— Pepple Moser PC —

June 3, 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 Staff's Initial Straw Proposal posted on May 20, 2026 as informed further by Staff's office hours discussion on June 1, 2026.

1. Principles, Goals, and Outcomes

AWEC continues to support Staff's proposed principles to 1) contain and smooth customer rate impacts; 2) maintain utility financial stability; and 3) reduce regulatory burden and improve administrative efficiency.

AWEC appreciates Staff's efforts to reduce regulatory burden and improve administrative efficiency; however, AWEC cautions that embedding more detail in administrative rules could have unintended consequences that increase regulatory burden. Administrative rules are relatively inflexible, and rules that are too rigid may create more administrative process due to the need to address waivers to the rules or to conduct additional administrative rulemakings in the future once it is determined that the rules are not functioning as intended. As such, AWEC recommends that the multi-year rate plan ("MRP") rules be limited to establishing the general framework for MRPs, and not the specific details. This approach will allow the Commission, utilities, Staff, and stakeholders the flexibility necessary to tailor MRPs that fit the particular circumstances and issues facing each utility.

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For example, AWEC recommends that the rules reflect that MRPs should utilize an indexed cap, but that the appropriate index to be applied, and whether the cap should be a revenue or a price cap, should be determined on a case-by-case basis in each utility's MRP. Similarly, implementation of specific adjustments, like K-Factors and G-Factors, should be evaluated on a case-by-case basis in each utility's MRP.

AWEC also notes that the Initial Straw Proposal leaves the details of many issues to be decided in Phase 2, including adjustment factors, capital funding mechanisms, the Earnings Sharing Mechanism ("ESM"), off-ramp and reopener criteria, rebasing procedures, the CapEx/OpEx equalization options, and the selection and sizing of Performance Incentive Mechanisms ("PIM") metrics and scorecards. Many of the issues slated for decision in this Phase 1 could be informed by the additional details to be developed in Phase 2. For example, it may be hard to decide whether an ESM is an appropriate tool without knowing the size and design of that tool. Accordingly, AWEC recommends that the Phase 1 decision points should only reflect directional intent for further investigation in Phase 2 and should not foreclose changing directions, should the additional details developed in Phase 2 reveal that a different direction is more appropriate.

2. Type of MRP, Index-Based Adjustments, Decoupling

AWEC supports the use of a limited, index-based MRP with a cap. AWEC does not support specifying within the administrative rules whether the cap should be a revenue or a price cap and also does not support specifying in rules the adjustment factors that may be used. Each of these elements should be informed by the individual circumstances within each MRP, and there may be circumstances in which a particular approach does not make sense.

For example, Staff notes that decoupling serves an important supporting role for an index-based revenue cap. Industrial rate schedules, however, historically have been exempted from decoupling given that these rate schedules typically contain relatively few customers with a wide range of load levels and characteristics, and applying decoupling to these schedules risks significant cost shifting among customers on these schedules and disincentivizes these customers from pursuing conservation projects. Accordingly, a price cap may make more sense for these schedules.

Understanding the specific impacts of various index-based adjustment mechanisms on a utility and its customers likely requires applying that adjustment to the specific revenue requirement and class cost of service study of each utility, and the most reasonable result may differ by utility and even by customer class. AWEC, therefore, cautions that imposing a particular type of index-based adjustment on all utilities in the relative information vacuum of a rulemaking could yield unintended and suboptimal results.

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3. Plan duration

AWEC reiterates its support for a 3-year MRP duration, 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 consistent with its May 6, 2026 comments, AWEC continues to have concerns regarding 5-, 6-, and 7-year MRPs. 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. AWEC believes that if a longer MRP duration is specified in the rules, that it is likely to result in circumstances in which a utility may face an asserted unforeseeable change of circumstances before the completion of the stay-out period and request a waiver of the Commission rule. Such a request would upset the rhythm Staff had hoped for and require significant and emergent resources expended, even if the outcome is a dismissal of the case. This would increase administrative burden and do so in a way that is unpredictable and highly disruptive. Given the untested nature of longer MRPs, AWEC continues to support leaving that flexibility to the individual dockets. At a minimum, if it must be specified in rules, a minimum three-year MRP duration 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 consecutively, thereby reducing regulatory burden and improving administrative efficiency and with a lower likelihood of disruptive waiver requests.

4. Scope of MRPs and Capital Funding Mechanisms

Generally, AWEC appreciates Staff's incorporation of an integrated MRP that includes everything, except power and gas costs, the wildfire mitigation tracker, and Energy Trust of Oregon funding, with one caveat: that large discrete projects should be subject to a capital funding mechanism. AWEC appreciates Staff's recognition that there are large lumpy capital additions that we do not want to discourage with an index-based cap and that some kind of a capital funding mechanism outside of the cap is desirable. AWEC looks forward to continuing to develop this concept in Phase 2. However, for clarity's sake, AWEC recommends that Staff revise the table shown on page 6 of its Straw Proposal to footnote that all major capital projects be pulled out of the cap and subject to a capital funding mechanism. AWEC does not have a specific definition of "major capital projects" at this time, but in general, they should be limited to discrete projects of a significant cost that ensures the utility cannot simply defer or cancel that project and substitute it with another, as can occur with routine capital expenses that often take place in a portfolio review. This ensures that each major capital project can be reviewed individually for prudence once it is used and useful, and its ultimate costs compared against utility projections.

AWEC also emphasizes here that one of the greatest administrative efficiencies to be gained from implementing MRPs is reducing the number of trackers and special cost recovery mechanisms. So, even if Staff were to allow more flexibility within the rules as to the duration of the MRPs and whether they are based on a price or revenue cap, there are still great

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efficiencies to be had by reducing the number of ongoing proceedings the Commission, Staff, and stakeholders need to participate in.

5. Earnings Sharing Mechanism

AWEC appreciates Staff's focus on cost containment and approach to ensure accurate going-in rates. AWEC, however, recommends against including an Earnings Sharing Mechanism ("ESM"). AWEC is concerned that an ESM erodes the purpose of an indexed cap, which is to limit rate impacts and encourage the utility to operate efficiently below the cap. Staff's Straw Proposal states that the "ESM automatically shares surplus or deficit earnings (or both) between utilities and customers."[1] So, if a utility operates less efficiently and under recovers, it will automatically be able to recover a portion from customers. This would result in additional rate impacts to customers above the cap. And on the other hand, if the utility outperforms, then it has to share its additional earnings. This reduces the utility's incentive to operate efficiently. The earnings test also creates an additional administrative process to track outside of the MRP, which should be minimized. Finally, the type of ESM the Staff envisions appears to dramatically reduce utility risk; as such, if implemented, it should be accompanied by a reduction to the utility's authorized return on equity.

With these considerations in mind, if an ESM is adopted (which, again, should only be within a utility MRP and not as part of these rules), utility under-earnings should in no circumstance be shared with customers, and if the utility over-earns and demonstrates that such over-earning was due to efficiencies gained in the business, as opposed to simply a consequence of exogenous market forces, the utility should be able to retain these earnings. AWEC further recommends that, at a minimum, Staff reserve decision on whether an ESM should be included in the MRP until after the size and design of the ESM are further developed in Phase 2.

6. CapEx/OpEx Equalization

AWEC continues to be open to exploring CapEx/OpEx equalization strategies. However, here too, 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, including capital funding mechanisms and other performance mechanisms. AWEC understands the Staff Straw Proposal to be proposing not to commit to a CapEx/OpEx equalization in Phase 1, but simply to further investigate it in Phase 2. AWEC supports that approach. Without further information, AWEC is not able to support a particular approach 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.

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[1] Straw Proposal at 9.

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Dated this 3rd day of June, 2026.

Respectfully submitted,

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