



**BEFORE THE SENATE COMMITTEE ON BUSINESS AND GENERAL
GOVERNMENT
Senate Bill 68**

Testimony of Michael Grant, Executive Director

Oregon Public Utility Commission

January 31, 2019

Chair Riley, members of the Committee, for the record I am Michael Grant, Executive Director at the Public Utility Commission. I am here to testify on Senate Bill 68, which amends ORS 756.310 to increase the maximum annual fee we may assess on the gross operating revenues of regulated utilities to fund the agency. This bill 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 telecommunications utilities.

Two primary factors drive this request. First, current funding levels are not sustainable. Changes affecting the utility sector have slowed the growth of utility revenues to a rate less than inflation. 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. At this pace, 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.

Second, the work of the agency continues to grow in quantity, scope, and complexity. The industries regulated by the Commission are undergoing a period of rapid advances in technology and market restructuring. The challenges are diverse and include modernizing and cleaning the electric grid, increasing customer choices, authorizing voluntary emission reduction programs, expanding access to broadband, investigating utility business model reforms, planning for distributed energy resources, encouraging



utility investment in electric vehicle infrastructure, and exploring the integration of energy storage. The PUC is diligently using its expertise and current resources to achieve the objectives that the Legislature prioritizes for Oregon's regulated utilities, but these new challenges have increased our need for staffing, professional services, and legal costs.

In light of these trends and changes, the PUC has taken efforts to control its costs. Budget management actions to reduce expenditures during this timeframe include the reduction in administrative personnel, the use vacancy and other savings, the reassignment of resources and positions to help meet growing work, and the deferral of information technology purchases.

As part of the PUC's 2018 strategic planning process, we spoke with our stakeholders about the possibility of an increased assessment and received broad support for additional funding to increase staffing and resources. Many of our stakeholders have filed support for our budget bill, SB 5534, which 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 utilities is set at 0.45 percent, and the cap for telecommunication utilities is set at 0.35 percent. The higher cap for energy and water utilities reflects the fact 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 over the 2019-2021 biennium an additional \$12.9 million from energy utilities, and \$469,486 from telecommunications utilities. The PUC does not, however, plan on initially setting



the fee at the maximum levels for energy and water utilities—rather, the PUC will only assess an amount that will better match revenues to expenses. Our corresponding Policy Option Package (POP) 101 (SB 5534) in the Governor' Budget sets the fees at 0.40 for energy and water for an estimated additional \$8.6 million in revenues over the biennium (and at the 0.35 cap for telecommunications utilities). A remaining level of unused assessment under the cap for energy and water utilities will allow the PUC to adjust for any increased future workload in a timely manner.

The impact of SB 68 is relatively minor on utility customers. The proposed fee change at the POP 101 level will increase the average monthly residential customer bill by \$0.07, from \$0.20 to approximately \$0.27.

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

