PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

February 20, 2026

VIA ELECTRONIC FILING

Oregon Public Utility Commission
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: AR 676—PacifiCorp's Comments on Multi-year Ratemaking and Performance-Based Ratemaking

PacifiCorp d/b/a Pacific Power (PacifiCorp or the Company) respectfully submits the following comments in Docket No. AR 676.

PacifiCorp appreciates the opportunity to comment on Staff's questions and provides the following comments, with the hope that we can continue to have more in-depth conversations with all parties on all of the rules in the rulemaking.

Question 1: Please identify goals that best align with your vision for Oregon's regulated utility energy system. For each goal, please identify 1-3 outcomes that you think are most important to prioritize in an updated ratemaking framework. Staff notes that this is a prioritization exercise and not an indication that any particular goal or outcome will be excluded.

PacifiCorp believes that the overall goals of the regulated energy system should be consistent with historical regulatory objectives—namely, to provide safe, reliable, and affordable electric service while also supporting Oregon's energy goals and maintaining a financially healthy utility. Different regulatory mechanisms should not change these long-standing goals. Rather, the central question in this proceeding is how to properly incentivize and support utilities to achieve these goals, rather than adopting approaches that are arbitrary or punitive. In general, the Oregon Public Utility Commission (Commission) should seek to incentivize adaptability and creativity from utilities, as opposed to rigid/prescriptive methods and outcome thresholds for achieving these objectives. A "one-size-fits-all" approach should be avoided, and performance-based ratemaking (PBR) should instead be tailored to the unique goals and circumstances of each utility.

Furthermore, in the context of a multi-year rate plan, it is important to recognize that forecasts for future rate years will be inaccurate. We are operating in a dynamic and rapidly changing regulatory environment. This reality is illustrated by the significant differences between PacifiCorp's 2023 Integrated Resource Plan (IRP) and its subsequent update, which were largely driven by the stay of the Ozone Transport Rule. Similarly, the modeling assumptions for PacifiCorp's 2025 IRP were finalized prior to policy changes under the Trump Administration. Changes in economics and regulations have material effects on the planning environment, and it

should be expected that such uncertainty will continue. Utilities must therefore retain the ability to adapt to the most current and reliable information. While certain parties may desire absolute predictability in ratemaking, such a desire needs to be balanced against the real-world dynamics of utility operations and the uncertainty in the planning environment that cannot be controlled or anticipated.

Given this backdrop, below are PacifiCorp's initial three goals for designing a PBR framework:

Goal 1: ***Adaptability, Review, and Safeguards*** – As stated above, PacifiCorp hopes there is one principle on which all parties can agree: *all forecasts are inherently inaccurate*. This is true for power cost forecasts used in the Transition Adjustment Mechanism (TAM), as well as for forecasts of proxy resources relied upon in an IRP. Each of these forecasts attempts to predict future conditions based on a defined set of assumptions. However, those underlying assumptions will always be different from actual conditions, resulting in outcomes that deviate from the initial forecast. The same will be true for forecasts underlying any multi-year rate plan, and for any forecasts associated with outcome thresholds in a performance incentive mechanism (PIM). This is particularly so for forecasts that result from settlement or Commission adjustment, which necessarily reflect compromise rather than the utility's best estimate of the costs it expects to incur.

Given this dynamic, in the context of PBR, the Commission must carefully balance outcome-based incentives with appropriate safeguards to ensure that utilities are not encouraged to pursue results in a manner inconsistent with sound utility practice, customer interests, or long-term system reliability. This topic is discussed further in the response to Question 2 below. For these same reasons, the Commission should continue to adopt mechanisms that align utility incentives by reducing regulatory lag during a rate plan—such as renewable adjustment clauses and automatic adjustment clauses—as discussed further in the response to Question 4 below.

More generally, utilities must retain the flexibility and creativity to adapt to the inherent inaccuracies associated with forecasts. To accomplish this objective, PacifiCorp recommends that the Commission adopt a "*portfolio approach*" that was adopted by the Washington Utilities and Transportation Commission (WUTC), when reviewing provisional pro forma capital, as discussed in more detail in response to Question 4. Additionally, utilities must retain the ability to deviate from PIM thresholds without penalty when doing so is in the best interest of customers. Appropriate safeguards and periodic assessments are necessary to ensure that utilities are not incentivized to blindly pursue forecasted outcomes or established thresholds when such actions would not serve the interests of customers or the State of Oregon.

Goal 2: ***Utility Control and Achievability****:* Fundamentally, if the purpose is to incentivize a utility to achieve specific outcomes, it is paramount that the utility have control over the factors necessary to achieve those outcomes. For example, a utility does not control the market price of natural gas; therefore, any outcome that depends on certain commodity prices is not within the utility's control.

Likewise, if a goal is premised on a forecasted condition or event that does not ultimately occur, achieving that goal may no longer be feasible or practical. A poorly designed PBR framework would compel a utility to meet a goal solely for the sake of compliance, regardless of whether the goal remains achievable or viable in light of subsequent conditions. Such a rigid approach risks becoming arbitrary and punitive and may result in unintended consequences—rather than serving as a meaningful incentive to advance desired outcomes.

Goal 3: ***Integration with the Broader Regulatory Framework*****:** PBR should be thoughtfully integrated within the existing regulatory framework. For example, performance metrics can be proposed and thereafter can be reported through compliance filings during the pendency of a multi-year rate plan. Similarly, the review of provisional or forecasted capital can also occur within established compliance filing process. PIMs can be proposed following the filing of a multi-year rate plan. These are just a few examples of how PBR can be incorporated into existing regulatory constructs. This approach reflects the discussion of the WUTC in its most recent policy statement.[1]

This concept is important because alternative approaches risk imposing undue burdens on the Commission, Staff, stakeholders, and utilities. A more integrated approach is also consistent with Executive Order 25-29. During the most recent workshop addressing Executive Order 25-29 (in Docket No. UM 2417), Staff highlighted the significant volume of work required of the Commission and discussed strategies for improving efficiency and prioritizing regulatory activities. PacifiCorp recommends that a similar efficiency-focused approach be adopted in this proceeding.

Question 2: What trade-offs and/or risks should be considered in developing a Multi-Year Rate Plan and/or PBR framework for Oregon?

In general, a poorly designed PBR framework elevates outcomes over the means used to achieve those outcomes. In other words, a poorly designed PBR reflects the philosophical view that *the ends justify the means*. For example, a poorly designed PIM may establish an arbitrary outcome that must be achieved by any means, with penalties imposed if the utility fails to meet the prescribed threshold. This outcome would be regardless of potential negative impacts that could occur when achieving the desired outcome. A similar dynamic can arise under a rigid multi-year rate plan, where a utility may be incentivized to blindly adhere to the forecast embedded in the plan even when doing so is no longer the most efficient or economic course of action. Unforeseen circumstances or costs will almost certainly occur during a three-year rate plan—and there must be flexibility for utilities to adapt and to reduce regulatory lag—rather than a rigid ratemaking framework that elevates outcomes over the means used to achieve those outcomes.

PBR *has the potential* to represent a significant departure from traditional ratemaking, under which the Commission focuses primarily on the prudency and reasonableness of a utility's

[1] *See Policy Statement Clarifying Reported Performance Metrics and Addressing Performance Incentives Mechanism Principles*, WUTC Docket No. U-210590 at 20 (January 26, 2026).

actions, rather than solely on the outcomes those actions produce. However, in the context of PBR, it is important to carefully balance outcomes and incentives with appropriate safeguards to ensure that utilities are not encouraged to pursue results in a manner that is inconsistent with sound utility practice, customer interests, or long-term system reliability. In other words, utilities should *not* be rewarded or incentivized to blindly following a multi-year rate plan when prudent utility practice dictates otherwise.

This underscores the importance of this rulemaking. While various parties may seek particular assorted outcomes, Staff must ask: *at what cost will those outcomes be achieved?* PacifiCorp maintains that achieving desired outcomes should not come at the expense of prudent utility practice. Prudent utility practice necessitates considering the most-up-to-date information in the decision making process, including information that arises after a desired outcome and/or threshold is set. Even assuming these outcomes are within a utility's control, utilities must retain the flexibility to adapt where desired outcomes would impose unreasonable costs or result in outcomes that are untenable. If the Commission establishes rigid outcomes that must be met, it should be expected that the utility will comply, and that the costs associated with achieving those outcomes will ultimately be borne by customers.

Accordingly, the central tradeoff in this proceeding is between setting fixed outcomes versus allowing utilities the flexibility to deviate from those outcomes when necessitated by prudent utility practices. It should be acknowledged that all forecasts associated with a multi-year rate plans and PIM *will be inaccurate*. PacifiCorp has specific proposals and believes a reasonable balance can be achieved when utilities have the adaptability are effectively encouraged to pursue desired outcomes and/or thresholds.

Question 3: Which Multi-Year Rate Plan and other PBR mechanisms do you think could be valuable tools for helping achieve the outcomes that are important to you?

PacifiCorp believes that the Commission's adoption of automatic adjustment clauses (AACs), renewable adjustment clauses (RACs), and annually adjusted balancing accounts (such as Schedule 191—System Benefits Charge) represent existing and well-designed PBR mechanisms. These mechanisms appropriately align incentives by reducing regulatory lag in critical areas of utility operations, including wildfire mitigation, renewable energy investments, and demand-side management programs. Such mechanisms may play an increasingly important role under a multi-year rate plan framework by mitigating regulatory lag during the pendency of the plan. PacifiCorp looks forward to more discussion on this topic during this rulemaking.

Furthermore, it is critical that the Commission adopt a *portfolio-based approach* if it elects to conduct provisional review of pro forma capital, similar to the approach used by the WUTC. Given the duration of a multi-year rate plan, unavoidable deviations from planned capital expenditures are almost inevitable. As a result, ratemaking under a multi-year rate plan must allow sufficient flexibility to enable utilities to make ongoing, prudent business decisions. Prudence requires adaptability and consideration of the most up-to-date information—rather than blind adherence to a forecasted capital plan. Rigidly requiring a utility to adhere to a fixed capital

forecast established at a single point in time could unintentionally lead to suboptimal business outcomes that are not in the best interest of customers. In particular, the risk of penalties for adapting to changed circumstances could create inappropriate incentives—either to proceed with capital expenditures as originally planned despite changed conditions, or to prematurely terminate capital projects out of concern over cost overruns driven by factors outside the utility's control.-year rate plan, unavoidable deviations from planned capital expenditures are almost inevitable. As a result, ratemaking under a multi-year rate plan must allow sufficient flexibility to enable utilities to make ongoing, prudent business decisions.

Accordingly, it is critically important that the Commission consider adopting a balanced review and true-up process for provisional capital investments reflected in rates—one that recognizes the flexibility necessary to prudently manage a utility business in a dynamic operating environment and supports the achievement of the best overall outcomes. An approach similar to a portfolio review of provisional pro forma capital can accomplish this purpose. PacifiCorp looks forward to further discussion in the rulemaking.

Question 4: Based on what you've learned about MRP/PBR and your desired outcomes from the ratemaking process and energy system, what specific aspects of Oregon's ratemaking frameworks are working well? Further, what specific areas do you see as high impact opportunities to improve? Please feel free to be as specific about process and ratemaking practices as you want.

Please see above for areas that work very well in Oregon—such as AACs, RACs, and annual balancing account adjustment. All of these mechanisms properly align incentives by reducing regulatory lag in important areas of utility operations. With the implementation of a multi-year rate plan, regulatory lag can become more of a pronounced concern. Accordingly, PacifiCorp supports exploring how these mechanisms can play a more pivotal role in Oregon.

For areas that need improvement, PacifiCorp has attached its most recent comments submitted in Docket No. UM 2417. These comments focused on identifying priorities in implementation of Executive Order 25-25 and 25-29. PacifiCorp has attached these comments as Attachment A. PacifiCorp also recommends that Staff review its Joint Comments filed with Portland General Electric and Idaho Power Company submitted in AR 669—focusing on the inefficiency in resource planning and procurement in Oregon.

However, one aspect of PBR that not functioning well in Oregon are the deadbands associated with the Power Cost Adjustment Mechanism (PCAM). These deadbands historically operate as an effective disallowance of prudently incurred power costs, despite the reality that utilities have only limited control over such costs, and they do not properly align incentives with desired outcomes. For example, if commodity prices for wholesale power or natural gas materially exceed the forecast established in the TAM, PacifiCorp has been—and over the long term will be—effectively disallowed recovery of $30 million of the resulting variance solely due to the application of the deadband. This outcome occurs regardless of whether the underlying costs

were prudently incurred—and the fact that these are *actual costs* (fuel, market purchases, etc.) spent by a utility to serve Oregon.

The deadband is unnecessary because prudence is already reviewed in the annual PCAM filing, where any imprudently incurred costs may be fully examined and contested. That review process provides the appropriate incentive structure, consistent with PacifiCorp's experience in other jurisdictions. These deadbands also create a perverse incentive within the TAM process, encouraging parties to advocate for lower forecasts rather than more accurate forecasts, with the knowledge that PacifiCorp will bear up to a mandatory $30 million disallowance of any variance without any consideration of prudence.

Today, PacifiCorp has limited control over power costs. As PacifiCorp transitions to participation in the Extended Day Ahead Market, PacifiCorp will have even less control over power costs, further underscoring that the deadbands function as a punitive mechanism for uncontrollable or unforecastable variances rather than as a tool to incentivize improved performance-based outcomes. PacifiCorp hopes this workshop will provide a focus on whether the continued use of deadbands in the PCAM is an appropriate PBR mechanism.

Question 5: What additional considerations do you think are important as Oregon works to develop its MRP framework?

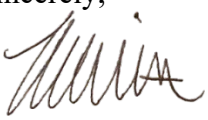
PacifiCorp does not have any further considerations to highlight at this time. However, PacifiCorp would like to take this opportunity to convey its appreciation for Commission Staff. PacifiCorp recognizes that these policy dockets require substantial resources, including Staff's efforts to organize the dockets, review and consider numerous stakeholder comments, and develop Staff proposals. PacifiCorp also appreciates Staff's decision to engage outside consultants to provide additional perspectives on PBR.

Conclusion

PacifiCorp looks forward to, and remains committed to, working collaboratively with Staff and other stakeholders, including by sharing its experience and perspectives gained from implementing PBR frameworks in other jurisdictions.

If you have any questions about this filing, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,



Robert Meredith
Director, Regulation

Attachment A

PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

January 12, 2026

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: UM 2417 – In the Matter of Public Utility Commission of Oregon Identifying Priorities in Implementation of Executive Order 25-25 and 25-29

PacifiCorp d/b/a Pacific Power is committed to providing safe, reliable and affordable service while meeting the policy and clean energy goals that have been outlined by the State of Oregon and articulated in detail through the Governor's Executive Orders 25-25 and 25-29, among others.

Balancing all three of these essential goals remains a significant challenge, especially when accounting for the rapidly changing energy landscape, increasing pressures on load growth, wildfire risks and a rising cost environment. It is essential for there to be broad support among stakeholders to prioritize creating a positive, efficient and proactive regulatory environment that supports long-term certainty, creates stability for utilities, and is nimble enough to meet customer needs while promoting economic development. Oregon has made great strides and it is our hope that these executive orders help Oregon take control of its own energy future. The time is now, and we applaud the Commission for taking this first important step.

Under the current policy and cost environment, Oregon's planned clean energy transition creates a disconnect between goals and an achievable reality for utilities and their customers. Deploying capital to build generation, storage and transmission is currently risky and unattractive in Oregon. Additionally, the process for utilities to obtain approval to procure resources, even for assets owned by third parties, is burdensome and prolonged. Finally, circumstances have changed such that a rapid move to renewable generation, and the infrastructure needed to support these investments, creates real challenges with customer affordability and economic development. Certainty and stability is needed for both customers and utilities to make continual progress.

Investing in clean energy in Oregon currently creates additional financial risk for utilities

Financially healthy utilities are essential to finance and build transmission, renewable generation, and storage, but recent decisions and the current liability environment have made maintaining that financial health more difficult. PacifiCorp first recommends adopting a formal preapproval pathway for major projects, which would explicitly include advance approval of interjurisdictional allocation treatment, so that prudent, used and useful assets can earn the authorized return when placed in service. This would reduce financing risk, lower customer costs

over time and provide a more viable path toward the clean energy build out Oregon requires while supporting economic development.

At the same time, wildfire liability in Oregon remains a very significant risk. Litigation exposure, insurance premiums and uncertainty around cost recovery elevate financing costs and constrain balance sheet capacity. To sustain the scale of investment customers need, Oregon should adopt policies that establish reasonable limitations of liability and a constructive framework for insurance and recovery, which would keep utilities financially healthy and viable while maintaining accountability for prudent operations.

Finally, significant investments in transmission and infrastructure need to be given a consistent and clear framework for recovery. In the company's last general rate case, the commission limited PacifiCorp's return on the Gateway South transmission project to the modified blended treasury rate until benefits are later demonstrated, rather than allowing the full authorized return.[1] Gateway South is precisely the kind of long lead transmission needed to integrate large volumes of renewables, which the data has demonstrated. Signaling that such investments may not earn a full return at the time they enter service makes Oregon an uncertain environment in which to commit capital, especially when other jurisdictions offer clearer, more predictable recovery.

Resource procurement approval needs to be more efficient

A faster, more flexible framework would improve competitiveness for Oregon customers and better support timely procurement. Such actions can also support multi-jurisdictional planning and procurement, as other applicable western states do not have comparable regulatory hurdles. The commission currently has the opportunity to modernize both its procurement and planning rules in Docket No. AR 669. The actions in that docket should be informed by goals of Executive Orders 25-25 and 25-29. PacifiCorp has submitted joint comments with other electric utilities on staff's current proposal that provide detailed recommendations to make this process more efficient.[2]

Oregon's procurement approval is already among the slowest in the region and proposed rule changes being considered[3] would lengthen it further. Before a request for proposals (RFP) can be filed, the process typically requires an independent evaluator (IE) solicitation and docket, bidder workshops, pre-approval of scoring, and extensive staff/IE consultations; after filing, additional mandatory steps (including acknowledgement of shortlists and IE reports) add months. In practice, RFPs often take well over a year from filing to final shortlist, increasing transaction costs and price-hold risk. Other jurisdictions move faster, and large corporate buyers, who face none of these regulatory delays, can secure renewable power purchase agreements quicker. Developers have opportunities to submit bids into RFPs in other jurisdictions or sell directly to large load customers.

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[1] *In the Matter of the Application for PacifiCorp d/b/a Pacific Power, Request for a General Rate Revision*, Docket No. UE 433, Order No. 24-447 at 39-44 (Dec. 19, 2024).
[2] *See Comments of PacifiCorp, Portland General Electric, and Idaho Power*, Docket No. AR 669 (Nov. 14, 2025).
[3] *Id.* at 2 ("[T]he proposed rules largely impose additional, cumbersome regulatory requirements that go beyond what is already in place in Oregon").

PacifiCorp's recent Washington situs RFP moved from filing to market in roughly half the time than its recent Oregon situs RFP. Washington limits IE involvement to cases with benchmark resources, does not require regulatory acknowledgement of shortlists, and imposes minimal post-issuance barriers before contracting, which allows bidders to keep pricing firm and projects to advance. This contrasts with the recent example of Idaho Power's most recent Phase I of its RFP in Oregon that took 17 months from initial filing to acknowledgement of the final shortlist. Oregon should streamline and align with neighboring states, make the 80-day RFP approval timeline real (not aspirational), avoid duplicative shortlist requirements, right-size IE scope to the specifics of each solicitation and reduce post-issuance process steps. Other jurisdictions do not impose similarly prescriptive substantive and process requirements; instead, they allow utilities the flexibility to design processes that meet their specific needs.[4] All of these suggested efficiency considerations are to the benefit of customers.

Rapid clean energy deployment is raising concerns about severe impacts to customer affordability

Rapid clean energy deployment at the current pace would produce severe affordability impacts for Oregon customers. PacifiCorp's 2025 Clean Energy Plan (2025 CEP) indicates that, given today's technology and costs, meeting House Bill (HB) 2021 targets at the required scale would result in large rate increases. The 2025 CEP results show materially higher customer bills under HB 2021-compliant portfolios compared to the counterfactual. See table 1 below for these results:

Table 1. Estimated HB 2021 Average Annual Compliance Costs 2025-2045 ($millions) and Percentage of 2025 Revenue Requirement (shown in parenthesis)

	Annual Cost with System Transmission	Annual Cost with Situs Transmission	Annual Cost with System Transmission (No PTC/ITCs)	Annual Cost with Situs Transmission (No PTCs/ITCs)
CEP Preferred Portfolio (Annual Clean)	$135 (10%)	$161 (11%)	$214 (12%)	$241 (14%)
Hourly Clean Portfolio	$1,609 (91%)	$1,800 (101%)	$2,287 (129%)	$2,479 (140%)

Table 1 shows that the average annual incremental rate impact for HB 2021 compliance ranges from 10 percent to 140 percent, depending on the scenario. Such rate increases would disproportionately impact energy-burdened households as a larger share of their income must go to essential needs.

[4] PacifiCorp provides more detail on this topic within its joint comments with other electric utilities within AR 669. However, one recent example is Idaho newly adopted rules Public Utilities Commission's RFP requirements are far less rigid and permit flexibility in RFP design. *See* Idaho PUC Case No. GNR-E-25-01. Likewise, other states tend to have more streamlined procedures—for instance, none require a process for acknowledgment of a final shortlist prior to contract execution or independent evaluator monitoring of contract negotiations.

Under ORS 469A.445, once the actual or anticipated rate impact from HB 2021 compliance exceeds six percent of revenue requirement, the commission must grant an exemption from further compliance. PacifiCorp's position, set out in docket UM 2273 Phase 2 reply comments, is that the cap operates as a hard ceiling on additional compliance costs and will likely be reached given the volume of resources required.[5] To ensure an appropriate level of procurement and to prevent unnecessary price-hold and bid-refresh risks, the commission should provide clear, front-end guidance on the cost cap and allow for a fast-track Section 10 process aligned to the RFP's final shortlist process, before contracts are executed. Specifically for multi-jurisdictional utilities, the commission should make an interjurisdictional allocation determination for each resource as part of its Section 10 decision.

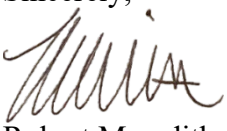
Oregon's planned clean energy deployment is financially untenable for households and increasingly risky for utilities. This means that we have an obligation today to evaluate and adjust course, if necessary, to ensure that the goal of a 100% carbon-free future for Oregon is realized. PacifiCorp recommends calibrating the pace of procurement to what customers can reasonably afford, while establishing clear, predictable guardrails so the transition is durable for customers and viable for the company.

Conclusion

Ultimately, Oregon's clean energy transition will succeed only if it is affordable for households and achievable by utilities. PacifiCorp urges alignment of pace with affordability, streamlined procurement approval, and preapproval of major projects and their associated interjurisdictional cost allocation treatment. Further, establishing clear limitations of liability and a constructive recovery framework will preserve the utilities' financial viability and capacity to fund transmission, renewable generation and storage, and support economic development in the state. PacifiCorp appreciates the opportunity to provide these comments that will identify principles and priorities for staff to develop its workplan in response to Executive Orders 25-25 and 25-29.

If you have any questions about this filing, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,



Robert Meredith
Director, Regulation

[5] *In the Matter of Public Utility Commission of Oregon, Investigation Into House Bill 2021 Implementation Issues*, Docket No. UM 2273, PacifiCorp's Phase 2 Reply Comments (Sept. 29, 2025).