

12 March 2025

Senate Committee on Energy and Environment  
Oregon State Capitol  
900 Court Street NE  
Salem, OR 97301

Subject: SB 688 - Support

Dear Chair Sollman, Vice-Chair Brock Smith and Members of the Committee:

I am writing in support of SB 688 which gives the Oregon Public Utilities Commission authority to develop performance-based regulations that continue providing our electric utilities with an adequate rate of return but also have incentives to maintain low rates while achieving progress toward our climate and other societal goals.

Performance-based regulation (PBR) and traditional cost-of-service regulation (COSR) represent fundamentally different approaches to utility oversight. Performance-based regulation ties utility earnings to measurable outcomes like emissions reductions, grid reliability, equity advancements and cost savings while cost-of-service regulation links revenue to capital investments and operating costs. In essence, PBR encourages utilities to be more proactive, efficient, and responsive to customers, while COSR is more reactive and focused on recovering historical costs, potentially limiting the drive for innovation, efficiency and meeting climate goals.

Shifting to performance-based regulation (PBR) of electric utilities provides a clearer pathway to a low-carbon grid. Metrics like carbon intensity or clean energy targets are directly embedded in the utility's performance evaluations, unlike COSR's focus on capital expenditures. PBR eliminate the "throughput incentive" by decoupling revenue as the main driver of profit and encouraging utilities to support innovations like distributed clean energy resources (DERs) and efficiency measures that reduce emissions.

I urge you to support SB 688.

Michael Mitton