— Pepple Moser PC —

March 16, 2026

Via Electronic Filing

Staff of the Public Utility Commission of Oregon
Attn: Michelle Scala
Oregon Public Utility Commission
michelle.m.scala@puc.oregon.gov

Re: In the Matter of Rulemaking to Establish Multi-Year Rate Plan Framework (HB 3179 & SB 688 Implementation).
Docket No. AR 676

Dear Michelle Scala,

The Alliance of Western Energy Consumers ("AWEC") appreciates the opportunity to provide the following comments regarding the February 27, 2026 workshop.

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.

a. Successful Adjustment Mechanisms

Current successful ratemaking mechanisms include adjustment mechanisms that effectively share the costs and risks of significant cost categories the utility has limited control over, such as PCAMs. AWEC specifically supports the continued use of deadbands, sharing bands, and earnings tests within PCAMs as they effectively balance risk between customers and shareholders, thereby providing necessary cost protections for customers. As explained by the Commission, deadbands require utilities to "absorb some normal variation of power costs,"[1] whereas sharing mechanisms provide utilities "with an incentive to manage [] costs effectively, while sharing costs that are beyond normal business risk,"[2] and earnings tests "serve[] to protect customers from paying for higher-than-expected power costs when the utility's earnings are reasonable, while protecting the utility from refunding power cost savings when it is under-earning."[3] Recognizing the importance of balancing risks to customers and utilities, the Commission has consistently declined to remove these safeguards at the request of electric

[1] Docket No. UE 246, Order No. 12-493 at 15 (Dec. 20, 2012).
[2] Docket Nos. UE 180, UE 181, and UE 184, Order No. 07-015 at 27 (Jan. 12, 2007).
[3] Docket No. UE 246, Order No. 12-493 at 14 (Dec. 20, 2012).

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utilities. For example, in Docket No. UE 374, the Commission declined PacifiCorp's proposal to remove the PCAM's deadbands, and earnings test, finding PacifiCorp failed to demonstrate "a fundamental change in the risk balance between customers and the company that occurs with its power costs, and PacifiCorp has not shown that a redesign is necessary. Stakeholders have been working with the Commission's power cost recovery structure and policy for almost a decade."[4] Accordingly, the PCAM, with its well-established deadbands, sharing bands, and earnings test, is a clear example of a current ratemaking mechanism that works well and provides protections that should remain important as the Commission explores MRP and PBR design.

b. Stakeholder Engagement and Settlement Processes

AWEC supports the continuation of structured and inclusive stakeholder engagement and settlement processes. AWEC further recommends the Commission consider reinstituting required in-person settlement conferences except for special circumstances, such as substantial and unreasonable travel to attend. From AWEC's experience, in-person settlement conferences provide a unique and important environment for collaboration that encourages settlement, which is not effectively replicated through virtual participation.

c. Intervenor Funding and Broad Participation

AWEC continues to support the provision of intervenor funding for Commission proceedings, which allows eligible parties to fully participate in utility proceedings to protect the interests of the customer class they represent. Over the years, AWEC's use of intervenor funding has led to millions in savings for all utility customers and the development of a fuller record on which the Commission bases its decisions.

d. Bill Discounts and Energy Assistance Programs

AWEC understands the need for bill discount and energy assistance programs. This need, however, must be balanced with the cost impacts on other customers. As currently designed, these programs risk upsetting this balance. AWEC understands, for instance, that PGE spent approximately $110 million on low income assistance in 2025, over half of which was through its Income-Qualified Bill Discount ("IQBD") program, Schedule 18. The costs of this program are recovered through a flat charge on residential customers and a kWh charge on non-residential customers, subject to a cap of 20 million kWh. This structure results in high usage customers paying more for this program than low usage customers despite the fact that high usage customers are not exposed to the uncollectible costs of residential customers failing to pay their bills. Over three percent of a PGE Schedule 89 customer's bill goes to the IQBD program alone. Accordingly, in reviewing existing ratemaking structures for future application in MRPs, energy assistance programs must be designed in a manner that is equitable both between the customers

[4] Docket No. UE 374, Order No. 20-473 at129 (Dec. 18, 2020) (internal citations omitted); *see also* Docket No. UM 1662, Order No. 15-408 at 6-7 (Dec. 18, 2015) (Commission rejecting PGE's and PacifiCorp's request for dollar-for-dollar recovery of power costs related to RPS-eligible resources); Docket No. UE 215, Order No. 10-478 at (Dec. 17, 2010) (discussing PGE's initial proposal to change its PCAM deadbands and earnings test).

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that receive assistance from these programs and those that pay for this assistance, as well as in the allocation of the costs of these assistance programs among customer classes.

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?

The existing rate case process that allows for regulatory lag is a balanced process, so long as utilities are not able to avoid regulatory lag through alternative mechanisms like deferrals, automatic adjustment clauses, and/or alternative ratemaking mechanisms ("ARMS"). Regulatory lag is "the quite usual delay between the time when reported rates of profit are above or below standard and the time when an offsetting rate decrease or rate increase may be put into effect by commission order or otherwise."[5] "[C]ommissions recognize [] regulatory lag as a practical means of reducing the tendency of a fixed-profit standard to discourage efficient management."[6]

In Docket No. UM 1909, the investigation of the scope of the Commission's authority to defer capital costs, the Commission explained that "[r]egulatory lag is a regular aspect of utility ratemaking, and does not necessarily prevent a utility from maintaining a healthy credit rating or attracting capital. The risk and extent of the effect of regulatory lag is commonly evaluated and understood by those who invest capital in utilities."[7] Accordingly, AWEC recommends that any MRP structure and PBR design continue to ensure that utilities take on a reasonable level of regulatory lag in order to encourage efficiency and in accordance with Commission precedent.

To this end, AWEC specifically recommends one of two approaches to MRP design. Traditionally, utilities in Oregon have used a future test year to establish rates in a rate case. AWEC has raised concerns about future test years in the past, as they often rely on a set of utility forecasts that are difficult to assess for reasonableness.[8] Nevertheless, the Commission has continued to authorize future test years.[9] With a change to MRPs, however, this practice should be reevaluated. If, for instance, the Commission intends to allow for rate escalations in subsequent years of an MRP, such as escalations indexed to inflation, utilities should be required to establish rates for the first year of the MRP using an historical test year so that rates are based on actual costs incurred. Alternatively, if the Commission believes it is appropriate to continue to set rates using a future test year, AWEC recommends that those rates be held constant during the MRP period given that these rates will already reflect forecasted costs.

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5 James C. Bonbright et al., *Principles of Public Utility Rates* at 96 (Columbia University Press, 1961).
6 *Id.* at 198.
7 Docket No. UM 1909, Order No. 20-147 at 13 (Apr. 30, 2020).
8 Docket No. UE 435, AWEC/100, Mullins/7:1-10:14.
9 *Id.*, Order No. 24-454 at 2 (Dec. 20, 2024).

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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.

Of the cost categories put forth by Pacific Northwest National Laboratory during the February 27th workshop[10] that comprises PGE and PacifiCorp's 2025 authorized revenue, adders/supplemental schedules and O&M are two categories most in need of attention. AWEC recommends MRPs be designed to eliminate adders and supplemental schedule, which comprise 5-8% of PGE and PacifiCorp's authorized revenue,[11] to the extent possible. The number of adder and supplemental proceedings recently before the Commission demonstrate the amount of single-issue ratemaking electric utilities have been the beneficiary of and at cost to customers.

Regarding O&M, AWEC reiterates its concerns with the use of future test years in MRPs, which requires the use of forecast for determining costs and ultimately does not encourage cost containment or easy auditing for reasonableness. Rather, AWEC proffers that O&M costs should be established based on known and measurable expenditures that have been found to be reasonable, not budgets. The use of budgets for determining operating expenses is contrary to traditional ratemaking and highly concerning, as there is no way to meaningfully reconcile such amounts back to actual costs. Using known and measurable costs will be particularly important for MRPs to ensure rate predictability and stability, as well as accuracy.

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[10] Docket No. AR 676, Presentation from the February 27, 2026 Workshop at slide 30 (Mar. 6, 2026) (Cost categories are those that comprise PGE and PacifiCorp's 2025 authorized revenue: adders or supplemental schedules; amortization; other O&M; transmission O&M; taxes and fees; A&G; distribution O&M; production O&M; deprecation; return on rate base; PCAM; and NVPC).

[11] *Id.* at 24.

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AWEC appreciates the opportunity to provide these comments and looks forward to continuing to work with Staff and stakeholders to this proceeding.

Dated this 16th day of March, 2026.

Respectfully submitted,

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