

Oregon electric utility regulation under a microscope

By **Pete Danko**, Staff Reporter

Tuesday, July 17, 2018

Portland General Electric argued for retaining the “basic framework” of Oregon’s electric utility regulatory structure as stakeholders offered [final written comments](#) recently in a discussion that’s quietly unfolded since January.

Whether that much is really at stake in the exercise could be known soon. The Public Utility Commission will hold a final public meeting on the topic Tuesday afternoon in Salem, and is due to submit a report on its findings to the Legislature by Sept. 15.

With facilitators working to mold disparate points of view into coherent fodder for the commissioners, a hardy collection of utility representatives, renewable energy advocates, energy efficiency experts, environmentalists, equity activists and PUC staffers have met monthly in often-daylong sessions in the “SB 978 process,” as the wonks involved know it.

It’s named for legislation [passed last year](#) that requires the PUC to report to lawmakers on “how developing industry trends, technologies and policy drivers in the electricity sector might impact the existing regulatory system and incentives currently employed by the commission.”

In its original form, [Senate Bill 978](#) was much more than a request for a report — it sought to bar the state’s investor-owned utilities from owning new generation resources. The independent power producers behind the bill, in their own written comments last week, repeated that call.

“It is time to end the utilities’ monopoly over generation capacity and allow a competitive market to provide these services at lower cost and less risk,” the Northwest & Intermountain Power Producers Coalition said.

Oregon’s electricity sector is dominated by two investor-owned utilities, PGE and PacifiCorp, which together provide nearly two-thirds of the electricity sold in the state. They earn a PUC-set return on the capital investments they make, a “cost of service” regulatory model that for generations spurred expansion to meet growing demand.

The Oregon Legislature cracked the door open to competitive markets in 1999, but only for large customers. Up to now, those moves haven't played out to major impact.

Frustration over that helped hatch the SB 978 process, but wider industry trends were factors too: Flat load growth, the drive to decarbonize and advances in renewable energy and energy storage have made the current regulatory model appear increasingly antiquated to the task of encouraging the innovation thought to be both available and necessary.

While PGE firmly rejected deregulation — “there are numerous examples of states experiencing adverse outcomes from deregulation,” it wrote — the utility said it was open to exploring “performance-based ratemaking.”

The system would reward the utilities for achieving specific targets or penalize them for falling short.

Renewable Northwest, the advocacy backed by renewable energy companies and environmental groups, told the commission that performance-based ratemaking “has significant potential to positively change Oregon’s utility regulatory structure and better align utility incentives with public policy goals.”

PGE offered more than eight pages of remarks that plunged deep into a wide range of issues, but PacifiCorp mostly kept its power dry with comments that ran about a quarter that length.

The Berkshire Hathaway-owned utility briskly endorsed utility primacy to “effectively and equitably achieve existing and emerging policy goals relating to decarbonization, distributed generation and performance-based ratemaking,” and registered support for examining affordability and equity issues, a topic raised by many stakeholders.

As for decarbonization, it wasn't a controversial topic in this discussion, not the way it is at the federal level. A month ago, the commission put out a memo summarizing its thoughts on the 978 process up to that point. It noted that “nearly all participants have emphasized that climate change is a serious issue that needs to be addressed in Oregon,” and that a cap on emissions was likely necessary.

A question was whether the PUC should seek authority from the Legislature to play a “role in decarbonization beyond planning, compliance oversight, and implementation of specific state policy,” as the commissioners' memo put it.

The commission also highlighted the widespread view among stakeholders that a more integrated Western grid “would improve economic efficiency in resource operations for all.” This is a question that could hinge on California, which has contemplated a multi-state system for several years.