

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

May 22, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 198-199

Individual Children's Accounts Electrical Power Generation by Ports

MEMBERS PRESENT: REP. RAY BAUM, CHAIR REP. JERRY BARNES REP. CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE REP. BOB PICKARD

MEMBERS EXCUSED:REP. MARGARET CARTER

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER, POLICY ANALYST JERI CHASE, OFFICE MANAGER HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:REP. BEV STEIN, HOUSE DISTRICT 14 DUNCAN WYSE, EXECUTIVE DIRECTOR, OREGON PROGRESS BOARD SENATOR EUGENE TIMMS, SENATE DISTRICT 30 GARY NEAL, GENERAL MANAGER, PORT OF MORROW LARRY HITTLE, LEGAL COUNSEL FOR THE PORT OF MORROW RICHARD ALLEN, CASCADE NATURAL GAS CORPORATION GEORGE RICHARDSON, NORTHWEST NATURAL GAS COMPANY

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 198, SIDE A

000 CHAIR BAUM convenes the meeting at 8:13 a.m.

SB 800A (Individual Children's Accounts) - Public Hearing

010 REPRESENTATIVE BEV STEIN: Testifies in support of SB 800A. This bill sets up individual accounts for a child's future. We are trying to institutionalize efforts to get children into college. The Progress Board has been asked to develop this since Oregon has been designated as one of three demonstrate states for a Human Investment Strategy by the Corporation on Enterprise Development. They will be raising funds to develop the implementation of this idea.

049 REP. PICKARD: This idea holds a tremendous amount of promise for the state and its young people.

SB 800A (Individual Children's Accounts) - Work Session

064 MOTION: REP. PICKARD moves SB 800A to the House floor with a Do Pass recommendation.

065 REP. BARNES: We allocated \$400,000 to the Progress Board from the lottery; are they also getting General Fund money?

073 DUNCAN WYSE: Yes; \$500,000.

074 REP. BARNES: Does that allow you to participate in these types of things?

075 WYSE: This fits in with the Human Investment developments that the Board is currently working on and is an exciting idea. We do have the funds to do this study.

090 VOTE: Passes; 5-0. SB 800A to the House floor with a Do Pass recommendation. Voting AYE: REPS. BARNES, KATZ, MC TEAGUE, PICKARD, and BAUM. Excused: REP. CARTER and HAYDEN. CARRIER: REP. STEIN.

SB 996A (Port Electricity Generation) - Public Hearing

114 MILLER: Presents Staff Measure Summary on SB 996A (EXHIBIT A).

168 CHAIR BAUM: This is estimated to cost \$250 million?

169 MILLER: That is the cost of the project facility that will be built by the port. There is no money allocation in this bill.

176 SENATOR EUGENE TIMMS: Testifies in support of SB 996A. This is the biggest project happening in my district. The bill has been worked out during Senate hearings and work sessions and all the participants were involved in this. I think co-generational power is going to be more important in the future and this is a facility that would be an asset to the area.

204 REP. HAYDEN: How is this co-generation and primary generation of electrical power?

207 GARY NEAL: The co-generation component is the steam and electrical power combination. This would be a centralized facility. Presents written testimony in support of SB 996A (EXHIBIT B).

236 LARRY HITTLE: This is a dual purpose facility. To the extent that there is excess steam they will make electricity out of that as well. It is very efficient. The excess steam goes to the potato processors in the food processing industry.

271 REP. PICKARD: Why is it necessary to say things in this bill that I would think would be natural under de-regulation? This bill says that if the local supplier has a price that you do not agree with you can, in effect, go somewhere else to get the gas.

282 NEAL: It says that we are required to negotiate with the local gas distributor, but they were concerned about us automatically bypassing them and not trying to work something out first. This language was worked out with the gas representatives for their comfort, particularly because this project involves future projects. We had no problem with that, because we were going to try to do that anyway, we just wanted something that could be more competitive. Gas is the driving force on this project so it is a key factor in this project. The language is for their comfort level and to not allow the ports to take advantage of some of our tax exempt status that could make them less competitive.

313 REP. PICKARD: But, in reality, you can purchase the gas wherever you want to, right?

315 NEAL: Yes.

318 REP. BARNES: Would there be revenue bonds issued?

320 HITTLE: Yes, but they would be taxable and project-specific - not obligation bonds.

325 REP. BARNES: After the bond proceeds are paid off, what is your intent to do with the revenues generated? Will you be improving the economy of that area?

330 NEAL: Yes. That is our primary charge as a port. We are vested with economic development of our district and we want to maintain the area's economic viability.

343 REP. BARNES: Do the County Commissioners and other local governments support this project and the port's involvement in it?

345 NEAL: Yes. 110 percent.

346 REP. HAYDEN: Where can you get your natural gas?

348 NEAL: The port facilities of Morrow County are close to both main transmission lines - the Pacific Gas line (from Canada to California) and the Northwest Pipeline. Our local distributor (Cascade Natural Gas) has a current line into the port area that is probably not large enough and he will probably either add an additional line beside that one or build a new one.

362 REP. HAYDEN: But you could negotiate directly with the companies that run the main gas lines.

365 NEAL: No. We would work with the local distributor.

368 HITTLE: The port will investigate the price of interconnecting with a pipeline and develop those cost figures. That would be presented to the Public Utility Commissioner and if they believe that the price that Cascade Natural Gas is proposing (through a special rate) is competitive (they would also present their side of the argument) and the PUC would determine their facts were valid. The question is competitive rates. This helps the local distributor to be competitive. That is the purpose.

413 REP. KATZ: Who else could supply natural gas for you?

415 NEAL: The only other option would be to construct your own line in from one of the main lines and pay a fee.

420 HITTLE: You could contract with the pipeline, but more than likely, with the actual owners and suppliers of natural gas in Canada or the basin. There are many entities with gas for sale. This would probably be a special contract to use Cascade's facilities to get to the gas.

439 REP. KATZ: Would the rate you would pay to the suppliers in Canada be lower than the rate you pay to Cascade?

445 HITTLE: Yes it would be much lower.

448 NEAL: This would be difficult to compare.

470 NEAL: The original primary purpose of the bill was to clarify the language. The port has the authority to own and lease these facilities and generate the power; it just didn't specifically state we could enter into power sales agreements that are directly related to selling power to an electric utility. We are not interested in being involved in the retail electric business. The concern arose regarding gas that we had not considered and that is why we have accepted this language for their concern.

TAPE 199, SIDE A

024 REP. PICKARD: Would current statute have prohibited you from doing this?

029 NEAL: It did not give us a clear legal opinion that we could technically enter into the power sales agreements.

030 HITTLE: What was in statute was a contradictory authority; it was awkward.

048 CHAIR BAUM: They would have been sued, if they had tried it. Who will pay for the \$250 million bond?

061 NEAL: This will not go forward until sales are finalized. This steam provides additional capacity and that could create another 1,000 direct jobs in Morrow County. We have a proposal to put in an ethanol plant at the port to use the steam. This would be a \$10 million investment. It is a revenue bond generated for the specific project only.

103 REP. MC TEAGUE: What else could the steam be used for?

106 NEAL: Because of our resource-based economy, it would be used mostly for the food processing industry.

145 REP. PICKARD: Is it imperative to have the new capacity for steam to get the new industry?

148 NEAL: Yes, it is very important for the ethanol plant proposal to have low-cost steam available.

151 HITTLE: There is not any surplus capacity.

155 CHAIR BAUM: Will you have problems when the salmon become an endangered species?

158 NEAL: We don't think that we will go down below minimum pool level in the John Day area.

170 CHAIR BAUM: That is under the existing BPA plan. What happens if it goes further than that?

171 NEAL: The economy of the State of Oregon would be in an upheaval. That would impact over 200,000 acres of irrigated farmland; billions of dollars worth of food processing industry; etc.

178 CHAIR BAUM: How much (in gross dollars) is shipped out of the Port of Morrow by barge?

180 NEAL: We do 50 percent of the container traffic on the

Columbia/Snake River system. A majority of container movement in our region is barged because of the low costs of that transportation. The bulk of that product is not the higher-value agricultural products, but we are changing to a more diversified, high-value product than in the past.

228 REP. MC TEAGUE: How much draw-down would it take to get to the minimum pool?

231 NEAL: The John Day has more legal draw-down than any other pool in the river system - 11 feet. The traditional draw-down is 5 or 6 feet. It is 50 or 60 feet down to the run of the river.

243 HITTLE: They are not yet asking for "run of the river" in the Columbia; they are looking at the lower elevations on the Snake River, which (because of the droughts and amount of irrigation upstream) has very limited flows.

256 NEAL: We have a request in to the federal government to accommodate some dredging to allow transportation to survive in the river if they should drop the pool levels to minimum. There will, hopefully, be some help there.

264 CHAIR BAUM: We allocated some lottery funds for dredging and the Port of Morrow will receive some of those funds.

269 NEAL: We hope to be able to work through this process. If it goes below minimum pool level, there will be major problems.

290 REP. MC TEAGUE: Maybe this Committee could look at the potential economic impacts of these listings and the possibility of lowering the pools. The salmon will be listed and these areas are going to be adversely impacted. We need to consider this. The sooner we deal with it, the better off we will be.

336 NEAL: I think we need to identify what the impacts are and how to handle it.

361 RICHARD ALLEN: This bill is the result of a cooperative effort by all parties concerned. Cascade Natural Gas thinks we can live with it as long as we remain in a competitive position to sell and deliver the fuel.

389 REP. BARNES: I am concerned about the PUC acting as a referee in disagreements between you and the port. Is that a good role for them?

398 ALLEN: The PUC is in the position of regulating all utility rates, including those presently in place. I think it is correct that they are also in charge of utility distribution.

412 GEORGE RICHARDSON: We have withdrawn our opposition to this bill, as amended. This bill has two components - economic development and energy implications. This bill pertains to all ports in the state of Oregon. If large industrial customers all of a sudden are gone, this would result in lost revenue to the natural gas company and the remaining customers would have to pay higher prices to make up for that loss. That was our reason for the amendments: 1) restriction of natural gas; 2) the ports couldn't bypass a public utility within that area provided the PUC rate developed was acceptable.

TAPE 198, SIDE B

036 RICHARDSON: We didn't feel that there was any public policy debate about a government entity competing with the private sector - using public subsidies to do so.

SB 996A (Port Electricity) - Work Session

043 MOTION: REP. HAYDEN MOVES SB 996A to the House Floor with a Do Pass recommendation.

049 REP. BARNES: I will vote for this so it can come out of Committee but I may not support it on the House floor. I don't like government competing with the private sector in any form. This bill has that potential and I am not comfortable with the concept.

072 VOTE: Passes: 6-0. Voting AYE: REP. BARNES, HAYDEN, KATZ, MC TEAGUE,

PICKARD, and BAUM. Excused: REP. CARTER.

Committee Discussion

085 CHAIR BAUM: We will not be meeting on Friday.

087 REP. KATZ: What other bills do we have in our Committee?

092 CHAIR BAUM: Staff will update us on which Senate bills we can expect to hear. We cannot hear any more House bills without specific Speaker's authority. I have not yet received that authority on HB 2682.

097 REP. KATZ: Our rules do allow us to hold a hearing - regardless of the informal rules.

099 CHAIR BAUM: Informally, we did have a deadline.

115 CHAIR BAUM: Regarding HB 2682, one of three things will happen: 1) nothing will be done and allocation issues will be left to the Lottery Commission; 2) this Committee will hear the bill; or, 3) it will be inserted in HB 2614.

123 REP. BARNES: A lot of votes on video poker were dependent upon the distribution being different - for local government.

128 CHAIR BAUM: We did deal with the ultimate revenue to the state - our share for capital construction. We have not dealt with who gets what cuts - the tavern owners, machine owners, prizes, etc. Those decisions have not yet been made.

174 CHAIR BAUM: I will again discuss with the Speaker the issue of a hearing on HB 2682.

205 REP. BARNES: I want to re-open the issue of allocation.

222 CORTRIGHT: This Committee has three more Senate bills crossing over to you - Oregon Benchmarks, Port Planning and Marketing Fund, and ORTDC Privatization. SB 364 is in the House Agriculture Committee and I do not know if it will be referred to this Committee or not.

232 CHAIR BAUM: That is supposed to be referred to this Committee at their meeting tomorrow. Please let me know if that is not happening.

238 CORTRIGHT: There are also four Senate bills in the Ways and Means Committee that could be referred here if they move out soon enough.

271 CORTRIGHT: The Senate Committee has seven house bills that are in various stages of the process.

291 CHAIR BAUM adjourns the meeting at 9:30 am.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Staff Measure Summary on SB 996A, submitted by Tami Miller, 2 pages

EXHIBIT B - Written testimony in support of SB 996A, submitted by Gary Neal, 3 pages