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March 16, 2026

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: **AR 676 Rulemaking to Establish Multi-Year Plan Framework**

Dear Filing Center:

Portland General Electric Company (PGE) respectfully submits these comments in response to the Public Utility Commission of Oregon (OPUC or Commission) Staff questions posed on March 4, 2026.

Introduction

PGE appreciates the efforts to date to provide foundational knowledge of multi-year ratemaking and performance-based regulation to parties. Level-setting context is a crucial starting point for the next phase of framework design if we aim to properly calibrate goals, outcomes, and the mechanisms that support their realization. PGE looks forward to continued dialogue as the docket transitions from fundamentals and theory toward concrete opportunities to enhance the Oregon ratemaking framework. It is hoped that a procedural rhythm of workshops, Staff proposals, comment and reply periods will be clearly defined and scheduled soon to allow for robust discussion ahead of the anticipated conclusion of Phase 2 at year end.

In addition, PGE views it as important to ground its response to statute given the mechanisms that are working well and those that may benefit from re-examination are defined by the current and recent revisions. PGE interprets ORS 757.046, which authorizes the Commission to establish performance-based rates, with incentives and penalties, for electric utilities to achieve regulatory objectives listed in statute, as additive to the pre-existing regulatory framework in Oregon, and therefore requires harmonization with ORS 756.040 and ORS 757.335, which ensure that rates provide adequate revenue to cover a utility's operation expense and capital, allow for a return that is commensurate with the investment risk, and sufficient to ensure investor confidence. The objectives defined within these statutes need to be appropriately balanced when evaluating the effectiveness of relevant regulatory mechanisms.

Response to Questions Posed

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.

Staff highlights that parties agree with adjustment mechanisms that address volatile costs provide important safeguards within the regulatory system. Automatic adjustment clauses (AAC) for lumpy investment in wildfire mitigation and renewables serve to both smooth rate impact and track and review prudent costs incurred. The existing major maintenance accrual (MMA) mechanism continues to work well by smoothing out lumpy maintenance expenses for generation plants, ensuring customers pay consistent rates rather than seeing material swings year-to-year. These mechanisms serve the identified customer affordability goal and public interest outcome related to predictable and stable rates and the utility flexibility goal of timely recovery of unforeseeable costs outside the utility's control. Relatedly, deferred accounting as a regulatory tool that allows a utility to temporarily record certain costs or revenues on its balance sheet (as a regulatory asset or liability) rather than immediately reflecting them in customer rates (often referred to as a "deferral") serves the same goals and outcomes. Approval does not guarantee recovery but allows the utility to track the amount. The amounts are recovered from or returned to customers later, usually in future OPUC processes. Deferred accounting also works well for hard to forecast events that are outside of the control or influence of the utility. For example, the pre-approved emergency event deferral for Governor-declared states of emergency impacting utility service should be preserved and seen as a compliment to any future MYRP/PBR framework.

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 Renewable Resource Automatic Adjustment Clauses (RAACs) represents a well-designed component of the current framework that should be preserved and broadened to better serve state policy goals and public interest outcomes related to greenhouse gas emission reduction. The RAAC can be clarified to reduce lumpy investment with the inclusion of stand-alone battery storage and new transmission investment needed to enable delivery of more renewable generation to meet House Bill (HB) 2021 decarbonization mandates. It is also important to consider the concept of risk sharing relative to the utility's ability to attract capital relative to peers. Generally, risk sharing concepts in Oregon may have the unintended effect of increasing the cost of capital and undermining affordability of utility service, if they result in the following conditions:

- Disallowance of material prudently incurred costs.
- Asymmetry resulting in significant under-earning potential yet an inability for the utility earn more than authorized return on equity (ROE) by achieving operational efficiencies.

- Under-recovery of costs by the utility for outcomes outside of its control, such as wholesale market conditions, participation in structured markets, dispatch of power plants, weather, loads, etc.
- A degradation of cash flow metrics threatening utility credit quality.
- An unsustainable level of utility financial volatility that undermines the ability of the utility to perform its core functions.

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.

Staff highlights that parties are interested in seeing more efforts to streamline; e.g., a reduction in duplicative requirements and complex processes, rounds of testimony, reporting and planning processes. PGE observes the current volume of reporting as in need of attention. Compliance reporting is typically represented in two docket designations: Report-Electric (RE) and Report- Other (RO), all of which are likely intended to serve identified goals and public interest outcomes, but which may overlap and/or may not be made actionable. PGE has identified about eighty annual RO and RE filings, grouped by category below, each which requires people, process, tools and time to produce.

- Power Costs, Resource Procurement, and Wholesale Markets
- Renewable Energy, Net Metering, and Distributed Energy
- Energy Efficiency and Public Purpose Programs
- Customer Programs, Assistance, and Equity
- Financial Filings and Capital Structure
- Utility Operations, Reliability, and Infrastructure
- Construction, Assets, and Property Transactions
- Demand Response, Electrification, and Innovation Programs
- Corporate Governance and Compliance
- Accounting, Tax, and Deferred Accounts
- Regulatory Programs and Stakeholder Engagement

Additionally, House Bill (HB) 3179 introduces multiple new reports at the time of rate case filing. It's not clear if the transparency afforded, and level of effort put forth, across these reports is useful to Staff and stakeholders, however, to streamline and otherwise reduce administrative burden it would be beneficial to understand what is helpful, what can be consolidated and what, if any, can be eliminated.

PGE also observes that the transition to multi-year ratemaking invites questions regarding the timing of existing utility plans relative to rate case duration and filing. PGE planning dockets include the Distribution System Plan (DSP), Transportation Electrification Plan (TEP), Flexible Load Multi-Year Plan (FLMYP), each with different cadences. Consolidation of these plans, and in concert, a consolidation of deferrals,

ahead of multi-year rate case filing, may also serve to streamline and otherwise reduce administrative burden.

Finally, PGE has concerns regarding the Power Cost Adjustment Mechanism (PCAM) as an appropriate tool for power cost recovery. Given the significant changes in the operating environment over time, the PCAM no longer functions as an effective performance-based mechanism and will become even less aligned with those objectives as PGE participates in the California Independent System Operator (CAISO) Extended Day-Ahead Market (EDAM). When the PCAM was developed, the system was largely supported by dispatchable baseload resources whose output could be controlled and optimized by the utility. As the resource mix has shifted toward variable, weather-dependent generation, power cost outcomes are increasingly driven by factors outside of the utility's control. In this context, the PCAM deadbands no longer function as intended to incentivize cost optimization; instead, they risk rewarding or penalizing utilities for conditions that are largely outside of utility decision making. These challenges will be further compounded under EDAM participation, where market-based dispatch will play a bigger role in determining output and system costs. As a result, PGE will have substantially less operational control over the dispatch of resources, further limiting the ability of the current PCAM structure and its deadbands to operate as an effective performance mechanism.

Conclusion

PGE appreciates the effort of Staff, Current Energy Group, Regulatory Assistance Project (RAP), Rocky Mountain Institute (RMI), and stakeholders to provide foundational knowledge of multi-year ratemaking and performance-based regulation to parties. Regardless of the multi-year ratemaking archetype, there are classifications and criteria that need to be developed to realize stated outcomes. We look forward to continued dialogue with all parties during this process.

Sincerely,

Jason Salmi Klotz

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