



THE BUREAU OF
**PLANNING &
SUSTAINABILITY**

March 14, 2025

Senate Committee on Energy and Environment

900 Court St. NE

Salem, Oregon 97301

Subject: Support for Senate Bill 688

Chair Sollman, Vice-Chair Brock Smith, and Members of the Committee:

The City of Portland supports Senate Bill 688 that advances a performance-based utility ratemaking framework to bring electric company operations in line with the public interest.

Investor-owned utility rates are set at the Oregon Public Utility Commission and rate increases are a result of greater utility capital expenditures and operating expenses, also known as the cost of service. The current structure incentivizes capital expenditures, on which utilities are authorized to make a competitive rate of return for investors, typically exceeding 9%. The cost of service plus the rate of return makes up our rising utility rates today.

It is time to reimagine performance metrics for Oregon's regulated electric monopolies and realign the outcomes in the interests of utility customers and society. SB 688 declares that the public interest includes reducing costs to ratepayers, reducing greenhouse gas emissions, increasing energy efficiency, improving reliability, resilience, and low-income services. The bill directs electric companies to expand the use of distributed energy resources, community solar projects, microgrids, demand response programs and energy efficiency programs – all critical programs to make our communities more resilient and modernize our electric grid, but programs that are not directly incentivized today with a 9% rate of return for the utility.



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Performance-based regulation is a modern concept that will need careful consideration and balance between public policy goals, consumer protections, and support for utility businesses in a decarbonized economy. The City of Portland has confidence that the Oregon Public Utility Commission has the sophistication and expertise to take on performance-based rate making and establish a framework that includes proper incentives and penalties for performance metrics that are "clear, objective, verifiable, and achievable."

Thank you for the opportunity to provide testimony. We appreciate your consideration of these comments and urge you to support Senate Bill 688 for performance-based rate making in Oregon.

Sincerely,



Eric Engstrom
Interim Director
City of Portland Bureau of Planning and Sustainability

