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March 16, 2026

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)

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 Corporation regarding the March 4, 2026 Written Comment Opportunity released by the Oregon Public Utility Commission Staff.

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

eFiling
NW Natural
Rates & Regulatory Affairs
250 SW Taylor Street
Portland, Oregon 97204
Email: eFiling@nwnatural.com
Phone: (503) 610-7330

Sincerely,

NW Natural

/s/ Maddie Pulliam

Maddie Pulliam
Rates & Regulatory Analyst

Enclosure

Response of Gas Utilities March 4, 2026, AR 676 Written Comment Request

Northwest Natural Gas, Avista Utilities, and Cascade Natural Gas Corporation (collectively referred to herein as the "Gas Utilities") appreciate the opportunity to provide these written comments in response to the Written Comment Opportunity released by the Oregon Public Utility Commission ("PUC" or the "Commission") Staff on March 4, 2026, under Docket AR 676 in preparation of Staff Workshop #4: Exploration of MRP and PBR Design for Oregon.

The Gas Utilities would like to note that portions of these comments were addressed in our prior comments submitted on February 20, 2026. We continue to support our stance in those comments and have compiled the responses below to more specifically address the questions posed.

Q1. 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.

Response:

- **Traditional Cost-of-Service**: Remains an effective and essential mechanism as it provides a transparent, collaborative process to validate prudently incurred costs, establish just and reasonable rates, and set an authorized rate of return. This process protects customers through rigorous review and ensures utilities begin any MRP with rates that accurately reflect the cost to serve. Maintaining cost-of-service based rates as the entry point for MRPs is critical to avoiding misalignment between revenues, costs, and system needs.
- **Alternative Cost Recovery Mechanisms:** Existing tools such as deferrals, trackers, and other targeted cost recovery mechanisms are also working well and should continue alongside MRPs. These mechanisms address costs that are volatile, significant, or outside utility control, helping to mitigate risk while preserving Commission oversight and transparency. Retaining these tools will be especially important as MRPs rely more heavily on forecasts and extend the time between full rate cases.
- **Stakeholder Collaboration and Transparency**: Oregon's existing adjudicatory and settlement-oriented processes promote early engagement, transparency, and durable outcomes. This collaborative framework has proven effective in balancing customer and utility interests and should be preserved to ensure confidence and accountability as regulatory touchpoints become less frequent under MRPs.
- **Financial Integrity and Prudency Standards**: Current ratemaking practices recognize the importance of providing utilities with a reasonable opportunity to earn their authorized returns when operating efficiently and prudently, while placing the burden on utilities to demonstrate that costs are prudently incurred and reasonable for recovery. Protections against sustained underearning support financial integrity, access to capital, and the ability to provide safe, reliable, and long-term affordable service to customers, without diminishing regulatory oversight or accountability. As MRPs are developed, similar

safeguards—such as clearly defined off-ramps or reopener provisions for extraordinary or unforeseen circumstances—should remain an important feature to ensure balanced risk allocation between customers and utilities.

- **Rate Stability and Customer Protections**: The current framework emphasizes rate stability, gradualism, and protections against rate shock, consistent with House Bill 3179. These outcomes remain essential as MRPs are considered, particularly given longer plan terms and formula-based adjustments.

Q2. 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?

Response:

- Establishing MRPs from a traditional cost-of-service ratemaking foundation is essential. Accurate "going-in" rates reduce the risk that revenue requirements diverge from actual system needs over the MRP term and support longer periods between rate cases without increasing customer or utility risk. Under Oregon's traditional cost-of-service ratemaking, utilities and customers both benefit from cost containment: lower costs mean higher utility returns and reduced rates for customers. Conversely, increased costs in base rates negatively affect both parties.
- Retaining alternative cost recovery mechanisms alongside MRPs will be critical. MRPs should not attempt to absorb all cost categories into formulaic adjustments. Deferrals, automatic adjustment clauses, Purchase Gas Cost Adjustments (PGA) and similar tools remain appropriate for addressing exogenous or volatile costs and should continue to operate outside the MRP framework to avoid inappropriate risk shifts.
- Decoupling mechanisms separate fixed cost recovery from sales volumes, reconciling revenue differences through balancing accounts. Decoupling removes throughput risks and incentives while preserving customer protections, stabilizes utility revenues without guaranteeing earnings, and dampens bill volatility by spreading adjustments over time rather than embedding sales risk in base rates. Oregon has repeatedly reauthorized decoupling deferrals to ensure revenue neutrality while maintaining Commission oversight. For these reasons, decoupling should remain a mechanism with any MRP structure.
- Annual Earnings Tests evaluate whether a utility's earnings are reasonably aligned with its authorized rate of return.
    - Customer protections exist if earnings exceed authorized levels by a defined margin, regulatory mechanisms (such as sharing, refunds, or rate adjustments) are triggered to return excess earnings to customers. This supports the regulatory standard of "just and reasonable" rates and reinforces gradualism in rate outcomes.

- Despite a Commission-approved earnings level determined in rate cases in the current framework, gas utilities in Oregon have consistently earned below their allowed ROE.
- An improved ratemaking framework should place emphasis on ensuring that utilities have a realistic opportunity to earn their authorized returns when they operate efficiently and prudently.

Q3. 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.

Response:

- **Capital Investment and Infrastructure Costs**: Capital-related costs are among the most critical categories requiring attention. These costs are currently governed through general rate cases and prudency reviews, which work well to validate the necessity and reasonableness of investments. However, under a traditional framework, regulatory lag creates misalignment between forward-looking capital needs and revenue recovery. Improved outcomes—such as longer periods between rate cases and sustained investment in safe and reliable service-—are achievable if MRPs more directly address forward-looking-capital requirements. Without such alignment, MRPs are unlikely to extend beyond short terms without increasing financial risk. Any changes should preserve existing prudency review standards while allowing more timely and predictable recovery of capital investments during the MRP term.
- **Operating and Controllable Costs**: Operating costs that are within utility control are already subject to strong cost containment incentives under traditional cost-of-service ratemaking. As noted in prior comments, utilities and customers are aligned in minimizing these costs, as lower costs benefit customers through downward rate pressure and utilities through improved earnings. These costs are governed primarily through base rate reviews and ongoing Commission oversight. Improved outcomes in this category are less about changing mechanisms and more about avoiding duplicative or unnecessary PBR overlays that could increase administrative burden without delivering meaningful benefits. MRPs can reinforce existing incentives by reducing regulatory lag but should not assume a lack of cost discipline under current practices.
- **Earnings and Financial Integrity**: Across all cost categories, the ability for utilities to reasonably earn their authorized returns is a cross-cutting concern. Current mechanisms implicitly recognize this through rate case timing and earnings reviews, but chronic underearning has been observed and can undermine regulatory efficiency, credit quality, and long-term affordability. Improved outcomes—such as financial stability and lower long-term customer costs—are achievable if MRPs include safeguards such as earnings thresholds, off-ramps, or re-opener provisions for extraordinary circumstances. These protections should evolve from, rather than replace, existing regulatory oversight.

Conclusion

The Gas Utilities appreciate the opportunity to provide these comments and look forward to continuing active participation in this rulemaking process.

Sincerely,

/s/Zach Kravitz	*/s/Patrick Ehrbar*	*/s/Michael Parvinen*
Zach Kravitz	Patrick Ehrbar	Michael Parvinen
Vice President, Regulatory Affairs and Resource Planning	Director, Regulatory Affairs	Director, Regulatory Affairs
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