



# 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
  - 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

# 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

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- As monopoly providers of essential services, privately owned utilities are subject to government control over entry, service, and rates
- Public utilities remain private enterprises with constitutionally protected rights to compensation
- The PUC sets rates by closely scrutinizing the reasonable cost to serve customers, including achieving safety, reliability, and policy requirements
  - Rates must be just and reasonable, and provide for recovery of prudent capital investments
  - Rates must provide sufficient revenue for utility operating expenses and the cost of attracting capital to invest in customer service
- Customer protection is the PUC's core concern, including affordability, safety and reliability

# PUC Authority – Key Statutory Provisions

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## 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.

# 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**

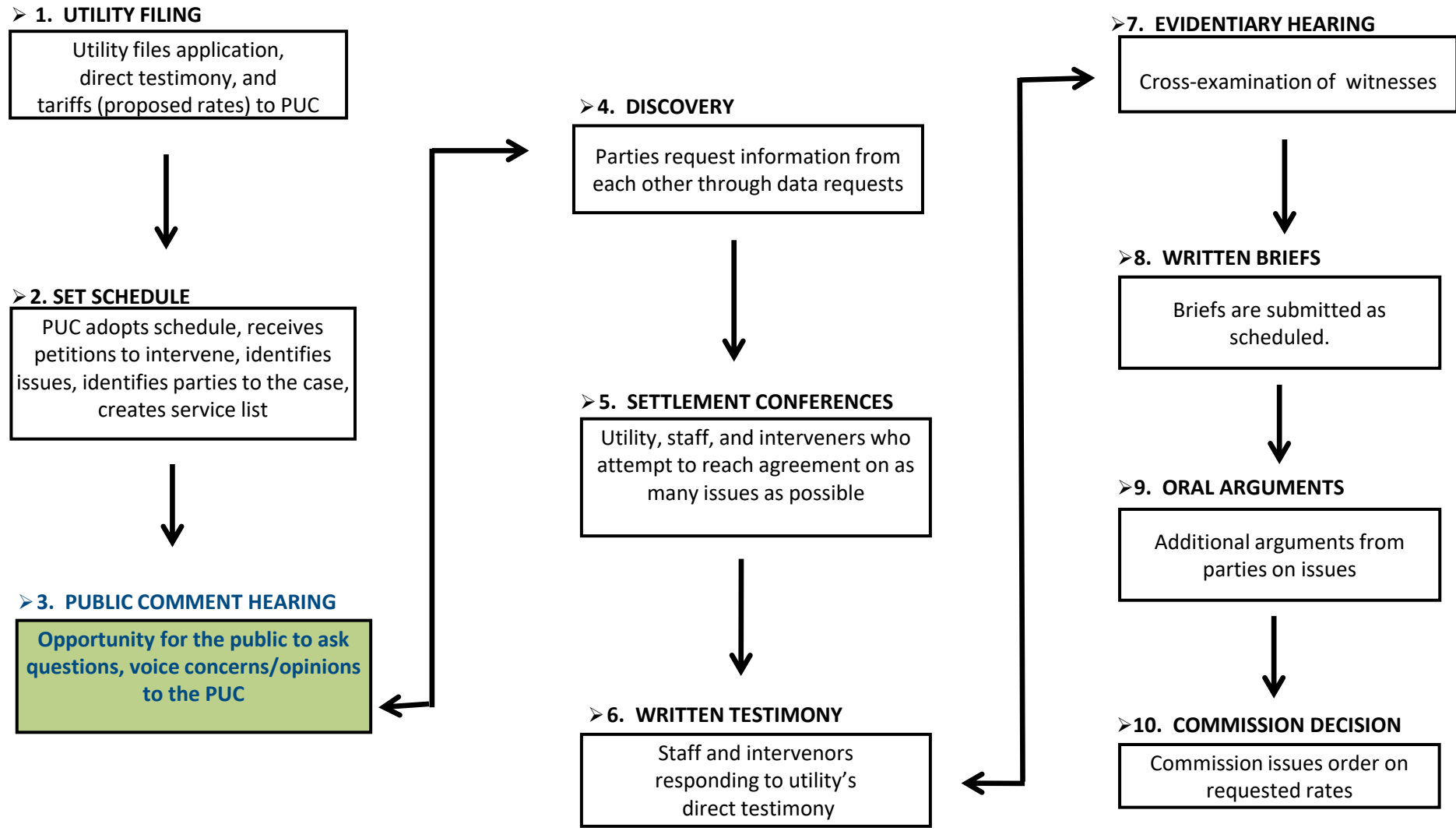
- Commission reviews and weighs all of the above
- Issues written decision

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



# Rate Case - Process

Public comment can be submitted at any time



# 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%	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

# Key Drivers of Recent Rate Increases

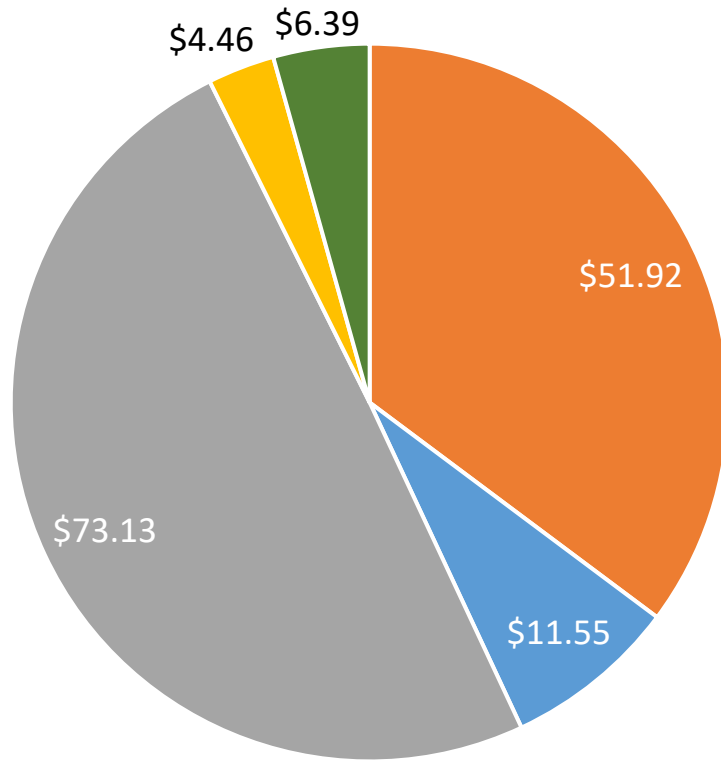
- General inflation – Labor and equipment are more expensive
- Increased cost of purchasing wholesale electricity and natural gas
- Investments in grid infrastructure to maintain safety and improve reliability
- Extreme weather events and clean up
- Increased spending on wildfire mitigation



# PacifiCorp & PGE Bill Comparison

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

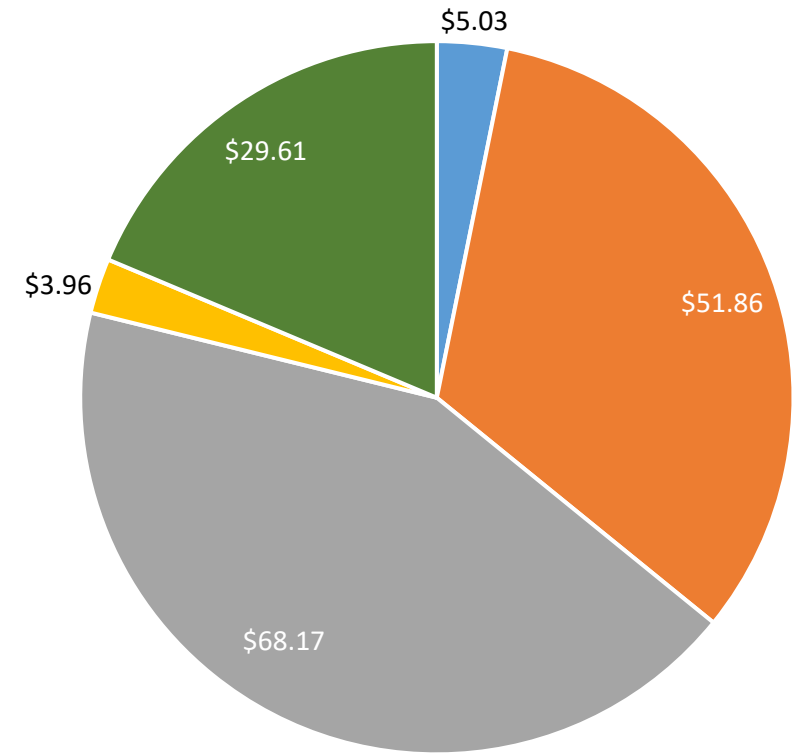
PacifiCorp January 2024 Average Customer Bill Breakdown



■ Distribution 
 ■ Transmission 
 ■ Energy 
 ■ Wildfire 
 ■ Other

Assumes residential average usage of 950 kWh per month

PGE January 2024 Average Customer Bill Breakdown



■ Transmission 
 ■ Distribution 
 ■ Energy 
 ■ Wildfire 
 ■ Other

Assumes residential average usage of 795 kWh per month



# Questions?

For follow-up questions, please contact  
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