

SB 978 STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

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Meeting Dates: 4/5, 4/17

WHAT THE MEASURE DOES:

Prohibits electric company from including in its rates the cost of electric generation resource or energy storage resource that is capable of generating electricity or storing electricity for not less than five years and has generating or storage capacity of 50 megawatts or more unless the electric company must acquire a resource to maintain the reliability of its electrical system. Requires electric company to use competitive bidding process when procuring electricity from an electric generation resource or energy storage resource capable of generating electricity or storing for not less than five years and that has a capacity of 50 megawatts. Becomes operative January 1, 2018. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Study issue to determine whether regulatory compact is still appropriate model
- Role of independent power producers under current model
- Possible incentives for utilities to build capacity themselves
- Proper timing of study

EFFECT OF AMENDMENT:

[-2 amendment] Replaces original measure. Directs Public Utility Commission to investigate how regulatory and economic forces can affect competition between electric generation resources owned by electric companies and resources not owned by electric companies. Specifies list of entities from which comments should be solicited by Commission. Requires Commission to report to interim committees of Legislative Assembly by September 15, 2018. Takes effect on 91st day following adjournment sine die.

FISCAL: Fiscal statement issued

REVENUE: No revenue impact

NOTE: LFO REQUESTS MEASURE BE REFERRED TO JOINT WAYS AND MEANS

BACKGROUND:

The investor-owned electric utility model relies on a regulatory compact under which an electric utility is granted a monopoly over a given service area and authorized to recover all of its costs, as well as a reasonable return on investment. Under the model, the Oregon Public Utility Commission (PUC) is the regulatory body that administers the rate-setting process. A primary factor in setting electric utility rates is the cost incurred by the electric company for procuring the electricity needed to provide service to its service area. Proponents of Senate Bill 978 assert that the rate-setting process creates incentives for electric utilities to acquire more expensive power generation than to seek the lowest-price for electricity on the market.

This Summary has not been adopted or officially endorsed by action of the committee.