

HB 3179 -7, -8 STAFF MEASURE SUMMARY

House Committee On Rules

Prepared By: Andrew Hendrie

Meeting Dates: 5/7

WHAT THE MEASURE DOES:

The measure requires the Oregon Public Utility Commission (PUC) to consider the revenue increases from proposed rate increases from a public utility and gives the PUC authority in rate setting. It requires visual explanations of costs from electricity and natural gas services providers and requires a quarterly report on rate adjustments expected in the next 12 months.

Detailed Summary

Section 2

Requires the PUC, in determining if rates are fair, just, and reasonable, to determine if the change will increase the public utility's revenue in Oregon by 2.5 percent or more. Requires the PUC to consider the economic impact to ratepayers in deciding to approve the proposed rate, if a proposed rate would increase a public utility's revenue by 2.5 percent.

Section 3

Expands the PUC discretion when setting rates, including lowest reasonable rates.

Section 4

Allows the PUC to adjust rates to mitigate or phase in an increase in rates if it would affect a consumer's ability to maintain adequate service or the economy of the state.

Section 5

Amends the meaning of "rate recovery expenditures" to include capital investments that are approved by the PUC.

Section 7

Requires a public utility that provides electricity services in Oregon to provide to the PUC, and make public a visual representation of, specified cost categories included in residential customer rates.

Section 8

Requires a public utility that provides natural gas services in Oregon to provide to the PUC, and make public a visual representation of, specified cost categories included in residential customer rates.

Section 9

Requires a public utility to file with the PUC and make publicly available a quarterly report of any rate increases the public utility expects in the next 12 months.

Section 10

The PUC's ability to consider revenue increases from proposed rate increases and authority in rate setting applying to proceedings on or after January 1, 2026.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-7 The amendment requires the Oregon Public Utility Commission (PUC) to balance the interests of the utility investor and the consumer by considering the cumulative economic impact of a proposed rate or schedule of rates on residential ratepayers and requires an electric or natural gas company to file an analysis of cumulative economic impact with its filing for a proposed rate change if it would increase residential rates and the company's return on equity is subject to review and modification. It prohibits rate increases from November 1 to March 31. The amendment provides opportunity for financing. It requires visual explanations of costs from electricity and natural gas services providers and requires an annual report on rate adjustments expected in the next 12 months.

Detailed Summary

Section 2

Defines electric or natural gas company as an entity engaged in distributing electricity or natural gas to retail customers in Oregon. Requires the Public Utility Commission (PUC) to balance the interests of utility investors and customers by considering the cumulative economic impact of proposed rates. Requires an electric or gas company to include an analysis of cumulative economic impact to be included with a filing to request an increase to residential rates. Adds to the required analysis the utility bills of residential ratepayers for the prior two years for space heating between November 1 and March 3 and data on the cost of energy for commercial and industrial customers relative to commercial and industrial customers of other states. Allows the PUC to contract or coordinate with state agencies, energy assistance providers, and certain other entities to collect data.

Section 3

Adds that when considering an adjustment to rates because the rate could affect the ability of the residential customer to maintain service, the PUC must determine if proposed rates are fair, just, and reasonable; prohibits making a rate adjustment that is not fair, just, and reasonable; and allows the PUC to approve deferred accounting for future cost recovery. Prohibits residential rate increases between November 1 and March 31.

Section 4, 5, 6, and 7

Requires the PUC to establish rules requiring electric and gas companies to establish multiyear rate plans. Sets temporary rules in place to be repealed when the earlier of January 2, 2027 or when the rules for multiyear rate plans have been adopted. *Requires the PUC to consider and allows it to approve deferred accounting for future cost recovery from rate payers under an electric or natural gas companies requested rate revision if it filed its request before January 1, 2025.*

Section 8

Extends the period the PUC can suspend a rate or schedule of rates before they go into effect to 10 months.

Section 9

Adds to the definition of rate recovery expenditures the costs and expenses from: a capital investment that will cause residential rates to rise by 5 percent and when combined with other investments and expenses could significantly impact the affordability of residential rates, retiring a generational asset with related capital and operating costs, remediation of a contaminated site, or an event in which the availability of electricity or natural gas within a regional energy market is significantly restrained.

Section 10

Includes a reasonable opportunity for a public utility to earn a return and includes the public utility's weighted average cost of capital to considerations when the PUC considers issuance of rate recovery expenditure bonds. Allows the PUC to identify rate recovery expenditures, that if financed with bonds would benefit customers, and ask the public utility to deliver a report including future need for bonds, ability to raise capital, intergenerational equity, percentage of customer bills currently dedicated to rate recovery bond payments, and the percentage of customer bills that would be needed to finance the rate recovery expenditures analyzed in the report. Requires the PUC, in determining whether an event qualifies as a rate recovery expenditure, to consider the cost and availability of wholesale power during the event, if any regional reliability assistance programs apply, and any declarations about reliability by a regional balancing authority.

Section 13

Requires electric and natural gas companies to file an annual report on rate adjustments the company expects in the next 12 months. Specifies what must be included in the report. A company is not required to disclose information that would be subject to confidentiality under the rules of the PUC. The PUC must adopt rules that include procedures to protect confidentiality of information in the report.

Section 16

Adds the declaration of an emergency, and the measure would become effective on passage.

-8 The amendment requires the Oregon Public Utility Commission (PUC) to balance the interests of the utility investor and the consumer by considering the cumulative economic impact of a proposed rate or schedule of rates on residential ratepayers and requires an electric or natural gas company to file an analysis of cumulative economic impact with its filing for a proposed rate change if it would increase residential rates and the company's return on equity is subject to review and modification. It prohibits rate increases from November 1 to March 31. The amendment provides opportunity for financing. It requires visual explanations of costs from electricity and natural gas services providers and requires an annual report on rate adjustments expected in the next 12 months.

Detailed Summary

Section 2

Defines electric or natural gas company as an entity engaged in distributing electricity or natural gas to retail customers in Oregon. Requires the Public Utility Commission (PUC) to balance the interests of utility investors and customers by considering the cumulative economic impact of proposed rates. Requires an electric or gas company to include an analysis of cumulative economic impact to be included with a filing to request an increase to residential rates. Adds to the required analysis the utility bills of residential ratepayers for the prior two years for space heating between November 1 and March 3 and data on the cost of energy for commercial and industrial customers relative to commercial and industrial customers of other states. Allows the PUC to contract or coordinate with state agencies, energy assistance providers, and certain other entities to collect data.

Section 3

Adds that when considering an adjustment to rates because the rate could affect the ability of the residential customer to maintain service, the PUC must determine if proposed rates are fair, just, and reasonable; prohibits making a rate adjustment that is not fair, just, and reasonable; and allows the PUC to approve deferred accounting for future cost recovery. Prohibits residential rate increases between November 1 and March 31.

Section 4, 5, 6, and 7

Requires the PUC to establish rules requiring electric and gas companies to establish multiyear rate plans. Sets temporary rules in place to be repealed when the earlier of January 2, 2027 or when the rules for multiyear rate plans have been adopted.

Section 8

Extends the period the PUC can suspend a rate or schedule of rates before they go into effect to 10 months.

Section 9

Adds to the definition of rate recovery expenditures the costs and expenses from: a capital investment that will cause residential rates to rise by 5 percent and when combined with other investments and expenses could significantly impact the affordability of residential rates, retiring a generational asset with related capital and operating costs, remediation of a contaminated site, or an event in which the availability of electricity or natural gas within a regional energy market is significantly restrained.

Section 10

Includes a reasonable opportunity for a public utility to earn a return and includes the public utility's weighted average cost of capital to considerations when the PUC considers issuance of rate recovery expenditure bonds. Allows the PUC to identify rate recovery expenditures, that if financed with bonds would benefit customers, and ask the public utility to deliver a report including future need for bonds, ability to raise capital, intergenerational equity, percentage of customer bills currently dedicated to rate recovery bond payments, and the percentage of customer bills that would be needed to finance the rate recovery expenditures analyzed in the report. Requires the PUC, in determining whether an event qualifies as a rate recovery expenditure, to consider the cost and availability of wholesale power during the event, if any regional reliability assistance programs apply, and any declarations about reliability by a regional balancing authority.

Section 13

Requires electric and natural gas companies to file an annual report on rate adjustments the company expects in the next 12 months. Specifies what must be included in the report. A company is not required to disclose information that would be subject to confidentiality under the rules of the PUC. The PUC must adopt rules that include procedures to protect confidentiality of information in the report.

Section 16

Adds the declaration of an emergency, and the measure would become effective on passage.

BACKGROUND:

A Public Utility Commission(PUC) in the United States is a state-level government agency responsible for regulating Investor-owned Utilities (IOU), typically including electricity, natural gas, water, telecommunications, and sometimes transportation services. PUCs serve to ensure that utilities are provided to consumers at a reasonable price and that companies comply with safety standards.

Oregon's Public Utilities Commission (PUC), operates within federal law and the framework set by the legislature (ORS chapter 756, chapter 757). OPUC sets the rates that utility companies can charge their customers, which includes review and approval of (1) residential, (2) commercial, and (3) industrial rates. It also approves the structure of rates, including how different customer categories (e.g., residential, commercial, industrial) are charged during seasonal rate changes or peak demand times; these are called rate schedules or tariffs. OPUC's goal is to ensure that rates for IOUs are just, reasonable, and sufficient to allow utilities to cover operational costs and attract necessary capital.

House Bill 3179 proposes changes to the metrics utilized by the PUC during the rate case process; in particular, it proposes the addition of metrics for the ratepayer's economic factors.

PRELIMINARY