts are offered in 2001.
Tape 55, B		

001	Weiss	Continues discussing Section 13. Says there is "danger in having a huge Federal agency out there who is flailing around, unable to meet its needs....the only way we can control that chaotic situation is to make sure that people sign up for the power." Says this section of the bill allows residential and small farm consumers who have the right to this power to buy it.
013	Weiss	Discusses Sections 14, Consumer protections, and 15, which amends public records law to protect sensitive business records (EXHIBIT A, page 4).
<u>ISSUES DISCUSSED</u>		
029 052	Weiss	Discusses with Committee * PUC's role in determining system readiness for open access * unbundling services and billings
070	Adele Newton	Representing League of Women Voters presents written testimony in support of HB 3232 (EXHIBIT C). Notes the League particularly supports public purposes provisions.
111	Rachel Shimshak	Director of Renewable Northwest Project, presents written testimony support of HB 3232 (EXHIBIT D). Notes her involvement in Regional Review where she co-chaired public purposes work group. Says HB 3232 closely follows recommendations of Regional Review on public purposes and is only proposed legislation that does so. Explains reasons for 3 percent minimum standard suggested for public purposes.
160	Shimshak	Continues with explanation of 3 percent standard.
199	Rep. Edwards	Asks Shimshak to explain again why renewables have harder time competing in the open market.
201	Shimshak	Says two principle reasons renewables are challenged in competitive market:

1. All costs are in capital; there are no fuel costs, so over the long term costs are low. Says in competitive market, people want what is cheap today. Since renewables are not cheap today, they must be viewed over lifetime to look like a good investment. Says this market barrier keeps renewables from being able to be more generalized in the economy.

2. Renewables have many other beneficial characteristics not included in their price, such as environmental benefits, system diversity benefits, local economic benefits, jobs created where renewable projects sited, and other benefits not "costed out."

ISSUES DISCUSSED

Discusses issues of renewables with Committee

* tax credits for wind projects Congress authorized via 1992 Energy Policy

Act; state tax credits available for some renewable technologies

272

280 Shimshak * reasons to include renewables in legislation and consequences if not included: clean environment, continued low rates, protection from fuel price and availability swings; these could be degraded or lost if investment for renewables not included

297

304 Rep. Hill * hydro system as example of renewable project that helps keep rates low
Asks if including hydropower means she would be in favor of constructing additional dams and projects with renewables funds.

309 Shimshak Says not in favor of constructing new dams, but that she believes hydropower is a renewable resource. Notes that there are significant fish issues related to hydro. Says if renewable projects are developed, they will be non-hydro renewables to expand the renewables edge.

323 Chair Welsh Asks what Shimshak has heard about other projects and research in renewable resources.

328 Shimshak Lists variety of projects in various stages of development. Says Renewable Northwest Project primarily focuses on solar, wind, and geo-thermal which are closest to commercialization in the region.

354 Barrett Stambler Director of Business Development for the Northwest Region for CALPINE Corporation presents testimony concerning HB 3232 (**EXHIBIT E**). Gives background on company, noting that it provides electricity and geothermal energy to U.S. and international markets. Says including the systems benefits charge for renewables projects will help ensure stability for companies during the development stages of these projects.

400 Stambler Continues testimony, discussing reasons to include geothermal projects in systems benefits charges for renewable resources.

Tape 56, B

001 Stambler Concludes testimony, stating support for the public purposes provision of HB 3232. Adds that economic benefits are significant from renewables projects, and that his project would hire from geographical area where project is located.

ISSUES
DISCUSSED

Discusses with Committee

028 * geothermal resources competitiveness in marketplace

046 Stambler * history of company's access to capital and capital for Glass Mountain project

071 * minimum investment necessary to make a project work and role of public purposes money in renewables projects

119 Shimshak Says Regional Review intended renewables money to be used for buying down costs of renewables for utilities' customers. Discusses concept of policy push and market pull to create renewables market.

- Discusses with panel
- 138 Rep. Hill * market forces and incentives to drive prices down
 * utilization of funds
 Says renewables money intended to be spent for three purposes:
 * regional research and development, all states participate and all benefit
- 188 Shimshak * distributed technologies, some cost effective today, but applications not
 generalized because information not there for people to make the
 investments
 * new renewable projects
- 213 Rep. Hill Asks if there is a sunset on spending money to encourage becoming
 competitive over time.
 Says one has to make judgments about what are public purposes and what
 will benefit consumers and citizens of state, and that with a modest
- 229 Shimshak investment, the benefits for general customers and public purposes are
 those that benefit all customers. Notes that the bill calls for a ten-year
 transition to more competitive situation, and that is what they support.
- 254 Eleanor Representing Multnomah County Community Action, testifies in support
 Matthews of HB 3232.
- 300 Matthews Continues testimony. Says HB 3232 is in best interests of poverty stricken
 people because it protects against cost shifting and promotes self-
 sufficiency for all Oregon families.
- 343 Rep. Hill Asks for information on moneys being spent currently for public purposes.
- 356 Chair Welsh Says that will be addressed in work groups. Meeting adjourned at 3:02 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Written testimony and draft of HB 3232, Steven Weiss, 29 pp.

B - Written materials, Rep. Jim Hill, 1 p.

C - Written testimony, Adele Newton, 1 p.

D - Written testimony, Rachel Shimshak, 3 pp.

E - Written testimony, Barrett Stambler, 4 pp.