

SB 838: POWERING OREGON'S FUTURE

a continuing series on why renewable energy matters...

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About the Automatic Adjustment Mechanism

What is the automatic adjustment mechanism?

An “automatic adjustment mechanism” would allow the Public Utility Commission to grant utilities timely recovery of the prudently incurred costs of investments in new renewable energy facilities. Utilities will be able to recover prudently incurred costs of renewable energy sources after those facilities begin serving their customers.

Is this something new?

No. The automatic adjustment mechanism currently exists under ORS 757.210(1)(b). The Public Utility Commission (PUC) already grants utilities timely rate recovery through an automatic adjustment mechanism for other costs, including fuel costs, purchased power costs, and taxes. SB 838 would simply require the PUC to use this existing process to grant rate recovery for the costs of acquiring new renewable energy facilities to comply with the Renewable Energy Standard.

Why is the automatic adjustment mechanism for renewable energy facilities needed?

Simply put, to allow a matching of benefits and costs. Currently, when a renewable energy facility begins delivering power to a utility it will displace either electricity generated at existing coal or natural gas plants, or allow the utility to buy less power from the market. Under the current automatic adjustment mechanism regime, these savings are passed on to customers immediately. However, a utility cannot recover the costs of the new renewable energy facility until much later when they file their next full rate case. This creates an inherent unfairness in the existing regime.

This situation creates a major barrier and disincentive to utility investment in renewable energy facilities. Including the prudently incurred costs of renewable energy facilities in the existing automatic adjustment mechanism process will solve this unfair situation and remove a major barrier to the development of renewable energy in Oregon. Utilities will still be allowed file full rate cases on a regular basis as needed.

Is there oversight of the automatic adjustment mechanism?

Yes. While the name implies this adjustment is “automatic,” cost recovery of utility investments is not literally automatic. Any costs recovered through the automatic adjustment mechanism are still subject to a full prudence review and oversight by the PUC, who may set terms and conditions for granting rate recovery. Customer groups and the PUC will scrutinize these costs to ensure that utilities are only able to recover costs that are reasonable.

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