PUC Responses to Day 1 (2/19/25) Questions from
Joint Ways and Means Transportation and Economic Development Subcommittee

1. Please explain the impact of power costs in the most recent PGE rate increase.
    - PGE's original general rate case (GRC) request, not including power costs and other adjustments, was an increase of 7.4%. In this GRC, PUC approved a 3.3% increase in general rates effective Jan. 1, 2025.
    - When combining the GRC with other rate adjustments, rates overall increased on January 1 by 6.2% (increase of 5.5% for residential customers) -- the combined effect of the GRC, annual power cost adjustment, other year-end increases and decreases.
    - Power costs, while stabilizing after large scarcity-driven spikes in prior years, contributed nearly two percent to the overall increase.
    - The Commission is presiding over a contested case, UE 427, which will ultimately result in the inclusion of the Clearwater Wind project into PGE rates. Bringing this new resource into rates will likely reduce power costs, and result in a roughly 1% reduction in customer bills.

2. Has the PUC considered not allowing a utility to recover some insurance costs, if those costs have increased due to the utility's own past wildfire-related actions?
    - Insurance is a cost of doing business that protects customers and the utility from the cost of insured events, and historically has been recovered in customer rates. In UE 433, PacifiCorp's general rate case last year, the Commission considered whether the increased cost of insurance premiums should continue to be passed on through customer rates. Some stakeholders argued that they should not, because the increases could be attributed to PacifiCorp's behavior in the 2020 Labor Day fires. The Commission found no direct evidence of this link and was also presented with evidence that increases in PacifiCorp's insurance costs were comparable to increases seen across the electric industry, where wildfire risk is a major emerging risk for all utilities. Nonetheless, the Commission broke with past practice and did require that PacifiCorp's shareholders cover 10 percent of wildfire-related insurance costs going forward, both to address the possibility that PacifiCorp's wildfire litigation outcomes were driving some of the increase and to incentivize efficient procurement of insurance products.

3. Various questions about PUC KPM #2, which reads as follows:

    KPM #2: Price of Electricity

    Average price of electricity for residential users from Oregon Investor-Owned Utilities as a percent of the national average price

    The PUC met the target

    > *The reporting year 2024 performance was below the target of 92%. Oregon's average residential electric price increased from 12.36 cents/kWh in reporting year 2023 to 14.16 cents/kWh in reporting year 2024.*
    >
    > *The national average residential electric price increased from 15.12 cents/kWh in 2023 to 15.98 cents/kWh in reporting year 2024.*

3a: Is this an all-in per kwh cost? Meaning, is this cost separate from any fixed costs or not, or does our 14.16 cents number take into account fixed costs?

This amount does take into account all costs, both fixed and variable. These calculations were derived from our annual statistics book. There, overall utility revenues are divided by kwh sold to derive the overall per kwh cost. Importantly, Individual household usage and program participation may result in a different individual bill.

Question 3b: Our rates increased more, in real terms, and in percentage terms, from 2023 to 2024 than national rates – why is this?

In December 2024, Lawrence Berkeley National Labs (LBNL) reported on national electricity price trends through 2023 (https://emp.lbl.gov/publications/retail-electricity-price-and-cost). From 2019 to 2023, US Average retail electricity prices rose 4.8% per year, with residential rate rising more than commercial and industrial customers; inflation also increased, so the inflation-adjusted utility rate trend was flatter (Slide 11, 36). Although a detailed analysis of all Oregon investor-owned utility rate changes compared to all national utilities is beyond the scope of these comments, we can provide some general information about why rate increase drivers could be more pronounced in the Western US and for Oregon utilities.

For both utilities nationally and in Oregon, the LBNL report indicates that two of the major drivers of recent significant electricity rate increases in last several years are 1) volatility in energy market prices—i.e., the cost for utilities to buy electricity and natural gas to serve customers; and 2) increased capital and operation spending on the distribution system—i.e., maintaining, upgrading and replacing poles and wires that reach homes and businesses. These drivers are also noted in a July 2024 report by Energy Innovation, presented in the recent public hearing on HB 3179 (https://energyinnovation.org/wp-content/uploads/Clean-Energy-Isnt-Driving-Power-Price-Spikes.pdf).

Market prices. Energy market prices are an example of divergence between national and regional trends. Market prices spiked for all utilities in 2022, when the initial impacts of the Russian invasion of Ukraine were felt in natural gas prices. (LBNL Slide 18) In the West, the specific dynamics of increased load growth competing for natural gas and electricity, repeated low water years impacting the hydro system and reducing output, as well as extreme heat and cold events leading to repeated record high peak loads across the region, have caused more significant market price spikes. Electricity purchase prices for Oregon utilities during these events have exceeded forecasts by as much as 10 times.

Distribution system spending. Distribution capital spending was the biggest driver of capital expenditures across all regions in LBNL's study (Slide 21), and this spending was done to address aging infrastructure, increasing demand, reliability and resilience needs, and/or system upgrades to accommodate distributed energy resources (Slide 47). This is also true for Oregon utilities, but in addition they have had to replace equipment destroyed in extreme weather events, including rate increases for recovery from the wildfire damage and ice storm events in 2020-21 that were not included in customer bills until several years later.

For distribution system operations and maintenance (O&M), the entire Western U.S. stands out in LBNL's study with growth of 60 percent since 2019, compared to 0-20 percent in other regions (LBNL, Slide 46). Even among utilities in the West, Oregon utilities are leaders in investing aggressively in wildfire mitigation and aging infrastructure upgrades to improve Oregonians' safety. For example, vegetation management budgets have increased significantly as Oregon utilities address increased tree mortality from drought stress.

Question 3c: Do we have this data for other customer classes, industrial, commercial?

The PUC's Annual Statistics Book provides this data for the "Commercial and Industrial" or "C&I" classes together.

	C&I	Residential	Total
kWh	16,816,757,000	14,150,143,000	30,966,900,000
revenue	$ 1,935,097,775	$ 2,003,229,861	$ 3,938,327,636
	$ 0.1151 /kWh	$ 0.1416 / kWh	$ 0.1272 / kWh

- Caveat 1: The large customer per kWh rate is smaller than the residential average rate because customers with large kWh usage are spreading their fixed costs over a larger number of kWh. This is not an indication that large customer bills cover less than their share of costs. Their rates are designed with thousands, or tens of thousands, of dollars per month in fixed charges and demand charges in addition to their kWh charges.
- Caveat 2: In rate cases, the PUC engages in a rigorous evaluation of the appropriate cost allocation approach to ensure that each customer class is paying its fair share of infrastructure and energy costs. Large customers generally use large amounts of energy at a smaller number of sites and in a manner that is consistent throughout the day. Residential customers are spread out across many small sites and use energy in a manner that peaks at different times throughout the day. Traditional utility cost allocation relies on those types of customer characteristics to attribute costs to the class of customers that caused them. but as we prepare for potential data center load growth, the PUC is investigating whether our approaches need to evolve to capture all of the attributes of load at this scale.
- Caveat 3: Residential customers have access to voluntary time-varying rates. Most nonresidential schedules have mandatory time-varying rates, where they pay more when they use electricity at peak times.

4. What were the PUC Commissioners paid in 2024? Why did it rise substantially from what they were paid in 2016?

Public Utility Commissioners are more comparable to judges than to other state Commission and Board members. Commissioners are full-time employees with extremely heavy decision-making caseloads and complex quasi-judicial and quasi-legislative responsibilities. All state PUC Commissioners nationally are full-time, paid employees.

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The Chair of the Public Utility Commission, in addition to decision making responsibilities, is the statutorily designated agency head and receives additional compensation to reflect those duties. Although the PUC Chair hires and works closely with the agency's Executive Director, delegating certain administrative functions as needed to balance workload, the PUC Chair retains overall accountability for the agency.

As state employees, Oregon PUC Commissioners are subject to state employee classifications. The agency does not determine their salaries. Salary levels are delegated to DAS, requiring that the PUC adjust our budget accordingly when changes are made.

The PUC, in conjunction with the Department of Administrative Services (DAS), were able to obtain salary history for the PUC Chair since 2021. DAS sets and administers pay adjustments in accordance with collective bargaining agreements, state compensation plans, and applicable laws. As a result, the PUC must follow DAS guidelines and does not have the authority to unilaterally implement or modify these pay adjustments for its employees. The salary history for PUC Chair since 2021 involves several significant categories of state government changes:

- Cost-of-Living Adjustments (COLA): Salaries increased for all state employees in December 2021 by 2.5%, in August 2022 by 3.1%, in August 2023 by $1,500.00 (one-time statewide inflation adjustment), in December 2023 by 6.5% and again in January 2025 by 6.55%.
- Pay equity: While the PUC Chair did not receive a pay equity adjustment, DAS is also responsible for implementing and enforcing pay equity across executive branch agencies by conducting pay equity analyses, setting compensation policies, and ensuring salary adjustments comply with law. This is how compensation will be set for any incoming Commissioners.
- The Oregon Management Project (TOMP): DAS initiated the TOMP project to modernize the state's management structure, which updated the classification system for managerial positions by replacing the Principal Executive Manager (PEM) series with more specific, job-related classifications to create a system that reflects the actual duties and responsibilities of managerial roles to assist the state in achieving its pay equity goals. The PUC chair underwent a TOMP classification change in April 2022, which increased the Chair's salary rate from $16,331.70 to $16,878.40.

As a result of the changes described, in July 2021, the Chair received as salary rate of $15,933.75. As of January 2025, the Chair received a salary rate of $20,066.55. For additional information, please refer to Attachment 1.

FY 2023 TOTAL	**211,665.30**	***3.1% COLA IN AUGUST 2022**
July-23	17,683.05	
August-23	19,183.05	DAS ONE-TIME $1,500 STATEWIDE INFLATION ADJUSTMENT/COLA
September-23	17,683.05	
October-23	17,683.05	
November-23	17,683.05	
December-23	18,832.80	DAS 6.5% COLA
January-24	18,832.80	
February-24	18,832.80	
March-24	18,832.80	
April-24	18,832.80	
May-24	18,832.80	
June-24	18,832.80	
FY 2024 TOTAL	**221,744.85**	***ONE-TIME $1,500 INFLATION ADJUSTMENT IN AUGUST 2023** ***6.5% COLA IN DECEMBER 2023**
July-24	18,832.80	
August-24	18,832.80	
September-24	18,832.80	
October-24	18,832.80	
November-24	18,832.80	
December-24	18,832.80	
January-25	20,066.55	DAS 6.55% COLA
FY 2025 to-date	**133,063.35**	**6.55% COLA IN JANUARY 2025**

The salaries listed above include a 5% Commission Chair Differential per DAS policy 20.005.11

State HR Policy

Pay Differentials **20.005.11**

the Medical Examiner, Assistant Chief (Z7506). The differential is up to a maximum of 7.5 percent of base pay for one or more board certifications.

(d) Board or Commission Chair Differential

This differential applies to the chairs of the Public Utility Commission and the Workers' Compensation Board. The differential is 5 percent of base pay.