July 6, 2026
Public Utility Commission of Oregon
201 High St. SE, Suite 100
Salem, Oregon 97301-3398

RE: AR 676 Informal Phase - Energy Advocates Final Joint Comments in Response to Staff's Report & Proposal for Phase 1

Dear Chair Tawney, Commissioner Power and Commissioner Perkins,

We support Staff's AR 676 Phase 1 proposal, with the caveats outlined below about the Commission outlining clear expectations for a narrowly designed supplemental capital funding mechanism.[1] We also incorporate by reference our previous comments filed on June 22nd.[2] Staff's proposal was informed by robust stakeholder engagement and by their work with the PUC's reputable third-party consultants.[3] Indeed, Oregon gets to benefit from the lessons learned in other states on what successful MRPs can look like and how to get there. We are grateful for the PUC consultants' support in identifying a proposal that incorporates these lessons.

Oregon is addressing MRP design at a critical time. Staff's proposal responds by adopting an MRP framework with tools that support much needed cost containment. This proposal will ideally result in easing customer cost pressures from at least two of the major cost drivers we are seeing in Oregon: aging infrastructure and misaligned utility incentives. In addition, Oregon's electricity grid requires investments to address a variety of growing system needs, and Oregon's gas system is set to downsize going forward. It is critical for energy affordability that utility costs increase no more than absolutely necessary during this period of change and beyond.[4] A well-designed and timed MRP framework, which includes adjustment factors to account for growth and changes, can help us thoughtfully navigate this changing regulatory space. Staff's

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[1] Docket AR 676: *Staff Report for the June 23, 2026 Public Meeting (Item No. RM2), by Michelle Scala* - https://edocs.puc.state.or.us/efdocs/HAU/ar676hau347126029.pdf *See* also: June 23 Public Meeting Recording: https://oregonpuc.granicus.com/player/clip/1672

[2] *See* Energy Advocates June 23, 2026 Public Comments, available at https://edocs.puc.state.or.us/efdocs/HAC/ar676hac347159029.pdf.

[3] Current Energy Group and Great Plains Institute were contracted by the PUC. In addition, the PUC invited guest speakers from RMI, PNNL and RAP to help educate and inform the process.

[4] According to RMI, Pacific Economics Group estimated that a utility under a 5-year MRP could achieve 5% lower costs after 10 years than a utility under a traditional 3-year GRC model. Savings can range from 2-9% depending on MRP design elements. *See* also State Performance-Based Regulation Using Multiyear Rate Plans for U.S. Electric Utilities (July 2017): https://eta-publications.lbl.gov/sites/default/files/multiyear_rate_plan_gmlc_1.4.29_final_report071217.pdf

proposal takes all of these realities into consideration, including the need for better planning and ensuring service quality is high, and offers a balanced approach to meet this moment.

Staff's proposal importantly includes various regulatory tools that work together as part of an MRP to strengthen cost containment. One of these crucial tools is setting a predictable and meaningful plan duration. Litigating plan durations for each utility would be counterproductive. The length of the MRP determines how long utilities need to observe a particular budget, and the longer the MRP, the better the incentives for utilities to control costs. FAIR contemplates 3-7 year plans, and while we see value in the stronger cost control incentives of longer MRPs, we support Staff's five-year proposal as striving to balance various considerations.[5]

Landing on a five-year plan in Phase 1 both allows for a meaningful utility budget that incentivizes spending discipline, and is foundational for drawing the rest of the plans' details and procedures, including determining areas for any warranted utility flexibility in Phase 2. This Phase 1 proposal determines the "shape" that the MRPs will have–standardization that includes which tools are needed to build MRPs into this determined shape. In order for Phase 2 to be efficient and for decision-making points to be clear at the outset, we need to go in understanding which of these tools we will be using so we can build the MRPs.[6] Staff's proposal and procedural foresight on this front are clear-eyed.

We have some concerns about some of the trade offs of including the low income (LI) programs under the proposed revenue cap. We understand that doing so could alter incentives and priorities for utilities as it relates to these programs, but it does not alter ours. Advocates, including several energy justice advocates, are dedicated to developing PIMs and other creative policy flexibility tools that ensure low-income programs not only grow to benefit the Oregonians who most need them, but also can continue to be responsive to addressing energy insecurity. We are committed to cost containment, reduced cost pressures for customers, and reduced administrative burden for all of us. If the Commission decides to roll these existing programs into base rates, this should not allow less attention or action on addressing ongoing low income energy insecurity realities and we are prepared to continue to work on accountability.

Lastly, we reiterate the importance of being clear at the outset that the proposed capital funding mechanism should not result in a regimen of annual capital recovery cases on top of the index, which should also capture most capital investments. Such a design, on top of indexing, could work against cost containment, against requiring utilities to operate within a 5-year budget and

[5] Importantly, Staff's proposal includes a mechanism to navigate any unexpected shocks and events within the MRP period via the Z factor.

[6] Utilities have expressed concern about the speed with which MRP's Phase 1 is moving, but that does not obviate the need to make decisions and progress to Phase 2. The decisions made by Staff in its report are the necessary preliminary decisions that lay the foundation for a successful Phase 2. Delaying these decisions until a later date would only require us to move faster in Phase 2.

would not be good for customers. We are concerned that including "targeted capital" as sufficient for a capital funding mechanism, could open the door for an IOU to argue it can bring in an alternative rate mechanism at any time because it decided to invest in something. "Extraordinary expenses" can capture targeted capital investments, but, keeping the focus on extraordinary circumstances reiterates FAIR's intent for IOU cost control,[7] while still allowing IOUs to ask for a rate increase for those expenses they could not have anticipated. **Hence, we suggest that the Commission include in its order clear expectations that a capital funding mechanism should not cover "targeted capital" as described in the Staff Report,[8] and instead should only cover "extraordinary expenses" as originally described in Staff's Straw proposal.[9]**

Relatedly, Section 9 of the FAIR Energy Act allows for low cost bonds via securitization to be used to lower capital costs of very large projects, which would otherwise raise customer rates by 5% or more.[10] Per FAIR, in such cases the Commission must direct a utility to explore the costs, benefits and risks of this financing mechanism.[11] In fact, whether or not a rule should be established to require the IOU to do this analysis proactively, is something we would like to discuss in Phase 2 of this docket. This is a new requirement and important tool in our cost control toolbox which overlaps with the proposed capital funding mechanism. The capital funding mechanism and MRPs should be informed by the existence of this new tool.

In conclusion, we support Staff's Phase 1 proposal, with concerns around the scope at the outset of further exploring the contours of the capital funding mechanism. **We urge the Commission to adopt Staff's proposal with the additional clarification that this is not intended to be a routine recovery mechanism, but limited to extraordinary expenses to be defined in Phase 2**.

Thank you for your time and consideration,

/s/ Sarah Wochele
Oregon Citizens' Utility Board

/s/ Silvia Tanner
Multnomah County Office of Sustainability

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[7] Relatedly, as Staff note in their report when discussing a Z factor, "Overly broad terms can weaken the discipline of the indexed MRP if utilities routinely revisit costs that are more appropriately managed within the revenue cap." *See* Docket AR 676: *Staff Report for the June 23, 2026 Public Meeting (Item No. RM2), by Michelle Scala* - https://edocs.puc.state.or.us/efdocs/HAU/ar676hau347126029.pdf at 20.

[8] Docket AR 676: *Staff Report for the June 23, 2026 Public Meeting (Item No. RM2)* at 6, https://edocs.puc.state.or.us/efdocs/HAU/ar676hau347126029.pdf.

[9] *Staff's Initial Straw Proposal for MRP Framework Phase 1* at 2 (May 20, 2026), https://edocs.puc.state.or.us/efdocs/HAH/ar676hah346341048.pdf.

[10] Oregon HB 3179 (2025) as enrolled: https://olis.oregonlegislature.gov/liz/2025r1/Downloads/MeasureDocument/HB3179 at 6.

[11] *Id.* at 9.

/s/ Jamie Pang
Oregon Just Transition Alliance

/s/ Charlee Thompson
NW Energy Coalition

/s/ Siraat Younas
Community Energy Project

/s/ Anahí Segovia Rodriguez
Verde

/s/ Claire Prihoda
Climate Solutions

/s/ Carra Sahler
The Green Energy Institute at Lewis & Clark Law School