

HB 3179 A STAFF MEASURE SUMMARY

House Committee On Rules

Action Date: 05/19/25

Action: Do pass with amendments and be referred to Ways and Means. (Printed A-Eng.)

Vote: 4-3-0-0

Yeas: 4 - Bowman, Kropf, Pham H, Valderrama

Nays: 3 - Boshart Davis, Drazan, Elmer

Fiscal: Fiscal impact issued

Revenue: No revenue impact

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Meeting Dates: 5/7, 5/19

WHAT THE MEASURE DOES:

The measure 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. It 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 will 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 measure provides opportunity for rate recovery bonding for the financing of certain rate recovery expenditures. It also 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. The measure declares an emergency and is effective on passage.

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

Requires the PUC to determine if proposed rates are fair, just, and reasonable when considering an adjustment to rates because the rate could affect the ability of the residential customer to maintain service. Prohibits the PUC from 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 on 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

Defines rate recovery expenditures to include 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

Requires that there be 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 analyzing the 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. 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 12

Requires a public utility that provides electricity or 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 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. Exempts a company from disclosing information that would be subject to confidentiality under the rules of the PUC. Requires the PUC to adopt rules that include procedures to protect confidentiality of information in the report.

Section 14

Makes the measure apply to proceedings before the PUC that commence on or after the effective date and makes the prohibition against rate increases from November 1 to March 31 apply to increases in residential rates that are approved on or after the effective date.

Section 16

Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Provisions of the measure and relationship to previous legislation
- Regulation of utilities
- Multi-year rate making
- Public Utility Commission decision criteria
- Utility infrastructure investment
- Cost drivers and reasons for rising costs

EFFECT OF AMENDMENT:

This Summary has not been adopted or officially endorsed by action of the committee.

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Replaces the measure.

BACKGROUND:

A Public Utility Commission 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. Public Utility Commissions 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). PUC 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, which are called rate schedules or tariffs. PUC'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.