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December 9, 2025

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308

Re: AR 676 - Rulemaking to Establish Multi-Year Rate Plan Framework (HB 3179 & SB 688 Implementation)
AR 677 - Rulemaking to Establish General Rate Revisions Filing Schedule and Exception Process (HB 3179 Implementation)

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files a joint response on behalf of NW Natural, Avista Utilities, and Cascade Natural Gas Company regarding the scoping questions included in the survey released by the Oregon Public Utility Commission Staff on November 13, 2025, under AR 676 and AR 677.

Please address any correspondence on this matter to me, with a copy to the following:

eFiling
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Rates & Regulatory Affairs
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Sincerely,

NW Natural

/s/ Maddie Pulliam

Maddie Pulliam
Rates & Regulatory Analyst

Enclosure

Response of Gas Utilities to PUC Survey

This joint response is being provided in response to the scoping questions included in the survey released by the Oregon Public Utility Commission ("PUC" or "Commission") Staff on November 13, 2025, under AR 676 and AR 677. These written responses to the survey questions reflect the initial positions of Northwest Natural Gas Company, Avista Utilities, and Cascade Natural Gas Company (collectively referred to herein as the "Gas Utilities"). The Gas Utilities reserve the right to amend or supplement these responses, either collectively or individually, in meetings that Staff plans to hold with responding organizations.

General Rate Case (GRC) Schedule

Q. Please list the top factors your organization thinks should be considered in determining such a schedule (i.e., utility size, customers served, forecast accuracy). Please list in priority order.

At the outset, the Gas Utilities clarify that House Bill 3179 "establish[es] a limit on the number of electric or natural gas companies that are allowed to request a rate increase in any given year" and does not establish a requirement to determine a rate case schedule. As such, the Gas Utilities believe that the limit on the number of electric or natural gas companies allowed to request a rate increase should first be addressed prior to implementing a rate case schedule.

Notwithstanding this preliminary matter of statutory interpretation, it is premature to create a rate case schedule before the framework of the Multi-Year Rate Plans ("MYRPs") and any interim transition steps (e.g., establishment of interim/transitional mechanisms) have been established. At this point, the Gas Utilities encourage the PUC to maintain flexibility in terms of rate case scheduling as the rulemaking unfolds, and guidelines around the MYRP process are established. House Bill 3179 requires utilities to file MYRPs "on a regular interval that is no less than three and no more than seven years long." This intentional flexibility should not be overlooked at this early stage as different utilities have different needs and preferences. Further, a well-designed and balanced MYRP implementation should contain two phases: a "transitional phase," in which Oregon utilities transition to MYRPs, and an "operational phase," in which the MYRPs are in operation. The timing of when utilities file rate cases in these two phases may differ, and the duration of each utility's MYRP will affect the timing and schedule of rate case filings.

The imposition of any scheduling or filing limitations should not result in any utilities being winners or losers. To that end, the establishment of a predetermined rate case schedule should be coupled with the identification of interim/transitional mechanisms to provide the utilities with a reasonable opportunity to earn a fair return during the transition to both MYRPs and the filing limitations contained in House Bill 3179. The Commission has broad discretion in establishing a limit on the number of rate cases per year, and as such, the Gas Utilities encourage the adoption of a limit that can accommodate all utilities during the transitional phase, which can later be adjusted in the operational phase. If a schedule is set before the establishment of an MYRP framework and interim/transitional steps and mechanisms, the Gas Utilities are concerned they will not have due process to seek rate relief, which could impair the financial integrity of the Gas Utilities, harming

their ability to attract the necessary capital into Oregon to invest in their systems on behalf of customers.

Regarding interim/transitional steps and mechanisms, the Gas Utilities note that each utility may require a unique "bridge" solution to maintain its financial health as the state transitions into a MYRP process. This could include interim rate relief through alternative rate mechanisms, deferrals, trackers, exceptions, and other potential avenues. With that preface, the Gas Utilities submit that the primary factor that should be considered in establishing a rate case schedule is the equitable treatment of all utilities under the Commission's jurisdiction, which can be accomplished by adopting a transitional phase, as described above.

Additionally, in response to the example factors provided in the prompt for this question, the Gas Utilities have specific concerns, as follows:

- Using forecast accuracy as a factor is inherently subjective and could lead to unintended consequences. The assignment of a lower priority in the rate case schedule of a utility with "better" forecast accuracy could penalize "good behavior." Likewise, the assignment of a lower scheduling priority to a utility with perceived "lower" forecast accuracy could unfairly penalize that utility, particularly if the drivers of the deviations from forecasts were outside the control of the utility, and lead to compounding financial consequences.
- Size-based factors, such as number of customers for each utility, would not result in a just and reasonable approach to ratemaking. Such restrictions could negatively impact the financial health of a utility.

The Gas Utilities are also concerned about the potential lack of confidentiality associated with publishing a predetermined rate case schedule. Announcement of rate case filings have financial implications within the investor community and could disadvantage Oregon utilities. These confidentiality concerns are amplified by the uncertainty of publishing a rate case schedule before the framework of the MYRPs and any interim/transitional steps have been established.

Finally, the Commission is legally bound to ensure that utilities have an opportunity to earn a fair rate of return. This concept has not changed and should not be overlooked in the process of developing a rate case schedule.

<u>Exception Process</u>

Q. What factors must be present for a utility to come in prior to their scheduled GRC year to conduct a general rate case?

As with the rate case scheduling question, the answer to this question depends on the structure and framework of the MYRP, as offramps from a rate plan should not be considered in isolation from other components of the MYRP. It is premature to consider an exception process at this point in time.

In general, the Gas Utilities believe the MYRP framework should allow for offramps if a utility can demonstrate in an "out of cycle" rate case that the rates under the MYRP are no longer just and reasonable. In addition, a balanced MYRP can include off ramps for factors such as the following:

- Falling below an established earnings threshold;
- Changes in state or federal law, including corporate tax rate changes; and,
- Demonstration of circumstances beyond the control of the utility that significantly affect its financial health.

As noted above, however, this answer will depend on the outcome of this rulemaking process and the resulting overall MYRP framework. Any provisions for an exception could be more or less restrictive depending on the final balance of objectives within the approved MYRP framework and the specific utility circumstances.

Q. What factors must be present for a utility to bring forward alternative cost recovery and ratemaking mechanisms, including deferrals and trackers, during or outside of the General Rate Case schedule?

It is important to reiterate the Gas Utilities' emphasis on the need for a transitional phase. The availability of alternative cost recovery and ratemaking mechanisms, such as deferrals and trackers, is of critical importance during the transitional phase to maintain the financial integrity of utilities. The transitional phase, in and of itself, is a sufficient factor to warrant the use of such mechanisms.

Shifting into the operational phase, alternative cost recovery and ratemaking mechanisms, including deferrals and trackers, are generally used in North American utility regulation to track and recover costs that: (1) are volatile and/or difficult to project; (2) are potentially significant; or (3) are generally outside of the utility's control. Regarding the second factor (i.e., cost significance), a specific materiality threshold does not necessarily need to be defined – it could simply be a requirement in principle that the utility must prove a negative impact to its financial standing in the absence of the alternative cost recovery and ratemaking mechanism.

Furthermore, if there are specific behaviors to incentivize or regulations to comply with, then alternative cost recovery can be a useful tool for such items. For example, policy priorities such as decarbonization, energy efficiency, and affordability could be encouraged through alternative cost recovery and rate mechanisms. The concept of alternative rate mechanisms also highlights the need to allow flexibility within the MYRP framework to address differences between gas and electric utilities as well as specific utility circumstances.

<u>Multi-Year Rate Plans (MYP/MRP) and Performance Based Regulation (PBR)</u>

Q. Please list the top three (3) outcomes from the energy system that a Multi-Year Rate Plan framework should provide.

The Gas Utilities note that Senate Bill 688, relating to performance-based regulation, applies only to Oregon's electric utilities. With that being stated, there are certain foundational ratemaking principles that should be adhered to in establishing a MYRP framework or considering performance-based regulation. Before providing proposed key outcomes from a MYRP framework, the Gas Utilities submit the following foundational ratemaking principles that should be considered in developing the MYRP framework.

- **Balancing Customer and Utility Interests** – Customer focused outcomes should be balanced with supporting the utility's ability to fulfill its basic service obligations to ensure safe and reliable service to customers, and to recover its prudently-incurred costs, including a reasonable opportunity to earn a fair return on investment.
- **The Ratemaking Framework Should Evolve Over Time** – The success of a ratemaking framework is rooted in its ability to achieve priority outcomes while continuing to be cautious of any unintended outcomes or consequences that may arise. There should be flexibility to revisit the MYRP design over time to evaluate its success and opportunities for improvement.
- **There is no "One Size Fits All" Approach to Ratemaking** – Different ratemaking approaches may be more beneficial for different utilities and industry segments (e.g., gas versus electric) depending on many factors including projected growth in customers and sales, and system infrastructure needs.
- **Importance of Consistency and Predictability** – Consistency and predictability in ratemaking contribute to stability in both customer bills and the utility's financials. It is important to maintain a constructive regulatory environment from an investor and credit rating agency perspective so that the utility can attract capital at a reasonable cost and avoid unintended increases in the cost of capital that would be passed to customers through rates.

These foundational ratemaking principles enable the development of just and reasonable rates for customers, and the provision of a reasonable opportunity to earn a fair return for the utility.

Provided below are the Gas Utilities proposed top three key outcomes of a MYRP framework:

- Smooth, incremental, and predictable rate changes for customers;
- Adequately fund the necessary investments to provide safe and reliable service to customers, and, in doing so, maintain the utility's financial health and integrity; and
- Ensuring fairness across utility sectors (e.g., electric versus gas) and maintaining a focus on customers.

The Gas Utilities also caution that careful consideration is required and boundaries should be established to determine what is a ratemaking issue and therefore is appropriate for consideration in establishing just and reasonable rates versus what is a public policy issue that may not be appropriate for inclusion in the ratemaking scheme or may warrant special treatment (e.g., through an alternative rate mechanism, as discussed above). In other words, it is appropriate for the

Commission to create a boundary around what will be considered "fair game" in the MYRP rulemaking process to avoid an unnecessary focus on potential stakeholder interests that should not be considered in the MYRP rulemaking process.

Q. Please list the top three (3) utility actions and priorities that multi-year ratemaking framework should encourage.

The MYRP framework should follow all statutory obligations, and the resulting rates should be just and reasonable, and not unjustly discriminatory or preferential. The MYRP framework should also be consistent with long-standing ratemaking principles described above, including fairness, equity, stability, and continuity. Importantly, the MYRP framework should not result in the degradation of service for safety, reliability, and customer service. The utility actions and priorities that should be encouraged through the MYRP framework include:

- Efficiency, cost control, and reduced administrative burden to achieve the lowest reasonable cost energy service; and,
- Continued investment in utility systems to provide safe and reliable service.

Q. Please list the top three (3) ways you would like to see the ratemaking process change through the implementation of multi-year rate cases and the improvement you expect from those changes.

The Gas Utilities note that what is "allowed for" and what is achieved in any given MYRP may differ based on the circumstances and spending priorities in that MYRP and whether Oregon is in the transitional or operational phase of the MYRP process. For instance, while the Gas Utilities would like to see smooth, incremental, and predictable rate changes for customers, there may be circumstances where rate changes are necessarily more irregular due to specific circumstances at that time. With that said, the Gas Utilities would like to see the ratemaking process change to enable the following:

- Longer periods between rate cases by adequately and reasonably supporting the capital requirements for utilities (e.g., through forward-looking plant additions);
- Providing incentives for efficient utility operations, as allowed in House Bill 3179 and,
- More tools to establish just and reasonable rates while maintaining and increasing transparency and reducing administrative burden for all stakeholders

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