

HOUSE COMMITTEE ON POWER DEREGULATION

March 20, 1997 Hearing Room E

1:00 P.M. Tapes 61 - 63

MEMBERS PRESENT:

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Patti Milne

Rep. Lonnie Roberts

Rep. Ken Strobeck

MEMBER EXCUSED:

Rep. Jim Welsh, Chair

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

MEASURE/ISSUES HEARD:

MISCELLANEOUS ISSUES

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 61, A		
001	Chair Strobeck	Calls meeting to order at 1:12 p.m.
		General Counsel for Oregon Trail Electric Cooperative in Eastern Oregon, presents testimony. Gives background on the cooperative and its service area. Discusses

008	Henry Lorenzen	<p>special problems for cooperatives in general relating to stranded investments</p> <ul style="list-style-type: none"> * no place to put these costs except on members, and without recovery, members bear the burden * PURPA contracts forced on utility by federal law * Oregon Trails is one of only Oregon cooperatives which has a PURPA contract.
031	Lorenzen	<p>Discusses history of PURPA contract with Oregon Trail</p> <ul style="list-style-type: none"> * Oregon Trail PURPA contract is for wood waste to energy generator * began with CP National, Oregon Trail predecessor; entered into at extraordinarily high rates; required by Public Utility Commission
045	Lorenzen	<p>Says this particular contract illustrative of problem faced by Oregon Trail: 20-year contract that expires 2004; supplies 10 percent of energy for Oregon Trail; current price 11 cents kwh, 17 cents kwh in next eight and one-half years. Says cost of replacement power would be 2.5 cents. Illustrates cost difference with one customer who pays between \$500-700,000 more for power due to existence of this one contract. Notes that this customer would change providers if choice were available and remaining customers would be left to pick up expensive power. Says this single contract cost \$7.5 million this year and equivalent power could be purchased for \$1.5 million. Says cooperative is currently in litigation on this contract. Concludes saying he is in favor of legislation providing for 100 percent recovery, especially for municipals and cooperatives, of PURPA (Public Utility Regulatory Policies Act) type contracts. Says Oregon Trail may be unique case in Oregon, and notes these contracts not in place due to bad decisions by utility management, but rather because of mandatory requirements of Federal law and state laws interpreted by Public Utility Commission.</p>
087	Lorenzen	<p>Discusses with Committee</p> <ul style="list-style-type: none"> * PURPA with regard to stranded costs recovery * PURPA related costs result of utility being forced into contract by Public Utility Commission * electric cooperative members pay costs * CP National, original source of contract, resisted entering contract * members own utility, bear the burden
140	Lorenzen	<p>Continues discussion with Committee</p> <ul style="list-style-type: none"> * cooperative in litigation on contract * other contracts being renegotiated

		* expiration of contract in 2004
194	Libby Henry	Representing Eugene Water and Electric Board, introduces Matt Northway, manager of Energy Management Services. Notes they will address public purposes. Reviews EWEB's policy principles regarding public purposes (EXHIBIT A, page 1).
220	Matt Northway	<p>Presents written testimony concerning public purposes. Discusses conservation and environment issues</p> <ul style="list-style-type: none"> * customer and environmental benefits from investments in energy efficiency * necessity for minimum level of utility investment for continuance of economic and environmental benefits * market transformation, such as development and distribution of new technologies * low income conservation programs * need for utility programs to facilitate conservation investments

Continues presentation, discussing low income customer assistance (**EXHIBIT A, page 3**)

- 263 Northway
- * affordable basic electric service for all customers
 - * risks for poor and elderly in competitive environment
 - * need for statewide standard for low income customer assistance funding for all utilities
- 307 Rep. Roberts
- Asks if all utilities are to set aside amount for low income assistance.
- Says yes for two reasons
- 315 Northway
- * ensure no competitive disadvantage or opportunity that would come from not providing
 - * provides support for all customers
- 323 Chair Wooten
- Asks if position of EWEB to raise rate from 3 percent to 5 percent for all contributing utilities in state.
- 335 Henry
- Says EWEB already exceeds 3 percent spending for public purposes, and would propose minimum of 3 percent non-bypassable charge, with allowance for exceeding that amount if approved by governing board.
- 341 Chair Wooten
- Asks for clarification of green power and market capacity for it.
- 350 Northway
- Says they believe in absence of requirement that everyone build new renewable resource, that allowing retail customers to select that, is a viable option.
- Asks what types of programs or opportunities should be available for funds to go into, such as seed capital or highly speculative programs for renewables. Also asks

381 Rep. Hill if they have done renewable projects other than hydro, and what kind of return was expected on investment.

Tape 62, A

003 Northway Says they made investments in two ways, one that was cost effective over the life of the measure, and also investments that were valuable for learning about a particular technology.

013 Panel Discusses with Committee ownership of project funded by public purposes money, how profits from a research and development project might be reinvested, and who would benefit from marketing a resulting product.
Continues discussing with Committee

067 * how public purposes moneys would be used

083 * acceptable percentage for public purposes set aside

095 Panel * who would determine how funds are used

103 * support for statewide mechanism for collection of portion of 3 percent for other than utility distribution

115 * importance of returning funds to community that raised them if statewide mechanism used

117 Rep. Hill Asks if they see 3 percent being covered in rates, as separate charge on bill, or 3 percent that utilities lose.

120 Henry Says they are thinking of non-bypassable distribution charge for everyone on distribution system.

124 Rep. Hill Asks what would stop power company from paying itself to reduce above market costs on renewable projects.

133 Henry Says she doesn't know.
Representing Vulcan Power, distributes presentation packets (**EXHIBIT B**) and says written testimony will follow. Says five key points they wish to make

* Oregon's vast renewable energy resource potential

136 Fred VanNatta * environmental advantages of geothermal energy
* geothermal energy cost effective energy source
* why geothermal energy not on line in Oregon
* recommended approach to getting geothermal projects underway in Oregon

Geologist, discusses geothermal potential in Oregon

* largest two proponents in Oregon: Oregon's Department of Geology and Mineral Industries and U.S. Geological Survey

* definition of geothermal energy

193 Al Waibel * description of geothermal power plant

* where geothermal energy exists: Pacific Ring of Fire
Continues testimony, discussing geothermal zones in Oregon

259 Waibel * Cascade Range which is very active geologically

* Basinet Range in Southeastern Oregon
Continues testimony, discussing Newberry potential for geothermal resource

300 Waibel * 5000 megawatts developed

* lack of power sales contracts affecting research in Oregon

361 Waibel Continues testimony, discussing potential for geothermal energy.

**Tape
61, B**

Discusses with Committee

001

* quality of hot springs in Oregon

025

Panel * reinjection of fluids for long-term sustainability

027

* conditions needed to create sustainable power

040

* geothermal energy potential in Cascade Range
Continues discussion with Committee

045

Panel * geographic limitations

070

* economic conditions

086 Rep.
Wooten Asks about current marketing.

089 Munson Says at present no market. Describes Vulcan Power Company; notes
because they have no contracts at present, no geothermal power is being
produced.

Discusses with Committee

111

Panel * Vulcan's preference for 30-year contract

123

* argument for long-term commitment due to volatile market

143 Rep. Hill Asks price for which they wish to sell power.

144 Munson Says two issues involved

* rate at which power is charged today

* true cost to consumer

152 Munson Continues testimony, discussing proposed mandatory systems charge of 5 percent, of which 2.3 percent non-bypassable benefits charge dedicated to new renewable energy projects. Says imperative to construct five or more geothermal plants in Northwest as none currently on line. Explains how these plants will benefit Oregon financially. Describes proposals for marketing.

ISSUES
DISCUSSED

225 Discusses with Committee

244 Munson * ability to implement by 1999

258 * availability of capital for projects

* parameters for participating in renewable resources funding pool
Continues discussion with Committee

288 * support for EWEB proposal that some portion of public purposes funds held on statewide basis for independent contract rather than all being returned to utility for its own investment

300 Munson

340 * reason for seven cent rate, with three to four cents debt service

* reasons not selling power in California, such as Oregon receiving royalties from power produced in state

394 John Gervais Representing National Electrical Contractors Association, offers testimony regarding Section 16 of Strawman Bill. Submits LC draft of HB 3536 which he discusses (**EXHIBIT C**). Says electrical companies will be competing in construction area, and their concern is ensuring that there is no cross-subsidy of continuation of regulated portion of company, and that the same licensing is required all around.

Tape 62, B

001 John Gervais Continues testimony, describing areas of concern in deregulated environment that could lead to utility companies having unfair advantages over contractors.

028 Tom O'Connor Director of Oregon Municipal Electric Utilities, presents written testimony in support of statewide mandatory funding for public purposes (**EXHIBIT D**). Outlines minimum funding standard based on California restructuring legislation. Notes this approach allows municipal utilities to maintain local control of use of public purposes funds.

079 O'Connor Continues testimony; summarizes reasons to support suggested approach. Says did not try to deal with low-income assistance, as they are participating in Blue Ribbon Task Force, which does not have agreement at this time on low-income assistance.

ISSUES

DISCUSSED

- Discusses with Committee
- 163 * potential minimum funding level
- 179 O'Connor * mandatory requirement with local control and flexibility for use of funds
- 215 * possibility of using consortiums of local utilities when planning use of public purposes funds
- 245 Doug Myers Representing Fair and Clean Energy Coalition, notes that negotiations in the Blue Ribbon Task Force are in delicate stage at present; asks that comments regarding it be minimal; announces HB 3232 has been printed.
Representing Fair and Clean Energy Coalition, presents written testimony on access to Bonneville Power Administration Power (BPA) (**EXHIBIT E, page 1**). Says a goal of restructuring is keeping benefits of low-cost hydro resources in Northwest. Outlines current problem with BPA
* BPA power costs more than some available alternatives.
- 269 Steven Weiss * Future BPA power will be a bargain.
* Present law allows utilities to purchase BPA power at cost; consumers have no direct purchase rights.
* BPA contracts all expire in 2001.
* Northwest utilities are assigned particular order when they can sign up for cost-based subscriptions.
Continues discussing the problem with BPA(**EXHIBIT E, page 2**). Says with customer choice
- 339 Weiss * no assured loads for utilities which permit signing BPA contract
* utility not allowed to make profit from BPA power
- 359 Weiss Discusses mechanism for keeping access to BPA power (**EXHIBIT E, page 3**).
- Tape 63, A**
- 001 Weiss Concludes testimony
- 010 Rep Edwards Asks if federal laws need to be changed for new mechanism to be implemented.
- 012 Weiss Says Bonneville believes no new federal legislation is required.
- 019 Chair Wooten Makes announcements; adjourns at 3:03 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Written testimony, Libby Henry, 3 pp.

B - Written testimony and materials, Al Waibel, 37 pp.

C - Draft HB 3536, John Gervais, 6 pp.

D - Written testimony, Tom O'Connor, 6 pp.

E - Written testimony, Steven Weiss, 6 pp.

F - Letter to Rep. Wooten, Jim Anderson, 1 p.

G - Written materials, Steve Loveland, 3 pp.