

Introduction to Ratemaking

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Overview



PUC Background

Ratemaking

Low Income – Affordability

Public Utility Commission



Responsible for regulatory oversight of investor-owned electric, natural gas, telecommunications, and water utilities

- Delegated authority from Legislature in 1911
- Mission: *To ensure Oregon utility customers have access to safe, reliable, and high quality utility services at just and reasonable rates*

Who We Regulate



Electric

- PGE, PacifiCorp, Idaho Power
- 1,405,946 customers

Natural Gas

- NW Natural, Avista Utilities, Cascade Natural Gas
- 772,512 customers

Telecom

- Traditional landline providers
- About 373 companies
- 822,181 customers

Water

- About 80 small water utilities
- 31,000 customers

Economic Regulator



The PUC sets rates to balance utility and customer interests

Rates must:

- Be sufficiently low to avoid unjust and unreasonable exactions
- Provide sufficient revenue for operating expenses and capital costs

PUC uses a quasi-judicial investigation to examines a utility's operating expenses, investments, and capital costs

Determine revenue requirement, then establish rates that allow the utility the *opportunity* to recover its revenue requirement

Utility Rates - Key Principle



Filed Rate Doctrine - once new rates are set, the utility is obligated to charge only those rates until changed by the PUC

- Ensures that the PUC alone is empowered to judge the reasonableness of rates
- Prohibits price discrimination by ensuring that “similarly situated customers” are subject to the same rates, terms, and conditions

Low Income Rates



In SB 978 (2017), the PUC was asked to examine how the regulatory framework is impacted by rapidly changing technology and policy

The framework is designed to set rates at levels that reflect cost of service, without regard for customer circumstances, such as ability to pay

That process emphasized the need to do more to address Affordability, Equity, and Environmental Justice

“Similarly Situated Customers”



Framework to produce low rates that are just and reasonable and ensure that “similarly situated customers” are subject to the same terms and conditions

PUC is authorized to establish rate schedules applicable to groups of customers (residential, commercial, industrial) (ORS 757.230)

- Quantity, Time, and Purpose Used
- Services being provided
- Existence of price competition/service alternative
- Conditions of service and any other reasonable consideration

No consideration to make sure rates remain at a certain level or have an equal affordability impact on all customers

SB 978 – Next Steps



SB 978 Report Identified two next steps:

- Explore opportunities to address energy burden that are consistent with our existing authority to create differentiated service classifications
- Assist, as requested, in legislative consideration of new ways to mitigate energy burden of low-income Oregonians, including changes to ratemaking laws that currently limit the PUC's authority

Link to [SB 978 Report to the Legislature](#)

Legislative and PUC Response



Legislative efforts to expand PUC authority:

HB 2242 A (2019) and **HB 4067 A (2020)** both would have “authorized the PUC to consider differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers.”

PUC actions within authority in response to COVID-19 pandemic:

- Moratorium on utility disconnections – extend through April 1, 2021 (subject to change)
- Time Payment Arrangements offered up to 24 months for residential customers
- Through October 1, 2022, utilities will waive deposit and will not accrue and collect late payment fees

Thank you!!



Questions?

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