

HOUSE COMMITTEE ON POWER DEREGULATION

April 1, 1997 Hearing Room E

1:00 p.m. Tapes 83 - 86

MEMBERS PRESENT:

Rep. Jim Welsh, Chair

Rep. Jim Hill

STAFF PRESENT:

John 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

Ron Eachus, Oregon Public Utility Commission

Jason Eisdorfer, Fair and Clean Energy Coalition

Fred Gordon, Northwest Energy Efficiency Council

Fred Heutte, Northwest Energy Efficiency Council

Denise McPhail, Portland General Electric

Daniel Meek, Energy Electrons Environment

Paul Murphy, PG & E Energy Service et al

Tom O'Connor, Oregon Municipal Electric Utilities

John Savage, Office of Energy

Rachel Shimshak, Renewable Northwest Project

MEASURE/ISSUES HEARD:

Development of a 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 83, A		
002	Chair Welsh	Opens meeting at 1:19 p.m. Makes announcements.
012	John Larson	Discusses with Work Group methods of ranking administration of public purposes funds (EXHIBIT A).
062	Chair Welsh	Asks group if question should be how public purposes funds are administered rather than who administers.
072	Jim Anderson	Says they need to know how funds are administered before deciding who administers.
077	John Savage	Agrees with Anderson
085	Work Group	<p>Discusses pool method of administration</p> <ul style="list-style-type: none"> * assumption that certain amount of money is guaranteed to be spent in local territory, but not necessarily by utility itself * optional pooling, with utility allowed option to administer funds locally * for cooperatives and Public Utility Districts (PUD), 3 percent is line item in budget with local officials accountable for its use
150	Chair Welsh	Suggests beginning with how money will be spent.
154	Diane Cowan	Asks for clarification of statements under public purposes.
158	Chair Welsh	Says they came from the Strawman bill and that they will be explained when renewables are discussed.
165	Work Group	<p>Discusses pool funds</p> <ul style="list-style-type: none"> * whether to spend on conservation in service territory from which collected * when funds not spent in local territory, returned to pool
210	Work Group	Discusses administration of conservation funds matrix.
254	Tom O'Connor	Suggests two mechanisms could be in place. Says a pool could be established statewide, and Consumer Owned Utilities (COU) that chose not to spend money locally for conservation would contribute it to the pool.
		Discusses administration of conservation funds.

300	Work Group	* whether utility should be primary delivery mechanism of energy efficiency or if it should be done on more open competitive market basis * important for local COU to have option to continue to provide services
350	Work Group	Continues discussion * how Investor Owned Utilities (IOU) and Publicly Owned Utilities could serve as delivery system for conservation funds * advantages and disadvantages for consumers
400	Work Group	Continues discussion * designing system that will still work five to ten years in future * using pool as fail-safe method when small utilities can no longer maintain local program
Tape 84, A		
001	Work Group	Continues discussion * encouraging local utilities to develop and operate programs
025	Ron Eachus	Suggests working on option 3 * has most support: first choice of COUs and IOUs, second choice of PUC * does not disadvantage Associated Oregon Industries (AOI) * not detrimental to industrial customers
0061	Chair Welsh	States question: "Should there be pooling for IOUs and Direct Service Industries (DSIs) and local control for COUs, with the understanding that COUs must contribute to pool if utility fails to maintain an acceptable program?"
065	O'Connor	Adds, "or opts to". Says they are interested in having it as an option.
069	Larson	Reads amended question: "Should there be pooling for IOUs and DSIs and local control for COUs, with the understanding that the COUs must contribute to the pool if the local utility fails to maintain an acceptable program or the local opts to participate in the pool?"
075	O'Connor	Expresses concern about use of term "acceptable program." Says they agree to mandatory 3 percent, and that the two choices are to spend the funds locally under oversight and direction of local elected officials, or send the money to the pool if they opt not to administer a local program.
086	Larson	Reads amended question including change ". . . with the understanding that COUs may contribute to the pool if they opt to do so?"
092	VOTE	YES 5-0
		Discusses suggestions for implementation

107	Fred Gordon	<ul style="list-style-type: none"> * broadly representative board with director appointed by governor * IOUs contribute to pool, publics have option * statement of purpose of conservation which is to expand markets so business world can work in markets * non profits should be planning to make markets work better; target problems
159	Chair Welsh	Asks about consumer information that will rate efficiency on products.
161	Gordon	Suggests examples of projects or ideas that could be coordinated to fix market.
170	Chair Welsh	Asks if they can affect energy conservation.
186	Gordon	Describes example federal government participated in to increase efficiency of heat, energy, and water use.
205	Fred Heutte	Says markets don't fix themselves, they need help. Says information gaps are part of reason for market ineffectiveness.
213	Chair Welsh	Asks if "front end" help is what is needed.
214	Gordon	<p>Discusses examples of what can be done to help the market</p> <ul style="list-style-type: none"> * Encourage use of most up-to-date technology in energy efficient products in variety of ways. * Focus on building markets that energy efficiency businesses can expand in. * Include other power resources such as gas and water; reduce solid waste costs, and improve productivity in industry in conservation efforts. * Coordinate with other institutions working on similar problems.
258	Chair Welsh	Asks about proposed method of administration.
260	Gordon	Discusses example of working board in New England that might serve as model.
288	Heutte	Notes that transition is a phase process, and that there are many issues to think about. Suggests that as process gets going, COUs will want to participate in statewide approach.
312	Gordon	<p>Describes possible scenario for getting underway</p> <ul style="list-style-type: none"> * pilot activity before 2000 * orchestrated hand-off with private utilities
332	McPhail	Asks if group had agreed on imposing 3 percent so that funding will not exist until year 2000.
337	Chair	Says not yet.

	Welsh	
341	Heutte	Notes it is possible to start on pilot basis any time, not necessarily with 3 percent implementation
353	Dan Meek	Agrees that committee doesn't need to address detail, but does need to establish structure for entity and schedule for funding it. Suggests Office of Energy or other existing government agency as possible choices. Says California PUC allows no one on boards with financial interest in how money will be spent; public money should be spent by people responsible to public.
396	Chair Welsh	Asks where to get help and information from utilities charged with administering.
402	Meek	Says California PUC will not allow utilities to administer, that they can bid to provide services, but only under conflict of interest rules that are adopted by the board, for which PUC will provide guidelines. Discusses other areas in which California has acted to with regard to cross-subsidization and competition issues. Notes that California has also established two technical advisory committees to provide additional expertise, but without decision-making authority regarding expenditure of funds.
Tape 83, B		
002	Jason Eisdorfer	Asks reason for the two different advisory committees.
007	Meek	Explains functions of the committees <ul style="list-style-type: none"> * Energy efficiency is focus of Energy Efficiency Independent Board, aided by a technical advisory committee which Board appoints. * Low income issues dealt with in low income governing board with similar companion technical advisory committee. Suggests that structure of entity and schedule are what needs to be focused on. Says surcharge should be in effect before any programs are in effect, probably at least six months in advance. Notes difficulties California has had as result of surcharge being effective same time as programs, such as utilities cutting back on conservation spending in anticipation of deregulation.
056	Meek	Continues; saying cut link between time direct access starts and time independent conservation funding begins and is administered. Says committee should consider surcharge on gas utilities as well because they have many of same problems and statutory obligations as electric utilities.
081	Chair Welsh	Thanks Meek for suggestions and says some will have to be discussed with leadership before committee consideration.
086	Savage	Asks Meek if inherently opposed to non state agency board.
088	Meek	Says to ensure that members have no proprietary interest in distribution of funds, potential members have to meet same strict public disclosure about possible conflict of interests as public officials, so a public agency might as well be used.
		Suggests that an approach has been adopted that includes establishing general

113	Eachus	parameters and general direction to some operational issues. Says may be necessary to have small group to develop outlines of language for Section 24 to deal with this type of approach, as well as timeline for what and when to do things between when legislation passes and year 2000.
170	Work Group	Discusses Eachus's proposal and agrees on one week to work on language.
216	Chair Welsh	Makes announcements. Says Rep. Hill will chair rest of meeting because he has a schedule conflict.
246	Savage	Discusses three types of renewable resource activities: distinguishing among them, what money to each, specific activities of each

1. research and development to determine cost and potential of resources in region

2. distributed renewables in which intent is precommercialized activities, using seed grants to advance them

3. building or purchasing from new renewable plants

312	Rachel Shimshak	Comments on Savage's presentation.
318	Rep. Hill	Asks about impact if everything done locally in terms of aggregating opportunities. Says the way Regional Review approached issue was publics could aggregate to make more efficient purchase of renewables; IOUs given specific plans for direct purchase. Says many options, with details best set aside for subgroup to deal with.
325	Shimshak	Notes Regional Review said for straight research and development money and distributed renewables, made sense to pool funds; and for new renewable resources, left for local control with pooling option.
359	Rep. Hill	Asks who would have fiduciary responsibility for the funds. Says for IOUs, still regulated by PUC; and for POUs, responsible to elected boards.
367	Shimshak	Says Fair and Clean bill recommends state oversee to ensure consistent, good implementation of investment.
376	Savage	Says no entity designated to administer pool at this time, but one could be created.
391	Work Group	Discusses results of regional deregulation legislation.

**Tape
84, B**

001	Work Group	Discusses funding recommendations in Regional Review.
028	Rep. Hill	Asks if need for seed money
043	Steve Munson	Comments on Regional Review regarding renewables funding.
097	Eachus	Asks whether pooling of renewables could be done by the same entity for which pooling of conservation is done, under the same conditions as in Regional Review, assuming local option.

139 Rep. Hill Calls for vote on question: "Should regional renewable energy, research and development, distributed renewables, and commercialization of new renewable energy resources be administered by same entity as suggested in Regional Review for pooling of conservation."

144 **Vote** **YES, 5-0**

152 McPhail Asks whether all renewables funding should be pooled, or have local option as recommended by Regional Review.

157 O'Connor Says he thought that was what was just voted on.

158 Work Group Discusses question.

208 Work Group Continues discussing question.

237 Rep. Hill Poses question again for vote: "On regional renewable energy research and development, distributed renewables, and commercialization of new renewable energy resources, assuming a local option for commercialization, would everyone support the same entity being responsible for applying the funds for renewables and conservation?"

252 O'Connor Says they agree with commercialization, but their position is that for any of the funds there should be local option for renewables as with conservation.

260 Rep. Hill Suggests removing commercialization and new renewable energy resources from vote because it had already been agreed on in an earlier vote.

267 Meek Says the way vote was taken, no vote up or down was done on local option. Argues that local option on renewables should be afforded to POUs, but should not apply to IOUs. Explains his reasoning.

295 Rep. Hill Asks if everyone understood what vote was on, that it is the same as for conservation.

306 McPhail Says it is not, because under conservation only POUs had local option, and in this one all utilities have local option on commercialization.

311 Rep. Hill Calls for vote, including phrase "everyone has the option for commercialization."

324 Eachus Suggests voting separately on local option for each of three renewables.

320 Rep. Hill Calls for vote on local option for regional renewable energy research and development.

329 **Vote** **YES, 4-1**

336 Rep. Hill Calls for vote on distributed renewables.

349 Work Group Asks for vote on question: "Should we allow local option on pooling for regional renewable energy research and development funds for locally governed utilities, while investor owned utilities pool?"

359 Rep. Hill Calls for vote.

372 Meek Notes that column 3 indicates COUs are already subject to governing body oversight. Says issue he is raising is whether there should be local option for IOUs on renewable funds.

384 Savage Says reason they are taking this vote is that there are other reasons than conflict of interest to pool these funds.

Explains that IOUs and COUs pool their funds, although some funds may be spent in

403 Larson their service territory, and that COUs make decisions locally, unless they opt to have funds pooled.

422 Rep. Hill Calls for vote on regional renewable energy research and development.

423 **Vote 3 Yes, 2 No**

Tape 85, A

002 Rep. Hill Calls for vote on distributed renewables.

003 **Vote 3 Yes, 2 No**

004 Rep. Hill Calls for vote on commercialization of new renewable energy resources.

008 McPhail Explains vote. Says they oppose pooling only on commercialization issue because they would like local option there.

017 **Vote NO, 0-5**

023 Rep Hill Asks what needs to be changed under regional renewable energy research and development for favorable vote.

028 Savage Says the reason for their no vote is that it is the type of thing that can't be done effectively with 39 utilities at one time.

036 Eachus Says there were problems with previous agreements in Regional Review. Discusses option of pooling money and utilizing as billing credits to customers.

087 Work Group Discusses ways to reach consensus on regional renewable energy research and development.

115 Rep. Hill Calls for vote on question: "Shall we deal with subject of regional renewable energy resource and development by pooling funds as suggested in column 2; that is, there would be a manager of pooled funds for IOUs, DSIs, and COUs with no local option?"

125 **Vote YES, 4-1**

130 Larson States next question for vote: "Shall we deal with subject of distributed renewables by pooling funds, having a manager of pooled funds for IOUs, DSIs, and COUs, with no local option?"

135 **Vote YES, 4-1**

137 Rep. Hill Asks for suggestions on dealing with commercialization of new renewable energy resources.

140 Shimshak Suggests: "with respect to new renewable resources, utility can have either local option, or it can pool, and if it pools, money is spent by same entity that does conservation."

156 Larson Reads question for vote: "For purpose of commercialization of new renewable energy resources, there is either a local option for all utilities, or pooling, and if pooling, money is managed by same entity that manages money for conservation."

179 Rep. Hill Calls for vote.

172 **Vote YES, 5-0**

Discusses low income energy efficiency services

183 * Regional Review recommendation for using existing systems

Work * Governor's task force on weatherization includes recommendations for all

Group households to be eligible

* variety of local delivery mechanisms, which may or may not include utility; may be team effort by utility and Community Action Program (CAP) agency

234 Work Group Continues discussion.

25 Steve Weiss Says that although most funding comes from Federal sources, the intention is to continue to use effective existing systems for distribution so there will be no separate bureaucracy.

273 Meek Discusses SESCO weatherization program sponsored by Portland General Electric, not through CAP agency. Expresses concerns about potential conflicts of interest if utilities administer programs, and that no real savings will result. Gives examples of how California dealt with similar issue.

325 Meek Continues discussion.

348 Rep. Hill Asks Meek to state question he would like posed to group.

352 Meek Says he would favor a yes vote on manager of pooled funds for IOUs and DSIs, COUs subject to governing body oversight.

358 Rep. Hill Asks if there would be any local option.

359 Meek Says not for IOUs, but for COUs there would be.

361 Rep. Hill Calls for vote on question: "With respect to low income weatherization, should it be addressed under column 3, which provides for a manager of pooled funds for IOUs and DSIs, and in the case of COUs, local option?"

377 Savage Notes that there is an existing state agency, the Housing Department, that allocates Federal funds for weatherization assistance programs, with an existing system. Asks if revamping that agency rather than creating a new one to administer funds would be acceptable solution.

393 Work Group Discusses question of management of weatherization funds.

412 Rep. Hill Calls for vote again on question of management of weatherization funds.

420 **Vote 3 Yes, 2 No**

Tape 86, A

001 McPhail Says IOUs need to check with their superiors regarding support for this system of weatherization funds management.

005 Work Group Discusses changes to system of managing weatherization funds that might achieve consensus.

050 Work Group Continues to discuss weatherization funds issue.

099 Rep. Hill Calls for vote on column 3, with language to include "existing state agencies".

105 **Vote YES 5-0**

107 Rep. Hill Asks Savage to address conservation and renewables at next meeting.

115 Larson Explains sub-group assignment for next meeting.

124 Munson Notes they have some concerns about ability of DSI to pick renewable energy projects.

- 128 Rep. Welsh Says probably not as it has been discussed previously.
- 136 Rep. Hill Adjourns at 4:25 p.m.

Submitted By, Reviewed By,

Lynda Sloan, John Larson,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2821, written materials, Staff, 7pp.