

HOUSE COMMITTEE ON POWER DEREGULATION

March 27, 1997 Hearing Room E

1:00 P.M. Tapes 76 - 78

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Randall Edwards

Rep. Jim Hill

Rep. Patti Milne

Rep. Lonnie Roberts

Rep. Ken Strobeck

MEMBER EXCUSED:

Rep. Cynthia Wooten, Vice-Chair

STAFF PRESENT:

John Larson, Administrator

Julie Neburka, Asst. Administrator

Lynda Sloan, Administrative Support

MEASURE/ISSUES HEARD:

PUBLIC HEARING ON HB 2503

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 76, A		
001	Chair Welsh	Opens meeting at 1:16 p.m.
<u>PUBLIC HEARING ON HB 2503</u>		
		Representing District 56, offers testimony on HB 2503. Says he recognizes that deregulation is coming and asks that legislators

015	Rep. Bob Montgomery	proceed with caution and review all issues that are necessary. Says he thinks interim task force will give an opportunity to take a good look at deregulation, find out what they want to do, and how to do it right.
027	Rep. Bryan Johnston	Representing South and West Salem, offers testimony on HB 2503. Commends Committee on their task. Express concern that they will make an educated judgment, and says the bill they are offering suggests a mechanism to get there. Suggests that the committee include policy charge to interim group that would assist in moving appropriately into deregulation.
063	Rep. Strobeck	Asks Rep. Johnston what power company serves his district.
064	Johnston	Says Portland General Electric (PGE) serves South Salem, and Salem Electric serves West Salem and Keizer.
075	Rep. Montgomery	Introduces and offers welcome to guest from Denmark who is here to see how democracy works in the United States and in Oregon.
093	Diane Cowan	Executive Director of Oregon People's Utility District Association, testifies in support of HB 2503, presents written testimony (EXHIBIT B). Discusses why bill came to be * concerns with deregulation * recognition that it was prudent to begin process, setting framework for discussion * desire to move toward restructuring in thoughtful fashion * need to preserve low rates we already have
114	Cowan	Continues testimony, discussing * important not to get caught up in deregulation for its own sake * concerns of residential customers that deregulation will result in increased rates * support for HB 2503 * concerns about municipal bonds
164	Rep. Hill	Asks opinion of retail wheeling projects that will be implemented regardless of what legislature does.
170	Cowan	Says pilot projects critical to process because they give opportunity to have residential and business customers learn how retail wheeling will work for them, as well as providing evaluative data for utilities.
180	Rep. Hill	Asks how utilities will get data if they don't participate in pilots.
183	Cowan	Says public power is looking at pilot projects, but none are yet developed.

187	Sandra Flicker	<p>Representing Oregon Rural Electric Cooperative Association, testifies for HB 2503 (EXHIBIT C) Says ORECA supports HB 2503 but with amendments. Discusses HB 2503</p> <p>* support for continued interim study of electricity restructuring issue</p> <p>* suggested task force include more technical expertise, as well as including one urban and one rural legislator from both House and Senate</p>
227	Flicker	Continues discussing proposed amendments to HB 2503, listing principles that should be included (EXHIBIT C, page 2). Suggests also including process of statewide public meetings to include consumers in restructuring issue.
271	Rep. Hill	Asks if Flicker has suggested language for amendments.
278	Flicker	Says amendments in conceptual form and that she would work with staff to prepare amendments.
273	Milton Skov	President of Board of Directors of Northern Wasco People's Utility District, testifies on HB 2503. Says important that deregulation issues be completely investigated. Notes Oregon has fourth cheapest commercial rates in U.S., and residential rates are third cheapest. Says Oregon residents will not profit measurably from deregulation. States that deregulation should not cause increase in residential rates while giving industrial customers lower rates. Feels deregulation should not occur until more study is done.
341	Rep. Strobeck	Notes interim task forces do not necessarily provide assistance that is helpful. Asks if HB 2503 doesn't just delay implementation until 2001 when contracts with BPA expire.
366	Cowan	Says PUD's don't feel that is their position, but that goal is the same as other proponents, just go slower.'
375	Skov	Says not afraid of competition, but rather that part of their \$60 million is at risk. Says they want to do what is best to help all of Oregon.
423	Flicker	Says they suggest interim study because restructuring issue is so complex and that more and better information will be available to next legislature to make policy decisions.
Tape 77, A		
001	Flicker	Continues responding to Strobeck.
<u>ISSUES DISCUSSED</u>		
022		Discusses with Flicker and Cowan
046		<p>* whether principles could be included in this session's committee bill, and leave technical implementation for HB 2503.</p> <p>* period of time discussions about electricity industry restructuring have been taking place</p>

090	Committee	* recommendation for task force to study issue in depth
134		* discussion of policy issues in work groups
173		* how Bonneville's stranded costs and contracts create competition barriers
223		* dealing with utilities that want competition and better rates
233		* reasons for and against consumer owned utilities not entering competitive environment until 2001
264	Rep. Hill"	Asks how doing a retail wheeling project now, with current BPA contracts and no deregulation, would be different for them than if everyone was entering the market through deregulation. Says he doesn't see any difference if they are going to have stranded costs under BPA because, whether they do it voluntarily or involuntarily, the same costs exist.
278	Cowan'	Says Bonneville will not allow flexibility. Says cooperatives through Pacific Northwest Generating Cooperatives (PNGC) can work with 30 percent of loads, but other 70 percent tied to Bonneville.
288	Rep. Hill	Asks if okay for 70 percent to wheel.
293	Sarah Baker-Sifford	General Manager of Oregon Rural Electric Cooperative Association, discusses need to proceed cautiously. * 70 percent of cooperatives' needs are met by BPA power, * Mixed portfolios of wholesale resources provide cost savings. * BPA contracts only allow savings from diversification to be passed to existing customers; new customers acquired through retail wheeling must be served only with BPA power.
<u>ISSUES DISCUSSED</u>		
326	Committee	Discusses with Panel
341		* whether retail wheeling would be an issue of discussion if Bonneville power prices were lower than market
396		* whether certificated service territories could be eliminated and consequences if done * how task force might deal with issues
Tape 76, B		
001	Cowan	Comments she appreciates Welsh's questions about contracts.
<u>ISSUES</u>		

<u>DISCUSSED</u>		
014	Committee	Continues discussion with panel regarding whether legislature should enact deregulation legislation this session or a task force should continue studying until next session.
071	Chair Welsh	Responds to comments of panel.
096	George Litzenberger	Board Chairman of Springfield Utility Board, offers written testimony in support of HB 2503. Urges prudent approach to restructuring electricity industry (EXHIBIT E).
150	Litzenberger	Continues testimony (EXHIBIT E, page 2).
200	Litzenberger	Continues testimony (EXHIBIT E, page 3).
224	Rep. Roberts	Notes this bill doesn't affect local control.
231	Tom O'Connor	Representing Oregon Municipal Electric Utilities, says municipals feel that decisions about retail wheeling should be left to local elected officials and that issues like reciprocity need to be handled at state level. Says they support the study associated with this bill as the way to set overall policy framework for state
256	Rep. Roberts	Notes that the bill recommends report to legislature by November 1, 1998 and because of election in early November, make up legislature probably won't be known until mid-November.
269	O'Connor	Says process is way to bring people with diverse interests together to develop a bill people could agree on. Commends HB 2503.
288	Karla Droste	Says one purpose of task force is to identify benefits to restructuring or costs.
300	Rep. Roberts	Says regulation will happen, whether state or federally legislated. Says current discussion is how and when it will be done. Says he thinks 1999 perfect for implementation.
325	Droste	Says she doesn't think federal legislation is necessarily a sure thing, but even if so, want to know costs in Oregon in order to be prepared.
331	Rep. Roberts	Says he feels there is time to get answers and do it right, but should deregulate before forced by federal legislation.
347	O'Connor	Says they are committed to working on issue and already working at local utility level on answers.
354	Rep Hill	Asks if panel committed to working with Committee over the next month.
360	Chair Welsh	Says he is committed to local control. Asks for list of major industrial, commercial, and some residential people to testify. Says aggregation makes difference for groups getting better rates.
413	Liz Shuler	Representing International Brotherhood of Electrical Workers presents written testimony in support of HB 2503 (EXHIBIT E).
Tape 77, B		
		Continues testimony, discussing

001	Shuler	* low rates mean no need to pass comprehensive bill at this time * concerns of impact on safety and reliability of systems
042	Rep. Hill	Asks if areas that have gone to retail wheeling are now unsafe.
044	Shuler	Says they have not been able to look at four states that recently enacted legislation. Says California has had problems with systems maintenance.
055	Chair Welsh	Comments on need for statutes on safety standards.
073	John Gervais	Representing National Electrical Contractors Association offers testimony in support of HB 2503. * Expresses concern for how restructuring takes place, what power companies look like, and companies they create after restructuring, which is addressed in HB 3536. * When power companies are deregulated, not allow remaining regulated portion to cross-subsidize new businesses created, keeping "level playing field" for all concerned. * Supports interim study.
094	Rep. Hill	Asks if concern about cross-subsidization works the other way, in that if the related company is successful, they shouldn't be responsible for putting profits from the related company over to the utility.
098	Gervais	Says he hadn't thought about that. Suggests areas that need to be included in legislation that will help create a "level playing field" for all concerned.
120	Ed Luttrell'	Master of Oregon State Grange, presents written testimony in support of HB 2503 (EXHIBIT F). Outlines concerns about deregulation * lack of public demand for deregulation * potential for lack of reliable service * safe electrical systems * protection for local providers
171	Luttrell	Continues testimony, discussing concern for how deregulation could affect continuation of low-cost power in Oregon. Concludes testimony expressing support for HB 2503.
185	Chair Welsh	Responds to Luttrell's testimony. Points out that there can be great savings over time, but retaining complete regulation may mean someone else making decisions for state.
209	Luttrell	Says he agrees nothing has been passed that will hurt state but wants general public to understand what is going on. Says there is fear and distrust of word "deregulation".

<u>ISSUES DISCUSSED</u>		
238	Committee	Discusses with Luttrell * where most grange members receive power from * constituency expressing concerns * grange membership's knowledge of power sources
280	Chair Welsh	Comments on nature of deregulation among other industries, noting that it is a continuing process, and that electrical industry deregulation will likely follow suit.
310	John McCulley	Representing Oregon Cattlemen's Association, presents written testimony in support of HB 2503 (EXHIBIT G). Supports going slow with deregulation, using HB 2503 as framework, but proceeding with change in deliberate manner.
354	Kristina McNitt	Representing Oregon Farm Bureau presents testimony in favor of HB 2503 (EXHIBIT H). Expresses concerns about effects of deregulation on cost of electricity to rural customers, ability of farmers to aggregate power, and reliability and service.
408	Tom O'Connor	Representing Oregon Municipal Electric Utilities. Discusses question raised in previous meeting about municipal debt. Says he can't speak for EWEB, but other small municipal electric utilities do not have revenue bonded debt on electric side. Says they do have issue of conservation commitments through Bonneville and facilities built specifically for industrial customers. Their concern primarily with up front costs associated with this.
(Tape 78, A)		
<u>STRANDED COSTS</u>		
006	Doug Myers	Representing Fair and Clean Energy Coalition, notes they are submitting written testimony on stranded costs (EXHIBIT I).
009	Steven Weiss	Representing Fair and Clean Energy Coalition, presents testimony on stranded costs. Discusses proposed date for deregulation implementation * Set date for soon after next session. * Recommend PUC confirm transmission system is ready. * Allow Customer Owned Utilities with BPA contracts to delay until 2001 or allow stranded costs if implemented before 2001. * Implement for all classes at same time.

		* Continuing to delay likely to cause more problems than going ahead. * Stranded costs will increase through delay. * Mandate pilot projects at all levels.
069	Chair Welsh	Enters letter from Curtin Mitchell into record (EXHIBIT J). Adjourns at 3:12 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Staff Measure Summary HB 2503, Staff, 1 p.

B - HB 2503, written testimony, Diane Cowan, 3 pp.

C - HB 2503, written testimony, Sandra Flicker, 2 pp.

D - HB 2503, written testimony, George Litzenberger, 3 pp.

E - HB 2503, written testimony, Elizabeth Shuler, 1 p.

F - HB 2503, written testimony, Ed Luttrell, 2 pp.

G - HB 2503, written testimony, John McCulley, 1 p.

H - HB 2503, Written testimony, Kristina McNitt, 2 pp.

I - Stranded Costs, Written testimony, Doug Myers and Steven Weiss, 4 pp.

J - Retail Wheeling, Letter from Curtin Mitchell, Chair Welsh, 2 pp.