



Oregon

John A. Kitzhaber, MD, Governor

Public Utility Commission

3930 Fairview Industrial Dr SE

Mailing Address: PO Box 1088

Salem, OR 97308-1088

Consumer Services

1-800-522-2404

Local: 503-378-6600

Administrative Services

503-373-7394

February 6, 2015

Chair Jessica Vega Pederson
Vice Chair Mark Johnson
Vice Chair Jeff Reardon
House Committee on Energy and Environment
900 Court Street NE
Salem OR 97301

RE: Oregon Public Utility Commission of Oregon (PUC) Answers to Follow-up Questions

Madame Chair:

During the PUC's Agency Overview, Representative Bentz posed two questions to Chair Ackerman. The following are our responses.

- 1. Please provide information on how energy efficiency, electricity, and natural gas costs are calculated? Why are the Oregon energy efficiency costs lower than national costs?**

A complete answer will be provided on February 9, 2015.

- 2. What is the amount of revenue that will be increased as a result of a fee change from 0.25 percent to 0.30 percent?**

Based on projections, for Appropriations Year (AY) 2015-2017, the increase will equal approximately \$5.2 million. For AY 2017-2019, the increase will equal \$5.7 million.

The AY 2015-2017 budgeted limitation for the Utility Program is \$19,166,773. When removing federal funds, this amount equals \$18,519,056. The budget limitation for Policy and Administration is \$13,784,462, when removing transfers from the Residential Service Protection Fund, the amount funded by utility fees is \$12,310,133. Total budgeted funds for the two programs supported by utility fees are \$30,829,189. Total projected utility fee revenue for AY 2015-2017 is \$26,149,460. This leaves a deficit of \$4.7 million. This deficit increases to \$5.2 million in AY 2017-2019.

Although the *maximum* increase amount is higher than the projected deficits, 2015 actual revenue is approximately 95 percent of projected revenue. Additionally, the PUC endeavors to ensure revenue and expenditures match as closely as possible. The PUC does not intend to build on its balance of funds beyond a five to six month balance.



The following table compares the previous three years of actual revenue, budgeted expenditures, and actual expenditures:

Year	Revenue	Budget: P&A and Utility	Actual Expense: P&A and Utility
2012	\$11,637,362	\$14,325,169	\$12,222,793
2013	\$12,037,655	\$14,325,169	\$11,974,374
2014	\$12,273,058	\$14,599,359	\$13,287,353
3-Year Total	\$35,948,075	\$43,249,697	\$37,484,520

Although budgeted expenditures were 20 percent higher than actual revenues, actual expenditures were 87 percent of budget, but still greater than revenue. Budget management actions of PUC to reduce expenditures during this timeframe include:

- Reduction in supervisory personnel;
- Reduction in administrative personnel;
- Vacancy and other savings;
- Transfer of Telecommunications Division personnel to Energy Division positions; and
- Deferral of IT purchases.

Major Utility Program and P&A expenses are personnel, other personnel expenses (PERS, benefits, and employment taxes), AG fees, and rent. It is important to note that reduction in program personnel is not possible based on increased federal and state statutory and policy requirements; and increased filings by regulated utilities.

Currently, PUC is using its balance of funds to account for the differences of revenue and expenditures. We estimate that if the fee change does not occur, we will exhaust our balance during the 2019-2021 biennium. In addition, move related expenses due to the Capitol Renovation Project (moving, furniture, tenant improvements, and rent increase) will accelerate the decrease in our balance by approximately \$750 thousand to \$1 million. The PUC would not have incurred the majority of these move expenses if we would have returned to the PUC Building.

Please contact me if you have additional questions or need further information. Our COO, Michael Dougherty, is always available to discuss details of the PUC's budget.

Sincerely,



Susan Ackerman
Chair

Copy: Margi Hoffman