March 16, 2026
Public Utility Commission of Oregon
201 High St. SE, Suite 100
Salem, Oregon 97301-3398

RE: AR 676 - Energy Advocate Joint Comments on Performance-Based Ratemaking (PBR) & Multi-Year Rate Plans (MRP) February 27, 2026 Workshop #3

On behalf of Oregon Citizens' Utility Board, Climate Solutions, NW Energy Coalition, Community Energy Project, Oregon Just Transition Alliance, Mobilizing Climate Action Together, Verde and Green Energy Institute at Lewis & Clark Law School (collectively, the "Energy Advocates"), we submit these comments in response to Staff's questions[1] and some general feedback to the February 27th, 2026 workshop.

First, we'd like to ground these comments in the context that current regulatory structures and ratemaking mechanisms are anchored in an outdated cost-of-service model that fails to reflect modern grid realities like distributed energy resources, clean energy goals, data center development, affordability, and resiliency – creating misaligned incentives that reward capital investment and stakeholder profits over customer value and equity. Further, the uptick in single-issue ratemaking eliminates incentives for utility cost containment.

This is evidenced by residential customers paying skyrocketing utility bills, while utilities fail to center residential customers and the public in their decision-making. Furthermore, non-utility stakeholders have a limited ability to identify cost containment strategies within existing regulatory structures. In the current system, residential customers are paying more, but they aren't getting more. As such, we reiterate our vision of a regulatory system that promotes safe, reliable, and affordable utility service, but also furthers equity and climate goals through comprehensive performance-based ratemaking – including through a multi-year rate plan design that will meaningfully contain costs, as well as backstop and targeted Performance Incentive Mechanisms (PIMs).

1. Of the ratemaking mechanisms you identified in Workshop #3 as working well today, please explain why they work well and what outcomes or protections they provide that should remain important as the Commission explores MRP and PBR design.

- In Workshop #3, Staff highlighted the elements below as areas of agreement. We largely agree that these are working well, and we applaud the OPUC's efforts to improve transparency and accessibility in these areas, as well as equity and affordability outcomes for residential customers. Importantly, there is more we can do to make progress on these topics, especially in relation to equitable stakeholder participation, the energy assistance ecosystem, and long-term solutions to energy affordability.
    - Structured and inclusive stakeholder engagement and settlement processes

[1] Docket No. AR 676, *Staff announcement of Comment Period*, Feb 6, 2026: https://edocs.puc.state.or.us/efdocs/HAH/ar676hah343650028.pdf

    - Streamlined proceedings (e.g., consent agenda items and process; noncontested collaboration spaces)
    - Intervenor funding (justice funding) and broad participation
    - Bill discounts and other energy assistance programs
- Staff also included "Adjustment mechanisms that address volatile costs" as an area of agreement.
    - We agree that the Power Cost Adjustment Mechanism (PCAM) and Purchased Gas Adjustment (PGA) appear to be striking a good balance between the needs of customers and utilities.
    - PCAM and PGA are meant to share the risk between customers and utilities. We assume that the PCAM and PGA will be continued in a MRP, whether outside the process, or integrating them into the process in a way that does not change their risk-sharing purpose.
    - However, one of the primary goals of MRP and PBR should be creating a multi-year budget that provides meaningful cost containment, limits the number of automatic adjustment mechanisms, and does not shift additional risks from the utility to customers. Indeed, it would be very useful to have utilities each lay out all of their service charges and corresponding tariffs and schedules in order for all stakeholders to understand where things currently stand. Therefore, we believe that many of the current adjustment mechanisms should be investigated–by a non-utility third party–to decide whether and how they should be continued in a multi-year framework.
- To reiterate a point from previous comments, the Commission has recognized that frequent rate cases can reduce utility risk, which justifies the lowering of ROE (for example, in UE 435, per Order 24-454). This is a useful precedent to carry forward into MRPs, which can similarly reduce risk and add certainty for utilities and investors. It may be appropriate to meaningfully reduce utilities' ROE given this reduced risk, particularly where utilities request additional certainty through reconciliation mechanisms.

2. In existing ratemaking structures in Oregon, what are the primary mechanisms or components that support balanced timing and risk sharing for cost recovery, and why? In a possible MRP structure in the future, what mechanisms are most applicable for balancing timing and risk sharing for cost recovery?

In response to incessant single-issue rate cases, the Commission has begun to utilize earnings tests beyond classic deferrals or power costs filings to help balance risk between utilities and customers. Notably, the Commission ordered an earnings test in PGE's recent UE 459 ARM via Order 26-074. The Commission also ordered an earnings test in UE 455 through Order 26-025, and another is under consideration in UE 458. It is important that this tool continues to be used to support balancing risk for customers in single-issue rate cases.

One of the major shortcomings of the traditional ratemaking structure is that it does not fairly distribute risk between utilities and customers. The current structure has allowed for costs and risks to flow inequitably to ratepayers, rather than holding utilities accountable. The growing

reliance on single-issue ratemaking has worsened this inequity. Comprehensive PBR, with a strong MRP design, could allow us to make **affordability** a north-star outcome, with a framework that puts downward pressure on long-term system costs (e.g., unnecessary capex costs) and rate growth, especially for households with the highest energy burdens. From our understanding of third party experts' analyses and presentations, some of the most applicable mechanisms for these goals include:

- **A multi-year rate plan should function as a multi-year budget**, with truly meaningful cost containment mechanisms including: An index-based revenue cap MRP (rather than a plan that depends heavily on utility forecasts) with a long-enough "stay out" period to avoid constant re-litigation of these projections (5 years - in the case of electric utilities, and closer to 3 years for gas utilities).
- **A strong starting point for any MRP and any associated adjustments**: Ideally, including a third-party audit or review before an MRP begins to identify cost-reduction opportunities and help ensure the baseline and any attrition relief mechanism are not set too high.
- **Strong limits on automatic adjustments, trackers/riders, deferrals, or other "true-ups" and single-issue ratemaking, including ARMs,** during the stay-out period, so that the MRP remains a meaningful constraint on overspending. When risk to utilities *is* reduced via any of these mechanisms, it should come with a commensurate reduction in ROE. It is critical that MRPs be designed to create incentives for IOUs to control costs and result in reasonable bills for customers.
- **A clear commitment that cost-containment does not exempt utilities from meeting their other obligations**, including safe and reliable service, as well as clean energy and related targets. Cost-containment should drive utilities to pursue all their obligations in the most cost-effective way possible. This could likely be addressed through backstop (in most cases, punitive) PIMs. MRPs should also consider how to encourage IOUs to comprehensively plan investments across each IOU's multiple planning dockets. IOUs should show how they are making cost-effective investments that provide co-benefits and save costs.
- **Targeted performance incentive mechanisms (PIMs)**: These would help improve public interest outcomes and fairness (e.g., eliminating customer disconnections and debt, accelerating emissions reductions, encouraging investments that provide co-benefits and save costs, deploying local clean energy solutions, increasing low-income weatherization and energy efficiency) beyond what is already statutorily required of utilities.
- **Practical ways for non-utility stakeholders to access the data and metrics** needed to track and understand performance, provide informed input, and propose improvements over time, including from community members.

3. Of the ratemaking structures discussed in Workshop #3, identify which cost categories are most in need of attention or where improved outcomes are achievable? What regulatory mechanisms govern those, and how would they need to change? Please relate this to identified outcomes that your organization suggests for priority attention.

- **Adders, supplemental schedules, and single-issue rate cases**
    - From the Workshop 3 presentation, it is clear that adders and single-issue cases are driving a huge amount of work for all stakeholders, as well as costs for customers. These many different dockets make it difficult to take a holistic approach to rate-making that considers, let alone adequately addresses, customer interests and impacts. These many one-off costs, which lack a comprehensive review of *all* costs, add up to significant customer costs and increase customer risk. An MRP should discourage single-issue ratemaking and consolidate the absolutely necessary single-issue cases into the multiyear rate plan to allow for holistic and customer-centered rate making. Multiple avenues for cost recovery outside of base rates allows utilities to selectively pursue the most favorable cost recovery mechanisms to maximize their earnings and does not encourage utility cost control.[2]
- **Base Rates and Returns**
    - An MRP can decrease utility risk, and therefore creates an opportunity to right-size utility returns to reflect the risks their investors face and the actual cost of capital the utility faces. As indicated by PNNL's presentation, base rates—including utility returns—are the largest utility cost category, and therefore represent a significant opportunity to meaningfully address affordability and cost containment.
- **Gas Utility Costs**
    - Gas utilities are in a unique position compared to their electric counterparts. They must plan for lower sales and fewer customers over time, due to trends towards electrification and legal requirements to reduce emissions.[3] Comprehensive PBR – and an MRP in particular – can help to align near-term utility costs with a managed decline, or right-sizing, of Oregon's gas system. Cost categories that are particularly important to scrutinize in this context include:
        - Alternative Fuels. Alternative fuels are a volatile and risky cost category for gas utilities and their customers. There are lower-risk/no regret alternatives for utilities to pursue instead, like energy efficiency and electrification. Alternative fuels should therefore be carefully scrutinized, and the risks of these investments should be placed on the utility, not customers.
        - Pipeline Projects and Programs. As gas companies face lower throughput and fewer customers, investments in gas infrastructure create stranded asset risks for customers. An MRP should therefore require nonpipeline alternatives to be fully considered before customers are required to share in the risk of investments in gas infrastructure.

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[2] *See* RMI & Synapse Energy, *Fixing Multiyear Rate Plans: Building a Firm Foundation for Cost Control*, 27-28 (Nov. 2025) (citing examples from NY, MD, and CA), available at: https://rmi.org/insight/fixing-multiyear-rate-plans/.

[3] *See* Abby Alter, Mike Henchen, RMI, *Bringing Gas Utility Planning into the 21st Century* (June 6, 2024), available at: https://rmi.org/bringing-gas-utility-planning-into-the-21st-century/.

Additional Questions for Staff:

1. In the 2/27/26 workshop, Staff presented on the alternative ratemaking mechanisms used in OR (see slide 19 of 2/27/26 workshop presentation).[4] Staff did not share an analysis or their perspectives on the effectiveness of these mechanisms, but stated willingness to offer this analysis. We are interested to have a better understanding of how the existing mechanisms are or are not working in OR, and for whom.

2. In the 2/27/26 Workshop and in this comment notice, Staff provided an overview of stakeholder feedback and areas of alignment. It would be helpful to have more context for these summaries to know how Staff is attributing comments, and who they see as aligned on topics (e.g., utility vs. non-utility stakeholders). When comments are brought into these high level overviews, it can be difficult for stakeholders to know whether their comments were properly understood, or to probe whether there is actual alignment. For example, maybe everyone agrees that "affordability" is a goal for this process, but so much detail and nuance is lost at this level (e.g., affordability for whom?). Without more context around these summaries, at least as to which stakeholders are being represented by the summarized text, advocates can struggle to trust there is truly alignment, or to know what questions to ask or feedback to provide to test that alignment. It would also be helpful for these summaries to differentiate between utility and other stakeholder feedback.

In conclusion, we thank Staff and other stakeholders for their ongoing dedication and engagement in this process. In future workshops, we are interested in continuing to use breakout rooms as a feature of that engagement, with the caveat that breakout rooms could also be used for digesting the information that is coming from the prior content-heavy presentations. The questions at the last workshop felt a bit repetitive of the questions previously posed to stakeholders, and were less directly attached to the content covered in the workshop.

Respectfully submitted this 16th day of March 2026.

/s/ Claire Prihoda
Buildings Policy Director
Climate Solutions

/s/ Jamie Pang
Director of Programs
Oregon Just Transition Alliance

/s/ Charlee Thompson
Policy Associate
NW Energy Coalition

[4] https://edocs.puc.state.or.us/efdocs/HAH/ar676hah344360037.pdf

/s/ Pat DeLaquil
Steering Committee
Mobilizing Climate Action Together

/s/ Sarah Wochele
Equity Analyst & Advocate
Oregon Citizens' Utility Board

/s/ Siraat Younas
Policy and Advocacy Manager
Community Energy Project

/s/ Carra Sahler
Director and Staff Attorney
Green Energy Institute at Lewis & Clark Law School

/s/ Anahi Segovia Rodriguez
Energy Justice Coordinator
Verde