

EQUITY – FUNDING AND RATES

Bill Number: HB 2475 - Equity

Chapter: 90, OR Laws 2021

Effective Date: Jan. 1, 2022

Amends ORS 756.610, ORS 757.230, ORS 757.072 to address equity in rate setting and participating in PUC proceedings (Chapter 90, 2021 Oregon Laws)

<i>Rulemaking Required?</i>	<i>Report Required?</i>	<i>Other</i>
Yes (Intervenor Funding)	Yes – Report on expanded intervenor funding due 9/25/2025	

Sponsor: Nolan Moser (Funding) and Bryan Conway (Rates)

Summary <https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureDocument/HB2475/Enrolled>

House Bill 2475 expands PUC ratemaking authority with regard to low income customers and enables groups representing low income customers and environmental justice communities to receive intervenor funding assistance. The bill contains two primary parts:

1. Low Income Rates

Sections (1) and (2) expands the factors the PUC may consider when establishing rate classifications under ORS 757.230.

ORS 757.230(1) requires the PUC to “provide for a comprehensive classification of service for each public utility,” and has traditionally limited the class determinations to be based on customer usage (quantity used, the time when used, the purpose for which used). HB 2475 expands the considerations on which the PUC may rely to also include “differential energy burdens on low-income customers and other economic, social equity or environmental justice factor that affect affordability for certain classes of utility customers.”

With that change, the legislature provided two definitions in Section (1).

- “*Environmental justice*” means “equal protection from environmental and health hazards and meaningful public participation in decisions that affect the environment in which people live, work, learn, practice spirituality and play.”
- “*Environmental justice communities*” includes “communities of color, communities experiencing lower incomes, tribal communities, rural communities, coastal communities, communities with limited infrastructure and other communities traditionally underrepresented in public processes and adversely harmed by

environmental and health hazards, including but not limited to seniors, youth and persons with disability.”

In addition, Section (7) provides that, in addition to the rate classes, the PUC may address the mitigation of energy burdens “through bill reduction measures or programs that may include, but need not be limited to, demand response or weatherization.”

HB 2475 also requires that the costs of rates, credits or program discounts authorized must be collected in the rates of an electric company through charges paid equally by *all* retail electricity consumers, including customers of electricity service suppliers (ESSs).

2. Intervenor Funding

Sections (3) and (4) expand the types of entities that are eligible for intervenor funding under ORS 757.072(1).

The intervenor funding statute, passed in 2001, provides that an energy utility may enter into a written agreement with organizations that represent “broad customer interests in regulatory proceedings” to govern the manner in which financial assistance may be provided to the organization. HB 2475 expands eligibility for such funding to include organizations that represent the interests of:

- Low-income residential customers, and
- Residential customers that are members of environmental justice communities

HB 2475 requires the PUC to determine, by rule, the qualifications for determining which organizations are eligible for financial assistance, and limits the amount of new funding to \$500,000 annually.

Section (4) requires the PUC to report to the interim committees of the Legislative Assembly related to energy that discusses, for the period beginning January 1, 2022 and ending December 31, 2024, the implementation and impacts of this expanded funding eligibility. The report shall include a description of:

- (1) The rules, orders, processes or policies adopted or established to implement Section 3; and
- (2) The organizations that received funding that includes, for each organization:
 - (a) The proceedings for which the organization received financial assistance;
 - (b) The amounts received;
 - (c) The issues raised by the organization in those proceedings; and
 - (d) The outcome within each proceeding with regard to the issues raised.

Major Tasks

HB 2475 presents two relatively distinct work streams for the PUC—one for each of the bill’s major parts.

1. Low Income Rates

Although HB 2475 does not mandate any specific action with regard to rate classifications or considerations for low income customers, the PUC has supported this expanded authority since the SB 978 Report, and will be eager to work with stakeholders to use this new power to address the affordability of energy rates for certain classes of utility customers.

Through internal discussions and possible external outreach, the PUC will need to determine how best to examine these issues. Possibilities include:

- Traditional Staff-led generic investigation
- Utility specific low income rate in rate case
- Separate tariff filed by utility (i.e., PGE)
- Include as part of pandemic relief effort

Issues to be examined will include:

- Means to address the mitigation of energy burdens (rates, credits, programs)
- Identifying/defining low income/energy burdened customers
- Administration of programs

Once the PUC implements any rates, credits or program to address the affordability of energy rates, the PUC will need to address the direct access program to ensure that customers of ESSs contribute to these costs in the same manner as customers of the IOUs.

2. Intervenor Funding

HB 2475 also does not mandate any specific action with regard to intervenor funding, but again the PUC sought the expansion of financial assistance as part of the SB 978 Report.

The threshold task will be to facilitate the development of a new intervenor funding agreement (IFA) between the energy utilities and the new organizations eligible for funding under HB 2475. This obviously requires the identification of these new stakeholder groups. This will require extensive outreach with new stakeholders to understand expectations and needs, as well as educational efforts to ensure understanding of intervenor funding mechanisms and purposes. The new IFA will likely need to be based on a different model, as existing agreements were developed to support ratepayer organizations created to appear in PUC proceedings and staffed with expert witnesses and attorneys.

Rulemaking: Changes to expand funding assistance will require rulemaking to determine the qualifications for determining which organizations are eligible for financial assistance. Current

rules identifying the qualifications for eligible organizations under the existing agreements are based on language developed and set forth in the IFA agreements.

Legislative Report: By January 1, 2025, the PUC will need to report to the interim legislative committees related to energy that discusses the impacts of this expanded funding eligibility, including the PUC’s implementation measures, the organizations receiving funds and the issues raised.

Fiscal Impacts

The PUC reported no fiscal impact for HB 2475. Implementation of this measure requires new work to be done within the scope of existing positions at the PUC.

Implementation Considerations

The need to increase the affordability of electricity for low-income customers and to integrate social equity and environmental justice into PUC’s decision making practices were top priorities identified in the agency’s SB 978 Public Process. The PUC recognized the limits to its ratemaking authority to address affordability of rates, and sought legislative action to improve equitable and affordable access to energy services.

[https://www.oregonlegislature.gov/committees/hee/Reports/SB%20978%20-%20PUC%20Actively%20Adapting%20to%20the%20Changing%20Electricity%20Sector%20\(report\).pdf](https://www.oregonlegislature.gov/committees/hee/Reports/SB%20978%20-%20PUC%20Actively%20Adapting%20to%20the%20Changing%20Electricity%20Sector%20(report).pdf)

Implementation

The PUC’s plan to implement the bill is generally represented on the two attached Gantt chart. The PUC will revisit the implementation activities and adjust as needed.

The key implementation activities are as follows:

I. Differential Rates:

PUC will first convene an initial workshop in November 2021, focused on Environmental Justice (EJ) community representation, to discuss different implementation pathways and to help develop understanding of key principles and goals for HB 2475 implementation. The workshops will be designed to understand perspectives and thoughts on implementation options, including whether to adopt interim rates. The workshops will also be used to begin level-setting and to explain relationship to intervenor funding effort.

PUC Staff will address with stakeholders two possible primary implementation pathways (as well as solicit other ideas):

- (1) Interim Rates:** Under this pathway, the PUC would direct the utilities to file interim rates proposals prior to January 2023, informed by Staff’s findings during

engagement workshops. The new rates will have an early effective target date to provide relief during the heating season. Workshops and comment opportunities will be provided, and may be combined across utilities for accessibility and efficiency.

(2) Comprehensive Investigation: Under this pathway, the PUC would launch a three-part investigation to establish differential rates, targeting permanent rates effective by January 2023. First, the PUC would examine options and national trends, utility customer and rate impact data, and priorities and principles and produce a white paper or guidance to narrow principles and design paths. Second, the PUC would initiate a detailed rate design conversation through technical and policy workshops, Staff straw proposals, comment opportunities, and culminating in PUC decision on rules or guidelines for principles and standards, plus a filing deadline for utilities. The final step would consist of a review of utility tariff filings. The PUC hopes that sufficient intervenor funding will be available to support participation in all stages.

By early December, PUC Staff will report to the Commissioners at a Public Meeting summarizing findings and proposal for future actions.

II. Intervenor Funding:

To begin efforts to expand the types of entities that are eligible for intervenor funding under ORS 757.072(1), the PUC will conduct external outreach with low income and EJ communities to discuss expectations and thoughts on implementation. Much work is needed to prepare for the negotiations of new agreements. PUC will undertake engagement with groups on two tracks. Conversations and workshops will be utilized to work with groups more familiar with our processes that have already identified an interest in funding. Groups that have not historically engaged will be approached through direct individualized outreach that will be carefully facilitated. For all groups, trainings – to be presented in conjunction with trusted stakeholders, will be developed

PUC will then facilitate negotiations between the utilities and new intervenors. Once negotiated the agreements will need to be submitted to PUC for approval, to be followed by rulemaking as necessary.