June 3, 2026
Public Utility Commission of Oregon
201 High St. SE, Suite 100
Salem, Oregon 97301-3398

RE: AR 676 Informal Phase - Energy Advocate Joint Comments in Response to Staff's Initial Straw Proposal (V1) for Phase 1

Oregon Citizens' Utility Board, Climate Solutions, NW Energy Coalition, Oregon Just Transition Alliance, Mobilizing Climate Action Together, Community Energy Project, Verde, and Multnomah County Office of Sustainability (collectively, the "Energy Advocates"), represent a diverse group of environmental justice, climate, energy, and ratepayer advocacy organizations throughout Oregon. We submit these comments in response to Staff's May 20th Initial Straw Proposal for Phase 1.

As a topline, we are broadly supportive of Staff's straw proposal and commend the accessible, well-structured format – with embedded explanations, cross-references across decision points, and helpful visualizations. Staff has made thoughtful choices across a complex set of design questions, and we encourage this level of transparency and accessibility throughout the remainder of AR 676. We also appreciate the comprehensive proposal Staff has developed in this initial phase of the rulemaking. This work provides a strong foundation for refining the framework in subsequent phases while keeping the proceeding on a reasonable timeline.

Through these comments, we hope to build on Staff's straw proposal with some targeted recommendations. Our comments focus on five priorities: (1) restoring explicit customer risk-balancing language to the Principles, (2) embedding equity into the affordability goal, (3) ensuring wildfire mitigation costs do not become an unchecked avenue for cost recovery outside of MRP discipline, (4) designing an earnings-sharing mechanism that places risks fairly on utilities over customers, and (5) ensuring that going-in rates are set through a rigorous process, including third party auditing, before the MRP framework takes effect. We look forward to continued engagement on getting the details right in this process as we move into Phase 2.

Why Getting This Right Matters

Oregon is well-positioned to learn from the other states that have already pursued multi-year rate plan (MRP) paths. RMI and Synapse's recent report, "Fixing Multiyear Rate Plans: Building a Firm Foundation for Cost Control," identifies clear remedies to common pitfalls in MRP design, as well as design principles that are essential to ensure customers benefit from a transition to an MRP.[1] The report emphasizes that the details matter to how successful an MRP can be to drive efficiency in utility operations and, ultimately, whether MRP design has better outcomes

[1] RMI: *Fixing Multiyear Rate Plans: Building a firm foundation for utility cost control* (2025): https://rmi.org/insight/fixing-multiyear-rate-plans/

than traditional cost-of-service regulation.[2] Oregon has an opportunity to embed the right safeguards from the start.

Principles, Goals, and Outcomes

Overall, we broadly support Staff's outlined Principles, Goals, and Outcomes. The Goals and Outcomes reflect two of our core concerns about the status quo: misaligned utility incentives under traditional cost-of-service regulation, and mounting affordability pressures from aging infrastructure and load growth, among other cost drivers.

We do, however, have two concerns:

First, the Principles do not adequately address customer risk. Utility risk is identified, but the risk borne by customers is not. Indeed, RMI identified an imbalanced distribution of risk between utilities and customers as one way that some existing MRPs are flawed.[3] In practice, recent trends – including single-issue ratemaking and extensive deferrals – have shifted risk disproportionately onto customers, while utilities have retained the ability to seek cost recovery while protecting their return on equity. Staff's earlier draft Principles addressed this directly by calling for MRPs to "[...] better align utility investments with customer value while appropriately balancing risk between customers and utilities."[4] We urge Staff to restore explicit risk-balancing language in the Principles and to explain how this concern is addressed in the current draft.

Second, equity is not mentioned in the first goal of "affordable, high value service" and its associated outcomes. Affordability and value are not experienced uniformly – some customers face disproportionate costs and service burdens. A one-size-fits-all approach will not work in practice. We believe the language and intent of HB 2475 (2021), the Energy Affordability Act, expresses the Commission's authority and responsibility to address this.[5] While *we* believe equity is implicitly implicated in these concepts, we ask that equity be explicitly incorporated into the goal language and related outcomes, to avoid any uncertainty.

Goals	Outcomes
Affordable, high-value service	Customer satisfaction*
	Reliability*
	Rate stability

I. Type of MRP

[2] *Id.* at 5 & 7.
[3] *Id.*
[4] Docket No. AR 676, *Staff's Workshop #4 Agenda and Pre-read/Worksheet*, Apr 8 2026: https://edocs.puc.state.or.us/efdocs/HAH/ar676hah345313028.pdf at 3.
[5] HB 2475 (2021) 'The Energy Affordability Act': https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureDocument/HB2475/Enrolled

We support Staff's recommendation of an index-based revenue cap with annual load forecast updates. Staff's detailed justification for this approach was especially helpful. We also appreciate that Staff recognizes that gas and electric utilities face different load growth trajectories, and agree that annual load forecasting updates are an appropriate and practical way to account for changing demand – particularly given that short-term forecasting methodologies are generally well-suited to capturing near-term changes in demand.

II. Revenue Decoupling

It is our understanding that a revenue decoupling mechanism will be necessary under an index-based revenue cap MRP. We acknowledge that more discussion on decoupling mechanism design will happen in Phase 2. We look forward to this discussion.

III. Plan Duration (aka Stay-Out Period)

We agree with Staff's goal of minimizing the need for reopeners and creating long enough multiyear plans to truly establish a multiyear budget approach for utilities. We agree that 5 years is an appropriate time frame for electric utilities, and we are open to supporting the same time frame for gas utilities – provided the Commission adopts meaningful interim safeguards. Gas utilities face a more uncertain future, with a need to carefully manage a declining system for traditional gas delivery. A longer stay-out period, while beneficial for administrative burden and cost containment, should not inadvertently insulate a gas utility from scrutiny at precisely the moment when course corrections are needed. Gas utilities also have fewer planning dockets in front of the Commission, making general rate cases the primary tool for ensuring that gas utilities are making strategic and customer-centered policy decisions regarding the future of gas in Oregon.

To guard against the risk that a stagnant or declining business model is artificially propped up by this longer stay-out period, we encourage the Commission to consider whether a 5-year cycle for gas utilities should be paired with a structured mid-point review or defined interim check-in. Such a mechanism could preserve the administrative benefits of a longer cycle while ensuring the Commission retains meaningful visibility into whether a gas utility's trajectory remains prudent and in the public interest.

IV. MRP Scope

We support Staff's proposed MRP scope, including what would be recovered within the MRP and what would be recovered separately. However, we want to note that while we understand Staff's rationale for not including wildfire mitigation into base rates to start, we are generally concerned about the reality that wildfire mitigation is getting more and more costly, and the current Automatic Adjustment Clause (AAC) for the Wildfire Mitigation Plans (WMP) *does not* have an earnings test, nor an established cadence for review. We understand this is to be

revisited in the fall of this year.[6] Further, we anticipate that WMP costs will become predictable, normal costs.

Given that wildfire mitigation has become such a large cost, it is really important to us to ensure that these costs are judged holistically with other costs. For example, there could be savings coming into the system. As we are embarking on MRPs, it will become a slippery slope to just roll anything through because it is connected to wildfire mitigation. In other words, we are worried that in the context of MRPs and Staff's proposed MRP scope, having the WMP AAC being out of MRP scope can encourage overspend because it will be an easy place to get rate recovery given the forthcoming boundaries of the MRPs.

It will be very important to establish a review cadence for the WMP AAC prior to it being rolled into base rates. For example, every three years. Doing this can help us determine when it is time to roll these costs into base rates. It is also important to note that there is no line item on a customer bill for this–this will likely impart more confusion about costs and affordability for customers once MRPs are established. We plan to pay attention to this issue in Phase 2 of UM 2405 regarding public phasing reporting.

V. Adjustment Factors

We support Staff's recommendation to exclude a K-bar capital adjustment factor (a mechanism for allowing supplemental funding for capital spending based on actual capex in historical years). Such a mechanism would create a routine pathway for cost recovery outside of base rates, undermining the discipline that MRPs are designed to instill. We understand that instead of a K-bar, Staff plan to develop a more limited supplemental capital funding mechanism in Phase 2 which would be targeted at extraordinary capital projects that cannot fit into the index formula – rather than enabling year-to-year additions as a matter of course. We support that general approach and note that we expect in Phase 2 to establish clear criteria for the threshold of what "extraordinary" means, so as to not create situations similar to what K-bars can bring. We look forward to engaging on this further in Phase 2.

Regarding S-factors (or stretch factors), we understand them to be a tool for very specific circumstances. And as Staff note, S can be set to equal zero when there is no evidence to apply it. Thus, we do not view the S-factor as a standing feature of MRPs and look forward to fleshing out criteria for its use further in Phase 2.

We agree with Staff that its proposed adjustment factors balance predictability for utilities via partial reconciliation with the need for utilities to practice efficiency and discipline in spending for essential targeted investments. We look forward to discussion on the I-X-S+G+Z factors in Phase 2 and will evaluate these factors carefully to ensure they are justified, narrowly tailored, and resistant to gaming.

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[6] Docket No UM 2448,*Chief ALJ Alison Lackey issues Memorandum*, May 28 2026: https://edocs.puc.state.or.us/efdocs/HDA/um2448hda346575030.pdf

VI. Earnings Sharing Mechanism (ESM)

We support including an ESM as a necessary cost-containment tool when revenues deviate from Commission-approved targets. We continue to urge the Commission to adopt an asymmetric ESM that favors customers, with a narrow deadband. This is appropriate given that the MRP itself reduces regulatory risk for utilities, and it ensures that the burden of managing costs within the plan falls on utilities rather than ratepayers. We want to be mindful of designs that can potentially be gamed by utilities and that may reduce cost containment incentives. We look forward to the discussion of the size and design in Phase 2.

VII. Capex/Opex Equalization

Capex bias is one of the key pitfalls of the traditional cost-plus ratemaking, and MRPs and performance-based ratemaking offer an opportunity to correct it. The goal of capex/opex equalization is to ensure utilities invest in the most cost-effective solutions – those that generally serve customers and the system – rather than defaulting to capital-intensive options that maximize returns. Totex ratemaking in the US has shown that it can be compatible with accounting principles.[7] We look forward to discussing totex ratemaking and other equalization strategies in Phase 2.

VIII. Performance Incentive Mechanisms (PIMs)

We support Staff's recommendation that Oregon's PBR framework begin by using PIMs in a limited and targeted manner, including through reward and backstop PIMs, and adding complexity over time where warranted. This aligns with our May 6, 2026 comments, which noted that reward PIMs should not be tied to activities utilities are already legally required to undertake, to avoid the risk of unnecessarily incentivizing behavior that utilities were already required to do by law.

We are glad to see that both resilience and reliability are included in Staff's first look at PIMs. We hope that through the Phase 2 workstream we can expand our lens of what resilience and reliability mean, and need to mean, as we navigate a just energy transition that is facing a lot of headwinds. A one-size-all approach will not suffice when it comes to our approach to resilience and reliability, especially for residential households and households with more existing burdens. We believe that PIMs in this regard can better help us capture what is needed in this realm.

We appreciate seeing customer disconnections listed as a potential PIM and look forward to further exploring the appropriate balance between backstop and reward PIMs to support utility progress on reducing disconnections. For example, we could utilize penalties when utilities

[7] RMI: Making the Clean Energy Transition Affordable (2022): https://rmi.org/insight/making-the-clean-energy-transition-affordable/

cannot reduce disconnections in certain geographic areas and/or for certain household types, and rewards for utilities that go above and beyond reduction goals.

For example, in Illinois, thanks to advocacy by National Consumer Law Center (NCLC) and other advocates, regulated utilities are rewarded or penalized regarding their goals to reduce disconnections by 10% annually in the top 20 most disconnected zip codes (which also happen to be predominantly Black and brown neighborhoods).[8] We have much to learn from that process in Illinois. Indeed, existing energy burden metric reporting in docket RO 16 can help us establish baseline data and analysis. We look forward to further discussion of performance metrics and the role and design of PIMs in Phase 2.

IX. Going-In Rates & a Third-Party Audit

One issue that was not discussed in Staff's Phase 1 proposal which we look forward to discussing further in Phase 2 is the process for setting "going-in" rates, which includes our previous and ongoing proposal for a third-party audit to inform going-in rates. Multiyear rate cases allow utilities and the Commission to better integrate ratemaking processes with planning dockets, and to take more time in evaluating utility spending during general rate cases. We would like to see clear conversations in Phase 2 about the going-in-rates-setting process in the context of MRPs. We continue to believe that third-party auditing will be important for ensuring the going-in rates of a multiyear plan are set appropriately. The audit should identify cost-reduction opportunities, assess the reasonableness of current spending across both capital and operating categories, and flag costs that have been deferred or under-scrutinized. Establishing a clear plan for timing and expectations for this to take place ahead of each first MRP, in advance of the first MRPs will be important, especially as Avista is set to file the very first MRP in November 2027–per AR 677.

We understand that the PUC previously conducted audits before all general rate cases. If Staff can be given additional resources to do this, we would support Staff conducting the audit for going-in rates. We also believe that going forward, if Staff has the resources, it should go back to doing audits ahead of all GRCs. Especially because with MRPs there will be a clear GRC schedule, in theory making it easier for Staff to incorporate these audits into its work planning, instead of trying to respond to back to back GRC filings with a month's notice.

Conclusion

Oregon has a genuine opportunity to design a multiyear rate plan framework that delivers for customers – one that controls costs, aligns utility incentives with public interest outcomes, and builds in accountability from the start.

[8] National Consumer Law Center (NCLC): *New Illinois Metric Is a Model for Reducing Utility Disconnections in Under-Resourced Communities*, December 2022: https://www.nclc.org/wp-content/uploads/2022/12/IB_IL_Util_Disconnection_Model_final.pdf

Staff's straw proposal provides a solid foundation, and we're encouraged by the level of care and transparency reflected in its structure. At the same time, the decisions made in Phase 1 will shape the integrity of everything that follows. Getting these principles right – including explicit risk-balancing and equity language – matters because those commitments will be tested as utilities push back on specific design elements in Phase 2. Getting the MRP scope right matters because MRPs risk becoming vehicles for cost passthrough if the guardrails are weak. And getting going-in rates right – through third-party audits and a rigorous test year process - matters because even the best-designed MRP process can produce poor affordability outcomes if it's built on an inflated baseline.

We look forward to continued engagement in Phase 2 and remain committed to a process that puts customers and communities at the center of Oregon's rate design future.

Respectfully submitted this 3rd day of June 2026,

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/s/ Claire Prihoda, Climate Solutions

/s/ Charlee Thompson, NW Energy Coalition

/s/ Jamie Pang, Oregon Just Transition Alliance

/s/ Pat DeLaquil, Mobilizing Climate Action Together

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