NW Natural®

250 SW Taylor Street
Portland, OR 97204

503-226-4211
nwnatural.com

June 22, 2026

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97308

Re: AR 676 - Rulemaking to Establish Multi-Year Rate Plan Framework (HB 3179 & SB 688 Implementation)

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files a joint response on behalf of NW Natural, Avista Utilities, and Cascade Natural Gas Corporation in advance of the June 23, 2026, public meeting regarding Staff's Multi-Year Rate Plan ("MRP") Phase 1 Report published June 18, 2026.

Please address any correspondence on this matter to me, with a copy to the following:

eFiling
NW Natural
Rates & Regulatory Affairs
250 SW Taylor Street
Portland, Oregon 97204
Email: eFiling@nwnatural.com
Phone: (503) 610-7330

Sincerely,

NW Natural

/s/ Maddie Pulliam

Maddie Pulliam
Rates & Regulatory Analyst

Enclosure

COMMENTS OF NORTHWEST NATURAL GAS COMPANY, AVISTA UTILITIES, AND CASCADE NATURAL GAS CORPORATION

Northwest Natural Gas Company, Avista Utilities, and Cascade Natural Gas Corporation (collectively, the "Gas Utilities") submit these comments in advance of the Commission's June 23, 2026, public meeting regarding Staff's Multi-Year Rate Plan ("MRP") proposal. The Gas Utilities intend for these comments to provide the foundation for the points they plan to address at the meeting.

The Gas Utilities generally support Staff's efforts to develop an Oregon MRP framework and generally support the objectives of customer rate stability, utility financial stability, and reduced regulatory burden. At the same time, the framework should remain flexible, evidence-based, and consistent with Oregon's existing ratemaking structure.

Accordingly, Phase 1 should establish guiding principles, preserve optionality, and defer more complex design questions to Phase 2.

Correction to the Staff Report Regarding Gas Utility Concerns

In several sections of the Staff Report, Staff attributes to the Gas Utilities concerns that we did not raise. While other stakeholders may have referenced issues such as "uncertainty regarding future throughput, system utilization, and changing customer demand," those were not identified by the Gas Utilities as primary ratemaking concerns for the MRP. It is important that our positions are accurately characterized for the Commissioners. In addition, several issues we did raise are not reflected in the Staff Report and are described in further detail below.

Indexed MRP with Flexibility

The Gas Utilities encourage the Commission to support flexibility within the Indexed MRP framework, recognizing that each utility has specific operational and financial characteristics that warrant individualized consideration. Within that flexible framework, the Gas Utilities can support the use of index-based mechanisms for cost categories that reasonably track inflation. However, indexing should not be applied where it does not align with the underlying cost drivers. Accordingly, any indexing approach should be targeted, evidence-based, and include clear exceptions for cost categories that do not fit within an indexed framework, with those costs addressed through utility-specific forecasts or existing recovery mechanisms where appropriate.

Existing Cost Recovery Mechanisms Should Be Maintained Where Appropriate

The Gas Utilities recognize the effort to transition cost recovery from deferrals and other recovery mechanisms to base rates in an MRP. However, the current list identified by Staff is extremely limited, and it does not appear that Staff has identified a process to determine if other existing cost recovery mechanisms should be excluded from base rate treatment. As previously noted, certain recovery mechanisms outside of an MRP are still appropriate to address cost recovery for volatile costs outside the utility's control that can swing from year to year, costs that are policy-driven,

and/or costs that are subject to statutory recovery mechanisms. Additional discussion and process is needed regarding these existing mechanisms when determining whether such costs should be incorporated into base rates or continue to be recovered through separate mechanisms.

Several existing mechanisms involve complex design features—including complex annual true-up mechanisms (e.g., decoupling and WARM) and frameworks established through contested proceedings—that may not translate readily into base rates without further consideration. Mechanisms such as NW Natural's Site Remediation Recovery Mechanism ("SRRM"), established for environmental remediation of the Portland Harbor Superfund site, reflects a litigated framework from a contested case, in which the Commission balanced competing interests based on an extensive evidentiary record. The Gas Utilities encourage the Commission to clarify that further evaluation is needed to determine whether costs not explicitly identified as "Recovered Separately from MRP" should be incorporated into base rates.

Plan Duration Should Remain Flexible

While the statute allows the Commission to limit the number of utilities requesting rate increases in a given year and provides that MRPs may span between three and seven years, it does not authorize the Commission to mandate a five-year term for all utilities. The Commission should retain discretion to approve plan durations based on the record developed in each utility-specific proceeding, particularly as the framework continues to evolve.

Further, a uniform five-year MRP term to be selected by each utility is premature while Oregon is still developing its MRP framework. Initial plans may warrant shorter terms, such as three or four years, until the Commission and stakeholders gain practical experience with how MRPs function. Critically, the final structure and design of the MRP framework remain unsettled; asking that each utility decide to lock in a standardized term before those foundational elements are established risks misalignment between plan duration and the mechanics of the framework itself.

Complex Mechanisms Should Be Deferred to Phase 2

The Gas Utilities submit that it is premature to prescribe the inclusion or design of specific adjustment factors before there is a clear understanding of utility-specific cost drivers and how those costs function within an MRP. These issues were not developed in Phase 1. Adjustment mechanisms should be grounded in actual utility operations, not abstract constructs drawn from other jurisdictions.

Phase 2 provides the appropriate forum to evaluate utility-specific cost drivers, capital recovery tools, and how potential adjustment mechanisms interact before they are incorporated into an Oregon MRP framework. This evaluation should also consider utility-level implications, including impacts on credit metrics and GAAP accounting treatment, which may ultimately affect customer rates.

Similarly, the decisions to incorporate earnings sharing and performance incentive mechanisms should instead be made in Phase 2, once the core elements of the MRP are established and their interactions are better understood, or in a standalone proceeding if the scope of Phase 2 grows too large that it cannot be completed by mid-2027 to allow for the first MRPs to be filed in November 2027.

The design of the mechanisms depend on the underlying structure of the MRP itself— including how costs are indexed, how capital is recovered, and how risk is allocated between customers and the utility. Without a defined framework, it is not possible to assess baseline earnings, appropriate sharing bands, or performance metrics. Scoping and establishing these mechanisms in advance risks misalignment with the eventual MRP design, which could distort incentives, undermine intended risk-sharing outcomes, or require subsequent rework.

Conclusion

As the Commission considers next steps, the Gas Utilities urge the Commission to preserve flexibility of the MRP framework by limiting Phase 1 to the adoption of guiding principles and deferring the detailed mechanics to Phase 2. The issues described above, including the appropriate use of indexing, treatment of existing cost recovery mechanisms, plan duration, adjustment factors, earnings sharing, and performance incentives, are interdependent and should not be predetermined without a more complete, utility-specific record. Deferring those mechanics to Phase 2 will allow the Commission to conduct a more comprehensive evaluation to determine impacts on customers and the utilities.