— Pepple Moser PC —

May 6, 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 OREGON PUBLIC UTILITY COMMISSION, 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 April 15, 2026 workshop and associated materials. AWEC's comments are guided by the Workshop 4 Decision Points Worksheet ("Worksheet") and the Current Energy Group's ("CEG") December 11, 2025 Report ("Report").

1. Principles, Goals, and Outcomes

AWEC generally supports Staff's proposed principles: 1) contain and smooth customer rate impacts; 2) maintain utility financial stability; and 3) reduce regulatory burden and improve administrative efficiency. AWEC believes the best way to accomplish Staff's proposed principles is through the implementation of an index-based Multiyear Rate Plan ("MRP") with a cap, as discussed herein.

AWEC further recommends that Staff and stakeholders clearly delineate issues that should be included in this rulemaking, and issues that should be reserved for individual utility MRP filings. Given the relative inflexibility of administrative rules, ensuring that MRP rules are limited to establishing the general framework for MRPs, and not the specific details, will allow utilities, Staff, and stakeholders the flexibility necessary to tailor MRPs that fit the particular circumstances and issues facing each utility. For example, AWEC recommends an index-based MRP with a cap and proposes that the rules reflect this. However, the appropriate index to be applied and the cap, and whether the cap should be a revenue or a price cap, should be

PEPPLE MOSER, P.C.
1500 S.W. First Avenue, Suite 980
Portland, Oregon 97201
503.883.8696

determined on a case-by-case basis in each utility's MRP. Drafting narrowly tailored rules that set forth a general MRP framework, but allow for specifics to be addressed within each utility's MRP filing, is appropriate given the substantial differences between utilities – including, for example, size, electric versus natural gas, statutory obligations, service territory, etc. Instituting a detailed one-size-fits-all framework not only increases administrative burden in this proceeding but also runs the risk of being overly prescriptive in crafting MRPs and could ultimately harm customers by resulting in rates that are not fair, just, or reasonable.

2. Type of MRP and Index-Based Adjustments

AWEC supports the use of a limited, index-based MRP with a cap. By "limited," AWEC means that the indexed portion of the revenue requirement should apply to components that are least susceptible to significant year-to-year variation and most susceptible to cost control, such as operations and maintenance expense and routine capital additions. AWEC's recommendation is based largely on its directly applicable experience with MRPs in Washington, where, to date, utility forecasts and projections have been used to determine the revenue requirement in the years following the base year of the MRP. This practice is highly concerning, as AWEC has previously testified in Washington:

> [S]etting utility rates based on budgets is problematic because there is no objective way to assess the reasonableness of a budget, other than questioning expertise or the intentions of those that developed it. Use of a budget puts the Commission and ratepayers in an impossible situation of having to accept what a utility says is reasonable, without a clear reconciliation to the actual costs incurred ….
>
> If a utility has an approved budget in a rate case, it will have an incentive to spend up to that budget to avoid needing to issue a refund to customers in an after-the-fact capital review …. Thus, the utility has an incentive to inflate its budget in a rate case which, if approved, gives it a corresponding incentive to invest more capital than it otherwise would …. In an after-the-fact capital review process, the reasonableness of the amount of capital deployed becomes largely irrelevant so long as the amount is within the approved budget. Consequently, at no point in the ratemaking process do parties or the Commission have an opportunity to objectively determine the reasonableness of a utility's capital spending.[1]

By contrast, AWEC recognizes that there are certain aspects of a utility's revenue

[1] WUTC Docket Nos. UE-240006/UG-240007, Exh. BGM-1T at 7:17-8:5, 9:5-9 (Jul. 3, 2024).

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1500 S.W. First Avenue, Suite 980
Portland, Oregon 97201
503.883.8689

requirement that are unsuitable for indexing. A utility's rate of return, for example, should be set in the first year of the MRP and held constant for the duration of the MRP. Additionally, large discrete projects, like major new generation resources, should be directly forecasted into the MRP at the time they are expected to come online. Once these larger projects come online, they should be subject to a project-by-project capital review process to ensure all costs were prudently incurred and, if the allowable amount spent on a project is less than what was forecasted into rates, customers should receive a refund for the difference. This is reasonable because it is easier to audit the costs of large discrete projects, and a utility cannot simply move costs within a budget from one project to another, as it can with routine smaller capital additions, often included in a portfolio review. What constitutes a large capital project, subject to an individual capital review process, will vary based on the size of the utility. In other words, the level set for project-by-project review versus a portfolio review will be different for Portland General Electric Company ("PGE") than it will for Cascade Natural Gas Corporation, and this process should be addressed in the individual MRPs, rather than in the administrative rules.

AWEC further recommends that the revenue requirement in the first year of an MRP be based on a historic test year. AWEC recognizes this is a deviation from the Commission's current practice, which sets revenue requirement using a future test year.[2] However, HB 3179 has established a paradigm shift that justifies a change in practice. As CEG explains, "designing going-in rates remains a crucial component of the rate-setting process that requires significant attention, especially as underlying decisions will remain in place for three to seven years, depending on the length of the MRP period."[3] Because MRPs necessarily require that future rates be forecast through some method (either through indexing or utility budgets), it is critical that forecasted rates in the later years of an MRP are not based on an initial forecast, as this significantly undermines the ability of Staff and stakeholders to ensure fair and reasonable rates for the duration of the MRP. Using a historic test year in the first year of an MRP ensures that all costs included as the base revenue requirement of the MRP are used and useful and known and measurable.

Regarding index-based adjustments, AWEC recommends that the index to apply – and whether other index-based adjustments such as a X-factor, Z-factor and stretch factor are necessary – be made on a case-by-case basis in MRP proceedings, rather than specified in the rules. As stated in the CEG Report, determining the appropriate X-factor "can be controversial"[4] and Z-factors "are generally adopted as a set of guidelines and guardrails for how they can be used."[5] Accordingly, such determinations are unnecessary and overly burdensome at this time.

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2 *See* Docket No. UE 435, Order No. 24-454 at 2 (Dec. 20, 2024) ("We are committed to continued use of a future test year.").

3 Current Energy Group, Multi-Year Rate Plans Purpose and Design Considerations at 17 (Dec. 11, 2026) ("CEG Report").

4 *Id.* at 26.

5 *Id.* at 29.

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1500 S.W. First Avenue, Suite 980
Portland, Oregon 97201
503.883.8689

3. Plan duration

AWEC supports a 3-year MRP duration, which would provide for one of each of the larger utilities (PGE, PacifiCorp, d/b/a Pacific Power, and Northwest Natural Gas Corporation) to file rate cases each year within the MRP, thereby reducing regulatory burden and improving administrative efficiency, but again recommends that the duration of an MRP not be prescribed in rules. As a matter of policy, AWEC is not necessarily opposed to a longer MRP duration, depending on the circumstances, but does maintain concerns regarding 5- 6- and 7-year MRPs. Longer MRPs necessarily rely on budgets and projections to set rates. Notably, no other select peer jurisdiction reviewed in the CEG Report engages in an MRP over 5 years. The lack of precedent for longer-term MRPs, the ever-changing regulatory environment, and increased reliance on projections raises concerns of unintended consequences. Specifically, MRPs 5 years and over may increase risks to customers given that they will be locked into rates without the ability to review and advocate for changes within the extended MRP duration.

4. Scope of MRPs and Capital Funding Mechanisms

Generally, AWEC supports an integrated or holistic MRP, such that most trackers are included within the scope of the index portion of the MRP revenue requirement.[6] One of the efficiencies to be gained from implementing MRPs should be the reduction of trackers and special cost recovery mechanisms that increase administrative burden and can be biased in favor of utility shareholders. Additionally, as the CEG Report states, a narrow MRP "may not contain broad cost control or cost efficiency incentives and gives limited attention to other performance-based outcomes."[7] Rather, an integrated or holistic approach "recognizes that utility incentives derive from the totality of their various cost recovery structures and opportunities for utility earnings or risk management."[8]

5. Capex/Opex equalization

AWEC understands that the treatment of capex and opex is a design consideration in MRP frameworks given the potential for cost-of-service models to create a utility bias toward capital investment. As the CEG Report notes, capex/opex equalization strategies can "[m]itigate capital expenditure bias to address gold-plating or overbuilding" by balancing the financial incentives between the two categories of expenditures.[9]

AWEC is open to exploring these approaches, including opex capitalization strategies. However, AWEC believes that additional detail is needed regarding the design of the mechanisms under consideration and how they would interact with other elements of the MRP,

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6 This general position is caveated by AWEC's proposal to exclude large discrete projects from the index portion of the MRP revenue requirement.

7 CEG Report at 12.

8 *Id.*

9 *Id.* at 47.

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1500 S.W. First Avenue, Suite 980
Portland, Oregon 97201
503.883.8689

including capital funding mechanisms and other performance mechanisms. Without further information, AWEC is not able to support a particular approach at this time. AWEC is also mindful that capital investment plays a critical role in maintaining a safe and reliable system, and any capex/opex equalization mechanisms should be carefully tailored to avoid discouraging necessary infrastructure investment. AWEC recommends that the rules not dictate the use of capex and opex and instead recommends that these tools be evaluated on a case-by-case basis in MRP proceedings. In accordance with AWEC's positions set forth in these comments, determinations regarding capex/opex equalization are unnecessary and overly burdensome at this time.

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

Dated this 6th day of May, 2026.

Respectfully submitted,

CABLE HUSTON, LLP

/s/ Chad M. Stokes
Chad M. Stokes, OSB # 004007
Elise N. Koepke, OSB #244067
1455 SW Broadway, Suite 1500
Portland, Oregon 97201
503.224.3092
cstokes@cablehuston.com
ekoepke@cablehuston.com

PEPPLE MOSER, P.C.

/s/ Tyler C. Pepple
Tyler C. Pepple, OSB #132256
Corinne O. Olson, OSB #194200
1500 S.W. First Avenue, Suite 980
Portland, Oregon 97201
503.883.8689
tyler@pepplemoser.com
corinne@pepplemoser.com

Of Attorneys for the Alliance of Western Energy Consumers