

Performance-Based Regulation of Electric Utilities (SB 688)

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<https://olis.oregonlegislature.gov/liz/2025R1/Measures/Overview/SB688>

Oregon's public utility commission (OPUC) presently regulates for-profit electric utilities using a "cost of service" framework, which incentivizes them to build new infrastructure and to invest their own capital in new projects. This approach has been useful in the past, but many experts now think that it no longer works well to manage the challenges that the renewable energy transition is bringing to the electricity industry.

This bill directs OPUC to develop and adopt a different framework known as "performance-based regulation." In this approach, OPUC would offer incentives and impose penalties to induce utilities to meet metrics important to Oregon citizens. These include minimizing greenhouse gas emissions, improving resilience and reliability in response to climate change, and expanding the use of small-scale distributed energy resources such as community solar projects, neighborhood microgrids and demand response programs. A key goal is to reduce utilities' costs while passing some of the savings on to ratepayers.

Performance-based regulation is very complex and must be tailored to the specific circumstances of the utility. As initially submitted, this bill does not provide many details for how OPUC should apply this general framework to regulate utilities such as PGE and PacificCorp. Instead, it offers only general guidelines.

These guidelines include charging OPUC with the development of performance metrics that are clear, objective, verifiable and achievable for measuring an electric utility's performance. They require that OPUC (i) describe how the performance standards and metrics are to be carried out; (ii) identify actions and mechanisms that a utility may carry out to meet performance standards; (iii) provide incentives or penalties to utilities based on their performance.

OPUC must adopt the new performance-based regulation framework no later than January 2, 2027. It must provide a report about the framework to the legislature by March 15, 2027, and a second report on the progress and effectiveness of the approach by November 15, 2028.