



# *Actively Adapting to the Changing Electric Sector*

## **SB 978 Report Oregon Public Utility Commission**

Megan Decker, Commission Chair  
Julie Peacock, Policy Director

House Energy and Environment Committee

February 5, 2019



# Mission and Reach



Our mission is to ensure Oregon utility customers have access to safe, reliable, and high-quality utility services at just and reasonable rates.

## Electric

- PGE, PacifiCorp, Idaho Power
- 1,405,946 customers

## Natural Gas

- NW Natural, Avista, Cascade Natural Gas
- 772,512 customers

## Telecom

- About 373 companies
- 822,181 customers

## Water

- About 80 small water utilities
- 31,000 customers

Total revenue collected by these utilities is ~**\$4.9 billion** annually

# Changing Context – SB 978



- Electric sector changes
- PUC roadmap
  - Clarify and update objectives
  - Modernize regulatory tools and processes

## SB 978

ACTIVELY ADAPTING  
TO THE CHANGING  
ELECTRICITY SECTOR

September 2018

# SB 978 (2017)



- Public process and investigation
- Existing electricity regulatory system
- Trends, technologies, and policy drivers

**EXPLORE** changes that accommodate **trends** and support **public policy objectives** without compromising **affordability, safety, reliability**



**DETERMINE** whether **changes** in interest of customers and public generally

- Report to Legislature by September 15, 2018

# SB 978 Stakeholder Process Innovations



- 20+ initial stakeholder interviews
- 7 interactive meetings with broad, consistent participation
- Collaborative stakeholder leadership
- National expertise: Regulatory Assistance Project (advisor)  
Rocky Mountain Institute (facilitator)

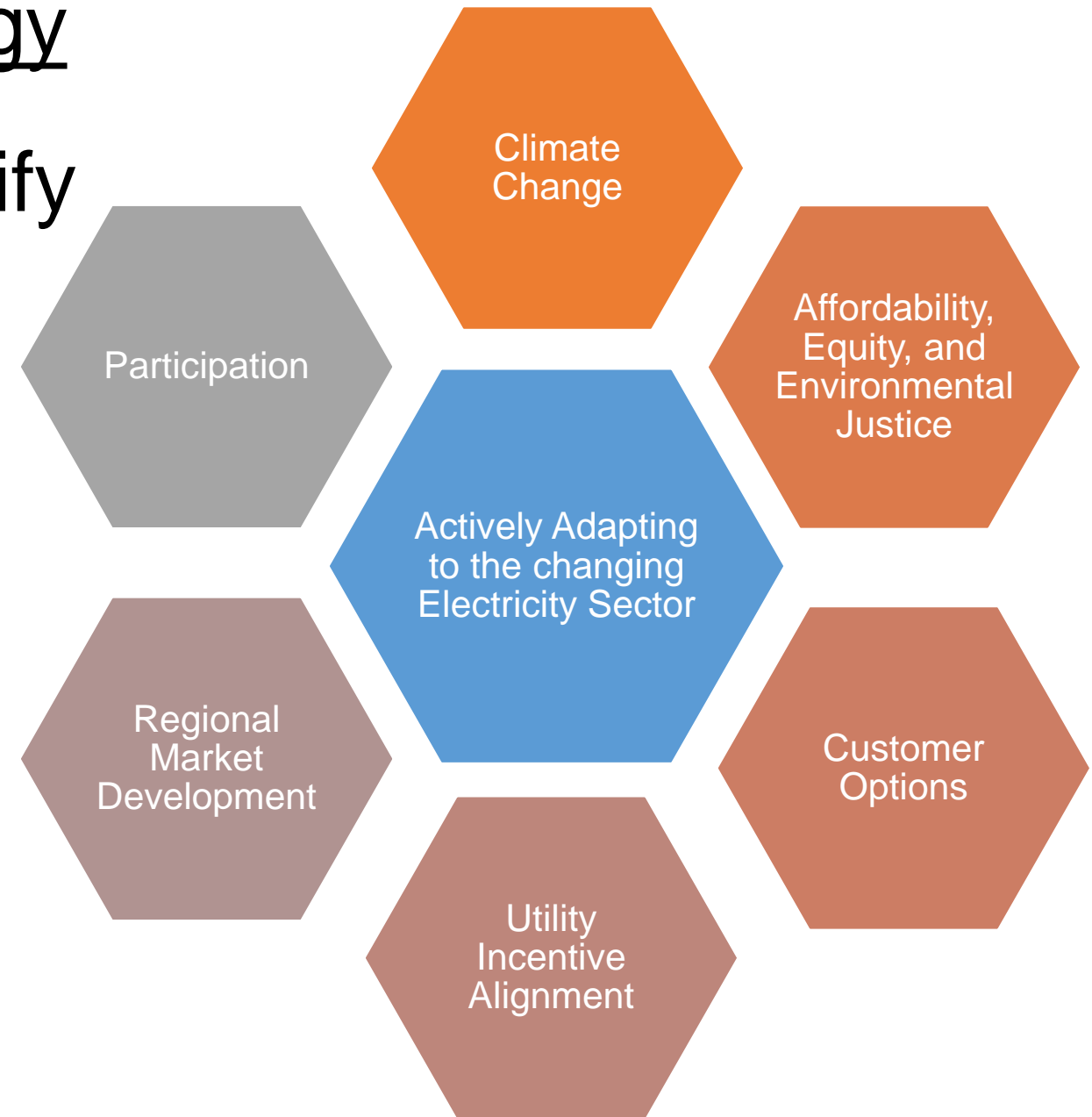
# Areas of Inquiry

- Education and foundational assumptions
- Trends and policy drivers
- New authorities, structures and tools

JANUARY	FEBRUARY	MARCH
<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Process Plan announced to stakeholders early Jan.</li> <li>First external meeting, Jan. 30</li> <li>Engage a facilitator and external expertise</li> </ul> <p><b>Milestone:</b> Develop an understanding of the process with stakeholders</p>	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Engage stakeholders for presentations at the second external meeting</li> <li>Develop framing paper or presentation for distribution prior to meeting</li> <li>Second stakeholder meeting, Feb. 22 with an education focus on the topic of "investigation of the existing energy and regulatory system"</li> </ul> <p><b>Milestones:</b> Development of framing paper, second external meeting and guiding principals</p>	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Third external meeting with a focus on facilitated stakeholder conversation around "Investigation of the existing energy and regulatory system"</li> </ul> <p><b>Milestone:</b> Allow opportunity for stakeholder comments on investigation to date</p>
<b>Investigation of the existing energy and regulatory systems</b>		
APRIL	MAY	JUNE
<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Fourth stakeholder meeting with an education focus on the topic "Investigation of policy and technology trends" and general identification of trends</li> <li>Report out from any subgroups that developed as a result of meeting three</li> <li>Request that stakeholders file comments on trends</li> </ul> <p><b>Milestone:</b> May request stakeholders file comments on trends and public policy objectives with views on how they impact the existing regulatory system</p>	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Aggregation of any comments as a result of the previous meeting and distribution to stakeholders</li> <li>Fifth stakeholder meeting with a focus on facilitated stakeholder conversation on "Investigation of policy and technology trends"</li> </ul> <p><b>Milestone:</b> Allow opportunity for stakeholder comments on investigation to date</p>	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Development of a framing document or presentation on potential changes to be distributed prior to the sixth meeting</li> <li>Fifth stakeholder meeting with a focus on identifying potential changes</li> </ul> <p><b>Milestone:</b> Development of a framing document for June meeting</p>
<b>Investigation of policy and technology trends</b>		<b>Identify Potential Changes</b>
JULY	AUGUST	SEPTEMBER
<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Optional seventh meeting</li> <li>Finalize development of draft report for distribution to stakeholders in late July</li> </ul> <p><b>Milestone:</b> Distribution of draft report in late July</p>	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>Stakeholder comments on draft report due</li> <li>PUC will begin finalizing report</li> </ul> <p><b>Milestone:</b> Stakeholder comments due</p>	<p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>File final report with the Legislature</li> </ul> <p><b>Milestone:</b> Submittal of the final report to the Legislature by Sept. 15</p>
<b>Identify Potential Changes</b>	<b>Final Report Preparation</b>	

# Report and Strategy

- Update and clarify PUC objectives
- Modernize regulatory tools and processes
- 6 areas of focus



**The PUC stands ready to use the powerful tools of economic regulation to achieve the objectives that the Legislature prioritizes for Oregon's regulated electric utilities.**

Contact:

Julie Peacock

[Julie.Peacock@state.or.us](mailto:Julie.Peacock@state.or.us)

503-378-3623





# Climate Change



## 1. Climate Change: Address the regulated electric sector's role in mitigating climate change, as directed by the Legislature.

Climate  
Change

- Work with the Legislature and stakeholders toward an **appropriate role in greenhouse gas mitigation** that is consistent with the Commission's primary function as an economic regulatory agency.
- Work with the Legislature and stakeholders to appropriately define the electric sector's role, if any, in **reducing emissions from other carbon-intensive sectors**, such as transportation.
- Continue to **consider economic costs and risks associated with climate change** and greenhouse gas regulation to ensure that utility systems are designed to accommodate cost-competitive, low-carbon technologies.

# Affordability, Equity and EJ



## 2. Affordability, Equity and Environmental Justice: Expand consideration of affordability and equity for all regulated utility customers.

Affordability,  
Equity, and  
Environmental  
Justice

- As part of the Low Income Utility Program Working Group, **make recommendations** to the Governor's Carbon Policy Office in December 2018 to address energy burden of low-income Oregonians.
- Assist, as requested, in **legislative consideration of new ways to mitigate energy burden** of low-income Oregonians, including changes to ratemaking laws that currently limit the Commission's authority.
- Explore **differentiated service classifications** that may indirectly address energy burden within the Commission's current authority.
- Develop and **host annual PUC staff training** on social equity and environmental justice.
- Integrate **environmental justice impact analysis**.

# Customer Options



### 3. Customer Options: Encourage customer options that are fully and accurately valued.

Customer  
Options

- a. **Encourage customer and competitive options** that align with legislative and utility system goals.
- b. Reveal where and how customer and competitive options can provide maximum value to all customers, though increased **transparency in distribution system planning**.
- c. Develop more consistent pricing methodologies for distributed energy resources in order to provide **responsive pricing signals** that keep pace with rapidly changing technology options.

# Utility Incentive Alignment



Utility  
Incentive  
Alignment

## 4. Utility Incentive Alignment: Initiate performance-based regulation pilot programs and investigations.

- a. Launch a process to **align utility incentives with customer objectives**.
- b. **Invite proposals** in areas where customers will benefit from the PUC allowing utilities to earn a return on outcomes rather than on capital expenditures.

# Regional Market Development

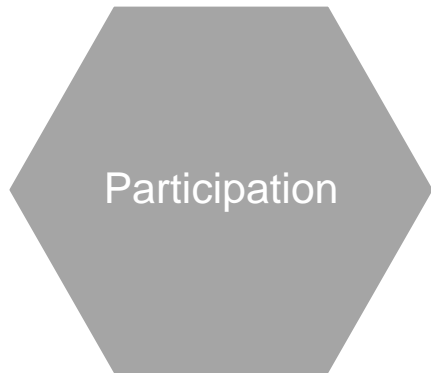


**5. Regional Market Development: Work toward a strong foundation for efficient wholesale competition and regional resource diversity.**

- a. Participate with other states and agencies in **regional forums to promote organized market development.**

Regional  
Market  
Development

# Participation



## 6. Participation: Actively engage to promote greater participation from affected communities.

- a. Create tools and educational materials to assist community-based organizations and others in navigating PUC roles and processes to **achieve greater procedural inclusion**.
- b. Assist, as requested, in **legislative consideration of expanded funding for participation** by low-income and environmental groups, whether through intervenor funding, a designated advocate, or other method.