



**BEFORE THE Ways and Means Joint Subcommittee on
Transportation and Economic Development
Senate Bill 68**

Testimony of Michael Dougherty, Chief Operating Officer

Oregon Public Utility Commission

March 28, 2019

Co-Chair Manning and Co-Chair Gomberg, members of the Committee, for the record I am Michael Dougherty, Chief Operating Officer at the Public Utility Commission. I am here to testify on Senate Bill 68, which amends ORS 756.310 to provide increased funds for the agency. The PUC is funded through an annual assessment on the gross operating revenues of regulated utilities. SB 68 would increase the fee from its current cap of 0.30 percent to 0.45 percent for energy and water utilities, and to 0.35 percent for telecommunication utilities.

Two major factors drive this request. First, the work of the agency continues to grow in quantity, scope, and complexity. The industries regulated by the PUC are undergoing rapid advances in technology and market restructuring. The challenges are diverse and include modernizing and cleaning the electric grid, increased customer choices, voluntary emission reduction programs, expanding access to broadband, distributed energy resources, investigating utility business model reforms, utility investment in electric vehicle infrastructure, and the integration of energy storage. The PUC is using its expertise and current resources to achieve the objectives that the Legislature has prioritized for Oregon's regulated



utilities, but these new challenges have increased our need for staffing, professional services, and legal services.

Second, current funding levels are not sustainable. Changes affecting the utility sector have slowed the growth of utility revenues. These factors include the efforts to promote energy conservation, the reduction in natural gas prices, and the loss of land-line telecommunication customers. Due to these factors, the utility revenue assessments over the past 10 years have increased just over nine percent—less than one percent per year.

Because of these trends and changes, the PUC has taken efforts to control its costs. We have reduced administrative personnel, deferred information technology purchases, reallocated personnel, and relied on vacancy savings. These cost saving measures are no longer enough. At current levels, we project that our three month balance of funds (or reserves) would diminish to close to zero in March 2020 if the revenue fee is maintained at 0.30 percent.

We have engaged our stakeholders about the possibility of an increased assessment and received broad support for additional funds to increase staffing and resources. Many of our stakeholders have filed support for this bill, as well as our budget bill, SB 5534, which also reflects an increased annual fee assessment.



As to the mechanics of the bill, SB 68 establishes separate assessment caps for different industries. The cap for energy and water is set at 0.45 percent, and the cap for telecommunications is set at 0.35 percent. The higher cap for energy and water utilities signifies that a majority of our regulatory work focuses on these industries. The increased, but lower, cap for telecommunications utilities reflects the fact that, although the cost to administer these utilities exceeds current revenue, our regulation of that industry generally requires less work.

As far as overall impacts, the new caps would give the PUC the ability to collect an additional \$12.9 million from energy and water utilities, and \$469,486 from telecommunication utilities over the 2019-2021 biennium. The PUC does not, however, plan on initially setting the fee at the maximum levels for energy and water utilities, the PUC will only assess an amount that will better match revenues to expenses. We included a 0.40 percent level in our SB 5534 POP 101, but anticipate, based on current projections, to be at 0.35 percent for 2020.

The impact of SB 68 is relatively minor on utility customers. The proposed fee change at the 0.35 percent level will increase the average monthly residential customer bill by \$0.04, from \$0.20 to approximately \$0.24.

The PUC asks for your support. I am happy to answer any questions you may have.