BEFORE THE BUSINESS AND TRANSPORTATION COMMITTEE

Senate Bill 329

Testimony of Michael Dougherty
Oregon Public Utility Commission February 25, 2015

SB 329 modifies ORS 756.310 by changing the annual utility fee from a maximum of 0.25 percent (2.5 mills) of a utility's gross operating revenue to a maximum of 0.30 percent (3.0 mills). This increase is requested to maintain the PUC's Utility Program and Policy & Administration (P&A) Division's current level of operations. The fee change will:

- Increase the average cost per residential customer per bill per month from $0.17 to $0.20.

With the exception of 2010 (1.5 mills), the annual utility fee has been set at 2.5 mills since 1997. Investor-owned utilities serve over three million customers in Oregon and grossed approximately $4.95 billion in revenue in 2013.

This increase in fee is driven by two factors, which affect revenue:

1. The loss of telephone landlines resulting in a corresponding decrease in revenue. Telephone landlines have decreased from 1.26 million in 2009 to approximately one million in 2014.
2. Effective energy efficiency and conservation measures that have slowed the growth of energy utility revenue being assessed by the PUC.

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

Year	Revenue	Legislatively Approved 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 budget was 20 percent higher than revenues, actual expenditures were 87 percent of budget, but still greater than revenue. Fiscal management actions of PUC to reduce expenditures during this timeframe include:

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

For 2015-2017, budgeted expenditures for the Utility Program and P&A are $4.6 million greater than forecasted revenue. Major Program 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 currently not possible based on increased federal and state statutory requirements; and increased and complex dockets by regulated utilities.

Currently, PUC is using its balance of funds to account for the differences between 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, relocation expenses due to the Capitol Renovation Project (moving, furniture, tenant improvements, and rent increase) will decrease our balance by an additional $750 thousand to $1 million.