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 Staff's Straw Proposal 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 Public Utility Commission of Oregon (Commission) Staff's (Staff) thoughtful approach in developing its straw proposal on multi-year rate plans and performance-based ratemaking and offers the following comments for consideration as this rulemaking moves forward.

A. Guiding Principles

As an initial matter, PacifiCorp encourages the Commission to adopt a framework for multi-year rate plans and performance-based ratemaking that is flexible enough to account for the differing circumstances of utilities, straightforward enough to avoid unnecessary procedural burden, and accessible to stakeholders. Any framework should also support revenue sufficiency so utilities can continue to make prudent investments needed to provide safe and reliable service. PacifiCorp's experience with multi-year rate plans in Washington and California, as well as its participation in Washington's ongoing performance-based ratemaking process, provides it with a practical perspective on what features are workable and where simplicity and flexibility are most important.

PacifiCorp requests that any straw proposal adopted serve as a starting point—not a rigid construct that forecloses consideration of alternative approaches in future workshops or the incorporation of lessons learned from other jurisdictions.

B. Multi-Year Rate Plan Term

PacifiCorp does not support a mandatory five-year term for all multi-year rate plans. The statute provides that the Commission's rules must require a utility to file a multi-year rate plan on a regular interval that is no less than three and no more than seven years long. That language is best read to preserve a range of permissible term lengths, rather than to predetermine a single term for all utilities in all circumstances. A rule requiring every utility to use a five-year term would read much of that statutory range out of the law. The better interpretation is that the rules should permit utilities to propose an appropriate term within the statutory range, subject to party comment and Commission approval in the utility's docket.

That case-by-case approach also better reflects how multi-year rate plans will function in practice. Different utilities may have materially different capital plans, planning cycles, and

operational needs, and those differences may support different term lengths. One utility may have a relatively stable near-term outlook that supports a longer plan, while another may face major capital additions, changing load conditions, or other developments that make a shorter term more reasonable. Parties should remain free to argue that a proposed term is too long or too short, to support an alternative through testimony, or to resolve the issue through settlement, with the Commission ultimately determining the appropriate term based on the record in that proceeding.

The rules also should allow a utility, on a showing of good cause, to request a one-year extension of the filing interval for its next multi-year rate plan. That approach is consistent with the statute's express authorization for exceptions to rule requirements on a showing of good cause. It also is consistent with PacifiCorp's experience in California, where utility rate proceedings use a multi-year cycle and the California Public Utilities Commission can grant extensions to file. In practice, there may be sound reasons to extend the filing date, including aligning the next filing with a pending depreciation study, to account for the timing of a significant capital addition, or to avoid filing during a period of unusually heavy regulatory workload for the Commission and other parties. Allowing that limited flexibility would better support orderly administration without undermining the statute's requirement that utilities file multi-year rate plans on a regular interval.

C. Indexing

PacifiCorp generally supports indexing as a component of a multi-year rate plan framework, but whether it works well will depend on the details. Those details should be clearly defined in advance, so the process is understandable to utilities and other stakeholders. The indexing mechanism should be simple, function as a predictable annual adjustment, and should avoid unnecessary complexity that would create additional process without corresponding benefit.

PacifiCorp also recommends that the indexing mechanism itself remain straightforward. In particular, separate productivity and stretch factors appear unnecessary and duplicative, and they should be combined into a single productivity factor. That productivity factor should be determined in the multi-year rate plan proceeding based on the relevant facts for the utility. Where no exogenous adjustment is requested, the annual update should be largely ministerial: the formula should be applied, Staff should confirm the calculation, and the resulting rate change should be presented through a simple public process. At the same time, any indexing framework must preserve a path to recover major capital investments that are not reasonably accommodated within a formulaic update, including large distribution, transmission, generation, and energy storage investments. Likewise, PacifiCorp supports Staff's proposal to retain existing mechanisms for net power costs and wildfire mitigation apart from the indexed framework.

D. Multi-Year Rate Plan Scope

PacifiCorp generally agrees that the scope of a multi-year rate plan should be broad enough to promote administrative efficiency and reduce the need for unnecessary parallel proceedings. In general, Staff's proposed approach appears reasonable. PacifiCorp does, however, recommend one important exception for customer program costs.

Customer program costs such as income-qualified programming and demand response should be excluded from the scope of the multi-year rate plan. These costs are currently recovered through separate riders with balancing accounts, and that approach should continue. Those programs are intended to advance important customer and policy objectives, and they should not be placed in a framework that could create pressure to underspend or limit participation in order to manage to a fixed revenue path. Continuing separate recovery will avoid creating a disincentive to support measures that reduce energy burden or customer engagement in distributed energy resource programs. PacifiCorp also notes that utilities have historically been able to track the incurrence of unavoidable compliance costs ordered by the Commission, such as intervenor funding, advisory group costs, and independent evaluator costs. Costs of this nature should not be excluded from cost recovery through riders outside of multi-year rate plans.

E. Decoupling

PacifiCorp does not support making decoupling a mandatory component of multi-year rate plans. Whether a decoupling mechanism is appropriate should instead be evaluated on a case-by-case basis in the utility's multi-year rate plan proceeding, and it should be available for proposal by the utility or another party rather than imposed by default. That approach is more consistent with the broader goal of maintaining flexibility within the framework and allowing individual dockets to reflect utility-specific circumstances.

The principal rationale for decoupling is that it may reduce a utility's disincentive to support energy efficiency by reducing the link between sales and cost recovery. For investor-owned utilities in Oregon, however, that rationale is less compelling because the Energy Trust of Oregon administers energy efficiency programs. In addition, load growth is not inherently problematic in the electric context, particularly where state policy supports beneficial electrification. In other words, decoupling can disincentivize electrification, which runs counter to the state's policy direction favoring increased electrification.

In the context of multi-year rate plans, incentives for energy efficiency may not be the primary motivator for decoupling but rather a mechanism to hold revenue to a defined level, limiting both under-earning and over-earning relative to the authorized revenue requirement. Historically, decoupling has been viewed as supportive of utilities, and a utility should retain the right to decline it. It is also not necessarily the case that short-term deviations in annual revenue from the authorized level are inappropriate, as there may be circumstances—such as periods of severe weather that increase the costs of maintaining reliable service—where such variation has some cost basis. For those reasons, decoupling should remain an optional tool to be considered only where the record in a particular proceeding supports it. An unnecessary decoupling mechanism also would add administrative burden for the utility and stakeholders without providing corresponding benefit.

F. Performance-Based Ratemaking/Performance Incentive Mechanisms (PIMs)

PacifiCorp supports a flexible approach to performance-based ratemaking and PIMs. Senate Bill 688 (2025) allows the Commission to investigate, develop, and adopt a performance-based ratemaking framework and to use incentives and penalties to align utility operations with the public interest, but it does not make those mechanisms a firm requirement for all utilities. The

statute also identifies broad objectives rather than prescribing a fixed set of metrics or mechanisms. Consistent with that approach, PIMs should be justified in individual multi-year rate plan proceedings and proposed by the utility or other stakeholders based on the circumstances of the utility and the record in the case. A reasonable outcome may be that a utility does not require any PIMs.

The number and complexity of PIMs should be carefully managed and minimized. Each additional metric increases the administrative burden on utilities to track, report, and support the mechanism, while also increasing the burden on Staff and other stakeholders to review, evaluate, and, where necessary, litigate the results. A poorly implemented PIM can be counterproductive toward achieving a performance-based outcome and potentially penalize or reward a utility simply due to forecast error relative to the baseline threshold. Any PIM should be carefully designed to set a reasonable and informed threshold and structured so that the relevant utility has a meaningful ability to influence performance relative to that threshold. Any performance-based ratemaking proposal therefore should be tailored to the circumstances at issue and limited to those measures that are necessary and likely to provide meaningful value.

PacifiCorp's experience in Washington further illustrates that performance-based ratemaking can require substantial time and process. Since 2021, the Washington Utilities and Transportation Commission has maintained an ongoing policy docket (Docket No. UE-210590) addressing alternatives to traditional cost-of-service ratemaking, including performance goals, metrics, incentives, and penalties. That work has proceeded through multiple phases and policy statements over several years, but it has not resulted in a universal set of PIMs imposed across utilities, and PacifiCorp has not had any PIMs prescribed in Washington to date. That experience underscores the value of keeping any Oregon approach flexible, tailored, and appropriately limited at the outset.

G. Conclusion

PacifiCorp appreciates the opportunity to submit these comments and encourages the Commission to adopt a flexible, workable framework for multi-year rate plans and performance-based ratemaking that reflects utility-specific circumstances, supports administrative efficiency, and preserves the ability of utilities to make prudent investments needed to provide safe and reliable service. PacifiCorp looks forward to continued participation in this rulemaking.

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