



Utility Regulation and Financial Health

Senate Energy and Environment
Committee

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Today's Presentation

Introduction to the PUC

How PUC regulation intersects with utility finances

Challenges of financial instability

Repercussions of an insolvent utility

Oregon Public Utility Commission (OPUC)

Economic regulator of investor-owned utilities

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

Broad role in utility safety and emergency support, including for COUs

Quasi-judicial and policy functions; 3 full-time Commissioners

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.

What's different about utilities?

Essential service providers

- Direct physical connection with customers
- Service issues can impact health, safety, and economic development

Regulated monopolies

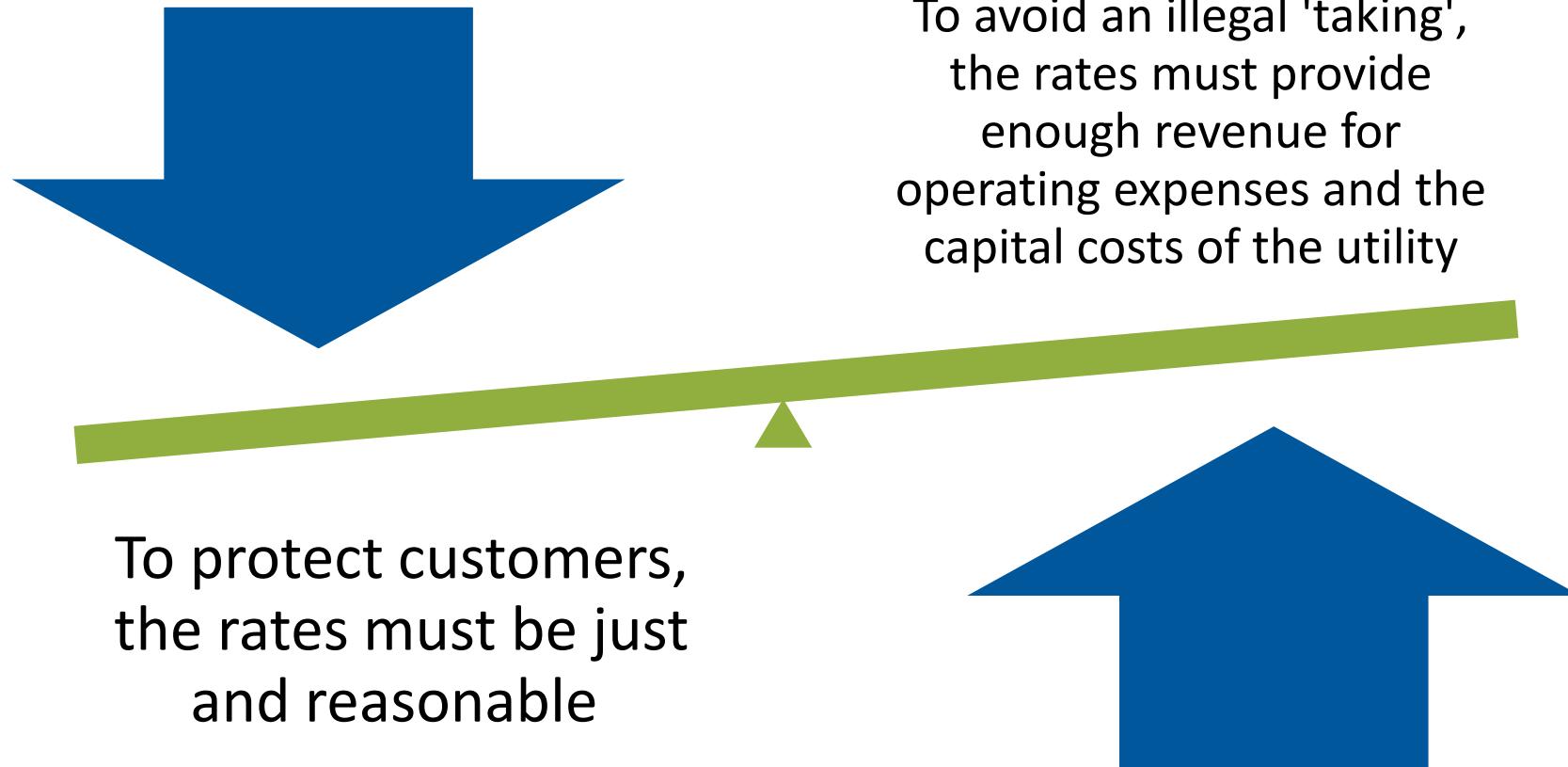
- ‘Regulatory compact’ gives utilities opportunity to be exclusive service provider in exchange for regulation
- Utility must serve all customers; has opportunity to earn a regulated profit

Asset-heavy

- Extensive infrastructure required to provide service
- Carry more debt than other industries – paying off a lot of big, long-term investments

Public Utility Rate Regulation

The PUC must set rates that balance the interests of the utility and its customers



Utility Ratemaking: General Rate Case

Year-long
contested case
investigation

PUC staff
evaluate
projected costs

PUC determines
a revenue
requirement

$$\text{Revenue Requirement} = \text{Operating Expenses} + (\text{Rate Base} \times \text{Rate of Return})$$



Amount a utility has the
opportunity to collect to
cover its costs and earn a
fair return



Reasonable day to day
costs, e.g. maintenance,
operations, wages,
insurance, taxes



Capital
investments,
e.g. equipment,
infrastructure,
technology



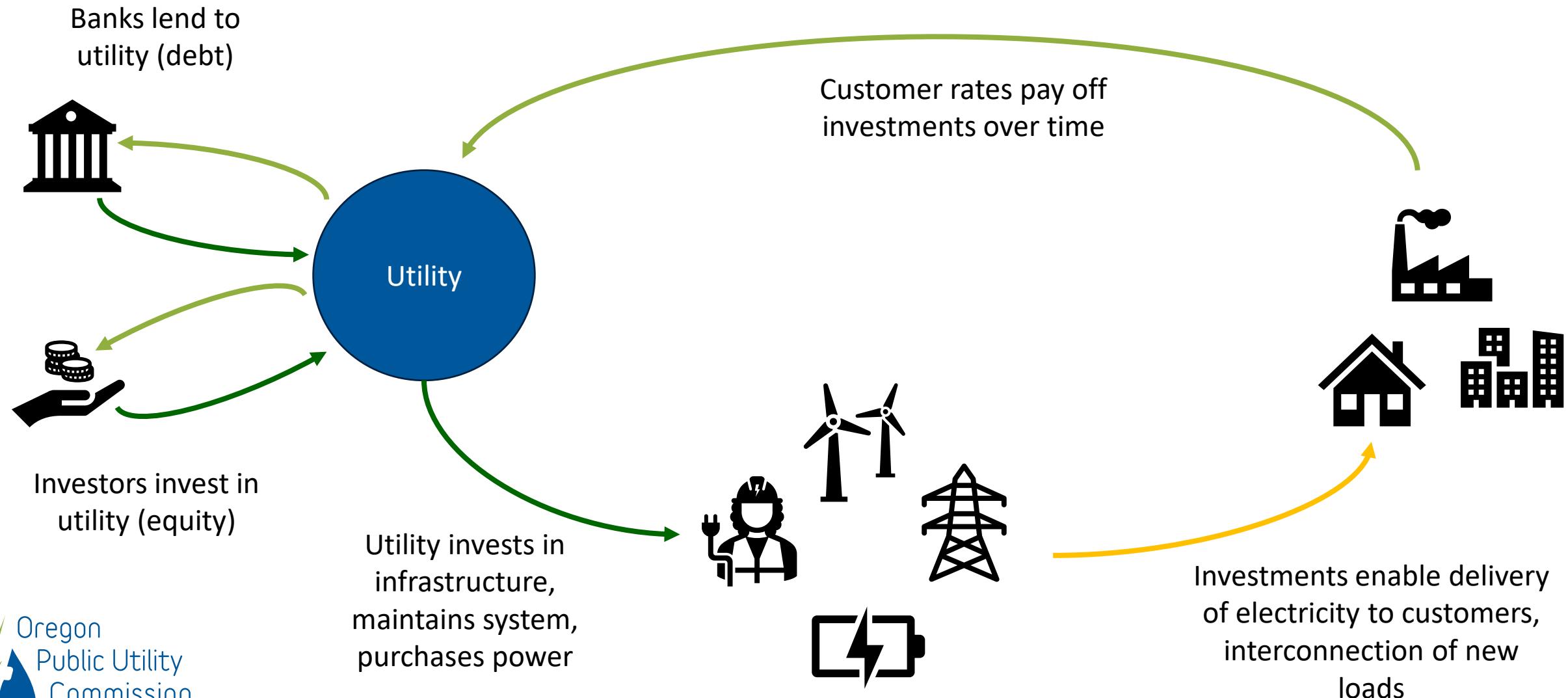
Cost of capital:
mix of debt from lenders
and equity from
shareholders*

*Profits or 'return on equity' **are not guaranteed** and only occur if actual expenses, including
making debt payments, are less than actual collected revenue

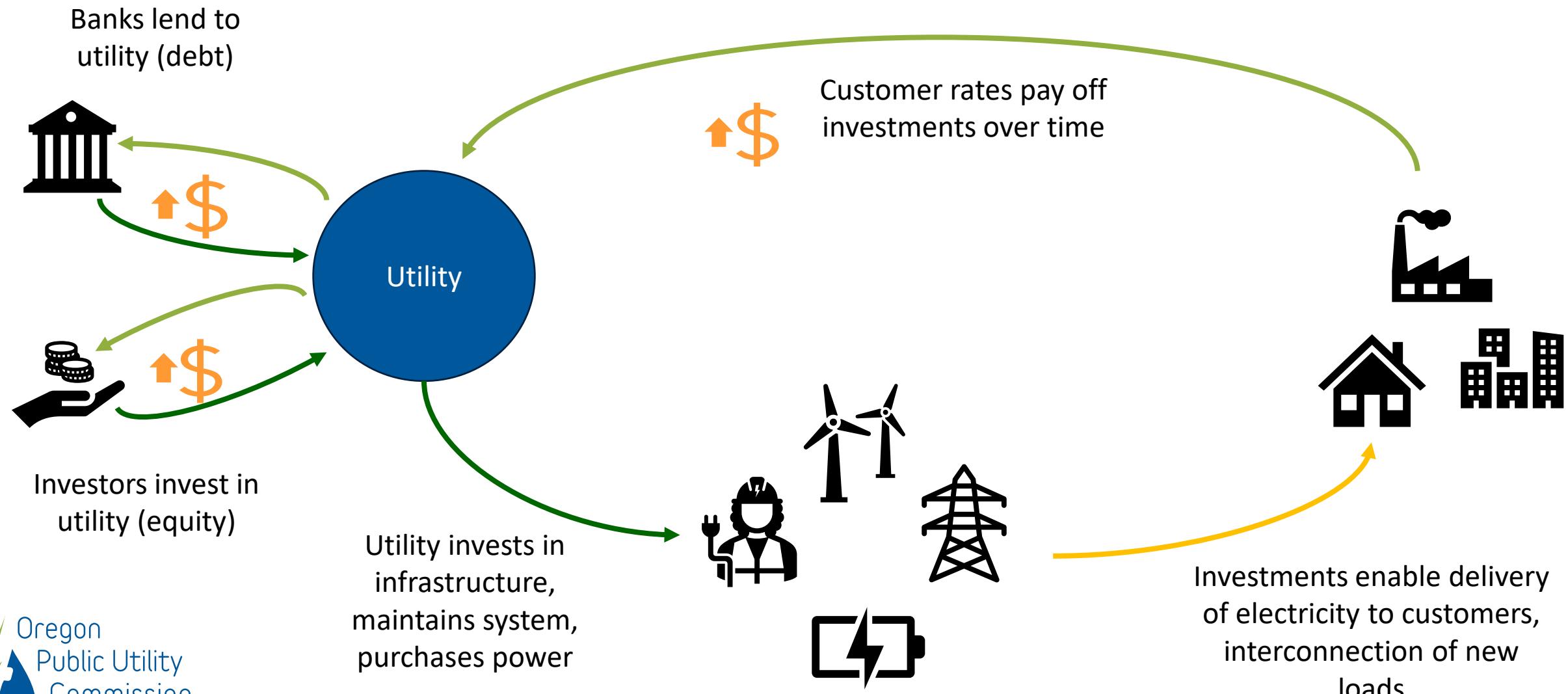
Recent Rate Case Outcomes

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%	12%	October 15, 2024
Northwest Nat.	16.7%	9.98%	November 1, 2024
PacifiCorp	17.9%	8.5%	January 1, 2025
PGE	7.4%	3.3 %	January 1, 2025

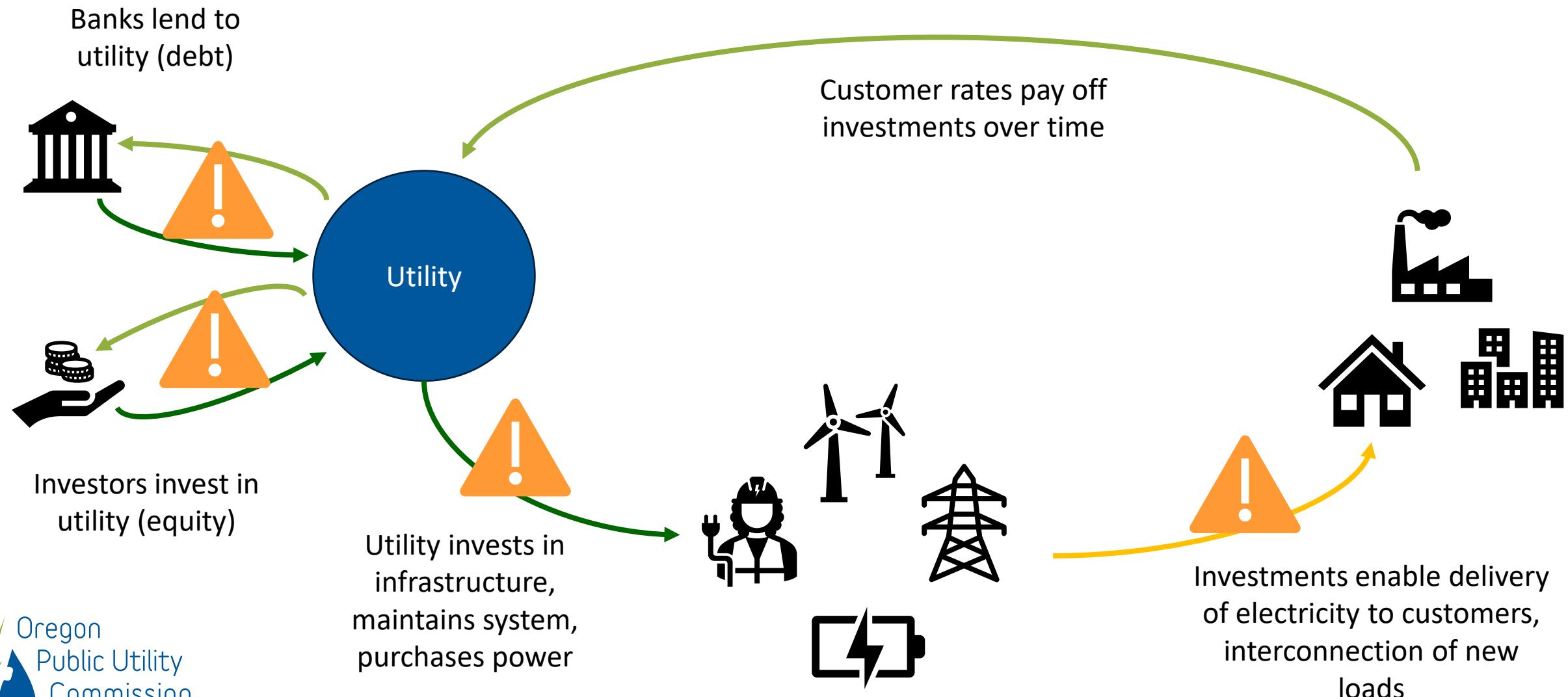
Healthy Utility Financial System



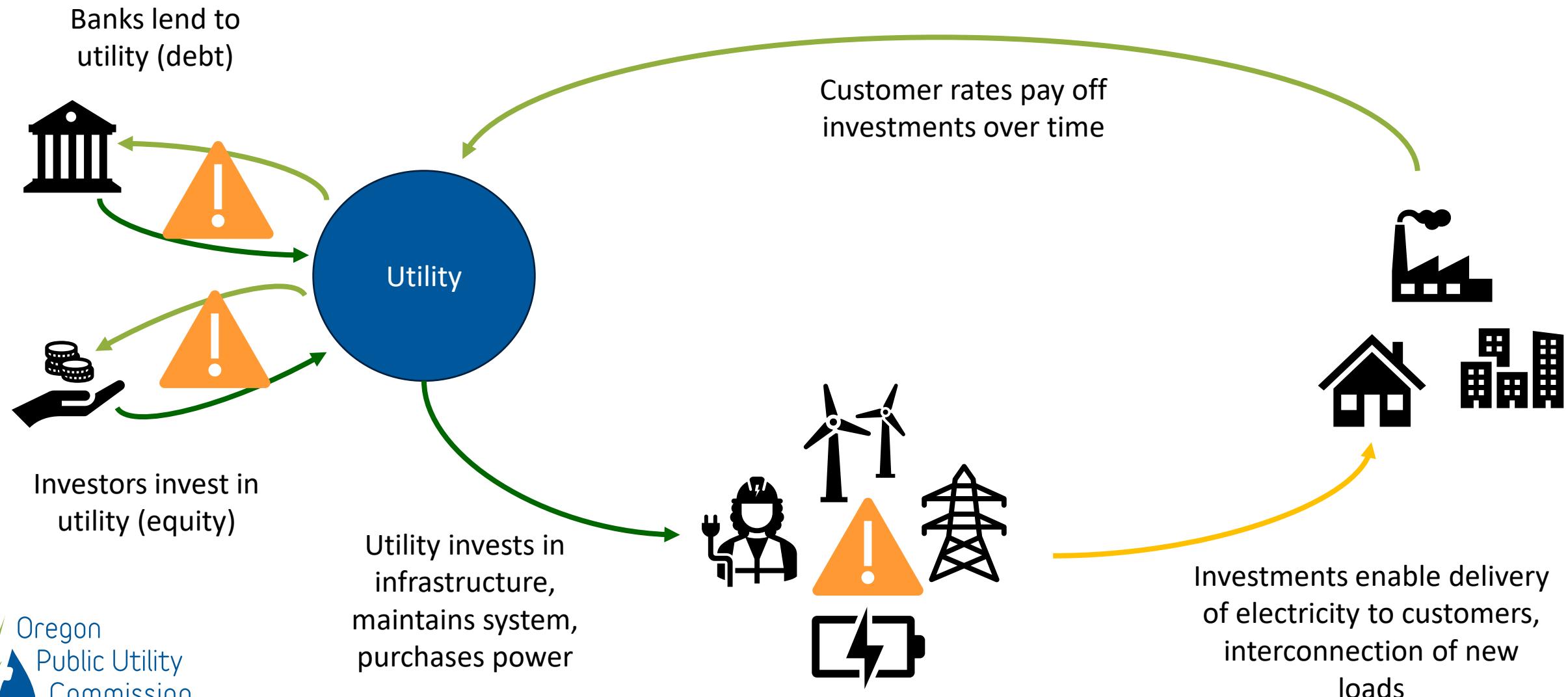
Consequences of Financial Instability



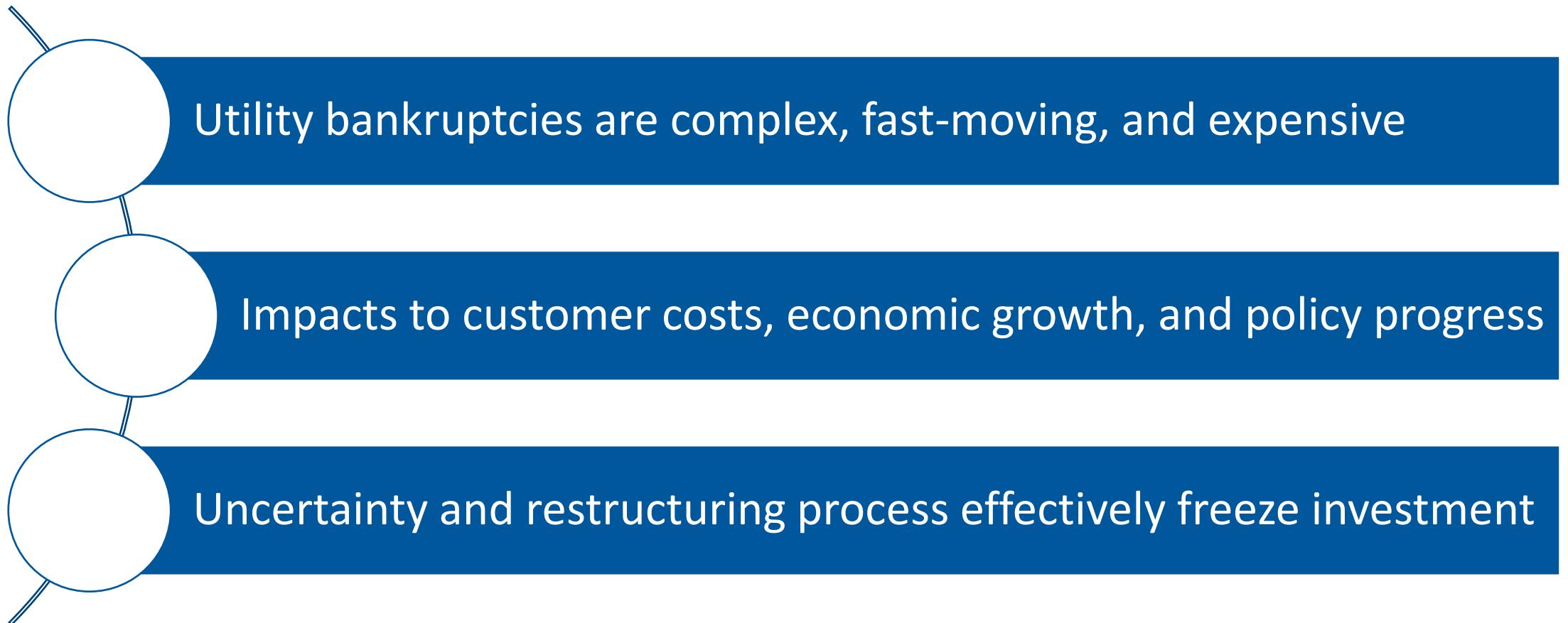
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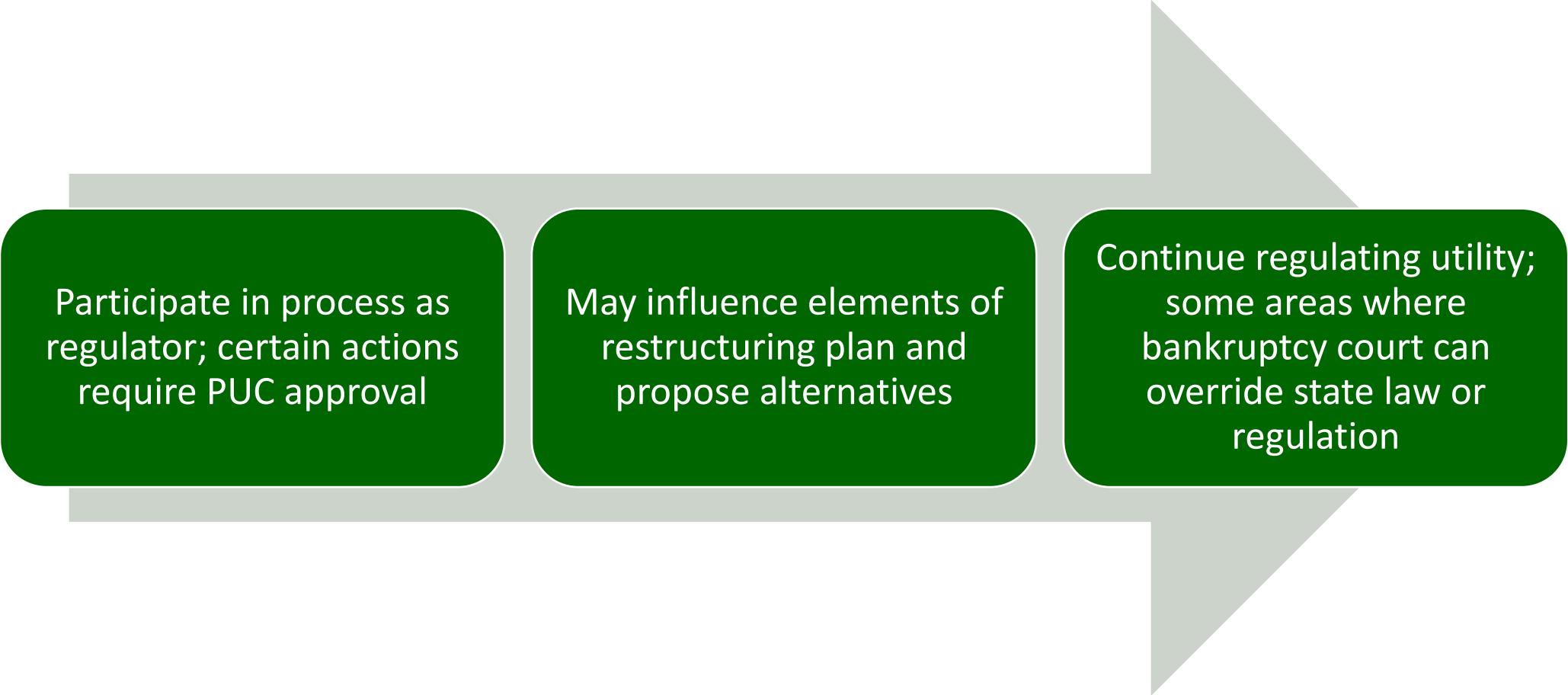


Utility Insolvency



- Utility bankruptcies are complex, fast-moving, and expensive
- Impacts to customer costs, economic growth, and policy progress
- Uncertainty and restructuring process effectively freeze investment

PUC Role in Utility Bankruptcy



Participate in process as regulator; certain actions require PUC approval

May influence elements of restructuring plan and propose alternatives

Continue regulating utility; some areas where bankruptcy court can override state law or regulation



Questions

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