



Public Utility Commission Ratemaking and Utility Trends

Oregon House Interim Committee on
Commerce and Consumer Protection

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Rate Setting at the Public Utility Commission

- Background
 - PUC Overview
 - Types of PUC Dockets
- Basics of Utility Ratemaking
 - Process Steps of PUC Ratemaking
 - Intervenor Funding
 - PUC Staff's Role in Setting Rates
- Review of Recent Utility Bill and Rate Trends
 - Comparing Rate Change Requests to Approvals
 - Key Drivers of Increased Rates
 - Support for Customers and Disconnection Tracking

PUC Overview

Economic regulator of investor-owned utilities

- Electric – PGE, PacifiCorp, and Idaho Power
- Natural Gas – NW Natural, Cascade, and Avista
- Select telecom and small water companies

Must consider and approve all changes to
tariffed utility rates

Quasi-judicial and policy functions

3 full-time Commissioners – 142 FTE

Our **mission** is to ensure Oregonians have access to **safe, reliable and fairly priced** utility services that advance **state policy** and promote the **public interest**.

We use an **inclusive process** to evaluate differing viewpoints and visions of the public interest and arrive at **balanced, well-reasoned, independent decisions** supported by fact and law.

Categories of Dockets the PUC Reviews

The PUC evaluates regulated utility filings in three major categories.

Rates

- General Rates Cases
- Annual Cost Adjustments

Planning

- Integrated Resource Plans
- Clean Energy Plans
- Wildfire Mitigation Plans
- Distribution System Plans

Programs

- Net Metering
- Community Solar
- Energy Efficiency
- PURPA
- Demand Response
- EV Charging

PUC Authority – Background

- As monopoly providers of essential services, public utilities are subject to government control over entry, service, and rates
- Although subject to regulation, public utilities remain private enterprises with protected rights
- The PUC sets rates that balance the interests of the utility and its customers
 - To protect customers, the rates must be just and reasonable
 - To protect the financial health of the utility, the rates must provide sufficient revenue for operating expenses and the capital costs of the business
- If rates do not afford sufficient compensation, it may be argued that the State has taken utility property without paying just compensation

PUC Authority – Key Statutory Provisions

- ORS 756.040 - general powers
- (1) In addition to the powers and duties now or hereafter transferred to or vested in the Public Utility Commission, the commission shall represent the customers of any public utility or telecommunications utility and the public generally in all controversies respecting rates, valuations, service and all matters of which the commission has jurisdiction. In respect thereof the commission shall make use of the jurisdiction and powers of the office to protect such customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates. The commission shall balance the interests of the utility investor and the consumer in establishing fair and reasonable rates. Rates are fair and reasonable for the purposes of this subsection if the rates provide adequate revenue both for operating expenses of the public utility or telecommunications utility and for capital costs of the utility, with a return to the equity holder that is:
 - (a) Commensurate with the return on investments in other enterprises having corresponding risks; and
 - (b) Sufficient to ensure confidence in the financial integrity of the utility, allowing the utility to maintain its credit and attract capital.
- (2) The commission is vested with power and jurisdiction to supervise and regulate every public utility and telecommunications utility in this state, and to do all things necessary and convenient in the exercise of such power and jurisdiction.
- (3) The commission may participate in any proceeding before any public officer, commission or body of the United States or any state for the purpose of representing the public generally and the customers of the services of any public utility or telecommunications utility operating or providing service to or within this state.
- (4) The commission may make joint investigations, hold joint hearings within or without this state and issue concurrent orders in conjunction or concurrence with any official, board, commission or agency of any state or of the United States.

PUC Ratemaking 101

General Rate Case

- Evaluates a utility's business costs
- Utility may file at any time
- PUC conducts a year-long contested case investigation
- Staff and other parties evaluate components of utility projected costs
 - Labor
 - Materials
 - Capital costs
 - Prudence of investments
- PUC determines a revenue requirement and rate of return for the utility

Annual Cost Adjustments

- Used for some non-capital costs
 - No profit mark-up
 - Incentives to control costs
- Reflect changes in actual prices paid by the utility
 - Wholesale electricity
 - Natural gas
- High variability costs

Process: Rate Cases are typically Contested Cases

- Trial-like processes which resolve disputed issues of fact, law, and policy
- ORS 756.500 through 756.558, Administrative Procedures Act (ORS 183.310 et seq.) and OAR 860-001-0300 through 860-001-0720
- Address rights and privileges of parties
- Decisions must be based on evidentiary record
 - *Ex parte* restrictions apply
 - May be appealed to court
- Rate Cases, Complaint cases, policy cases as designated by the Commission



Major Contested Cases: What to Expect (1 of 2)

Prehearing conference

- Set the schedule, ID the parties

Testimony

- Present evidence on facts or policy

Public Comment Hearing

- Commission hears from the public on Rate Issues

Hearing

- Lawyers, ALJ, and Commissioners question some witnesses (Attorney needed to fully participate)



Briefing

- Written argument explaining why party's position should prevail

Oral Argument

- Largely, but not exclusively, legal argument on issues

Final Decision

- Commission reviews and weighs all of the above
- Issues written decision

Major Contested Cases:
What to Expect
(2 of 2)



Rate Case - Process

Public comment can be submitted at any time

➤ 1. UTILITY FILING

Utility files application, direct testimony, and tariffs (proposed rates) to PUC



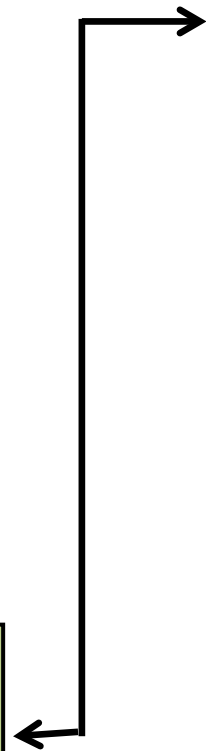
➤ 2. SET SCHEDULE

PUC adopts schedule, receives petitions to intervene, identifies issues, identifies parties to the case, creates service list



➤ 3. PUBLIC COMMENT HEARING

Opportunity for the public to ask questions, voice concerns/opinions to the PUC



➤ 4. DISCOVERY

Parties request information from each other through data requests



➤ 5. SETTLEMENT CONFERENCES

Utility, staff, and interveners who attempt to reach agreement on as many issues as possible



➤ 6. WRITTEN TESTIMONY

Staff and intervenors responding to utility's direct testimony

➤ 7. EVIDENTIARY HEARING

Cross-examination of witnesses



➤ 8. WRITTEN BRIEFS

Briefs are submitted as scheduled.



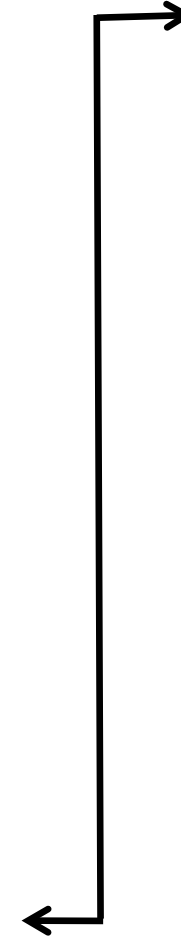
➤ 9. ORAL ARGUMENTS

Additional arguments from parties on issues



➤ 10. COMMISSION DECISION

Commission issues order on requested rates



Traditional Intervenor Funding

- Financial support to engage in PUC processes
- Accessible through rules for groups representing broad customer classes
- Examples – Residential Customers (CUB), Industrial and Commercial Customers (AWEC)

Justice Funding: New funding available for organizations

- Representing low-income residential customers
- Representing environmental justice community customers
- \$500,000 available annually
- Based on agreements between recipient groups and utilities
- Agreements negotiated and memorialized in final rules



About PUC Staff

- Staff Working Rate Cases & Power Costs:
 - Accountants
 - Financial Analysts
 - Economists
 - Engineers
 - Among others
- Paired with Attorney from DOJ

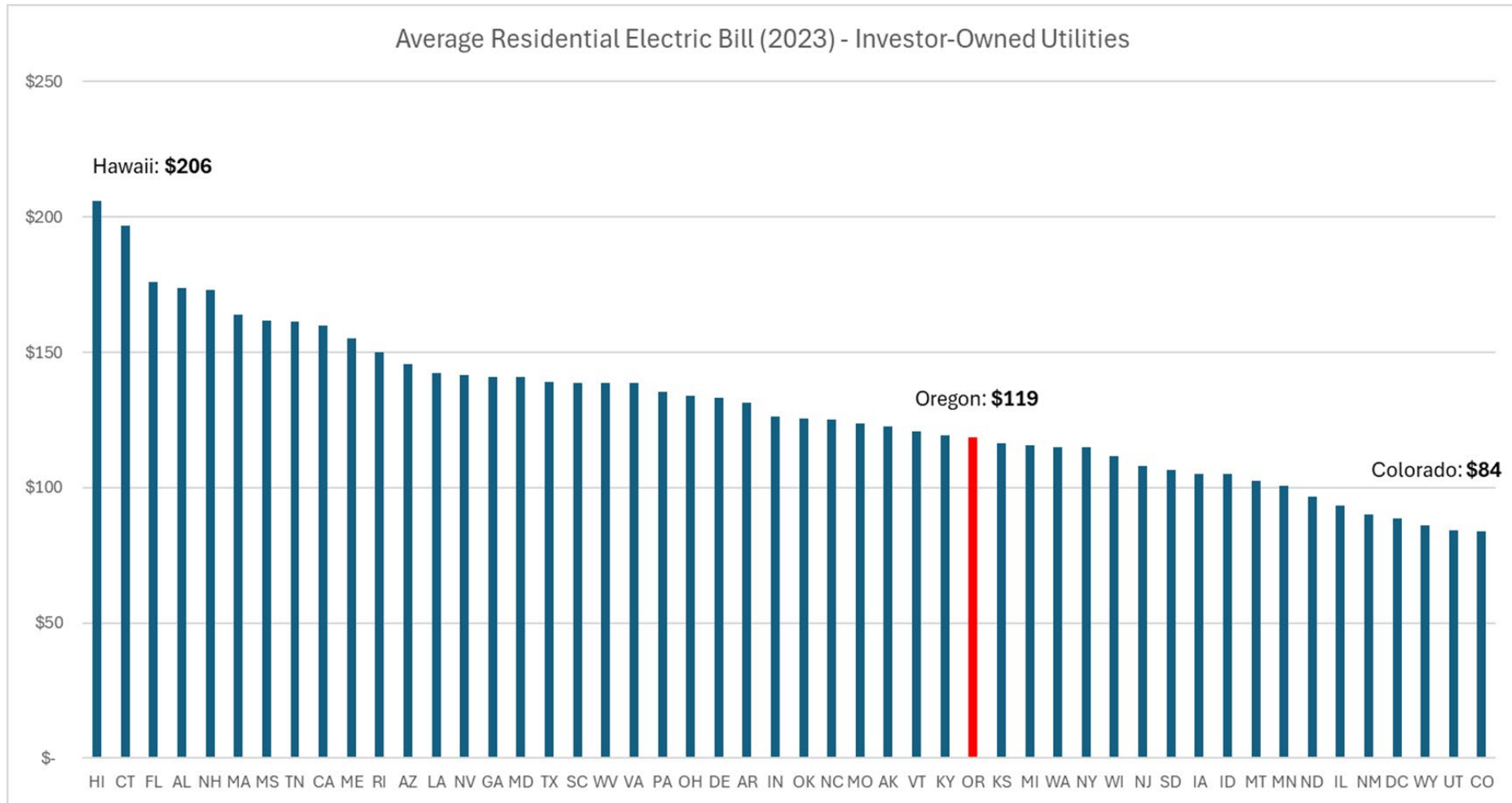
About PUC Staff

- Staff:
 - Analyze Utility filings
 - Request more information
 - Submit, defend written testimony
 - Review all testimony, assess for reasonableness
 - Develop settlement positions
- Attorneys working with Staff:
 - Cross examine witnesses
 - Submit legal briefs
 - Make oral arguments

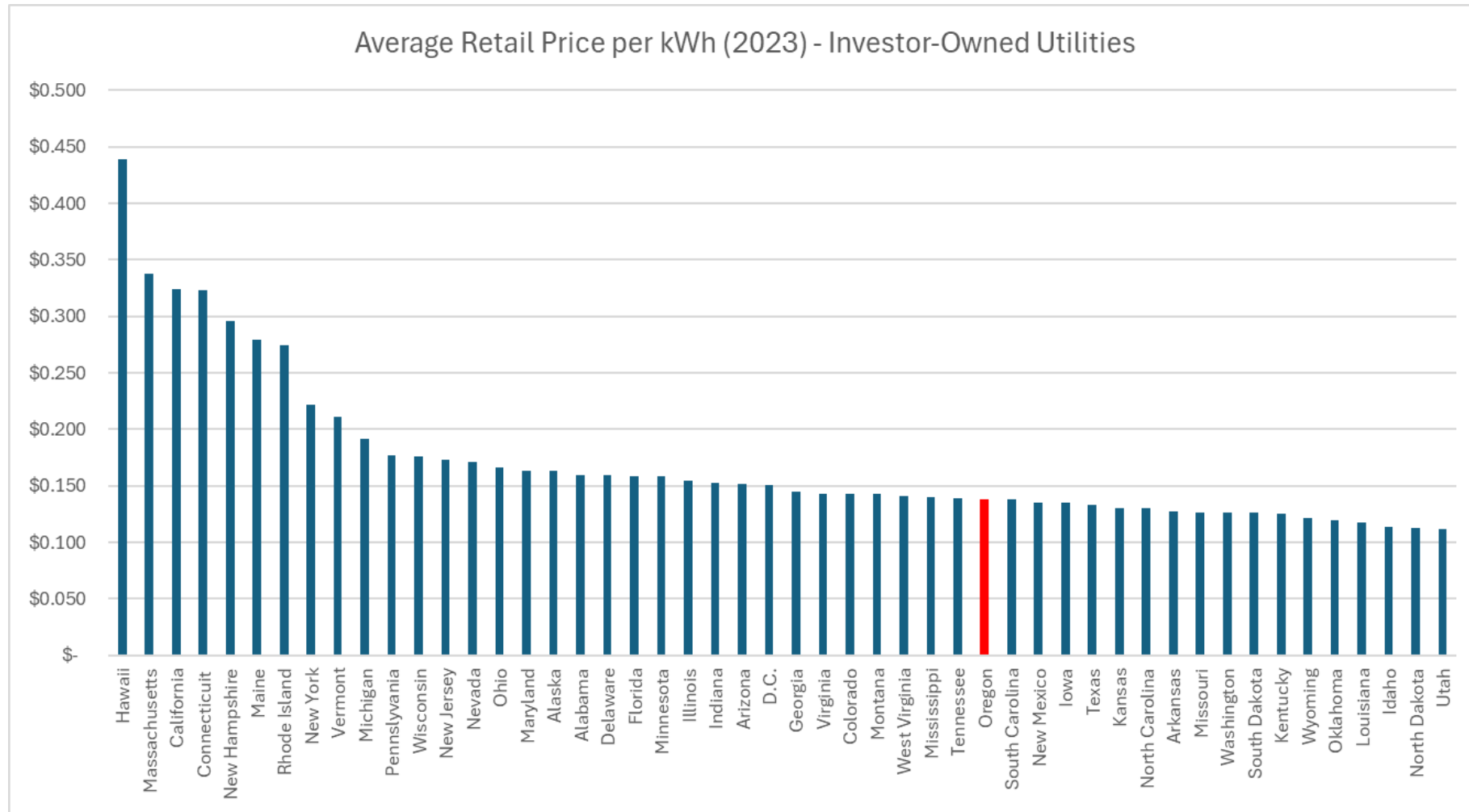
General Rate Revision Requests and Approvals

| Utility | Requested Rate Change | Approved Rate Change | Effective Date |
|-------------|-----------------------|----------------------|------------------|
| Idaho Power | 14.7% | 4.5% | March 1, 2012 |
| PGE | 4.8% | 1.8% | January 1, 2019 |
| PacifiCorp | 6.0% | -1.6% | January 1, 2022 |
| PGE | 2.9% | 0.5% | May 9, 2022 |
| PacifiCorp | 6.8% | 3.9% | January 1, 2023 |
| PGE | 9.5% | 7.3% | January 1, 2024 |
| Idaho Power | 19.3% | TBD | October 15, 2024 |
| PacifiCorp | 14.7% | TBD | January 1, 2025 |
| PGE | 7.4% | TBD | January 1, 2025 |

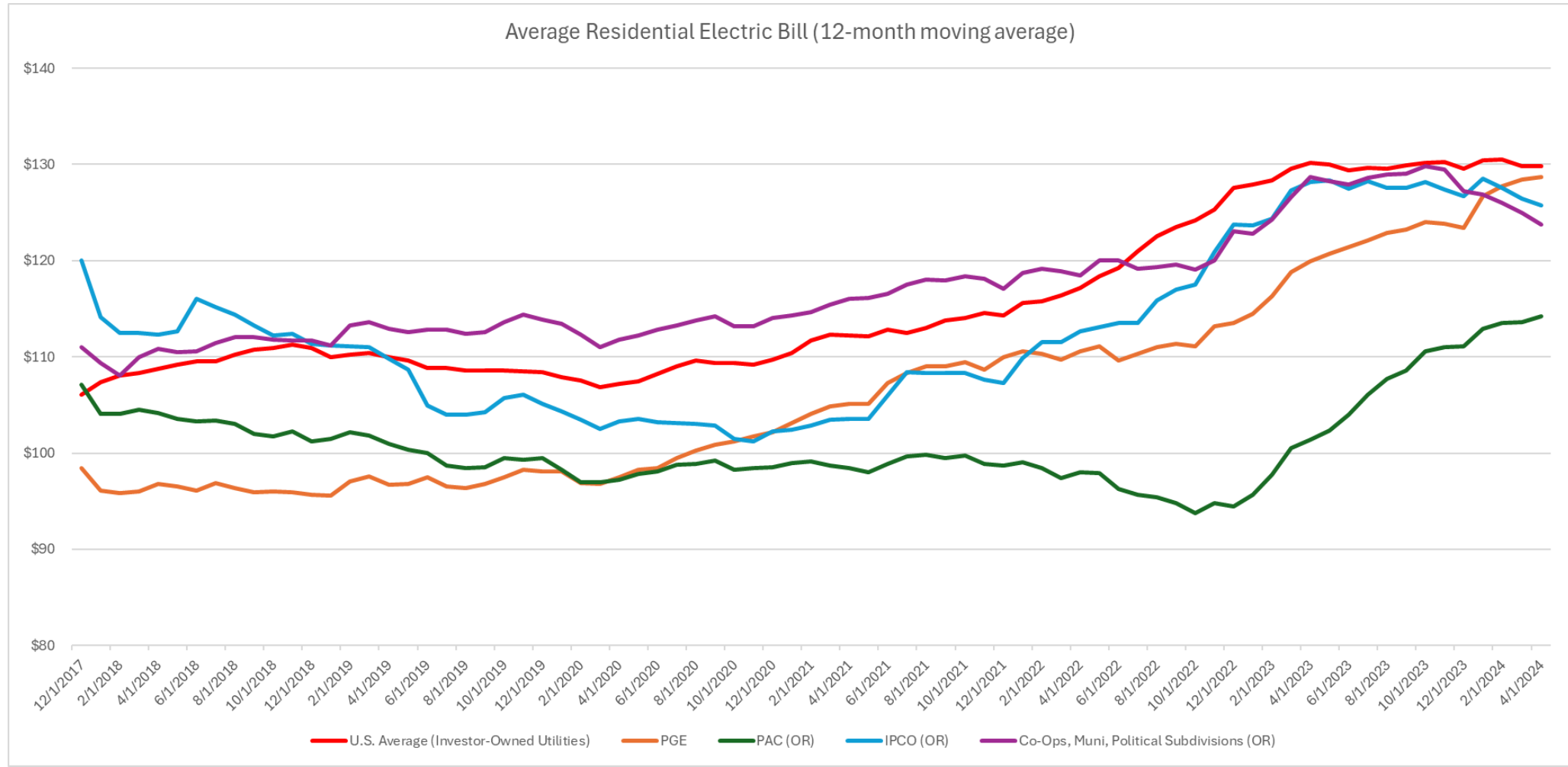
How Does Oregon Stack Up on Utility Bills?



How Does Oregon Stack Up on Utility Rates?

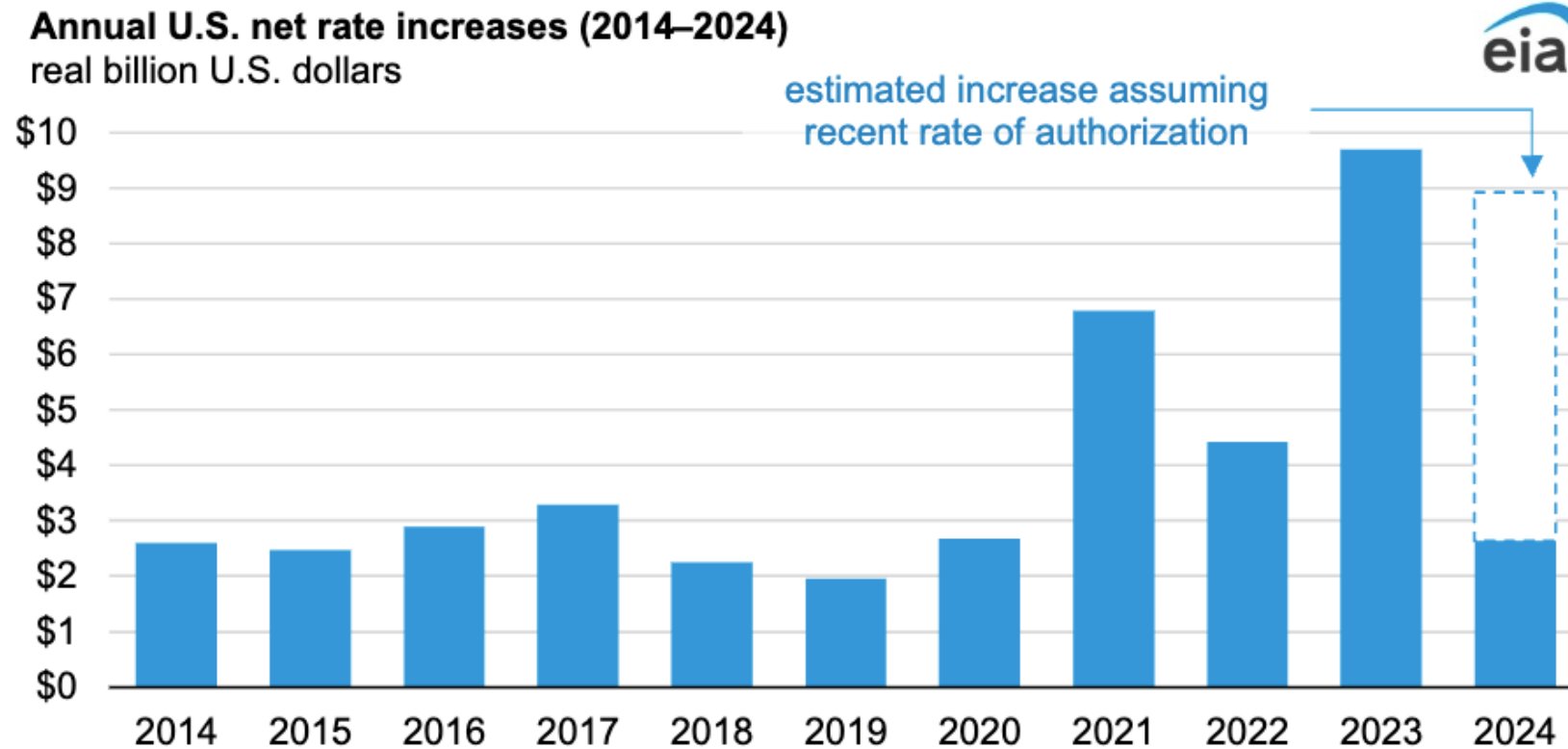


National and State Rate Trends



Rates are Increasing Nationally

Trend toward electric utility rate increases in regulated markets continues in 2024



Data source: S&P Capital IQ rate case database
Note: Real=adjusted for inflation to 2023 dollars

Key Drivers of Recent Rate Increases

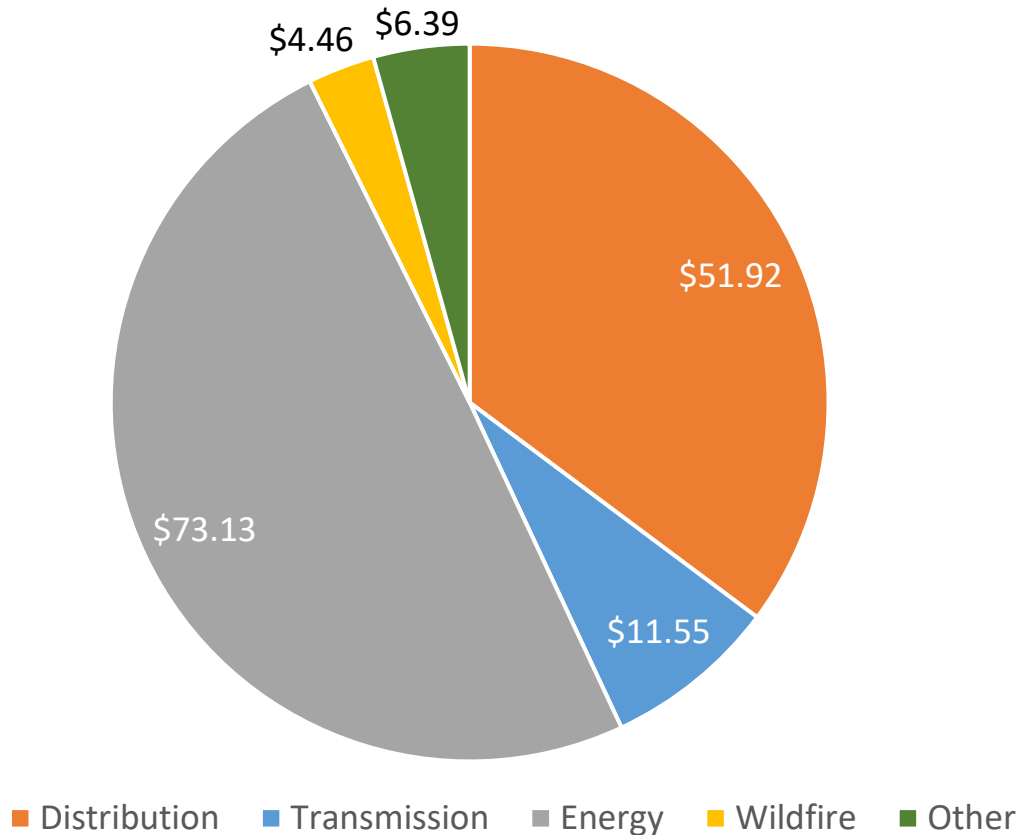
- General inflation – Labor and equipment are more expensive
- Increased cost of purchasing wholesale electricity and natural gas
- Investments in grid infrastructure to maintain safety and improve reliability
- Extreme weather events and clean up
- Increased spending on wildfire mitigation



PacifiCorp & PGE Bill Comparison

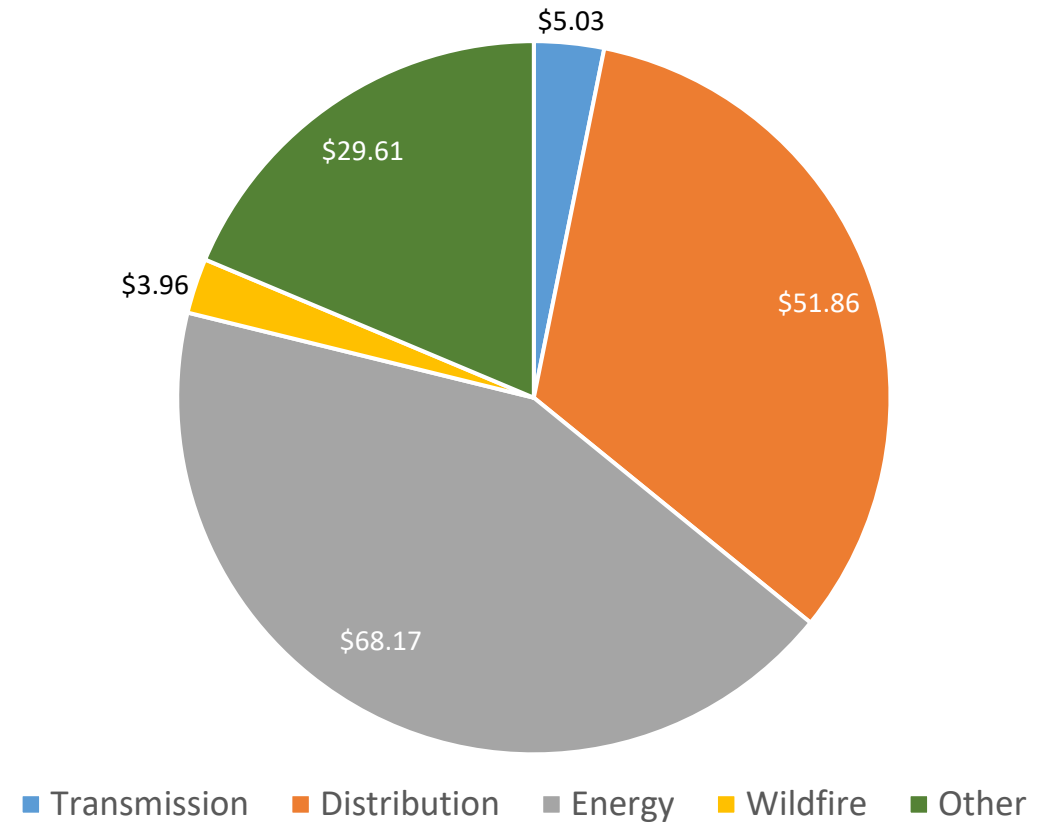
Note: Wildfire bill impact does NOT include cost of settlements or damages

PacifiCorp January 2024 Average Customer Bill Breakdown



Assumes residential average usage of 950 kWh per month

PGE January 2024 Average Customer Bill Breakdown



Assumes residential average usage of 795 kWh per month

Support for Customers and Disconnections

- Disconnections – Tracking
 - Mandatory tracking and reporting imposed by Staff since 2018
 - See RO 12
- Disconnections – Analysis
 - Rate Increases
 - Weather
 - Increased numbers early this year – correlated to extreme weather – winter storms and rate increases that took effect in January 2024
- Disconnection Support For Customers – Staff led Rulemakings, Investigations, and Commission Orders
 - Disconnection reform – limiting circumstances, partial payment, increased notice
 - Continued Staff tracking – consideration of additional policy changes

Support for Customers and Disconnections, Cont.

Billing and Other Support For Customers – Staff led Rulemakings, Investigations, and Commission Orders

- Income-qualified bill relief – partial goal; prevent arrearages that lead to disconnection
 - Portland General Electric (PGE), PacifiCorp (Pacific Power), Northwest Natural Gas Company (NW Natural), Avista Utilities (Avista), and Cascade Natural Gas Company (Cascade) – Idaho Power coming soon
 - Low Barrier to Enrollment, Targeted Assistance, Reporting Mechanisms
 - Some programs – arrearage management and forgiveness
- State and Federal Assistance – LIHEAP and OEAP
- Energy Efficiency – Energy Trust of Oregon
 - Savings Withing Reach – 120% of SMI
 - No-cost heat pumps – 60% SMI
 - Multi-family custom

Additional Utility Bill Resources

More Information about Bill Assistance, Pending Rate Changes, Links to Utility Resources, etc. can be found at the [PUC Consumer Information Center](#)

You can also reach out to your service provider

Idaho Power – 800-488-6151
PacifiCorp – 888-221-7070
PGE – 800-542-8818

When to contact PUC Consumer Services?

Complaints or concerns with regulated and nonregulated utilities

Questions and General Information

Public Comments on dockets before the Public Utility Commission



How to contact PUC Consumer Services

Call:
800-522-2404

Email:
puc.consumer@puc.Oregon.gov

Mail:
201 High Street SE, #100
Salem, Oregon 97301

Public Comments may be submitted via email, mail, or using the docket's online portal at [Edockets](#).

Questions?

For follow-up questions, please contact
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