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VIA ELECTRONIC FILING

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

Re: AR 676—PacifiCorp's Comments on Staff's Recommendation

PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully submits the following comments in response to Public Utility Commission of Oregon Staff's recommendation as part of Docket No. AR 676, the FAIR Act multi-year rate plan rulemaking. PacifiCorp appreciates the thoughtful engagement and collaboration of Commission Staff leading up to this phase of the proceeding. The framework Staff has put forward generally works for PacifiCorp, though certain components should retain flexibility rather than be rigidly prescribed.

Multi-Year Rate Plan Type and Components

Revenue Decoupling Should Not Be a Strict Requirement

PacifiCorp does not support making decoupling a mandatory component of multi-year rate plans. Whether a decoupling mechanism is appropriate should be evaluated on a case-by-case basis in the utility's multi-year rate plan proceeding and should be available for proposal by the utility or another party rather than imposed by default.

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. Load growth is also not inherently problematic in the electric context, particularly where state policy supports beneficial electrification. Requiring decoupling can therefore work against the state's policy direction by dampening the utility's interest in supporting increased electrification.

In the context of multi-year rate plans, energy efficiency incentives 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.

PacifiCorp's experience in Washington further illustrates why decoupling should not be universally required. While decoupling stabilizes the utility's revenue, it can shift volatility onto customer rates, as deferred balances are trued up through periodic surcharges or credits that customers experience as rate changes outside of a general rate case. For example, in recent years PacifiCorp's annual decoupling adjustment filings in Washington have produced meaningful year-over-year swings in residential rates: the company's 2025 filing resulted in an approved increase of approximately 4.8 percent for a typical residential customer, and its 2026 filing just made on June 15 of this year is requesting an increase of approximately 2.0 percent for that same typical residential customer. The result is that a mechanism intended to stabilize utility revenue can cause customers to experience heightened rate volatility. That trade-off should be weighed in the context of each utility's circumstances rather than presumed appropriate in every case.

An unnecessary decoupling mechanism also would add administrative burden for the utility and stakeholders without providing corresponding benefit. For these reasons, decoupling should remain an optional tool to be considered only where the particular circumstances of a utility support it.

One-Size-Fits-All Performance Incentive Mechanisms Are Not Appropriate

PacifiCorp supports a flexible approach to performance-based ratemaking and performance incentive mechanisms. 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, performance incentive mechanisms 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 in a given proceeding may be that no performance incentive mechanisms are adopted at all.

The number and complexity of any performance incentive mechanisms should also be carefully managed and minimized. Each additional metric increases the administrative burden on the utility 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 designed mechanism can be counterproductive, penalizing or rewarding a utility based on forecast error relative to the baseline threshold rather than actual performance. Any performance incentive mechanism should be carefully designed to set a reasonable and informed threshold and structured so that the utility has a meaningful ability to influence performance relative to that threshold. These mechanisms 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 reinforces this point. The NW Energy Coalition's comments rely heavily on Washington's framework to argue for more prescriptive rules in Oregon, but the Washington Utilities and Transportation Commission has been working through its performance-based ratemaking policy docket since 2021 and has not prescribed performance

incentive mechanisms for any utility to date, including PacifiCorp. That experience underscores how complicated performance-based ratemaking is in practice and counsels against moving too quickly in Oregon to lock in rigid, uniform requirements without an appropriate record. Oregon should take the time necessary to properly study these issues and should recognize that no two utilities are the same and consequently performance incentive mechanisms should not be universally prescribed.

Duration and Scope of Multi-Year Rate Plans

A Five-Year Term Should Not Be Mandated for All Multi-Year Rate Plans

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.

A 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 is also 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 to align 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.

Recovery of Customer Program Costs Should Continue Through Separate Riders

PacifiCorp appreciates Staff's recognition that certain costs are not well suited to recovery within an indexed multi-year rate plan and should be addressed through separate mechanisms. In particular, PacifiCorp supports Staff's proposal to retain existing recovery for net power costs and wildfire mitigation, to preserve the Energy Trust of Oregon funding mechanism, and to allow for a supplemental capital funding mechanism for major capital investments that cannot reasonably be accommodated within a formulaic update. These carve-outs reflect a practical understanding that an indexed framework works best when costs that are volatile, policy-driven, or tied to discrete large investments are handled through separate mechanisms.

The same logic supports adding one more category to the list of carve-outs: customer program costs, such as income-qualified programming and demand response. It is in the public interest to ensure that utilities are not held to a strict budget for these programs for the full term of the multi-year rate plan—which Staff is recommending be a universal five years. Many of them are still evolving. Income-qualified discount programs, for example, continue to develop as the Commission, utilities, and stakeholders gain experience with program design, eligibility, and delivery and a fixed revenue path would lock in an authorized spending level before that evolution is complete. A multi-year cap on programs such as demand response would similarly risk stifling innovation by limiting a utility's ability to leverage emerging technologies and program designs that may prove cost-effective during the term of the plan.

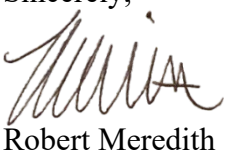
Underinvestment in these programs is not an outcome the Commission or stakeholders should want. Embedding them within an indexed framework would create pressure to manage to the authorized level rather than to the needs of customers and the policy objectives the Commission has directed utilities to advance. Continuing recovery through separate riders with balancing accounts preserves the flexibility to support these programs as they evolve and avoids creating a disincentive to invest in measures that reduce energy burden, expand customer engagement, or bring new technologies into the resource mix. 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 likewise remain eligible for recovery through riders or deferrals outside of the multi-year rate plan.

Conclusion

PacifiCorp appreciates the opportunity to submit these comments and looks forward to continued participation as this proceeding moves forward. PacifiCorp encourages the Commission to adopt a framework that preserves flexibility and recognizes that no two utilities are the same.

If you have any questions about this filing, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,



Robert Meredith
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