

HOUSE COMMITTEE ON POWER DEREGULATION WORK GROUP

March 26, 1997 Hearing Room 137

1:00 P.M. Tapes 70 - 71

STAFF PRESENT:

John Larson, Administrator, Chair

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

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

Steve Munson, Vulcan Power Company

Paul Murphy, PG & E Energy Services, Northwest Aluminum, Reynolds Metals

Tom O'Connor, Oregon Municipal Electric Utilities

Brad VanCleve, Oregon Energy Coalition

Paul Wielgus, Enron

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.

Tape/#	Speaker	Comments
TAPE 70, A		
001	John Larson	Calls meeting to order at 1:16 p.m.
006	Larson	Suggests discussing reconfiguration of electric utilities and mentions three potential methods: * functional separation * legal separation * divestiture
014	Ron Eachus	States functional separation is the easiest method to start direct access. Adds legal separation and divestiture are not necessary.
031	Denise McPhail	Addresses their concern about functional separation and supports legal separation.
050	Eachus	Comments * PUC would require functional separation * PUC would establish terms and conditions if they decide to require legal separation. * PUC does not prefer to require legal separation and divestiture.
096	Larson Vote	Calls for vote. YES on reconfiguration of investor-owned utilities taking the form of functional separation. Moves on to legal separation.
103	Jason Eisdorfer	Comments against charging stranded costs to customers during transition period.
127	McPhail	Addresses PGE's position. * opposes competition among utilities under uneven basis * legal separation would help restricting unregulated utilities
155	Work group	Discusses charging stranded costs during transition period.
177	Eachus	Comments * effective functional separation is cost based separation * difficulty of requiring a condition of legal separation to three different

227	Eachus	utilities Continues presentation.
234	Paul Murphy	Describes a power marketer's operation system * non regulated business
247	Murphy	* separate corporate entities * governed by internal affiliate interest agreements and imposed state policy Says he supports legal separation.
283	Eisdorfer	Comments default suppliers should provide additional protection for small customers.
306	McPhail	Suggests discussing power of entity and legal separation.
317	Eachus	Comments * nothing prohibits power marketers from becoming separate entity * supports separating power marketing function and default provider function * generating function should be legally separated from utility and should be mandated
		* supports default suppliers providing reasonable and stable rate * necessity of establishing regulation to protect customers

369	Murphy	Says legal separation would be efficient for recognizing whether businesses are regulated or unregulated.
418	Murphy	Describes structure of PG & E Energy Services.
	Larson	Calls for vote.
428	Vote	NO on reconfiguration of investor-owned utilities taking the form of legal separation.
438	Larson	Moves on to next question.
TAPE 71, A		
016	Eachus	Suggests discussing divestiture at next legislative session with more examination and information.
	Larson	Calls for vote.
039	Vote	NO on reconfiguration of investor-owned utilities taking the form of forced divestiture.
052	Gary Conkling	Comments options are efficient for creating competitive market. Calls for vote.

075 Larson **YES** to further study on requiring investor-owned utilities to go beyond functional separation.

Vote

086 Larson Moves on to public purpose programs.

101 Eachus Suggests discussing general issues instead of details and discussing systems benefit charge for conservation, renewable energy and low income weatherization.
Addresses their concerns

148 Murphy * low-income ratepayer assistance

* welfare program

190 Eisdorfer Suggests postponing discussion on low-income ratepayer assistance.

205 Larson Moves on to systems benefit charge.

235 Eachus Suggests discussing money collection method at next meeting.

248 McPhail Presents Idaho Power's position in agreement with systems benefit charge. Mentions requirements are in statute.

261 Murphy States concept of nonbypassable systems benefit charge.

305 Larson Summarizes discussion.

310 Murphy Says uniform charge is not necessary and supports uniform level of expenditure.

363 Murphy Comments difficulty of achieving all the energy efficiency in cost effective way.

404 Eachus Suggests voting on the issue.
Larson Calls for vote.

424 **Vote** **YES** on public purpose programs being addressed through a nonbypassable systems benefit charge.

428 **Vote** **YES** on public purpose programs to which the nonbypassable systems benefit charge would apply should include conservation, renewable energy, and low-income weatherization.

441 Eisdorfer Mentions three percent is a mandatory minimum in the bill.

451 Larson Moves on to next question: "Should the amount of the nonbypassable systems benefit charge be three percent of total revenue from electricity sales."

**TAPE
70, B**

Presents a summary of their opinions.

012 Steve Munson * agrees with three percent of nonbypassable systems charge under mandatory system

* importance of green power in the future

Larson Calls for vote.

060 **Vote** **NO** to defer action pending review of an alternative proposal calling for imposition of a five percent systems benefit charge.

100 Conkling Comments about three percent of the nonbypassable systems benefit charge. Requests rephrasing the language from, "three percent minimum" to "three percent."

115 Libby Henry Asks if it will be prohibited to pay more than three percent.

118 Conkling Says he does not have an answer.

136 Eachus Addresses his opinion on three percent as the nonbypassable systems benefit charge.
Discusses
* three percent as the nonbypassable systems benefit charge

180 Work group Continues discussion
* establishing meters and volumetric charge

230 Work group * equivalence of three percent charge

280 Work group Continues discussion
* ideas on systems benefit charges
* how customers and utilities arrive at agreement on the systems benefit charge
Comments

329 Murphy * importance of keeping price information confidential
* simplify structure of charging system

383 Larson Asks how the question should be rephrased.

407 Eisdorfer Suggests voting on three percent and discussing details later.
Larson Calls for vote.

413 **Vote** **YES** in favor of making the nonbypassable systems benefit charge equal to three percent of total revenues from electricity sales.

427 Eachus Suggests discussing effective date to start charging the nonbypassable systems benefit charge.

**TAPE
71, B**

018 Work group Discusses clarifying the question.

065 Larson Reads the question.
Larson Calls for vote.

069 **Vote** **YES** on the nonbypassable systems benefit charge to become effective on the date of open access.

072	Vote	NO on the nonbypassable systems benefit charge applying to all utilities, whether or not they offer open access.
080	Conkling	Explains his vote.
089	Work group	Discusses how systems benefit charge applies to utility.
110	McPhail	States their position that it is important for them to delete existing subsidies from statute before start charging three percent.
117	Eachus	Says PGE's proposal would be difficult for COU. Addresses work group need to consider existing conditions.
164	O'Connor	Explains their position on the nonbypassable systems benefit charge.
178	Conkling	Comments on importance of promoting maximum competitive environment. Suggests starting to charge when market opens to retail access. Discusses
215	Work group	* option of date to start charging * maintenance of public purpose finances * relationship of conservation programs to systems benefit charges
262	O'Connor	Gives an example of California legislation which allows public power entities to decide about retail access issue.
290	Eachus	Suggests moving on to next question.
300	Work group	Discusses what work group should discuss next.
351	Larson	Announces schedule of next meeting.
365	Larson	Adjourns meeting at 3:02 p.m.

Submitted By, Reviewed By,

Mieko Aoki, John Larson,

Committee Clerk Administrator

HOUSE COMMITTEE ON POWER DEREGULATION

March 26, 1997 Hearing Room 137

3:00 P.M. Tapes 72-I -75

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Randall Edwards

MEMBER EXCUSED:

Rep. Jim Hill

Rep. Patti Milne

Rep. Lonnie Roberts

Rep. Ken Strobeck

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

SENATE COMMITTEE ON BUSINESS, LAW, AND GOVERNMENT

MEMBERS PRESENT:

Sen. Neil Bryant, Chair

Sen. Kate Brown

Sen. David Nelson

MEMBERS EXCUSED:

Sen. Gene Derfler

Sen. Randy Miller, Vice-Chair

Sen. Randy Leonard

MEASURE/ISSUES HEARD:

NORTHWEST STATE LEGISLATIVE TELECONFERENCE ON UTILITY RESTRUCTURING

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
<p>Because there were two separate transmission feeds for this teleconference, it was necessary to use separate recording devices for each feed. Therefore, the tape recordings alternate between the two locations and there are blank spaces on each tape equivalent to the length of the alternate recording.</p>		
Tape 72-I, A		
003	Gerald Mueller	Facilitator, announces Bonneville Power Administration (BPA) convened meeting so that legislators from Washington, Oregon, Idaho, and Montana could talk directly with each other and with Federal and regional interests about utility restructuring proposals in "the unique context of the Pacific Northwest." Notes that three Congressmen, Bob Smith and Peter De Fazio from Oregon, and Mike Crapo from Idaho, will take part by telephone from Washington, D.C. Roy Hemingway, a member of Comprehensive Review of the Northwest Energy System will also participate.
031	Montana Panel	Participants introduce themselves. Legislators: Sen. Fred Thomas, Rep. Norm Mills, Rep. Joe Quilici, Rep. Bill Ryan, Rep. David Ewer, Rep. Carley Tuss, Rep. Ernest Bergsagel, Sen. Greg Jergesen. Other participants: Gail Kuntz of BPA, Mick Robinson of Governor's office, John Hines of Northwest Power Planning Council, Gary Williams of Montana Electric Cooperative Association, Todd Everts of Legislative Services Division.
Tape 72-II, A		
001	Idaho Panel	Participants introduce themselves. Sen. Laird Noh; Rep. Bruce Newcomb, Rep. Ron Crane.

012	Oregon Panel	<p>Participants introduce themselves.</p> <p>Legislators: Rep. Jim Welsh, Sen. Neil Bryant, Rep. Randall Edwards, Sen. Kate Brown, Sen. David Nelson, Rep. Cynthia Wooten. Other participants: Roy Hemingway from Oregon Governor's office; Steve Hickok, Senior Vice President of BPA.</p>
Tape 71-I, A		
079	Washington Panel	<p>Cindy Custer, BPA introduces participants.</p> <p>Rep. Jeff Morris, Marilyn Showalker of Governor's staff; Aaron Jones of Washington Rural Electric and Cooperative Association; and Molly Borg of Puget Power. Senator Bill Finkbeiner and possibly Senator Brown and Senator Paulsen will arrive later.</p>
088	Mueller	<p>Reminds participants that this is a public meeting. Discusses ground rules for meeting, including identifying themselves when speaking, and announces that rotation from site to site will take place, and that time limits will be enforced. Announces agenda..</p>
Tape 72-II, A		
077	Roy Hemingway	<p>Office of the Governor, Oregon discusses transition board.</p> <ul style="list-style-type: none"> * set up by four northwest governors to follow up on recommendations by Comprehensive Review of Northwest Energy System * job of transition board to work toward implementation of Comprehensive Review * two reasons all four states involved: deregulation legislation before all four legislatures soon, and future of Federal power and transmission assets in region would be subject of public debate in Congress and elsewhere * description of steering committee
112	Hemingway	<p>Describes report of steering committee presented to Governors on December 12, 1996. Recommendations made in four areas, which committee had adopted by consensus. Two issues are Federal, two are state. State issues include</p> <ul style="list-style-type: none"> * funding public purposes which have generally been funded by monopolistic utilities in individual states

		<ul style="list-style-type: none"> * type of market structure which should be in place to enter competitive electricity environment
129	Hemingway	<p>Explains Federal issues Comprehensive Review made recommendations on</p> <ul style="list-style-type: none"> * future of BPA * future of transmission system currently owned and managed by BPA
142	Hemingway	<p>Discusses BPA issues, which Transition Board is giving most attention. Notes Transition Board appointed by four governors to coordinate implementation efforts in region of Comprehensive Review's recommendations.</p> <ul style="list-style-type: none"> * Recommended BPA continue to exist. * Main challenge for BPA is their power price currently above market, which could affect Bonneville's political stability in respect to meeting its financial obligations to Federal treasury. * Need to ensure more financial stability for Bonneville than current situation provides. * Utilities' contracts with BPA expiring over next several years and ability of utilities to purchase cheaper power elsewhere weaken Bonneville's position. * recommendation of Comprehensive Review to try to allocate existing BPA power through subscription process
190	Hemingway	<p>Continues discussing Comprehensive Review recommendations</p> <ul style="list-style-type: none"> * Bonneville power projected to be cheapest in Northwest over time after existing debts for hydro-electric system and WWPPS plants are repaid. * Transition Board overseeing subscription process with Bonneville.
		<p>Discusses transition recommendations of Comprehensive Review.</p> <ul style="list-style-type: none"> * Set up independent grid operator to run transmission system in Northwest independent of owners.

215	Hemingway	<p>* legal separation of Bonneville's transmission function and power marketing functions which will require Federal legislation, as may some portions of subscription process</p> <p>* potential consequences of separation of Bonneville transmission legislation: large portions of Bonneville assets could be moved to other agencies, which would then have responsibility for the accompanying debts; and other power system costs which could be charged to transmission system if generation system can't bear them</p>
275	Hemingway	<p>* could be additional fish costs that might have to be added to transmission system</p> <p>* may need to deal with river governance issues</p>
<u>Tape 72-I, A</u>		
375	Mueller	Allows questions from participants.
<u>Tape 72-II, A</u>		
320	Sen. Laird Noh	Idaho, asks how governors and other legislatures are viewing recommendations of Review and transition team.
<u>Tape 72-I, A</u>		
462	Cong. Peter DeFazio	<p>Oregon, says he, Cong. Bob Smith, and Cong. Mike Crapo have been organizing Northwest delegation on bipartisan basis. Says they wrote to Budget Committee Chairman not to assume sale of BPA in budget.</p> <p>* working on stabilizing BPA</p> <p>* trying to work out ways to deal with BPA stranded investments and fish costs while functionally separating BPA transmission and generation</p>
<u>Tape 72-I, B</u>		
001	Cong. DeFazio	<p>Continues discussion</p> <p>* BPA debt recalculated</p> <p>* BPA required to fully fund pension liabilities</p> <p>* 50/50 chance of Federal restructuring bill with mandate for states</p> <p>* no need for Northwest states to rush forward</p>
041	Mueller	Allows questions.

Tape 72-II, A		
487	Sen. John Hansen	Agrees with Cong. DeFazio no need to rush forward, and asks if position is inconsistent with letter from Northwest Congressional delegation urging consensus by June 1.
Tape 72-II, B		
001	Cong. DeFazio	Explains they were urging in letter that if region wanted to come to consensus on some difficult issues that the Review left unanswered and would need to be dealt with in regional legislative bill, it would give the regional congressional contingent a framework for a bill in the event legislation is introduced as early as this July.
013	Mueller	Asks if further questions for Roy Hemingway.
025	Rep. Bruce Newcomb	Idaho, asks how low density areas will be handled in deregulation.
032	Hemingway	Says there are number of similar public purposes issues each state will have to deal with, and there will be a need to ensure those costs can't be escaped by someone looking for low-cost provider. There has been no discussion of setting up regional mechanism to spread costs.
054	Rep. Joe Quilici	Montana, asks about BPA participation in the INDEGO system.
057	Hemingway	Says idea is for all transmission owners to turn over daily operation of transmission assets to an independent operator whose job would be to schedule transmission of power generators' power to load centers. Explains that Bonneville's role is complicated by the fact that it is a government agency with statutory obligations and because it owns a major portion of the transmission capacity in Northwest.
078	Steve Hickok	BPA, says Bonneville is supportive of concept of regional grid operation because success and future reliability of the system in competitive retail access environment will depend on a strong independent system operation. Bonneville's recommendation is consistent with Comprehensive Review.
109	Sen. Noh	Asks Hemingway if he sees the System Review people or governors of other states addressing issues of potential modifications of river flows, ability to deliver irrigation water rights, and other implications of water rights management that could be interfaced with hydro under a deregulated system.
		Says he has only heard the briefest hints about legal

125	Hemingway	issues and can't comment on that. Notes the central issue the Comprehensive Review faced was whether to recommend privatization of federal assets in generation and transmission in Pacific Northwest. Explains reason they did not recommend privatization was public concern about use of water and management of Columbia-Snake River system, which would make transfer to private parties and preservation of multi-purpose public values difficult to do.
137	Rep. Newcomb	Expresses concerns about what would happen if a company took over an IOU such as Idaho Power, which owns priority dates that supersede most of the irrigation rights in Idaho, and that company began making changes in the water usage that might not benefit the welfare of the state. Notes that the issue of IOUs was not addressed in the steering committee, and requests Hemingway comment on this.
151	Hemingway	Agrees it wasn't dealt with and needs to be discussed in the region. Says he doesn't know extent to which a new operator could come in and run the river differently than it has been run in the past.
Tape 72-I, B		
230	Rep. Carley Tuss	Asks role of Public Service Commission (PSC) in relation to Independent Grid Operator and what thought has been put into PSC role in a multi-state effort.
240	Mueller	Announces Congressmen Bob Smith from Oregon and Mike Crapo from Idaho are now available to address panels and Rep. Tuss's question will be deferred until after their presentations.
247	Cong. Bob Smith	Oregon, discusses what is happening in Congress with regard to Bonneville. Says Rep. Bliley, chairman of the Commerce Committee, and Rep. Schaefer plan to pass a national restructuring bill out of committee this year, so Northwest delegation needs to be ready with a package while the bill is still in committee. Notes the Northwest caucus wants to work with the four legislatures and governors, and that all members of the Northwest delegation have signed onto the caucus and agreed to its principles.
304	Cong. Mike Crapo	Idaho, agrees with Smith that the Northwest delegation is united in seeking a way to stay unified in Congress. Notes that he and Cong. Smith both sit on Resources Committee, and the Committee is waiting for Northwest proposal. Says it is important to maintain unity in efforts to preserve low-cost power, and

		whether or not legislation moves this year, the stage is being set for legislation that will ultimately pass. Concludes that the challenge is to retain benefits of the system, and the region needs a plan of action as well as continued unification to prevail on many fronts.
Tape 72-II, B		
275	Rep. Randall Edwards	Oregon, asks if there are any free trade issues in NAFTA concerning power from Canada and vice versa that might be relative to Northwest power deregulation.
Tape 71-I, B		
368	Cong. Crapo	Says complications of NAFTA are so extensive it is difficult to say, but doesn't see any immediate issues that jump out. But he says it is an issue that deserves close attention, because trade barriers can arise easily.
384	Cong. Smith	Agrees with Crapo. Says Canadian cheap gas has made Bonneville in some cases non-competitive and has been an important factor in region's growth. Says it will be important to be watchful of the obligations placed on Bonneville whose social implications could impede its ability to be a competitive energy producer.
Tape 72-II, B		
315	Rep. Welsh	Oregon, asks if it is helpful to Congress for states to compile federal issues that they will be faced with when the states provide retail access.
Tape 72-I, B		
419	Cong. Smith	Says it is essential that legislatures of four Pacific Northwest states identify for Congress the issues that may need federal legislation.
437	Cong. Crapo	Agrees with Smith. Adds that management of Northwest river systems has impact on all residents' lives, and it is essential to be aware of entire scope of issues as they deal with management of legislation in Congress.
466	Cong. Smith	Says that Bonneville system could be changing, and the question is how it will be managed and configured.
473	Sen. Fred Thomas	Montana, notes that Montana Senate this day passed legislation on electrical industry restructuring. Asks the Congressmen's opinions on states moving forward at this time with states' plans.
489	Cong. Crapo	Says important for states to become active and to move forward even though they must recognize there will be national legislation at some point.

Tape 73-I, A		
001-080 Duplication of Tape 72-II, B		
081	Cong. Crapo	Continues response. Says region will be better off if it has already begun implementing solutions regionally when it begins dealing with the Federal Government in trying to put together the proper approach nationally. Says there will be national pressures for the Federal Government to extend legislation beyond mere authorization to separate transmission from marketing of power system in Pacific Northwest. Says Northwest needs to be ready to identify what needs to be done and move ahead on it, but also to be ready to advocate the proper way to merge it into any national legislation.
097	Cong. Smith	Notes Montana and Oregon legislatures both meet biennially, and that Oregon has interim committees that represent the legislature between sessions. Says they urge states to act, if possible; but if not, to have interim organization that could represent the legislative point of view when not in session.
109	Sen. Thomas	Asks if federal legislation passes within next two years if exemptions or grandfathering of states' activities would be established.
113	Cong. Crapo	Says that it is a possibility and that there is strong effort to avoid too many exceptions and exemptions because they could cause the bill to lose national support to move forward.
142	Sen. Mike Foster	Montana, asks whether recognition will be given to the fact that Montana's situation is much different from the rest of the nation in relation to competitive forces due to its rural nature.
152	Cong. Smith	Says Montana no more rural than part of Oregon Smith represents, which is three-quarters of the state. Says he and Crapo understand Foster's point and also can reflect it in their own constituencies.
161	Cong. Crapo	Agrees with Cong. Smith. Says rural caucus will need to get active on this issue. Says federal legislation is intended to force a nationwide market in retail selling of electricity, but management of other aspects of system, including that dealing with rural areas, will still be left with state governments. Says there will be social purposes issues that will still have to be dealt with and an effort will be made to keep them at state and local levels for decision making.
Tape 73-II, A		

001	Rep. Newcomb	Notes BPA was given \$250 million last year in fish ESA mitigation, another \$765 million in flow augmentation, and Bureau of Reclamation and Idaho Power received 60-day notice of being sued for not consulting on regulation of reservoirs. Asks if there is any way to spread those costs as public purpose costs to everyone in U.S. rather than putting entire costs on a couple of power companies and BPA system.
Tape 73-I, A		
201	Cong. Crapo	Says those costs will be difficult to spread to other parts of country if benefits of river system are retained within the Pacific Northwest. However, the costs can be effective defense against privatization and taking benefits nationally or those would like to take hydro system benefits nationally. Says privatization of BPA was avoided by pointing that it would include taking on WWPPS debt, salmon recovery, and other issues.
230	Cong. Smith	Says he hopes that Northwest group is dealing with Senate as well.
234	Mueller	Thanks the Congressmen for joining the conference and helping to understand the issues. Asks Rep. Tuss to repeat her question.
240	Rep. Tuss	Says she is interested in Independent Grid Operators and the separation of obligations of transmission from marketing. Also is interested in PSC role in transmission transition.
Tape 73-II, A		
057	Hemingway	Traditionally PSCs have not had large role relative to transmission, because it is mostly federally regulated through Federal Energy Regulatory Commission (FERC). FERC Order 888 is moving separation of marketing functions from transmission within IOUs, which has then led other utilities and BPA to pledge to separate marketing from transmission functions. How states are dealing with the issue will be covered in state reports.
Tape 73-I, A		
289	Mueller	Announces Randy Hardy will speak next about Bonneville concerns relative to restructuring, particularly with regard to state legislation.
		Administrator and Chief Executive Officer, BPA, addresses Bonneville issues with respect to retail access. * Actions Bonneville has taken to counteract

298	Randy Hardy	<p>difference between wholesale market prices and Bonneville's costs include cutting budget by \$600 million a year, downsizing in last two years by 1000 people and plan another 1000 cut, capping fish costs for five years, and many other cost cutting applications are underway.</p> <p>* Renegotiation of contracts with utilities that all expire in 2001 or until state mandated retail wheeling is effective presents other problems.</p>
350 400 453	Hardy	<p>Discusses seven principles that affect Bonneville for states to consider in deregulation legislation.</p>

1. Public benefits that Bonneville provides can be affected.
2. Potential for shifting risks to supply system bondholders or federal tax payers.
3. Take or pay contracts with public agency customers through October 1, 2001, for which Bonneville wants language in legislation that gives public utilities choice for when to sign up or not; or requires utilities to honor existing contracts or revenue expectancy Bonneville has; or to allow utilities, if customers exit as result of retail access, to include revenue expectations from Bonneville as part of stranded costs recovery.

Tape 73-I, B

001

016

036 Hardy Continues discussing principles.

061

073

4. State legislation should provide for creation of aggregators to be service providers in lieu of utilities that are currently there.
5. Ensure reliability of system. Maxim is that degree of retail transactions will not exceed the computer capability to deal with it. Bonneville is struggling to keep up with wholesale transactions and does not know how it will keep up at retail level. Wholesale growth has been exponential in the past year.

6. Bonneville supportive of Comprehensive Review recommendations for 3 percent public purposes charge.

7. Recommends consistency in legislation among states in areas such as common effective dates, treatment of public purposes, Bonneville revenue expectations under contracts.

094

Mueller

Asks for postponement of questions until discussion period. Moves to individual state reports.

Reports on Montana activities relating to deregulation.

* Montana Senate passed on third reading SB 390, legislation put together by public and cooperative utilities, state administration, large electrical users, environmental representatives following Comprehensive Review.

* Legislation comprises much of Comprehensive Review and points brought out by BPA representative.

* Large customers go to choice July 1, 1998; small and residential customers as soon as administratively possible, but no later than July 1, 2002.

* Pilot programs will be in place for small and residential commercial users.

108

160

Sen.
Thomas

* Public Service Commission may delay implementation of small and residential customer choice through 2004 if technical aspects of metering and billing are not developed by 2002.

212

* Provides for continued regulation of utilities' acquisition of electrical supply if competitive market does not develop for small retail and residential customers.

* Cooperative utilities treated much the same as public utilities' time frames and pilot programs. Governing board of cooperatives will make restructuring decisions regarding customer choice and requirements within act. Provides option for cooperative not to open its distribution system, but if chooses not to, may not compete with others.

* Includes provisions to deal with tax issues for cooperatives that take over annexed portions of cities.

* Two year rate moratorium on all customers, with four year moratorium on small commercial and residential customers.

* Requires functional separation, but not divestiture, of elements of transmission, generation, and distribution of public utility.

* Provides for recovery of transition costs. Utilities obligated to mitigate costs.

* Utilities universal services benefits charge set at 2.4 percent.

* Public Service Commission will continue to regulate transmission and distribution of electricity.

* Legislation provides for reciprocity.

* Provides for transition advisory committee.

* Legislative Revenue Oversight Committee charged with reviewing tax policy on property taxes by utilities.

* Provides for transition bond financing of transition costs and requires benefits flow to customers of Montana.

219 Rep. David Ewer Montana, notes bill is not entirely agreed to and he is one of opponents in the House. Says that opponents will be looking to amend or postpone until next session.

234 Rep. Joe Quilici Says Montana Consumer Council had input into legislation. Predicts amendments on universal service benefits, and says it is good legislation that will be good for Montana.

245 Sen. Thomas Says there is agreement with public utilities and with cooperative utilities across the state which has helped legislation move forward.

Tape 73-II, A

Idaho, reports on Idaho legislation.

* An ad hoc joint committee of eight people appointed by legislative leadership has been working on deregulation legislation since last summer.

* Legislature appointed interim committee to continue working on legislation to present next session.

086 Sen. John Hansen
147 * Passed two pieces of legislation: one requires PUC to study unbundled costs allocation and report in 1998 to legislature, including cooperatives and municipals; the other encourages governor to negotiate with IOUs and form committee to assist in negotiating process.

* Two measures printed and referred to deregulation joint committee: SB 1215 provides for domestic and rural power authority, and HB 381, Competitive Electric Supplier Act, industry sponsored legislation that is model for what retail deregulation should look like in Idaho.

* Intent is to be cautious in approach to deregulation to avoid

unintended consequences.

186

Sen. Noh

Idaho, says one approach Idaho is taking to forestall takeover of Idaho Power is to try to negotiate long-term contract which would bind Idaho Power or any successors to assure Idaho citizens receive benefits of systems which eventually end up with Idaho Power or any component of it. The advisory committee would assist governor in these negotiations.

Oregon reports on Oregon legislation.

* Began with hearings on key issues; currently work group developing legislation.

* Work group includes representatives of Investor Owned Utilities, Consumer Owned Utilities, Industrials, Department of Energy, Public Utility Commission, and small customer and environmental interest groups; each group has a vote as issues are dealt with in attempt to build a consensus bill.

* Using governor's principles as guideline in discussions.

232

* Any issue agreed on in work group subject to committee review and amendment or rejection.

285

* Summary of issues being discussed in work group.

345

* Summary continues.

369

Rep. Jim
Welsh

* Issues to be deferred during interim to regulatory authorities or governing boards: electricity service, right to privacy, metering, redlining.

420

484

* Require regulatory authority investigation of issues related to environmental impact of power supply sources and provision of results to customers so they may make informed choices about suppliers.

* Issues to be determined include date certain, how to deal with public utilities in comparison to Investor Owned Utilities, whether everyone goes to open access at once, whether IOUs should be required to reconfigure, whether there should be state agency regulatory authority.

* Other issues to be determined: uniform application of state policy to all retail electric customers, public purposes programs, recovery of stranded costs, special consumer protection provisions, default supplier.

* Hope for unanimous decision on committee bill; interim committee

on portions that need further study; 1999 legislative session will address additional issues.

* BPA and public utility connection and how to address their issues if implementation begins December 1, 2000 is concern; options to be developed.

Tape 73-II, B

001

Rep. Welsh Suggests BPA issue one for discussion among four-state group.

Tape 74-I, B

001

Mueller Thanks Rep. Welsh. Asks if anyone else from Oregon has comments. Moves to Washington State delegation.

Washington, says Washington did not have interim committees or boards prior to session; instead was discussed in full Energy and Utilities Committee in both House and Senate.

007

Sen. Bill Finkbeiner

* Determined competition in generation side would bring benefits to consumers, both large and small.

* Comprehensive restructuring bill developed taking into account recommendations of Comprehensive Review.

* Full bill not completed, but much progress made.

Outlines bill

* 3 percent for public purposes

* July 1, 1999, implementation date for all customers

024

Sen. Finkbeiner

* Four issues to study during interim: reliability, securement of bonds for public utilities, bypass, and stranded costs.

078

* Postponed implementation for rural utilities and cooperatives until 2001 unless their customers voted to enter market earlier.

* Passed out unbundled costs bill that requires utilities to unbundle generation, distribution, and transmission costs.

Reports on House concerns and progress.

* Developed structure for stranded costs.

097

Rep. Jeff Morris

* Concerns for how to have Independent Grid Operator on system built for reliability and coordination of four different dispatch systems.

* Need for system to impose regional transaction charge for congestion.

* Dealing with purchasing power of transition pool in California.

* Protection of regional assets, such as keeping BPA generating assets within region.

* Comfortable with ability to compete with California purchasing power through 2020 as long as natural gas prices hold.

Moves to discussion portion. Three topics to consider:

140

Mueller

* areas among states where agreement might be possible

* issues where more information needed

* potential contentious issues

156

Sen.
Finkbeiner

Asks Sen. Thomas how Montana solved stranded costs issue and if they had utilities with major stranded cost issues. Also asks about moratorium on rates. Notes they included requirement of utilities to put in writing solicitations to change providers. Asks why other senators voted against bill, if a particular area of opposition.

Responds to Sen. Finkbeiner's questions.

173

Sen.
Thomas

* Stranded costs recovery: utility will file with PUC who determines amounts, then to recovery process. Large utilities in Montana negotiated down much of stranded cost ahead of time. Maximum four year recovery in hydro stranded costs. Some costs "set in stone", qualifying facilities identifiable.

228

* Moratorium on rates: provide comfort for consumers.

* Votes in opposition centered around Universal Benefits Service charge.

Tape 73-II, B

010

Sen. Noh

Asks if any state has discussed aggregators.

Tape 74-I, A

270

Sen.
Thomas

Says they encouraged aggregation to happen, talked about it in committee, feel something that will happen among any of several entities.

293

Sen.
Thomas

Asks Washington delegation if merger of a large utility complicated or otherwise affected ability to pass legislation.

300

Rep. Morris

Says merger did not directly affect what legislature was doing.

312

Rep. Quilici

Asks what amount other states are considering for public purposes charges.

324

Sen.
Finkbeiner

Says they went with 3 percent as recommended in Comprehensive Review, although some groups felt amount too low.

343

Rep. Morris

Says House side felt 3 percent was a minimum; made temporary fix for drop in federal support.

355	Sen. Finkbeiner	Says Senate views 3 percent as ceiling, but said utilities could go above that amount if they chose, but it had to go into generation and be part of competitive business.
Tape 73-II, B		
025	Rep. Welsh	Says 3 percent rate was to be ceiling rate as systems benefits charge.
035	Rep. Ron Crane	Says they have not dealt with public purposes yet.
Tape 74-I, B		
044	Rep. Newcomb	Asks how low density areas were addressed in bills.
056	Rep. Welsh	Says it will be discussed relative to COUs that serve rural areas, but has not been addressed yet.
Tape 74-I, A		
393	Rep. Morris	Asks House member from Montana why he was opposed to the Senate bill. Highlights objections to the bill. * 2.4 percent SBC too low
399	Rep. Ewer	* concerns about keeping 2.4 percent SBC, since there is specific language in bill that SBC cannot impede or enhance competition
450		* stranded costs definition too expansive * tax impact if competition from out of state edges out local providers * rate moratorium not necessarily great benefit to consumers
Tape 73-II, B		
086	Rep. Welsh	Asks if anyone has included in discussion or legislation issue of providing help to Bonneville. Says Oregon is considering including in legislation requirement of 25-50 percent of load in each utility be dedicated to BPA power; also will be discussing other options for providing guarantees to BPA.
Tape 74-I, B		
004	Rep. Norm Mills	Says will be discussed in House committee shortly. Says one possible way to handle it is to include high cost areas as part of area that can receive universal service funds.
010	Rep. Ewer	Points out that cooperatives have the option of being in or out of the deregulated environment; is not sure if UBC stays on if they stay in regulated environment.
017	Sen. Thomas	Says legislation clearly says UBC applies to everyone, whether rural cooperative opts in or out of competitive market. Governing boards of cooperatives make decision whether to participate in competition. Says Bonneville would be delighted with some assistance from states.

040 Hardy Says they were trying to get at that with suggestion about aggregators. Requirement that portion of load be provided by BPA would be significant benefit.

060 Sen. Thomas Says in Montana about 20 percent of power comes from BPA; have not felt need as yet to help out BPA.

Tape 73-II, B

121 Sen. John Hansen Asks if there is or should be uniformity in terms of definitions, criteria, and accountability for funds that are discussed in a general sense as percentages for public purposes.

Tape 74-I, B

080 Sen. Thomas Says Montana expects to spend money on low income fuel assistance, continued conservation, and other items that have been used in the past. Says Comprehensive Review probably best document to reference for spending guidelines.

091 Rep. Quilici Says he has been working on weatherization for years, and after this year's weather, he says it will receive priority in funding. Says 2.4 percent means about \$13 million in Montana, but he would prefer 3 percent.

104 Sen. Thomas Says they added "cost-effective conservation" to the language in the legislation.

112 Rep. Morris Asks if Montana's legislation was prescriptive to utilities as to how to spend the public purposes funds or allowed local control.

117 Sen. Thomas Says large industrials may do own cost-effective conservation; cooperatives continue in same venue. Local cooperative boards will determine allocations of revenues and PUC involved with public utilities.

135 Rep. Morris Says doesn't make good sense for everyone to have same split with 3 percent because of individual needs of states, but having common collection method probably desirable.

155 Sen. Finkbeiner Asks Oregon who voted against the January 1, 2000 date.

Tape 73-II, B

191 Rep. Welsh Says Consumer Owned Utilities.

194 Rep. Welsh Asks BPA if they are giving any consideration to easing burden on Consumer Owned Utilities committed to long-term above-market contracts and what they are.

Tape 74-II, B

167 Hardy Says trying to work within context of Comprehensive Review to give those customers an option to sign up at cost-based rates, in a way that preserves preference clause, so that public utilities get first in line access to Bonneville power. They recognize that rates are above market presently, but that ultimately Bonneville cost will be below market, making it a valuable asset to retain.

Tape 73-II, B

Asks if there will be direction coming from BPA on the issue of

238 Rep. Welsh contracts which are silent about retail wheeling and how to maintain those customers if states go to open access.

Tape 74-II, B

210 Hardy Says they were not able to reach agreement with public agency customers on a single type contract and each preserved whatever rights they feel they have. Says only an issue from effective date of retail wheeling and October 1, 2001, when contracts expire. Suggests options for dealing with transition time between date of open access and expiration of contracts.

Tape 73-II, B

282 Rep. Welsh Asks if BPA will provide ancillary services to end use customer pursuant to direct access process.

Tape 74-II, B

262 Hardy Says will provide ancillary services to wholesale customers or aggregators or other entities that operate at wholesale. Says regardless of legal authority they may or may not have to provide services at retail, they made policy decision that they are not in retail business.

280 Mueller Moves to general discussion. Asks if all four states feel reciprocity is important.

Tape 73-II, B

322 Sen. Hansen Says it makes sense in Northwest, and Idaho will probably look at it.

328 Rep. Welsh Says Oregon feels reciprocity very important and interested in discussing with other states.

Tape 74-I, B

308 Sen. Finkbeiner Says Washington could not move a bill without reciprocity.

312 Mueller Asks if any states disagree with flexibility in systems benefits charge.

Tape 73-II, B

347 Sen. Noh Says one area not completely clear with respect to systems benefits charge is the extent to which low density areas are included.

Tape 74-I, B

329 Rep. Quilici Says universal service should not be confined to cooperatives, that if any other type utility is serving high cost areas, they should be included; expects that to be included in Montana's bill that gets signed by the Governor.

338 Sen. Finkbeiner Says in Washington universal service or high cost areas were not included in their 3 percent because they were only regulating generation side and expect distribution and transmission to remain constant.

350 Rep. Quilici Says their bill regulates local distribution, so universal service will need to be included in fairness to public.

Tape 73-II, B

Says in Idaho low density areas may be served by both cooperatives

390 Rep. Newcomb and IOUs, which could be left with stranded costs if aggregators begin serving high industrial users in those areas. Says they are concerned about how to protect the remaining captured consumers and asks if other states have considered such scenarios in their legislation.

Tape 74-I, B

375 Sen. Thomas Says in Montana those stranded costs will be determined and paid for through revenue bonds, stranded costs will be taken out of rate base and moved into transition charge that goes on everyone's bill, and industrial users will be required to pay the stranded costs until revenue bonds paid off.

405 Mueller Says another area of agreement he noted was all states were planning to require all utilities to functionally unbundle, but did not hear if any were going to require divestiture.

416 Sen. Thomas Says correct in Montana.

427 Mueller Notes areas of agreement include reconfiguration of utilities, flexibility with respect to public benefits, and reciprocity. Asks if other areas of agreement.

Tape 73-II, B

471 Sen. Noh Says system reliability is an area that region should consider working on jointly.

Tape 74-II, B

454 Sen. Thomas Says in Montana PUC will continue to regulate poles and wires.

462 Hardy Says at transmission level, there is nationwide move to system of independent grid operators or system operators which will be responsible for commercial aspect of earning transmission revenues and for reliability investments in transmission systems. Says still don't know full consequences of retail access at transmission and distribution levels. Says they will probably learn from California about what to do and not to do. Says retail utility will need to continue to be involved in ensuring reliability and tracking individual transactions at retail level. Doesn't see Bonneville or other wholesaler having such capability in near future.

072 Rep. Ewer Says one area all agree on is how to get practical choice to ordinary people in the respective states.

093 Rep. Morris Says he feels important to continue dialogue among the four states and possibly include British Columbia and Alberta in the future in dealing with common issues and cooperative efforts to assure best service to all residents.

143 Rep. Quilici Thanks participants for input.

148 Hardy Thanks participants. Says what's happening in Washington, D.C. over next few years important to region, particularly regarding public benefits, and encourages input from the region.

Tape 74-II, A

029 Sen. Hansen Asks if minutes will be provided from meeting and asks for addresses, phone numbers, and E-mail addresses of participants.

Tape 75, A

182 Mueller Says list of participants can be provided and minutes will be provided by Bonneville.

Tape 74-II, A

048 Hemingway Says he is impressed with how state legislators have dealt with the issues of deregulation.

061 Rep. Welsh Thanks everyone for participating; says Oregon will do whatever it can to provide information to other states and encourages everyone to keep in contact with Congress regarding individual needs.

Tape 75, A

220 Mueller Thanks participants. Announces that Bonneville will be convening conference in Portland May 30, "Energy Restructuring in the Pacific Northwest: Where Have We Come and Where Are We Going?" Co-sponsors include Portland State University, Northwest Power Planning Council, Northwest Conservation Act Coalition, State Energy Offices, tribal groups, utilities, and others. Purpose is to reflect on progress made in light of the Comprehensive Review. Adjourns.

Summary and addresses provided after teleconference
(EXHIBIT A).

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Teleconference, Written materials, Jock Mills, 13 pp.