OREGON SOLAR + STORAGE INDUSTRIES ASSOCIATION

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

March 13, 2026

Re: Comments on AR 676 – Follow-Up to Workshop #3
Dear Chair and Commissioners,

OSSIA appreciates the opportunity to provide comments in response to the Commission's request for additional stakeholder input following Workshop #3 in Docket AR 676. Oregon is at an important moment in the modernization of its ratemaking framework. Performance-Based Ratemaking (PBR) and Multi-Year Rate Plans (MRPs) offer an opportunity to better align utility financial incentives with Oregon's public policy goals and we appreciate the Commission and staff's intentional efforts to facilitate meaningful discussion and engagement.

As discussed below, and OSSIA's previous comments, our vision is a regulatory system that promotes safe, reliable, and affordable utility service while also advancing climate and other public policy goals through comprehensive performance-based ratemaking. This includes multi-year rate plan design that meaningfully contains costs, as well as targeted Performance Incentive Mechanisms (PIMs) and backstop enforcement mechanisms. Ultimately, the purpose of both PBR and MRPs should be incentive alignment, ensuring that utility behavior and profits are aligned with the outcomes the Legislature and the Commission expect utilities to deliver.

Please note that our positions on these topics are evolving as we move through the rulemaking process and engage with stakeholders, third-party experts, and Commission staff. We reserve the right to amend or add to these comments at a later time.

I. Of the ratemaking mechanisms 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.

Adjustment Mechanisms for Volatile Costs: Existing adjustment mechanisms such as power cost and gas cost adjustment mechanisms help address volatility in energy markets. These tools allow utilities and customers to share in risks associated with fluctuating power costs. In a future MRP structure, these mechanisms may remain necessary to address cost categories

that fall outside of utilities' control. However, these mechanisms must be designed carefully so that they do not weaken incentives for cost containment or transfer excessive risk to ratepayers. Further, any other rate adjustment mechanisms currently being used, particularly those that are automatic, should be carefully scrutinized before being included in the MRP framework.

Earnings Tests: Earnings tests are another customer protective mechanism that may be a helpful tool in achieving meaningful risk-sharing between utilities and customers, particularly as part of an MRP framework that places greater burden on utilities to avoid making overly costly or risky decisions.

Regulation of both Gas and Utility Rates: We appreciate the clarification during Workshop #3 that the Commission has the authority to regulate rates for both gas and electric utilities and will continue to do so using PBR tools, including MYP and PIMs.

Public Purpose Charge: The Public Purpose Charge has worked extremely well in maximizing energy efficiency, weatherization and adoption of solar, storage and other DERs, which have strengthened the resiliency of the distribution system.

II. 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?

PBR as a Counterbalance to COSR Incentives: During Workshop #3, stakeholders heard that the Commission may not have authority to move entirely away from COSR due to statutory constraints in ORS 757.603. This was somewhat surprising given the strong policy direction expressed in SB 688 and HB 2021. Under the traditional framework, utilities earn returns on capital investments included in rate base, which can encourage expansion of utility-owned infrastructure even when lower-cost or lower risk alternatives exist. OSSIA believes the Commission has the direction in SB 688 to move away from COSR and replace it with PBR. During the transition away from COSR it is especially important that the Commission implement PBR mechanisms that meaningfully counterbalance the capital investment incentives embedded in COSR. In addition to MYPs, these should include targeted PIMs designed to achieve public interest outcomes such as accelerated reduction of greenhouse gas emissions and more efficient use of resources.

Multi-Year Rate Plans: Multi-year rate plans can play an important role in smoothing rates, providing regulatory stability, and reducing administrative burden. However, MRPs are not

sufficient alone to achieve the goals of performance based ratemaking. During Workshop #3, utilities suggested that too much time is being devoted to PBR relative to multi-year ratemaking. From OSSIA's perspective, the opposite risk exists. While MRPs establish the structural framework for ratemaking, PBR is the mechanism that aligns incentives. Implementing MRPs without strong performance-based elements could allow traditional cost-of-service incentives to persist across multiple years, potentially entrenching business-as-usual outcomes.

Practical Data Access and Transparency: The ability of stakeholders to look behind the curtain and assess utility performance will help balance risk by creating accountability and allowing stakeholders to advocate for fair and balanced MRPs.

Community Microgrids as a Utility Risk Reduction Tool: A meaningful but underrecognized dimension of the risk-sharing discussion is the potential for community microgrids to reduce utility operational and liability risk. Oregon utilities currently face a difficult tradeoff when managing Public Safety Power Shutoff (PSPS) events: acting conservatively to reduce wildfire ignition risk increases customer harm and regulatory exposure from extended outages, while delaying shutoffs to limit customer impact increases ignition liability. Community microgrids in designated zones can collapse this tradeoff. Where customers have access to an islanded microgrid that can supply critical loads during a PSPS event, the utility can execute shutoffs earlier and with greater confidence, reducing ignition probability without imposing the full harm that drives hesitation today. The availability of community microgrid infrastructure in high fire-risk areas is therefore a direct, quantifiable reduction in utility operational risk. The Commission should consider whether the MRP and PBR framework should include mechanisms that recognize and reward utilities for facilitating community microgrid development in PSPS-affected service territories, as the risk reduction benefit accrues systemwide and not solely to the customers directly served by the microgrid.

III. 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 identify outcomes that your organization suggests for priority attention.

Power Costs and Distributed Energy Resources: From OSSIA's perspective, power supply costs represent one of the most significant areas where improved outcomes are achievable. Workshop materials noted that power costs account for approximately one-third of total customer rates. This highlights the importance of improving how utilities manage generation resources and utilize the electric grid. Distributed energy resources, including virtual power

plants, net metering, demand response, and community solar, can reduce peak demand, improve grid efficiency, and defer expensive transmission and generation investments. These resources should therefore be prioritized as tools for managing power supply costs and improving overall system efficiency.

Community microgrids as defined and authorized under HB 2065 and HB 2066 represent a particularly powerful category of distributed resource for managing power supply costs. By combining generation, storage, and load management behind a controllable point of interconnection, community microgrids can defer distribution capital investments, reduce peak demand charges, and provide islanded resilience services that no individual DER can offer alone. The Commission should ensure that PBR performance metrics and PIM structures explicitly recognize community microgrids as a distinct, high-value resource category, and that utility performance frameworks create affirmative incentives for facilitating community microgrid development rather than simply tolerating it.

Evaluating Claims About Renewable Program Costs: During breakout discussions, utilities raised concerns about the cost-effectiveness of distributed energy programs and suggested that certain renewable programs result in ratepayer subsidies.

Such claims should be evaluated in the context of the full range of benefits these programs provide, including:

- Avoided generation and transmission costs
- Long-term price stability
- Reduced strain on transmission and distribution infrastructure
- Compliance with emissions reduction mandates
- Community resilience and critical infrastructure protection, including the public safety value provided by community microgrids

When these benefits are considered, distributed energy resources often represent some of the most cost-effective solutions available and significantly, have been shown to provide cost savings to all customers.[1]

Base Rates and Utility Returns: Since base rates and utility returns make up a large portion of customer bills, they should be carefully scrutinized when setting rates in an MRP. Part of the intention behind using MRPs is to reduce utility risk, and utility returns should be set to accurately capture this lowered risk.

[1] https://mcubedecon.com/2024/11/14/how-californias-rooftop-solar-customers-benefit-other-ratepayers-financially-to-the-tune-of-1-5-billion/

Cost Deferrals and Risk Allocation: Utilities frequently request cost deferrals as a way to address regulatory lag or manage financial risk. While deferrals may sometimes be appropriate, they should be used sparingly and evaluated carefully. Each proposed deferral should be assessed to determine whether it truly benefits ratepayers or simply allows utilities to continue existing practices without meaningful accountability.

IV. Policy Alignment and Process Observations

Legislative Policy Direction: Oregon's Legislature has established clear policy objectives for the electric sector through HB 2021. These objectives include decarbonizing the electric grid while ensuring that the transition provides direct benefits to Oregon communities, including the creation of living-wage jobs, increased workforce equity, and enhanced energy security and resilience.

In *NewSun Energy, LLC v. Public Utility Commission (A184849)*, the Oregon Court of Appeals confirmed that the Commission may not disregard these statutory policy directives when exercising its regulatory authority. As the Commission develops an MRP and PBR framework, it should ensure that performance metrics and incentives reflect these legislative objectives, including the goal of creating local economic and workforce benefits through clean energy development in Oregon.

The Legislature's enactment of HB 2065 and HB 2066 in 2023 extended this policy direction explicitly to community microgrids, establishing statutory frameworks for microgrid interconnection and community microgrid zone designation that the Commission is currently implementing through AR 681. The PBR and MRP framework developed in this docket should be designed to complement those statutory objectives. Specifically, any performance incentive mechanisms that reward utilities for facilitating distributed energy resource development should expressly include community microgrids as an eligible resource class, and utility performance metrics should reflect the additional resilience, reliability, and community benefit values that community microgrids provide beyond what conventional DER programs deliver.

PSPS Risk Reduction as a Performance Incentive Target: Oregon utilities face a structural dilemma in managing Public Safety Power Shutoff events that no current ratemaking mechanism adequately addresses. A utility that executes a PSPS event conservatively, meaning early and broadly, reduces wildfire ignition risk but incurs regulatory scrutiny, customer complaints, and potential liability for harm caused by extended outages. A utility that delays or narrows a shutoff to limit customer impact retains greater ignition risk. This tradeoff has no clean resolution under the current framework because utilities bear asymmetric exposure on both sides.

Community microgrids in designated microgrid zones, as enabled and authorized under HB 2065 and HB 2066, directly address this dilemma. Where customers are served by a community microgrid capable of islanded operation, a utility executing a PSPS event can de-energize the distribution feeder with confidence that those customers retain power from local generation and storage resources. The utility's decision calculus changes materially: it can act earlier on high wind and low humidity days without bearing the full customer harm and regulatory exposure that currently causes hesitation. That earlier, more conservative action is itself a risk reduction benefit that accrues to the utility, to its ratepayers, and to the broader public through reduced ignition probability.

The PBR framework being developed in this docket is the appropriate mechanism to recognize and reward this risk reduction contribution. OSSIA recommends that the Commission consider a Performance Incentive Mechanism specifically targeting utility facilitation of community microgrid development in PSPS-affected or high fire-risk service territories. Such a PIM would reward utilities for actions that expand islanding capability in vulnerable areas, including supporting interconnection applications, completing preliminary design reviews within the timelines established by HB 2065, and cooperating with local government microgrid zone designation processes under HB 2066. The benefit being rewarded is not the microgrid itself but the operational freedom the utility gains to make safer, more timely PSPS decisions because the microgrid exists. That benefit has measurable value in reduced ignition risk, reduced regulatory exposure, and reduced potential litigation liability, and it is appropriate for a performance-based ratemaking framework to capture it.

Pilots and Innovation: During a breakout room discussion during Workshop #3, utilities indicated that they are reluctant to pursue pilot programs due to the administrative burden associated with reporting and stakeholder engagement. This dynamic highlights the importance of performance-based regulatory structures. Properly designed PBR mechanisms can reward utilities for testing innovative solutions that reduce costs and improve system performance, rather than discouraging experimentation. Community microgrids represent exactly the kind of innovative, system-benefit solution that a properly designed PIM structure

should incentivize. Under HB 2065, Oregon's Legislature directed utilities to engage in a collaborative preliminary design review process for microgrid applications at no charge to the applicant. That statutory requirement reflects a legislative judgment that utility cooperation with community microgrid development is a public interest obligation, not a discretionary activity. PBR performance frameworks in this docket should reinforce that obligation by making utility facilitation of community microgrid development a measurable, incentivized outcome rather than a cost center to be minimized.

Comprehensive vs. Incremental PBR: OSSIA would welcome additional clarity on whether the Commission is evaluating comprehensive PBR and incremental PBR approaches equally at this point. While incremental reforms may provide opportunities for experimentation, comprehensive PBR is more likely to achieve the level of incentive realignment envisioned by the Legislature.

A robust framework should include:

- Clearly defined performance metrics
- Meaningful financial incentives and penalties
- Transparent reporting requirements
- Mechanisms that ensure utilities share in risks associated with cost overruns or poor performance

Together, these tools can ensure that both the timing of cost recovery and the allocation of risk are balanced in ways that protect ratepayers while maintaining reliable utility service.

Process Feedback: OSSIA appreciates the Commission's use of breakout sessions during Workshop #3, which created opportunities for more focused discussions among stakeholders.

However, we would like to share some feedback in the interest of strengthening the process:

- We would benefit from greater visibility into which stakeholders and how many are advancing particular viewpoints when workshop feedback is summarized.
- During breakout room discussions, we felt that some groups did not get to spend enough time on what needs to be improved and instead focused on what is working well. This creates some bias towards maintaining business-as-usual rather than creating meaningful incentive reform.
- In some groups, stronger facilitation would help ensure balanced participation among stakeholders.

- In several discussions, utilities occupied a disproportionate share of the conversation reiterating concerns about cost-effectiveness. While those perspectives are important, balanced dialogue is essential to ensure that the process produces meaningful regulatory reform.

V. Conclusion

Oregon has a critical opportunity to modernize its regulatory framework so that utility incentives align with the state's goals for reduced greenhouse gas emissions, reliability, affordability, equity, and decarbonization. OSSIA looks forward to continued collaboration with the Commission and stakeholders to develop an MRP and PBR framework that meaningfully drives these outcomes for Oregon customers and communities.

Sincerely,

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