PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: AR 676—PacifiCorp's Comments on Multi-year Ratemaking and Performance-Based Ratemaking

PacifiCorp d/b/a Pacific Power respectfully submits the following comments in Docket No. AR 676. PacifiCorp appreciates the opportunity to comment on the Multi-Year Rate Plan (MYRP) and Performance-Based Regulation (PBR) Design for Oregon workshop held by Public Utility Commission of Oregon (Commission) Staff on April 15, 2026, and offers the comments below in the interest of continuing more in-depth discussions with Staff and other stakeholders in this rulemaking.

A. Principles, Goals and Outcomes

PacifiCorp supports grounding any MYRP framework in the statutory ratemaking principles articulated in ORS 756.040, ORS 757.335, ORS 757.217 and OR 757.046. These statutory principles provide that ratemaking mechanisms should allow a utility to recover operating and capital costs, earn a reasonable return, maintain financial integrity, and—within a MYRP—provide appropriate incentives to achieve statutory state policy objectives. These policy objectives are expressly defined in ORS 757.046. Importantly, ORS 757.046 did not repeal the existing statutory framework. Rates must still be sufficient to recover prudently incurred costs, maintain financial integrity, and provide a reasonable opportunity to earn a rate of return adequate to attract capital.

Another important goal is flexibility and adaptability. The Commission should seek to incentivize adaptability and creativity from utilities, as opposed to rigid/prescriptive methods and outcome thresholds for achieving these objectives. A "one-size-fits-all" approach should be avoided, and PBR should instead be tailored to the unique goals and circumstances of each utility.

Furthermore, in the context of a MYRP, it is important to recognize that forecasts for future rate years will be inaccurate. As explained in prior round of comments, we are operating in a dynamic and rapidly changing economic and regulatory environment. It is a certainty that any three year forecast in a MYRP will be inaccurate, and utilities must retain the ability to adapt to the most current and reliable information. This is because these forecasts attempt to predict future conditions based on a defined set of assumptions. However, those underlying assumptions will always be different from actual conditions, resulting in outcomes that deviate from the initial

forecast. Therefore, adopting the portfolio approach to forecasted capital and continuing the use of deferral mechanisms can reduce the impact of forecast inaccuracies.

The company agrees that principles should be established upfront, but stresses that outcomes should be aligned with factors within a utility's reasonable control and not undermine cost recovery determinations appropriately made in rate cases. PBR and MYRP frameworks should be designed to reflect each utility's unique objectives, operational characteristics, and risk profile. Tailored approaches allow incentives to be calibrated to factors within a utility's reasonable control, support prudent investment decisions, and ensure alignment with Oregon's policy goals without introducing unintended financial or operational risks.

B. MYRP Type and Structure

Index-based approaches generally can be problematic for vertically integrated utilities with significant uncontrollable costs (e.g., power supply, insurance, wildfire liability). A forecast-based MYRP or hybrid approach may be more appropriate initially to balance and start the MYRP process. If indexation is adopted, PacifiCorp urges caution in selecting inflation measures, whereas this can limit transparency, replicability, and relevance to utility cost structures. There are challenges with GDP-based indices because they may not track utility input costs. Mechanisms such X-factors, Z-factors, and stretch factors add unnecessary complexity to MYRP processes without clear demonstration that they are grounded in Oregon-specific data and within utility control. Going-in rates should continue to be established in a general rate case using the Commission's existing evidentiary standards. Traditional rate case determinations should not be replaced with administrative or formulaic alternatives.

PacifiCorp believes that revenue decoupling is conceptually distinct from MYRP design and should not be presumed to be a necessary component of a multi-year framework. Decoupling mechanisms directly affect load risk and interact with conservation and energy efficiency policies, and layering decoupling on top of an MYRP raises threshold questions regarding risk allocation and incentive calibration that warrant separate and careful consideration. MYRPs should not be used to shift risk to utilities beyond what is reasonable or financeable. For this reason, retaining well-established trackers and deferral mechanisms for costs that are externally driven or legally mandated remains critical to maintaining balance between incentive design, financial integrity, and the timely achievement of policy objectives.

The timespan of MYRPs should be well defined and be between the 3 – 4 year range, particularly during early implementation. Additionally, PacifiCorp proposes that utilities should be allowed to request a delay for filing its next MYRP for good cause after the term of the prior MYRP has concluded. This would align with California where PacifiCorp can request delays to its requirement to file rate cases every 3 years. It is crucial to maintain periodic full rate reviews to recalibrate base rates and avoid compounding forecast error. ROE determinations should also remain in rate cases and reflect the full risk profile faced by the utility, including risks introduced—or not mitigated—by the MYRP construct itself. Assuming MYRPs automatically justify lower ROEs could incentivize poorly designed MYRPs that increase, rather than reduce,

overall risk. It would be better to use capital funding mechanisms only where traditional ratemaking fails to provide timely cost recovery for discrete, clearly defined projects.

PacifiCorp supports clearly defined off-ramps and reopeners as fundamental safeguards, particularly in early MYRP implementation. These tools should be accessible when cost shocks, regulatory changes, or market transformations render the MYRP unjust or unreasonable, without requiring extreme or unfinanceable thresholds. PacifiCorp also supports rebasing at defined intervals through traditional rate cases, stressing that rebasing triggers should not incentivize cost timing or gaming. Frequent partial rebasing undermines the incentive properties of MYRPs while deferring uncertainty. While PacifiCorp does not oppose efficiency mechanisms in principle, any mechanism must distinguish between true efficiency gains and short-term deferrals of necessary spending. There should not be the creation of structures that impair system reliability or long-term cost management.

As Oregon considers broader adoption of PBR and MYRP structures, automatic adjustment clauses become even more critical. By allowing recovery of prudently incurred, non-forecasted costs outside of a full rate case, these mechanisms mitigate liquidity risks associated with dynamic and rapidly evolving investment needs. Absent such tools, utilities may be required to defer essential investments until the next MYRP rebasing or rate case, even when those investments could not have been reasonably anticipated at the time rates were set. Such delays risk undermining key state objectives, including timely renewable development and effective wildfire mitigation, and are inconsistent with the goals of performance-based ratemaking.

PacifiCorp is cautious about adopting broad total expense frameworks or wholesale capitalization reforms absent significant changes to underlying accounting standards, planning processes, and governance structures. Without these foundational changes, such reforms risk adding complexity and distorting incentives without improving outcomes for customers. Where alternative approaches are considered, PacifiCorp believes they should be narrowly targeted, clearly defined, and aligned with existing capital funding and ratemaking policies. Incremental, purpose-built mechanisms—applied only where there is a demonstrated need—are more likely to preserve transparency, investment discipline, and financial integrity while supporting specific policy objectives.

C. Metrics and Performance Incentives

In general, a poorly designed PBR framework elevates outcomes over the means used to achieve those outcomes. In other words, a poorly designed PBR reflects the philosophical view that the ends justify the means. For example, a poorly designed performance incentive mechanism (PIM) may establish an arbitrary outcome that must be achieved by any means, with penalties imposed if the utility fails to meet the prescribed threshold. This outcome would be regardless of potential negative impacts that could occur when achieving the desired outcome. A similar dynamic can arise under a rigid MYRP, where a utility may be incentivized to blindly adhere to the forecast embedded in the plan even when doing so is no longer the most efficient or economic course of action. Unforeseen circumstances or costs will almost certainly occur during

a three-year rate plan—and there must be flexibility for utilities to adapt and to reduce regulatory lag—rather than a rigid ratemaking framework that elevates outcomes over the means used to achieve those outcomes

PIMs should be limited, thoughtful, and based on measures within the utility's control. PacifiCorp believes that PIMs can be beneficial unless they are punitive. PIMs should not be mandated universally for each utility. It should be applied to individual utilities who have a need to show improved performance or that require an incentive for action. Any party requesting a PIM be implemented for a utility should bear the burden to show that the PIM is in the public interest.

Establishing a well-functioning PIM is inherently difficult because it depends on outcome thresholds that requires accurate forecasting. As the Commission has seen in other contexts, forecasts presented to the Commission are frequently subject to adjustment from parties, often in ways that introduce additional uncertainty or fail to account for changing circumstances. For example, if a PIM were developed for demand response based on the anticipated participation of a large customer, and that customer later withdrew, the utility could be penalized solely due to forecast inaccuracy rather than any failure in execution or performance. These real-world dynamics illustrate how a PIM can devolve into a mechanism for penalizing utilities for unavoidable forecasting error, rather than for actual performance shortcomings.

PacifiCorp stresses that one of the most effective incentives is to align cost recovery with the timely incurrence of prudent, policy-driven investments. Reducing regulatory lag for critical investments promotes timely action and preserves the liquidity necessary for continued operations.

D. Conclusion

PacifiCorp appreciates the opportunity to submit these comments and looks forward to continued participation and collaboration in the workshop process. If you have any questions about this filing, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,

Robert Meredith
Director, Regulation