

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 443 **STATUS:** A-Engrossed
SUBJECT: Public acquisition of investor-owned electric utilities
GOVERNMENT UNIT AFFECTED: Public Utility Commission and Office of Administrative Hearings
PREPARED BY: Deborah Manthe
REVIEWED BY: Michelle Deister
DATE: May 15, 2007

EXPENDITURES: See Comments	<u>2007-2009</u>	<u>2009-2011</u>
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REVENUES: See Comments	<u>2007-2009</u>	<u>2009-2011</u>
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EFFECTIVE DATE: On passage

GOVERNOR’S BUDGET: This bill is not anticipated by the Governor’s recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure establishes a process for cities and counties impacted by the potential sale of an investor-owned electric utility to negotiate for the purchase of the utility and requires the Governor to activate a public corporation, Oregon Community Power (OCP), to purchase and operate the electric utility if and when the negotiations are successful and the Public Utility Commission (PUC) approves the acquisition.

OCP would be exempt from many administrative statutes to which state agencies are subject, and would not be a Public Employees Retirement System participating employer. The Department of Justice would provide legal services and the Office of Administrative Hearings would conduct ratemaking hearings. OCP would be required to pay local government franchise fees, privilege taxes, and make payments in lieu of property taxes that would otherwise be required if not for OCP’s public status. The measure establishes the Oregon Community Power Utility Acquisition Fund, continuously appropriated to PUC, to fund any preliminary activities related to acquisition determination and negotiation and allows the PUC to recover these costs from the utility proposed for sale.

PUC currently regulates three investor-owned electric utilities – PGE, PacifiCorp, and Idaho Power. These utilities pay PUC an annual Utility Regulation fee generating approximately \$6 million per year. Revenue from the investor-owned electric utilities represents approximately 34% of PUC's Other Funds revenue (excluding the Oregon Universal Service Fund). As a consumer-owned utility (as provided in the measure), OCP would not be required to pay the Utility Regulation fee. If and when OCP purchases an investor-owned electric utility, PUC will lose revenue. In response PUC would be required to reduce its programs, propose a fee increase, or propose a combination of reductions and fee increase. The actual

fiscal impact on PUC will be unknown until an investor-owned utility is purchased by Oregon Community Power.

The fiscal impact on the Office of Administrative Hearings is expected to be minimal. The frequency of ratemaking hearings is not expected to generate the need for additional staff; however the Office of Administrative Hearings does not currently perform the type of analysis required by the measure (ensuing that the rates established are sufficient to satisfy the criteria specified in the measure) and may incur increased costs to acquire the needed skill set.