Oregon Public Utility Commission

2013-2015
Ways & Means Presentation

Commission

The Commission includes three Commissioners who are appointed by the Governor, confirmed by the Oregon Senate, and serve four-year staggered terms.

Chair Susan Ackerman

Commissioner Stephen Bloom

Commissioner John Savage

Mission Statement

Ensure that safe and reliable utility services are provided to consumers at just and reasonable rates through regulation and promoting the development of competitive markets.

The PUC receives no General or Lottery funds. Commission responsibilities are funded through a per month charge on regulated natural gas, electric, telecommunication, and water utility bills (approximately $0.16 per residential bill).

Scope of Regulation

- Three private electric utilities (PGE, PacifiCorp, and Idaho Power)
  - 1,396,500 customers
- Three private natural gas utilities (NW Natural, Avista, and Cascade Natural Gas)
  - 760,886 customers
- About 400 telecommunications companies
  - 1,003,865 customers
- About 80 small water utilities
  - 26,000 customers

Responsibilities

- Set utility rates for homes and businesses.
- Set and enforce price and service rules to protect customers.
- Ensure that private energy utility companies meet customer needs at lowest cost and risk.
- Set and enforce service quality standards.
- Ensure pipeline, power lines, transformer stations, and energy facilities operate safely.

Responsibilities

- Resolve customer complaints about their utilities.
- Manage a $40 million per year program to provide affordable phones in high cost areas.
- Set and enforce rules for fair competition in energy and telecommunications.
- Approve a wide variety of utility transactions including mergers.

Responsibilities

- Advocate for Oregon in regional and federal forums.
- Administer the Residential Service Protection Fund.
- Oversee the Energy Trust of Oregon.
- Oversight of regulated energy providers concerning seismic preparedness.

Performance Measures Highlights

- Meeting our responsibilities through eighteen Key Performance Measures
  - Ten Energy, five which apply to energy conservation and renewables
  - Two Utility Safety, Reliability, and Security
  - One Telecommunications
  - Two RSPF
  - Two Consumer Services
  - One Administrative Hearings Division

Performance Measures Highlights

- Maintain electricity rates that are lower than the national average.
- Acquire low-cost energy conservation effectively and efficiently.
- Prevent personal injury to electricity and natural gas customers and industry workers.
- Maintain a healthy level of competition in the telecommunications and electricity industries.

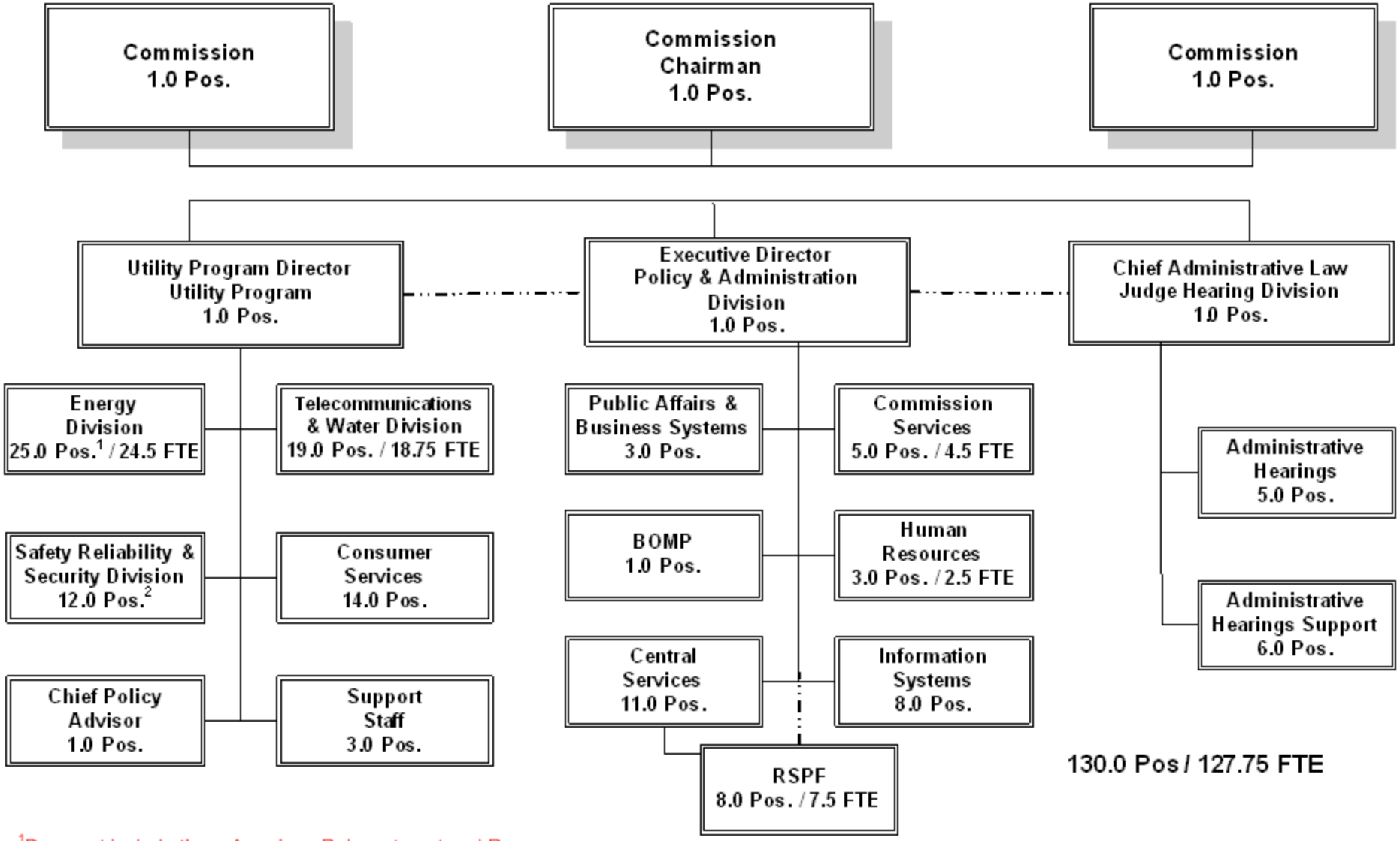
Performance Measures Highlights

- Promote utility pricing that encourages the efficient use of water and energy.
- Investigate customer complaints and issue complaint orders in a timely fashion.
- Maintain a high level of agency customer service.
- Successfully inform target populations about special telecommunications programs.

Performance Measures Highlights

- Fifteen performance measures met targets, exceeded targets or were within 5 percent of meeting target.
- Three performance measures did not make targets:
  - #3 - Electric Energy - Percentage of business customers' electric energy usage supplied by alternative suppliers.
  - #8 - Renewable Resource Development – Annual average megawatts acquired through Energy Trust programs.
  - #15 - Oregon Telephone Assistance Program – Percentage of food stamp recipients participating in the Oregon Telephone Assistance Program.

PUBLIC UTILITY COMMISSION
2013-2015 ORGANIZATIONAL CHART (HB4131)



[1]Does not include three American Reinvestment and Recovery Act (ARRA) personnel that expire March 31, 2013

[2]Includes Policy Option Package 101

Supervisory count reduced from 25 to16

Utility Program

- Utility – 74.25 FTE
  - Energy
    - Energy Resources and Planning
    - Rates, Finance, and Audit
  - Telecom and Water
    - Service Quality, Rates, and Water
    - Competitive Issues and Universal Service
  - Utility Safety, Reliability, and Security
  - Consumer Services

Utility Program

- The Utility Program is the technical and analytical arm of the Public Utility Commission.

Energy

- Analyze all energy utility filings.
- Set rates through often contested rate cases.
- Oversee planning and development of energy resources.
- Oversee market competition.
- Perform audits on regulated utilities.
- Analyze and make recommendations concerning utility property sales, mergers, service territory changes, and affiliated interest transactions.
- Oversee the development and implementation of ETO programs.

Utility Program

Telecommunications

- Regulation of rates.
- Administer Oregon Universal Service Funds.
- Promote competition and competitive entry.
- Ensure quality of service.
- Review Interconnection Agreements.

Water

- Set rates and ensure quality of service for financially regulated utilities (37 utilities).
- Ensure quality of service for service regulated utilities (42 utilities).

Utility Program

Utility Safety, Reliability, and Security

- Pipeline and Electric Safety.
- Electric Reliability.
- Utility Infrastructure Security.
- Emergency Response Coordination / Seismic Preparedness.
- Right-of-Way Utility Joint Use.

Consumer Services

- Resolve customer complaints concerning regulated utilities.
- Resolve wireless complaints for DOJ.
- Handle Emergency Medical Certificates.

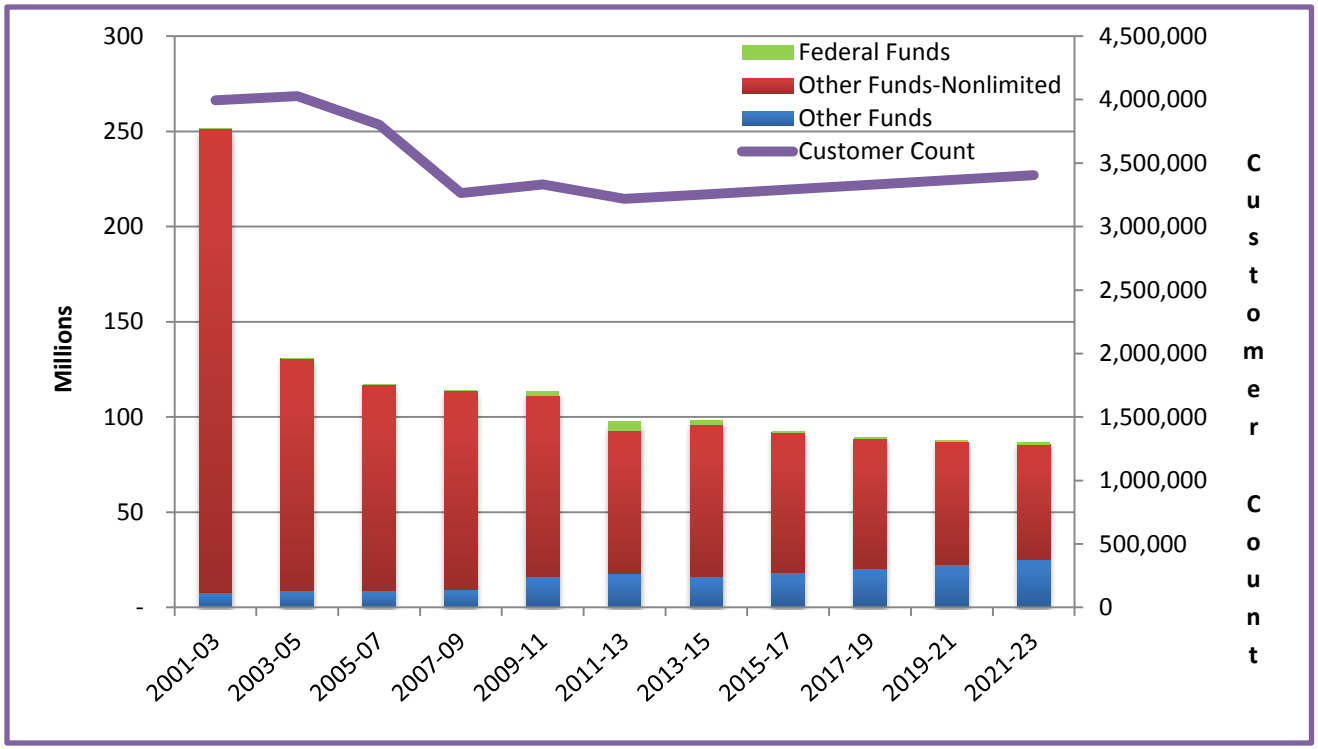
Utility Program

- The PUC oversees the Energy Trust to ensure that it produces good results (in terms of conservation savings and renewable resource development) and that it does so efficiently. Oversight includes:
  - Performance Measures
  - Grant Agreement
  - Management Reviews
  - Reports
  - Interface with Regulated Utilities
  - Additional Oversight as needed

Utility Program

2013-2015 Governor's Balanced Budget for the Utility Program is:

- $16,043,988 – Other Funds Limited;
- $79,271,977 – Other Funds Non-limited (OUSF); and
- $2,444,367 – Federal Funds.



Utility Program Revenue

- <u>Utility Fees ($26.85 million)</u>
  - 2.5 mills (.0025) applied to the gross operating revenue of regulated utilities for the previous calendar years. Averages 16 cents per residential customer bill.
  - 2.5 mills is the maximum charge by statute.
  - Decreases in telecommunications revenue (3.33 percent per year) is offset by increases in energy industry revenues (2.56 percent per year).
  - Funds approximately 94% of both the Policy and Administration and Administrative Hearings Divisions.

Utility Program Revenue

- Federal Funds
  - $840,202 (Natural Gas Pipeline Safety Program).
  - $1,620,000 – ARRA Broadband Initiatives.
- Oregon Universal Service Funds
  - 8.5% on telecommunications interstate retail revenue.
  - Payments to eligible telecommunications carriers.
  - Small amount pays for administration of funds.
  - Goal is to keep price of basic service reasonable in high cost areas of the state.

Utility Program Revenue

- Public Purpose Charge (PPC) – 3% applied to bills of PGE and PacifiCorp (ORS 757.612); NW Natural and Cascade Natural Gas participate voluntarily.
  - 56% to energy conservation (ETO administers)
  - 17% to new renewable resource power plants / projects (ETO administers)
  - 12% to weatherization of low income homes (OHCD administers)
  - 10% to energy conservation in schools (ODOE administers)
  - 5% to rehabilitation of low-income housing (OHCD administers)
- The OPUC collects a small amount of money from the PPC to cover costs of overseeing the development and implementation of programs.

Short-Term Goals

- Begin collaborative review of new approaches to allocating PacifiCorp costs among its six jurisdictional states.
- Investigate fuel switching and cross fuel energy efficiency issues.
- Review Oregon policies related to utility energy purchases from qualifying facilities under the federal Public Utility Regulatory Policies Act (PURPA).
- Review direct access programs of Portland General Electric Company and PacifiCorp to address potential barriers to the development of a competitive retail market structure.

Short-Term Goals

- Continue investigation into long distance call termination problems that are causing rural Oregonians to experience dropped telephone calls, poor voice quality on calls, calls where only one person can hear, and incorrect caller ID information.
- Investigate reform of the Oregon Universal Service Fund. The investigation will address possible expansion of the fund, accountability measures, and how levels of support should be determined.
- Facilitate negotiations between utilities and customer groups to revise and extend Intervenor Funding Agreements that provide financial assistance to organizations representing broad customer interests.

Long-Term Goals

- Ensure that private utility companies meet customer needs at lowest cost and risk while allowing utilities an opportunity to earn an adequate return on their investment
- Ensure that electric utilities:
  - Acquire increasing amounts of renewable resources to meet the requirements of Oregon's 2007 Renewable Energy Act;
  - Anticipate and comply with state and federal requirements to reduce greenhouse gas emissions.

Long-Term Goals

- Give business customers of PGE and PacifiCorp the opportunity to shop for power.
- Advocate a fair share of the federal hydro system benefits for customers of investor-owned utilities.
- Ensure that Oregon's regulations keep pace with changing technology and market conditions and continue to benefit consumers.
- Maintain safe, reliable, and high quality regulated industry networks. This includes active involvement in federal efforts concerning cyber-security and state efforts towards earthquake resilience.

Long-Term Goals

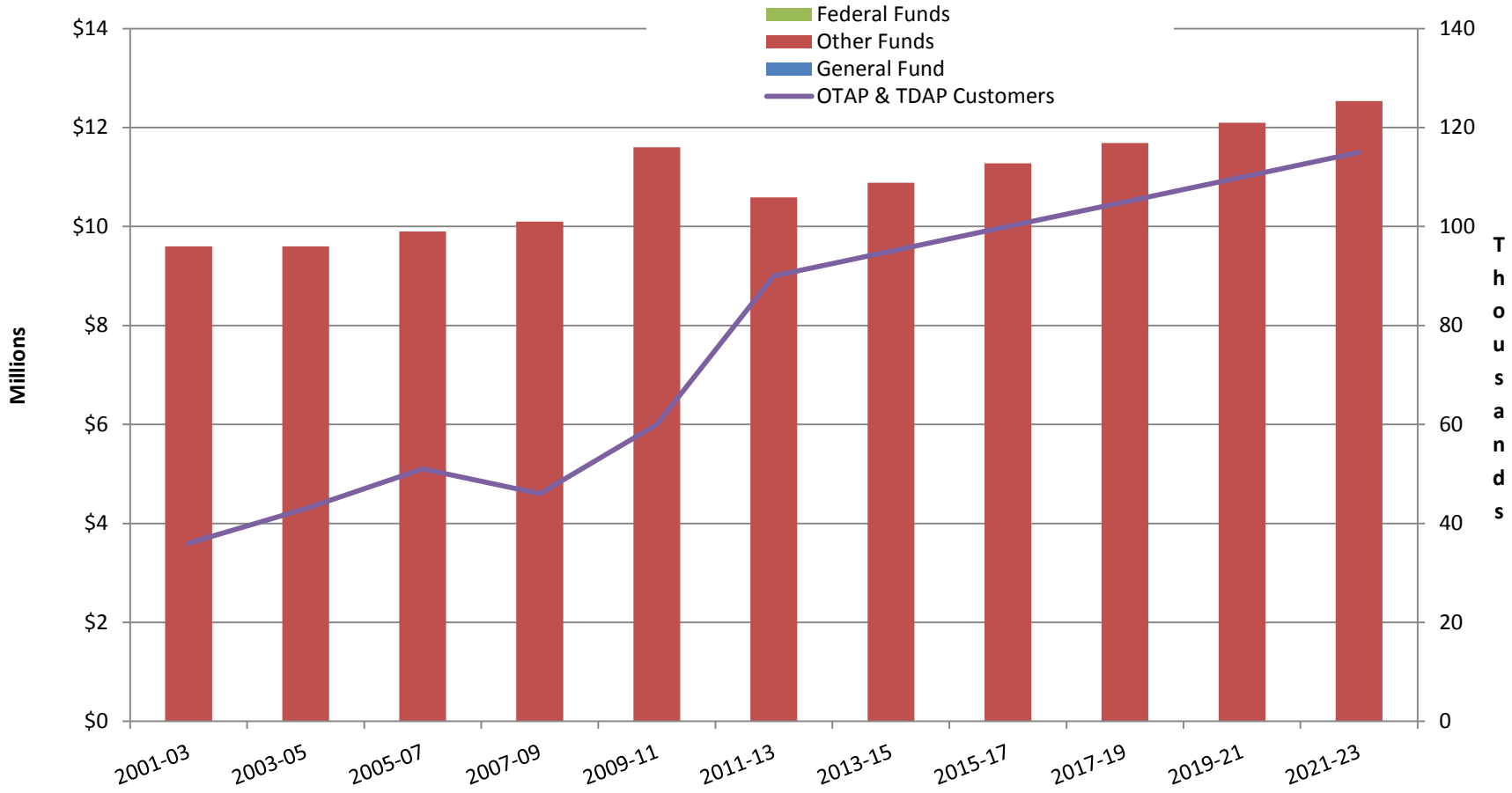
- Support the Governor's 10-Year Energy Plan.
- Provide customer options for controlling their energy use and bills.
- Promote an environment in which new, innovative telecommunications and energy technologies that benefit consumers can thrive.
- Influence federal telecommunications and energy laws and policies to benefit Oregon consumers.

Residential Service Protection Fund

- The RSPF supports the state's public policy that all Oregonians have access to adequate and affordable telephone service. It consists of four programs and 7.5 FTE:
  - Oregon Telephone Assistance Program (OTAP)
  - Oregon Telecommunications Relay Service (OTRS)
  - Telecommunications Device Assistance Program (TDAP)
  - Emergency Medical Certificates Program (Handled by Consumer Services.)

Residential Service Protection Fund

2013-2015 Agency Request Budget for the RSPF Program is:
$10,859,611



RSPF Revenue

- The RSPF is established in the State Treasury, separate and distinct from the General Fund. The surcharge is currently $0.12 and statute stipulates that this rate cannot exceed $0.35 per access line per month.
- Each month, the RSPF surcharge is assessed on approximately 4.3 million customers of landline and wireless services.
- The surcharge is assessed against each paying retail subscriber who has telephone or cellular service with access to the Oregon Telecommunications Relay Service.
- Funds approximately 6% of both the Policy and Administration and Administrative Hearings Divisions.

Residential Service Protection Fund
Goals

- Potentially large increases in caseload requires the continuing development of effective information systems to maintain superior delivery at current staffing.
- Implement processes to meet new Federal Communication Commission changes concerning the Federal Lifeline program including the “free” cellular phones offering by several carriers.

Policy and Administration

- Policy and Administration – 30.75 FTE
  - Commission Office
  - Human Resources
  - Business Services
  - Information Technology
  - Public Affairs and Business Systems
- Residential Service Protection Fund (RSPF) – 7.5 FTE
- Board of Maritime Pilots – 1 FTE

Administrative Hearing Division

- The Administrative Hearings Division (AHD) is an independent division in the agency that reports directly to the Commissioners.
- AHD is separate from the Utility Program to ensure that the advocacy and decision-making functions of the agency remain distinct. The separation of functions promotes fairness in Commission proceedings.
- The subject matter of cases ranges from complex rate applications, industry investigation, and telecommunications interconnection agreements, to more straightforward consumer complaints and safety violations.

Board of Maritime Pilots

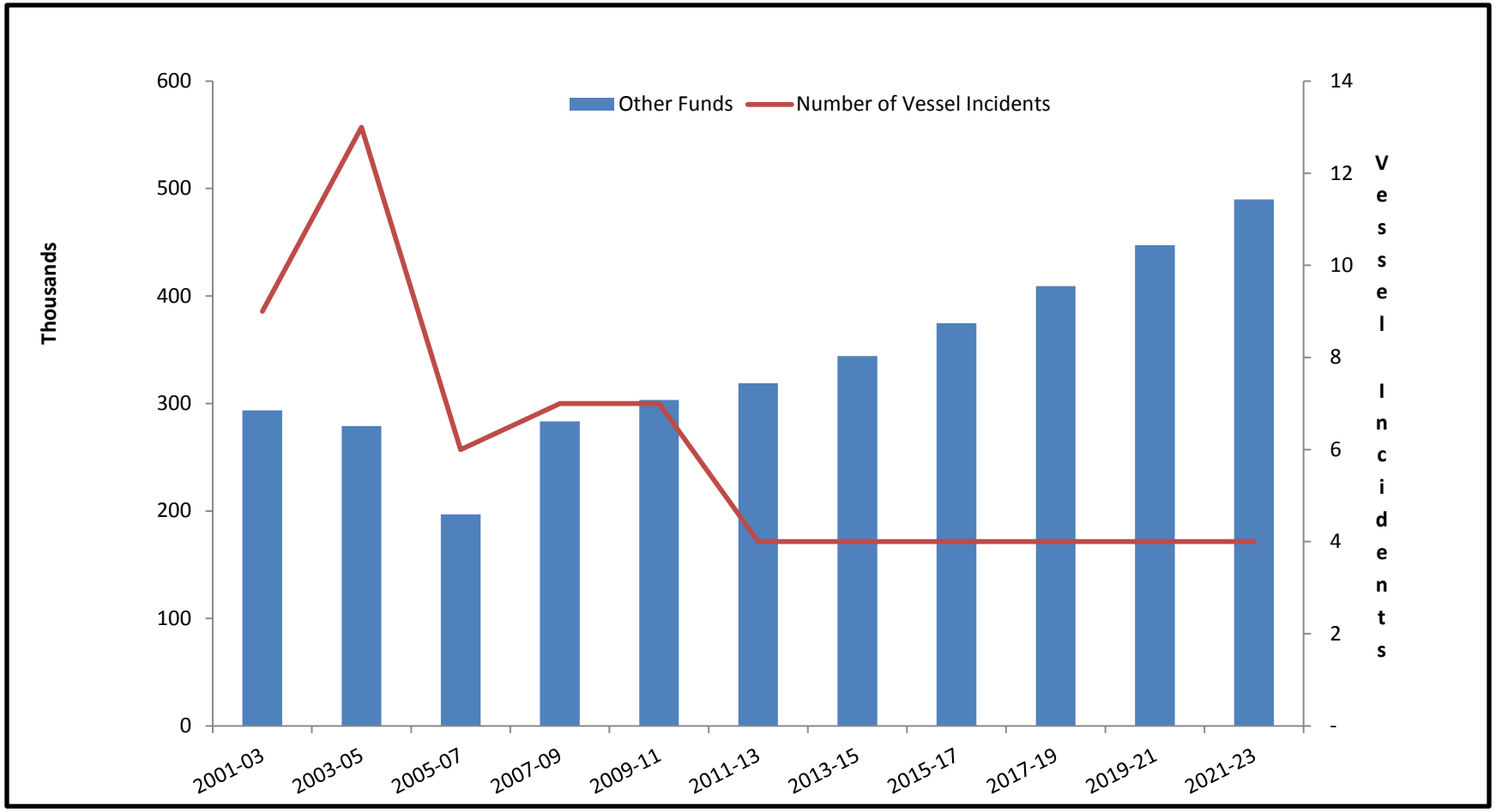
- The Board of Maritime Pilots (BOMP) helps protect public health, safety, and welfare by ensuring that only the best-qualified persons are licensed to pilot vessels. Pilots are essential to Oregon's maritime commerce, directing the transit of vessels calling on the ports of Coos Bay, Yaquina Bay and Columbia River System.

- The 2013-2015 Agency Request Budget for BOMP is $338,596. Approximately 60 percent of expenditures support BOMP's one full-time equivalent Administrator.

- BOMP pilot license fee in 2011 was $2,718. Subject to biennial automatic COLAs.

Board of Maritime Pilots

2013-2015 Agency Request Budget for the Utility Program is: $338,596



Board of Maritime Pilots
Goals

- Identify gaps in state and federal physical standards for licensees.
- Establish hours-of-service standards for licensees.
- Continue to effectively regulate all pilots serving Oregon's pilotage grounds ensuring:
  - Training is up to date and effective
  - Incidents remain low
  - Safe passage is maintained

Environmental Factors

- Oregon's population and economy will continue to grow. The growth translates directly into greater demand for utility services. As utilities invest to meet demand, the Commission must ensure that safety, reliability, and quality of service are maintained, and that costs are prudently managed.
- Electric utilities must by law meet a growing share of sales with renewable resources and must plan to meet resource needs in the face of unsettled federal policy on climate change.
- Technology is increasingly transforming the energy sector creating a need to assure prudent investment in new but riskier technology.

Environmental Factors

- The demand for financial assistance with telephone bills and other special telephone services, such as amplified phones, is increasing rapidly due to the sluggish economy and population growth. Emerging technologies are driving additional need for adaptive equipment, as well as innovative approaches to serving our customers.
- Federal and state laws to encourage competition in telecommunications markets have created many new regulatory responsibilities and challenges for the Commission.

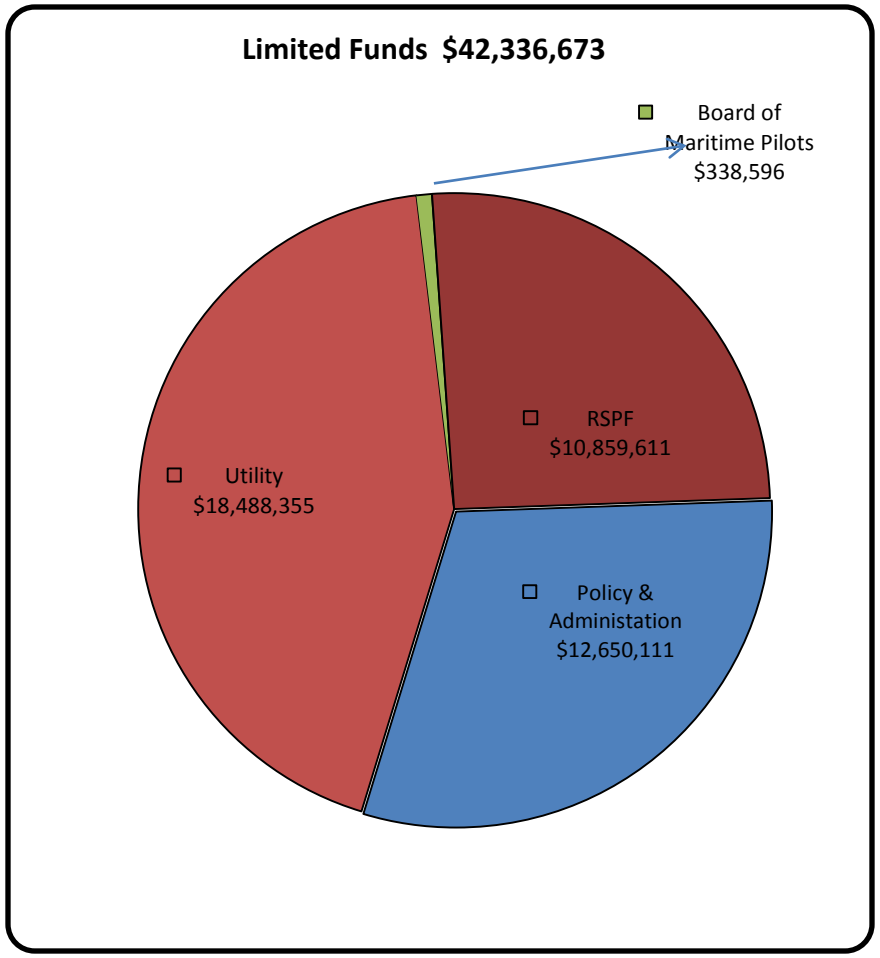
Environmental Factors

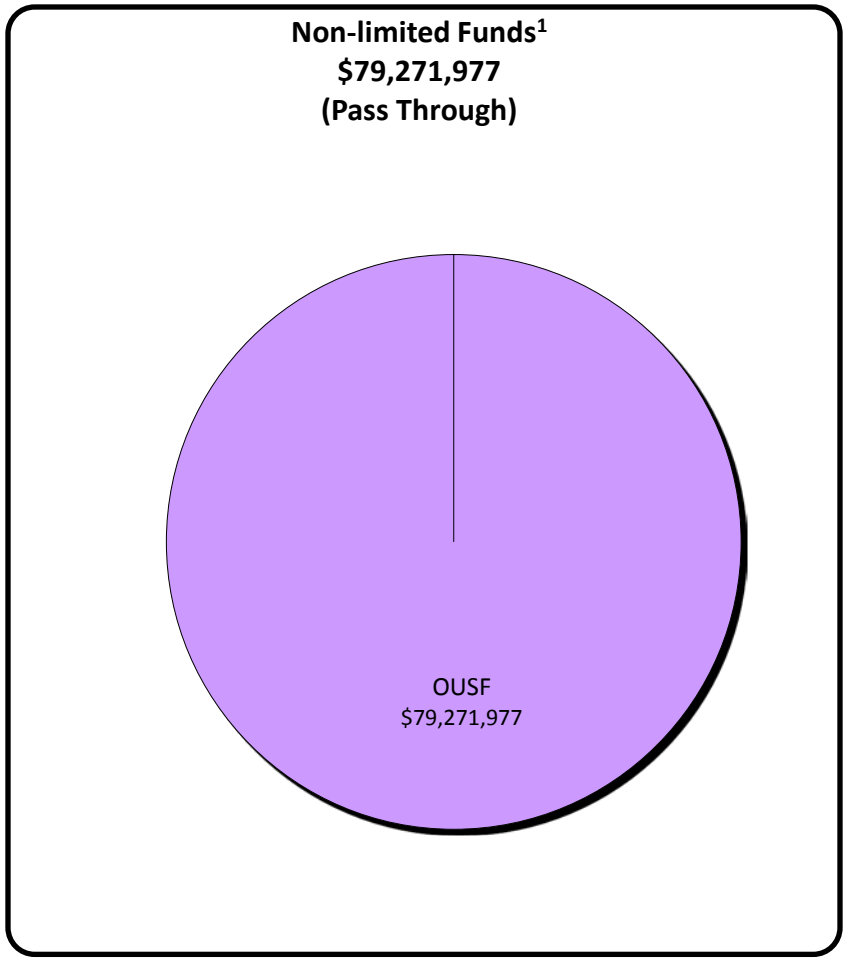
- Emerging telecommunications technologies, including the expansion of Internet services, continue to enter and impact the marketplace.
- The new competitive, unregulated portions of the telecommunications industry have allowed some companies to attempt to use deceptive trade practices.

Environmental Factors

- The complexities and changing landscape of the telecommunications industry create challenges for the PUC's administration of support programs (RSPF) relying on the industry's reporting of accurate data.
- Heightened concern about terrorist threats and increasing interconnection and automation of utility networks requires greater focus on critical infrastructure protection, cyber-security, and emergency preparedness.

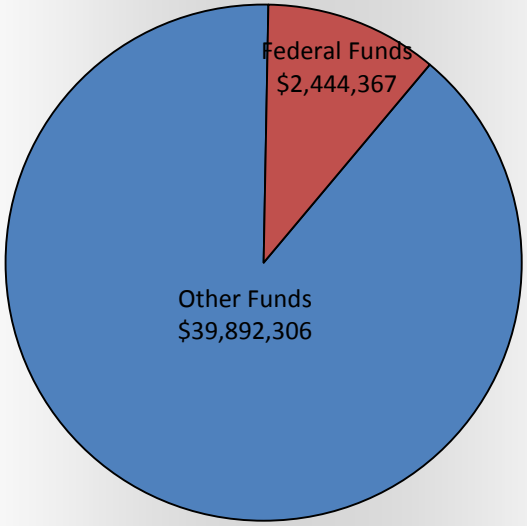
Budget Overview



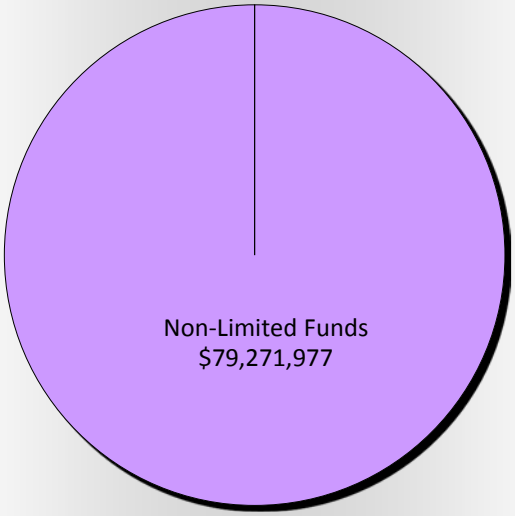


Budget Overview

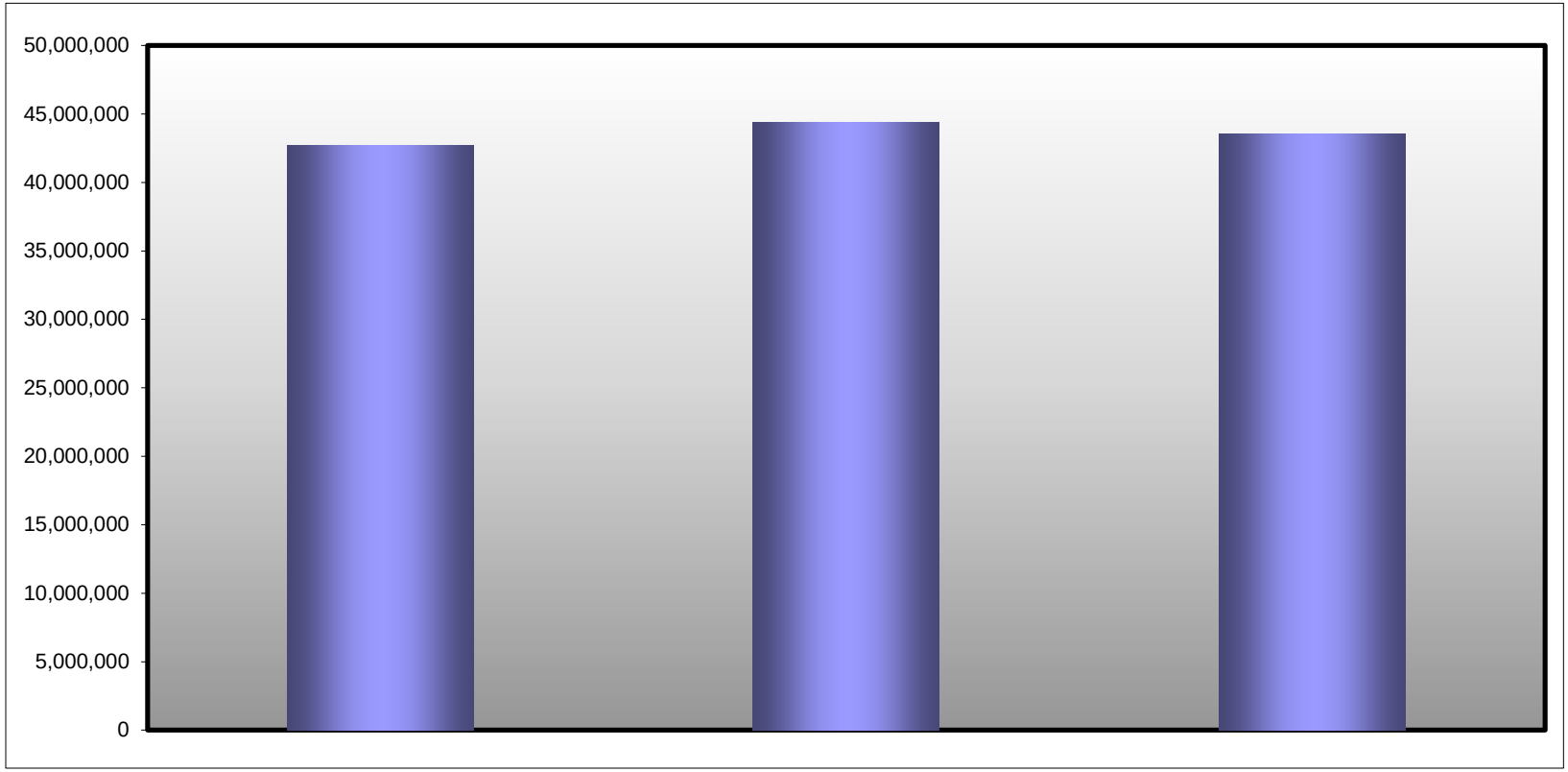
AGENCY OPERATING EXPENDITURES
All Funds - Limited $42,336,673



AGENCY PASS-THROUGH EXPENDITURES[1]
Non-limited Funds $79,271,977



Budget Overview - Limited

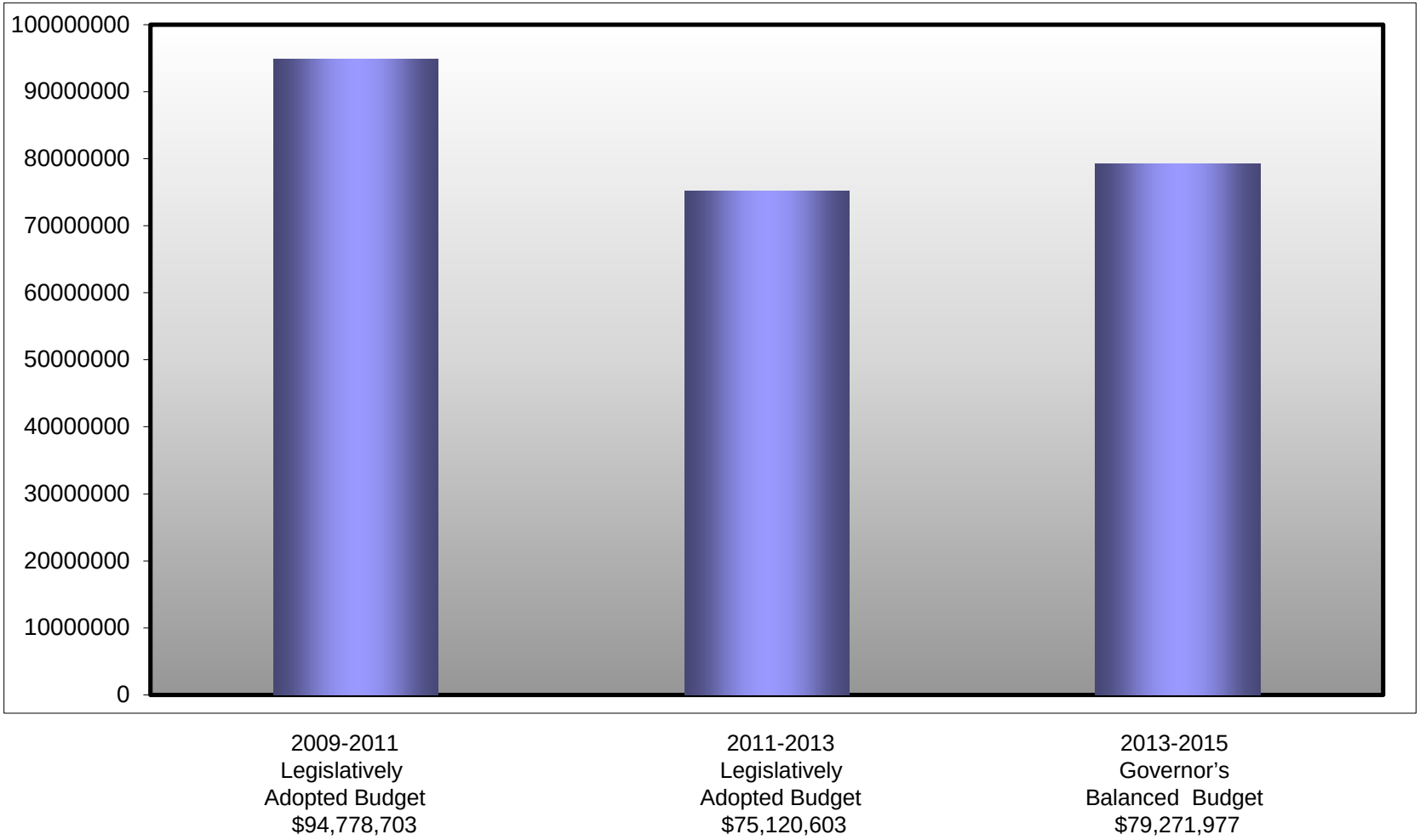


2009-2011 Legislatively Adopted Budget $42,687,340

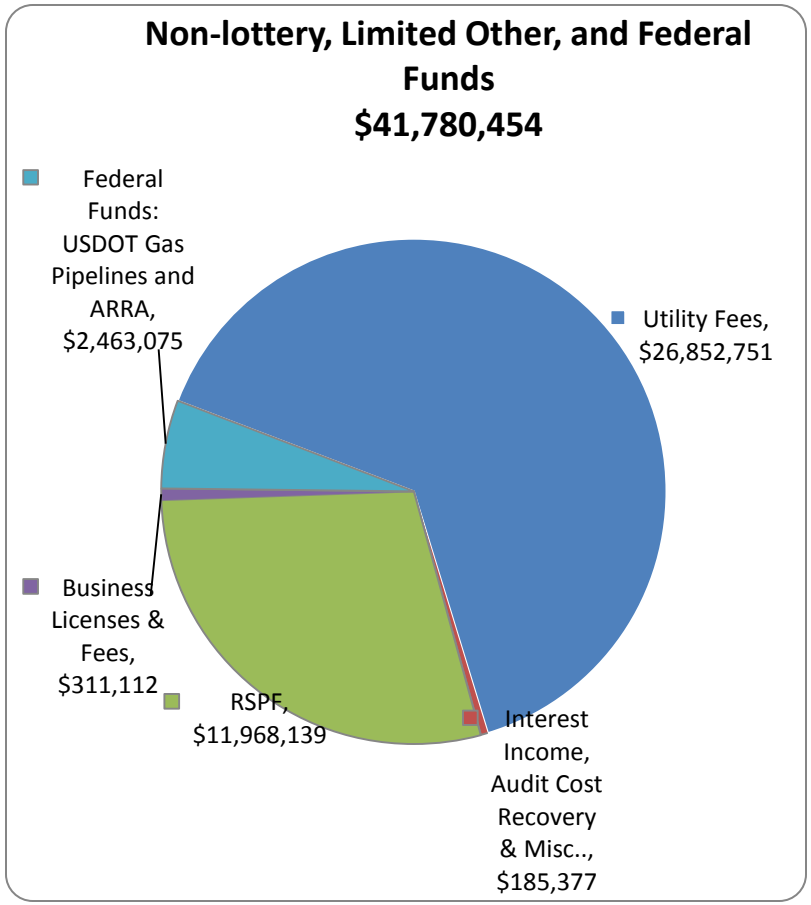
2011-2013 Legislatively Adopted Budget $44,370,812

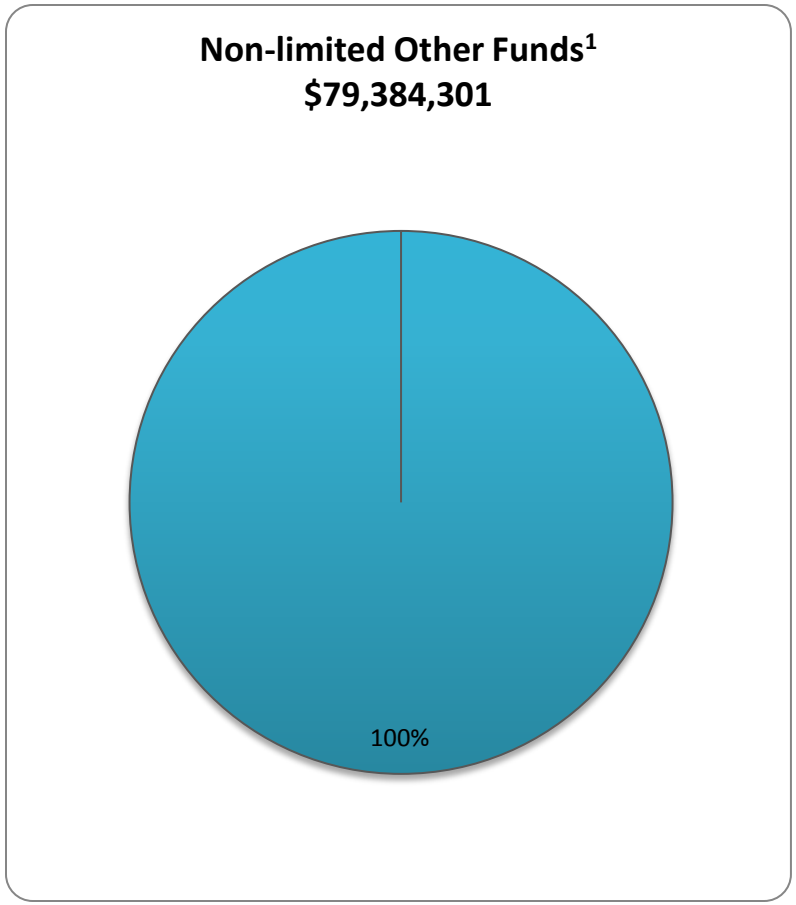
2013-2015 Governor's Balanced Budget $42,336,673

Budget Overview - Nonlimited



Budget Revenue





Plus 2011-2013 Ending Balances: $15,288,502 Other Funds Non-limited, Federal Funds Limited $37,937 and $15,898,749 Other Funds Limited

TOTAL REVENUE ALL SOURCES: $152,389,943

Policy Option Package 101
Senior Pipeline Safety Inspector

The primary purpose of this new position is to enforce new federal safety programs and regulations. Pipeline and Hazardous Materials Safety Administration (PHMSA) has increased its oversight of the states' pipeline safety programs to ensure the states are enforcing those new federal regulations.

- PHMSA has added **Risk-Based** inspections to the existing Performance Based inspections. These inspections are more complex and will increase the inspection times by roughly 35 percent.
- PHMSA has increased the **Performance-Based** inspection requirements through rule making that will increase standard inspections by 20 to 30 percent.
- This position will be partially (60 percent) funded by federal (PHMSA) funds.

House Bill 2266

This concept addresses two housekeeping issues:

- To further streamline PUC's regulatory oversight of service regulated water utilities.
- Remove from the statutes specific submittal dates for reports.

Senate Bill 203

This concept amends Oregon statute to conform to Federal Communications Commission (FCC) regulations in which low-income customers can qualify for the Oregon Telephone Assistance Program (OTAP) based on either their participation in additional federal assistance programs or on the basis of their household income as long as it does not exceed 135 percent of the Federal Poverty Guidelines (FPG).

Package 091

- The Governor's budget requires increased efficiency in the operation of state government, calls for additional savings in administrative expenditures, and allows for the reinvestment of some of the savings realized through efficiencies into agency programs or to other initiatives that will further improve the administrative operations of state government.
- Package 091 was included in all agency budgets as a placeholder for administrative efficiencies to be found in Finance, IT, HR, Accounting, Payroll, and Procurement activities. The Improving Government subcommittee of the Enterprise Leadership Team will be identifying proposed efficiencies or changes in the delivery of service to meet the funding level in the Governor's budget, and will work with individual agencies on the impact to their budget, along with reinvestment opportunities.

PUC Contact Information

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