

Oregon Public Utility Commission



2017

Ways and 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 Lisa Hardie

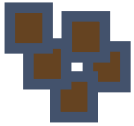


Commissioner Stephen Bloom



Commissioner John Savage

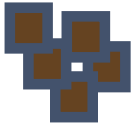




Mission Statement

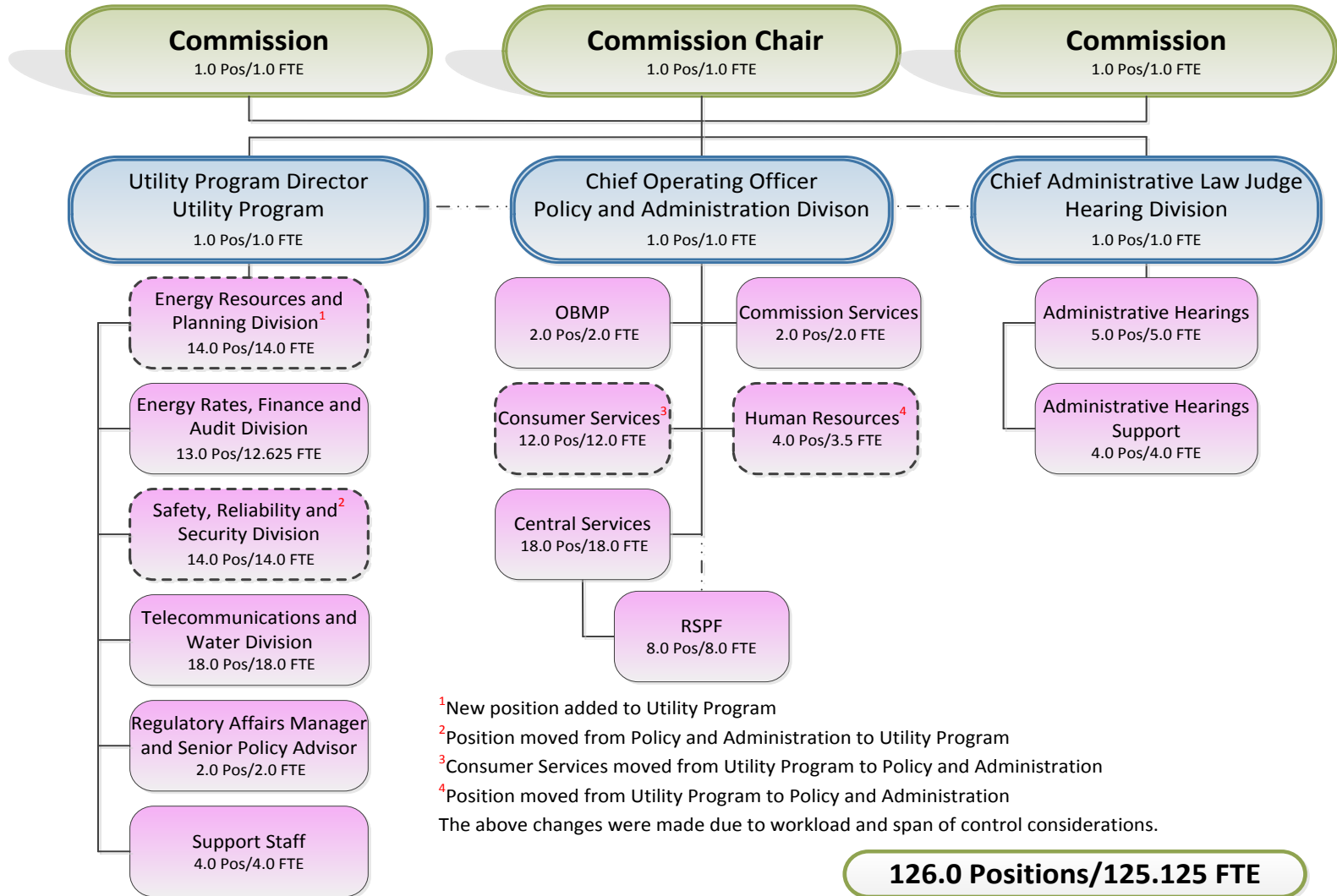


To ensure Oregon utility customers have access to safe, reliable, and high-quality utility services at just and reasonable rates. We do so through robust and thorough analysis and independent decision-making conducted in an open and fair process.



PUC Organization

2017-2109 Agency Request Budget





Scope of Regulation

- Three private electric utilities (PGE, PacifiCorp, and Idaho Power)
 - **1,434,833 customers**
- Three private natural gas utilities (NW Natural, Avista, and Cascade Natural Gas)
 - **791,592 customers**
- About 370 telecommunications companies
 - **697,243 access lines (7.6% decrease from 2014)**
- About 80 small water utilities
 - **25,000 customers**
- Approximately three million customers total



Scope of Regulation

- Total revenue collected by investor-owned utilities (IOUs) is approximately \$4.96 billion per year.
- IOU electric utilities account for 66.1 percent of electricity sold and 73.9 percent of electric customers in Oregon. **Customer-owned** utilities represent the remainder.
- IOU natural gas utilities account for 100 percent of natural gas local distribution company sales and customers in Oregon.



Responsibilities

- Set utility rates for homes and businesses. Ensure rates are just and reasonable.
- Set and enforce price and service rules to protect customers.
- Ensure that private energy utility companies meet customer needs at combined **lowest cost and risk** (*Integrated Resource Planning*).
- Approve a wide variety of utility transactions, including mergers.
- Set and enforce service quality standards.

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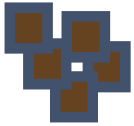
Responsibilities

- Resolve customer complaints about their utilities.
- Manage a \$28 million per year program to provide affordable phones in high cost areas.
- Set and enforce rules for fair competition in energy and telecommunications.
- Ensure pipeline, power lines, transformer stations, and energy facilities operate safely.
(Commission authority in this area extends to consumer-owned utilities.)

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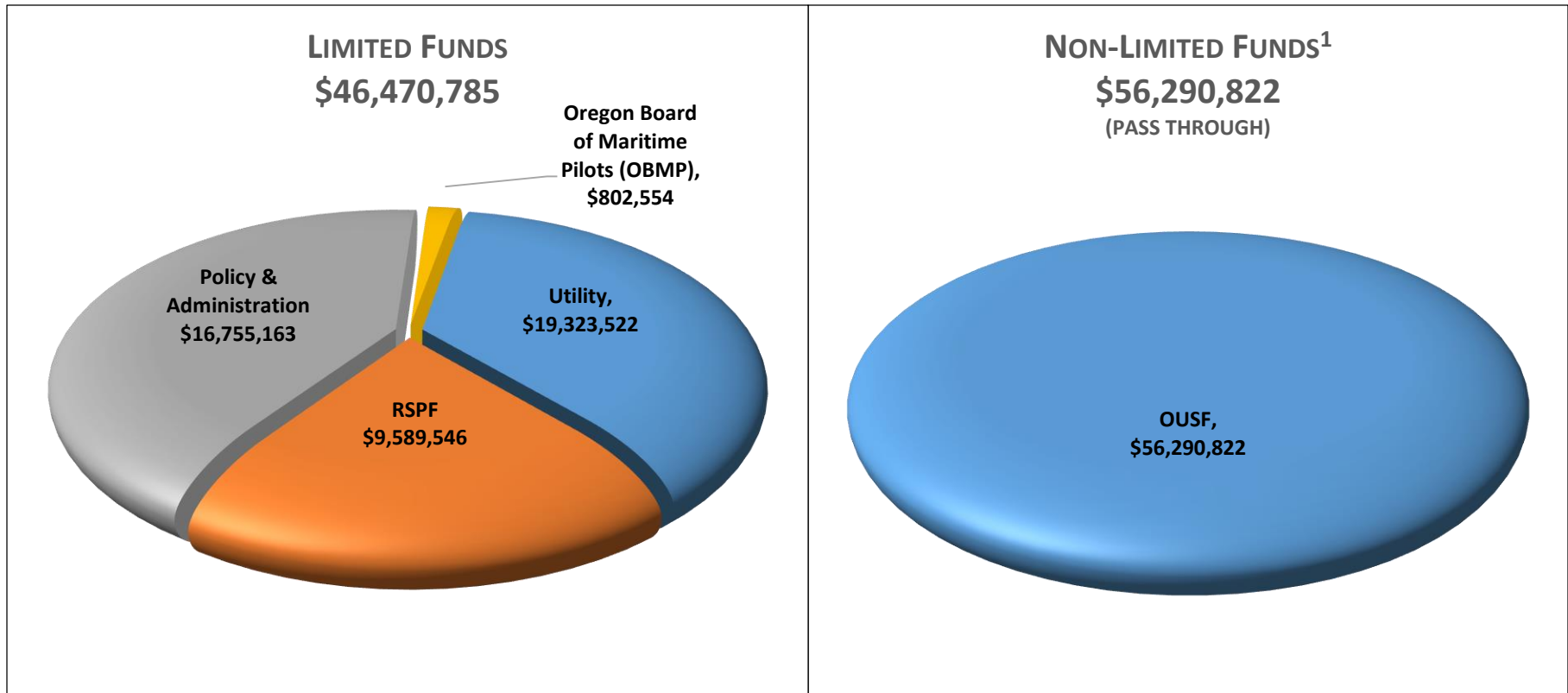
Responsibilities

- Administer the Residential Service Protection Fund.
- Ensure the Energy Trust of Oregon (ETO) acquires energy efficiency on behalf of PacifiCorp, PGE, NW Natural, Avista, and Cascade primarily through a competitive process.
- Oversight of regulated energy providers concerning seismic and cybersecurity preparedness.



Budget Overview

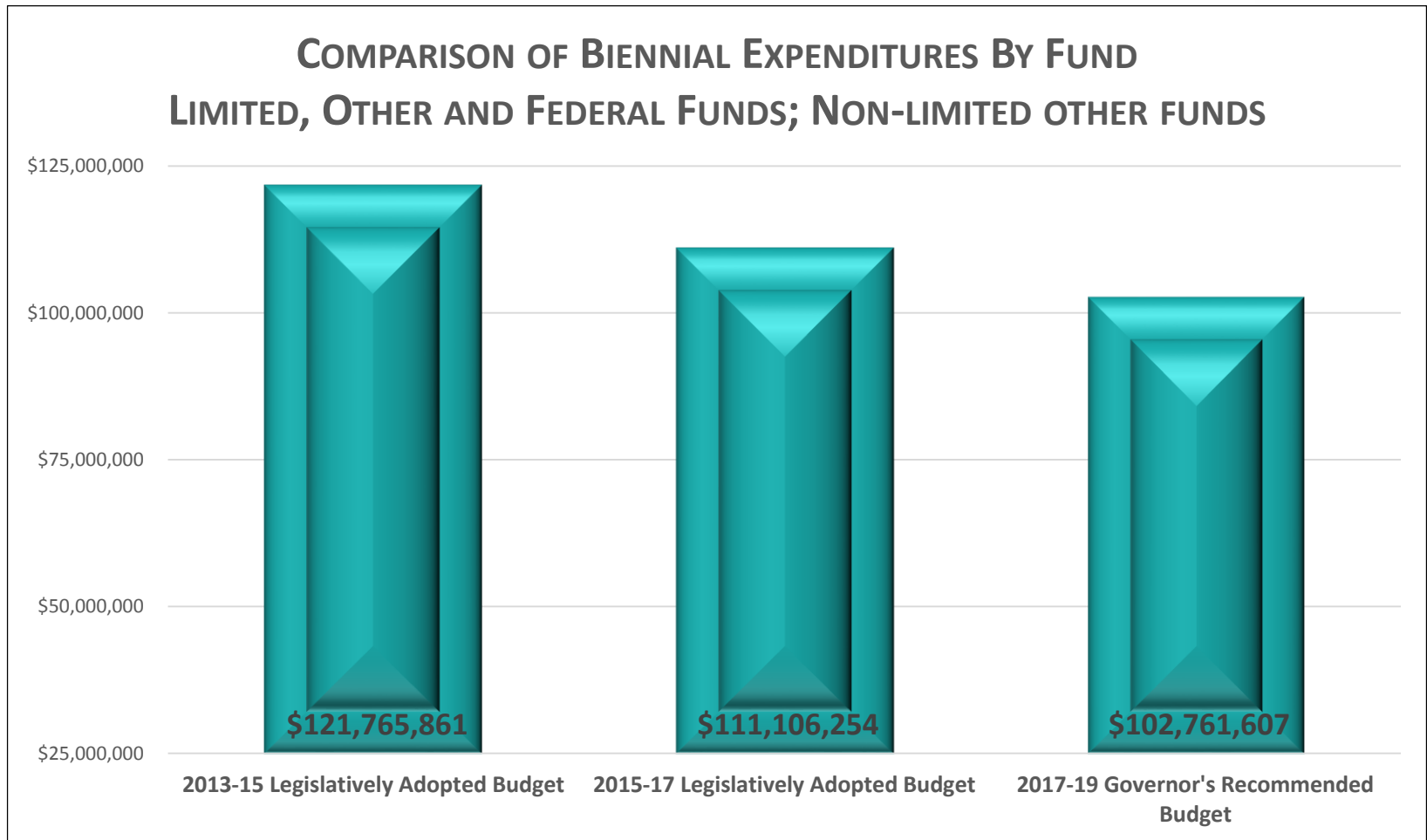
Total Funds = \$102,761,607

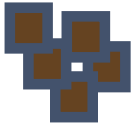


¹These revenues are mandated by statute (ORS 759.425) that requires the PUC to establish and administer the Oregon Universal Service Fund (OUSF) and collect funds from all retail telecommunications providers for service sold in Oregon and pass those funds on to telecommunications providers in high-cost areas.

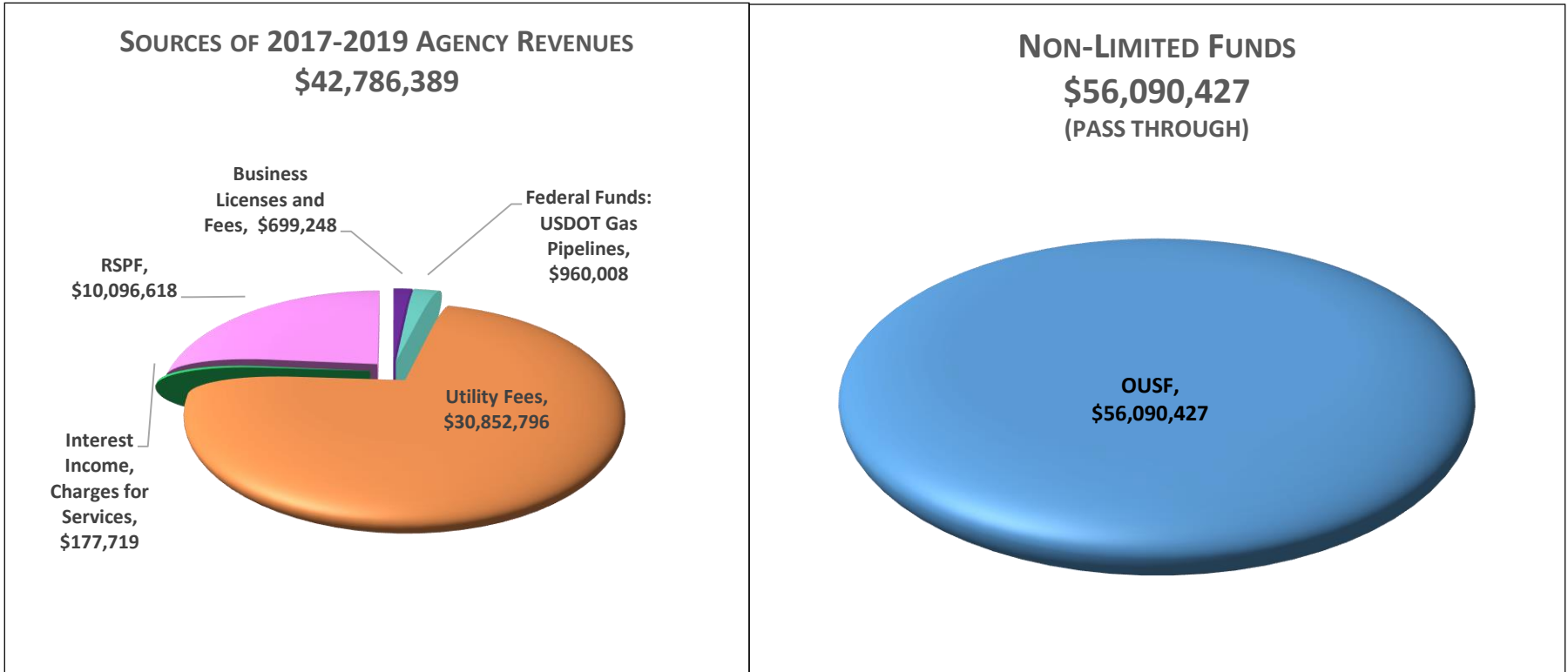
The PUC receives no General or Lottery funds. Commission utility regulation responsibilities are funded through a per month charge on regulated natural gas, electric, telecommunication, and water utility bills (approximately \$0.20 per residential bill).

Budget Overview – All Funds





Budget Revenue



Plus 2015-2017 Ending balances: Other Funds Non-Limited \$5,624,467, Federal Funds Limited \$143,710 and \$17,941,067 Other Funds Limited.
TOTAL REVENUE ALL SOURCES: \$122,586,060

The \$17,941,067 Other Fund Limited Ending Balance is the primary source of funds for PUC Utility Program, AHD, and P&A to operate from July 1, 2017 through March 31, 2018.



Budget Drivers

- **Personnel and Other Personnel Expenses** – 63% of budget. Tight labor market and competition for analysts drives recruitment and retention costs up.
- **OTRS Payments** – 10% of Budget
- **OTAP Payments/TDAP Equipment** – 8% of Budget
- **Attorney General Expenses** – 6% of Budget
- **Rent** – 4% of Budget
- **Other Services and Supplies** (including IT and state agency assessments) – 9% of Budget



Budget Risks – Revenue

- **Decreasing landlines equal decreasing revenue**
 - Revenue is decreasing by approximately 1.5% per year.
- **Lower natural gas (NG) prices equal smaller growth in reduced NG revenue**
 - Lower NG prices are good for customers. 2017 revenues are down 6.75% from 2016. NG customers only grew 0.25% from 2014 to 2015. 2016 temperatures lower than normal.
- **Flat growth in electric revenue**
 - Energy conservation, distributed generation, lower NG prices, and lower energy market prices keep customer prices from increasing at higher levels. 2017 revenue only grew 0.01% from 2016.

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Cost Containment

Budget management actions of PUC:

- Reduction in supervisory personnel
- Reduction in administrative personnel
- Vacancy savings
- Administrative savings
- Deferral of IT purchases
- Reduction in travel
- Data sharing agreements with Department of Revenue and Department of Human Services



Utility Program

- Utility – 65.625 FTE
 - 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
 - Policy and Support Staff

Utility Program

The PUC oversees the Energy Trust of Oregon to ensure that it generates effective results (in terms of conservation savings and renewable resource development) and that it does so efficiently. PUC oversight includes:

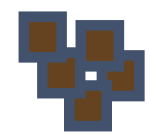
- Yearly performance measures
- Grant agreement that describes ETO obligations
- Quarterly and annual reports to PUC
- Regular management coordination meetings between ETO and PUC
- Reviewing yearly budget and action plan
- Management audit every five years
- Financial statement audits every year



Residential Service Protection Fund



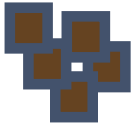
- RSPF supports the state's public policy that all Oregonians have access to adequate and affordable telephone service. It consists of four programs and 8.0 FTE:
 - Oregon Telephone Assistance Program (OTAP)
 - Oregon Telecommunications Relay Service (OTRS)
 - Telecommunication Devices Access Program (TDAP)
 - Emergency Medical Certificates Program (Handled by Consumer Services.)
- Decreased surcharge from \$0.12 to \$0.07 over the past five years. (Statutory maximum is \$0.35.)



Residential Service Protection Fund



- RSPF serves:
 - **OTAP / Lifeline** – Approximately 62,500 Oregonians served.
 - **TDAP** – Approximately 6,550 Oregonians served.
 - **OTRS** – Operates 24 hours a day, approximately 298,614 calls annually.
 - **EMC** – 8,239 disconnection contacts from utilities for medical certificate holders (non-payments and non-compliance with time-payment arrangements).



Residential Service Protection Fund



Senate Bill 84

SB 84 – Landline Wireless Service Subscribers RSPF Surcharge:

Amend statute establishing PUC authority to apply the RSPF surcharge to customers of interconnected VoIP service with access to the Oregon Telecommunications Relay Service.

The revision will mirror existing Department of Revenue statute and allow the respective agencies to compare data provided by interconnected VoIP companies for reconciliation and enforcement purposes.

Policy Package 101 is associated with this concept as it will increase 2017-2019 revenue by \$242,996.



Residential Service Protection Fund

Senate Bill 85

SB 85 – Telecommunication Devices Access Program Advisory Committee

Membership: Amend the statute to provide for a more balanced representation of Oregonians with disabilities on the advisory committee. Instead of twelve (12) members, the TDAP Advisory Committee will consist of seven (7) as follows.

- Three (3) who are deaf or hard of hearing;
- One (1) who is speech impaired or has a disability;
- One (1) who has a vision impairment;
- One (1) professional in the field of speech impairment, hearing impairment or deafness, vision impairment, or disability; and
- One (1) representative from the telecommunications industry.

This reduced membership format will allow the committee to more consistently achieve a quorum.



Administrative Hearings Division

- The Administrative Hearings Division (AHD) is an independent division that reports directly to the Commissioners - 10 FTE.
- PUC has its own Administrative Law Judges (ALJs) due to uniqueness of utility regulation. PUC is exempt from use of ALJs in Office of Administrative Hearings.
- Cases range from highly complex rate cases and investigations to more straightforward consumer complaints.



Administrative Hearings Division



Senate Bill 83

SB 83 – Amend ORS 756.610 Judicial Review:

Amend statute to remove the phrase “as orders in contested cases” from ORS 756.610, *Judicial review* and references to contested cases in additional statutes.



Policy Option Package 102

Utility e-filing / e-discovery – PUC seeks to provide an integrated, cohesive, and efficient solution for stakeholders to do business with the Commission.

The primary purpose of this request is to replace the custom-built legacy docketing system and the agency's use of a third party service for e-discovery.

- Benefits include, but are not limited to:
 - Single sign-on portal for stakeholders to file and find documents.
 - Stakeholders no longer need to remember multiple emails to file documents.
 - Emails are no longer limited to 10 MB when filing.
 - Replacement of outdated and unsupported existing docketing system.
- The PUC is supported by fees paid by utility companies. No general funds are used.
- The cost is estimated to be \$400,000 with the vendor doing all customization, configuration, and data migration.

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Policy and Administration

- Policy and Administration – 39.5 FTE
 - Commissioners
 - Commission Services
 - Consumer Services
 - Human Resources (includes Training and Reception)
 - Business Services
 - Information Technology
- Residential Service Protection Fund (RSPF) – 8.0 FTE
- Board of Maritime Pilots – 2 FTE
 - Established in 1846 to promote safe shipping

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Performance Measures

Overview

The PUC has 16 Key Performance Measures which includes:

- 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.

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Performance Measures

Overview

- 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.
- Maintain effective ETO performance.

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Environmental Factors

- Oregon's population will continue to grow. The growth translates directly into greater demand for utility services, although the nature of utility services consumers seek is changing.
- Energy markets are undergoing rapid changes as telecommunications and technology advances are integrated with the electric grid.
- Distributed generation (solar photovoltaic, micro turbines, fuel cells, micro grids) are increasing the complexity of utility operations and customer expectations. These changes are raising fundamental issues about long-standing regulatory concepts that will require considerable policy adaptation at the Commission.

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Environmental Factors

- The slower regional economic recovery is creating increased demand for utility service assistance programs.
- Emerging, changing, and uncertain federal laws and rules concerning greenhouse gas emissions, energy development, and energy consumption, as well as tax incentives will affect utility operations.
- Heightened concerns about the risks posed by cyber-attacks and major earthquakes on utility facilities.
- Continued decrease in telephone landline use due to cellular telephones, Voice over Internet Protocol (VoIP), and internet usage such as Skype.

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Environmental Factors

- The need for utilities to invest in capital projects to meet the growing demand of customers, changes in technology, and federal and state mandates.
- Increased energy utility customer demands concerning options for “green tariffs” that utilize greater selections and availability of renewable power.
- Federal laws and rules promoting development of broadband as well as fundamental changes to universal service funding.



Major Changes to Agency

- Transferred Consumer Services back into Policy & Administration from the Utility Program in 2016 for administrative control reasons.
- **HB 4131** reduced supervisory personnel from 25 supervisors to 14 supervisors.
 - Utility Program: Fifteen supervisors to seven supervisors
 - Policy & Administration: Eight supervisors to five supervisors
 - Administrative Hearings Division: One supervisor
 - Commission Chair
 - Moved from a span of control of 1:4 to 1:8, meeting the 2016 goal of 1:8.
 - More difficult to hire Administrators as a result of elimination of subordinate managers in the Utility Program.



Oregon Board of Maritime Pilots

- The Board of Maritime Pilots (OBMP) helps protect public health, safety, and welfare by ensuring that only highly-qualified and well-trained 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, Astoria, Kalama, Longview, Vancouver, Pasco, and Portland.
- “Other funded” agency staffed with 2 FTE.



Budget Drivers

- **Personnel and Other Personnel Expenses** – 67% of budget
- **Attorney General Expenses** – 11% of actual expenditures
- **Professional Services** – 6% of actual expenditures
- **Rent** – 3.5% of Budget
- **Other Services and Supplies** (including IT and state agency assessments) – 12.5% of Budget



Budget Risks

- **Maritime Incidents and Investigation costs**
 - \$35,521 this biennium (Varies depending on # of incidents.)
- **Increased attorney fees resulting from**
 - Proposed Pilotage Tariff review program
 - Medical Oversight program
 - Updated Ethics and Public Meetings procedures
 - (Expected flat fee agreement with DOJ in early FY17-18)
- **Columbia River Traffic**
 - Possible WA ecology rules on Columbia River oil transport requiring OBMP staff support.
- **Coos Bay Traffic**
 - Possible approval and construction of Coos Bay LNG Terminal requiring OBMP staff support.

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Environmental Factors

OBMP

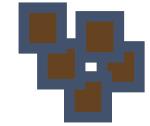
- New federal requirements have created opportunities and challenges in the administration and operations of the Oregon Board of Maritime Pilots (OBMP).
- Increased oversight and scrutiny of Maritime Pilot operations as the Columbia and Coos Bay systems evaluate the marine transportation of coal, liquefied natural gas (LNG), and domestic crude oil through Oregon waters.
- Development and implementation of next-generation infrastructure and safety technology in Oregon's pilotage grounds.



Environmental Factors

OBMP

- Implementation and evolution of rigorous fatigue and medical standards of care for all mariners, including Oregon pilots.
- Continuing revitalization of marine trade in Coos Bay and Yaquina Bay, and increased pilotage and safety demands that accompany it.
- On January 1, 2015, fuel burned inside the 200 nautical mile zone must contain no more than 0.1% sulfur; an additional tenfold decrease.



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Questions?