

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 20, 2024**

REGULAR X CONSENT EFFECTIVE DATE March 1, 2024

DATE: February 7, 2024

TO: Public Utility Commission

FROM: Barbara Seaman

THROUGH: Mandy Standiford **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1012)
Requests an order to establish the annual fee level for electric, gas, water,
and wastewater utilities at 0.45 percent of gross operating revenues.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) issue an order establishing the annual fee rate at forty-five hundredths of one percent (0.45 percent) of 2023 gross operating revenues for electric, natural gas, water, and wastewater utilities.

DISCUSSION:

Issue

Whether the Commission should set the annual fee rate paid by electric, natural gas, water, and wastewater utilities to 0.45 percent of gross operating revenues.

Applicable Rule or Law

Pursuant to ORS 756.310, OAR 860-021-0033, OAR 860-021-0034, OAR 860-036-1050, and OAR 860-037-0095, each electric, gas, water, and wastewater public utility is required to pay to the Commission an annual fee to defray the costs of performing the duties imposed upon the Commission. The annual fee is imposed on gross operating revenues derived within Oregon at a rate determined by Commission order.

The gross operating revenues of an electric company do not include revenues from sales of power for resale to the extent that the revenues from those sales exceed an amount equal to 25 percent of the total revenues received by the electric company from sales of electricity to end users in the preceding calendar year. ORS 756.310(3).

The rules also state that the Commission's order shall be entered on or after March 1st. The fee must be paid no later than 5:00 p.m. April 1 of the year after the calendar year upon which the fee is based. The fee payable shall not exceed forty-five hundredths of one percent (0.45 percent) of the Oregon gross revenue during the prior calendar year. See ORS 756.310(3).

Analysis

Each year, the fee level is established based on gross operating revenues of utilities for the previous calendar year. ORS 756.310(3) allows the Commission to set the annual fee to a percentage amount not to exceed forty-five hundredths of one percent (0.45 percent) of the provider's gross revenue. To ensure adequate funding for the Commission, Staff recommends that the fee level should be set to forty-five hundredths of one percent (0.45 percent) of 2023 gross operating revenues for electric, natural gas, water, and wastewater utilities.

The Commission's reserve balance is currently projected to be about \$8.0 million on March 31, 2024. The estimated total collection and revenue at 0.45 percent rate is \$27.0 million by April 1, 2024. In addition to the funds collected from energy, water, and wastewater utilities, the Commission will also collect \$1.29 million from telecommunication utilities.¹

The estimated expenditure for April 1, 2024 through March 31, 2025, is \$27.9 million, which includes the PUC's program and operational costs, costs associated with policy option packages approved for the AY25 budget due to increased rate case activities related to Wildfire Mitigation (2021-SB 762),² Clean Energy (2021-HB 2021),³ Differential Energy Burden (2021-HB 2475),⁴ changes in the public purpose charge (2021-HB 3141),⁵ and Transportation Electrification (2021-HB 2165/HB 3055),⁶ the second year of biennial statewide government service charges and assessments. A portion of the \$27.9 million includes a new Activities and Discovery System (ADS) to

¹ UM 940, *Staff Report for the September 8 Public Meeting*, p.2 (2022).

² SB 762 (2021), available at oregonlegislature.gov/2021/SB0762.

³ HB 2021 (2021), available at oregonlegislature.gov/2021/HB2021.

⁴ HB 2475 (2021), available at oregonlegislature.gov/2021/HB2475.

⁵ HB 3141 (2021), available at oregonlegislature.gov/2021/HB3141.

⁶ HB 2165 (2021)/ HB 3055 (2021), available at oregonlegislature.gov/2021/HB2165 / oregonlegislature.gov/2021/HB3055.

replace the current, outdated system. The current system, Biz Apps, is over 20 years old and is no longer supported by Microsoft. Biz Apps is core to the PUCs business operations and is displaying an increasing number of bugs and issues and could no longer work at any moment. If it fails, the PUC cannot operate as an agency. The PUC's Information Systems team is working hard to keep it functional to hopefully avoid system failure.

Commission Staff will continue to be prudent with expenditures.

<u>Estimated Fee Collection as of April 1, 2024</u>	\$ 27,013,831
Projected Natural Gas, Electric, Water and Wastewater Revenue	\$ 1,294,513
Projected Telecommunications Revenue (at maximum rate 0.35%)	
Total Estimated Fee Collection as of April 2024	<u>\$ 28,308,344</u>
Additional Est Revenues (RSPF Admin Transfers + Misc Rev.)	\$ 2,383,528
Estimate Total Revenues for the period April 1, 2024 through March 31, 2025	<u>\$ 30,691,873</u>
<u>Estimated Expenditures for Utility Regulation and Administration</u>	
April 1, 2024 through March 31, 2025	\$ (27,928,884)

The estimated total expenditure is less than projected revenue by \$2,762,989. The estimated cash balance by March 31, 2025, is \$10,774,360; this ending cash balance is equivalent to 4.8 months of operating expenses.

Conclusion

Based on Staff's analysis, the annual fee rate should be set to forty-five hundredths of one percent (0.45 percent) to ensure adequate funding for the Commission.

PROPOSED COMMISSION MOTION:

Approve establishing the annual fee assessment rate at forty-three hundredths of one percent (0.45 percent) of 2023 gross operating revenues for electric, natural gas, water, and wastewater utilities.