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September 18, 2026

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street S.E., Suite 100
P.O. Box 1088
Salem, OR 97308-1088

RE: AR 676 –Portland General Electric (PGE) Company Comments on Staff's Phase 2 O&M Concept Memo

Dear Filing Center:

Portland General Electric Company (PGE) appreciates the substantial effort Staff have devoted to developing its initial Electric & Gas O&M Concept v1. The memo's balancing of complex tradeoffs seems to point Oregon's multi-year rate plan (MRP) framework in a durable direction. While much remains to be done, Staff's concept paper appears to preserve cost-containment incentives while recognizing that certain O&M costs may require different treatment when their characteristics are not reasonably represented by a general index.

Introduction

To reiterate, PGE supports the MRP Framework's cost containment goals. PGE agrees that the primary approach to recurring and largely predictable O&M costs is through the index and cost cap. To this end, PGE's O&M Pre-Read identified recurring and predictable O&M costs as appropriate candidates for treatment through going-in rates and index-based annual adjustments.

PGE also agrees with Staff that forecasts, balancing accounts, true-ups, deferrals, reopeners, and other mechanisms should not be used so broadly that they undermine the administrative benefits and cost-containment incentives of an MRP. Staff appropriately notes that materiality should be demonstrated and that use of any of these "exceptions" should remain limited and principled.

PGE appreciates Staff's recognition that O&M costs are not monolithic. Both the Concept and Staff's synthesis acknowledge that O&M costs ranging from labor, insurance, IT, taxes, to capital-related O&M may have distinct drivers and may not behave the same way over the life of an MRP. So while certain recurring costs may be reasonably addressed through normalization and indexing, other costs may require different treatment due to their timing, policy drivers, enrollment dependency, or relationship to capital investment

PGE also appreciates Staff identifying additional customer-programs that should be outside the MRP revenue cap, at least until budget-setting frameworks and eligibility criteria become more fully developed. PGE believes Staff's overall concept establishes a productive foundation for continued development of the overall MRP Framework.

With regards to going-in rates for this first round of MRP filings, Staff's position on maintaining Oregon's current approach to establishing base rates is very helpful.

Importantly, PGE encourages Staff and stakeholders not to assume that cost increases in one category can always be offset elsewhere without consequence. Oregon's MRP Framework has many dynamics interacting. Balancing the relationship between a reopener for an O&M cost, to the overall revenue-capped budget, and to the broader earning sharing mechanism will require some patience and willingness to experiment by all parties.

PGE's Commitment to Cost Controls

In a recent AR 676 Phase 2 workshop on costs, Stakeholders requested examples of where utilities were able to find savings; examples of where costs could go down. PGE recognizes the importance of this example as it helps to establish that unpredictable and unforeseen cost increases at certain levels can be balanced through normal business practices.

As an example, PGE launched a multi-year cost management program in 2025. It is designed to embed cost control into the company's day-to-day operations. Rather than relying on short-term "take-outs," the program aims to permanently change the way PGE produces durable savings. The program's long-term goals are oriented around reducing O&M spending. It encourages all staff to streamline and standardize processes to drive efficiencies, while setting a higher standard for accountability. As a result in the first year of the Program, PGE realized approximately $25 million in sustainable cost reductions, directly lowering the baseline revenue requirement in UE 473.

Points for Clarification

In pointing out areas where additional clarity would be useful, PGE wants to reiterate we are not seeking to establish avenues for dollar-for-dollar contemporaneous recovery of ordinary and/or routine O&M costs. PGE recommends addressing the issues below meant to reduce uncertainty around future treatment of O&M costs.

- Further delineation between normalization, step adjustments, balancing accounts, deferrals, reopeners, off-ramps, and Z-factors so their application is clear. Attempt to establish a hierarchy and decision framework that stakeholders can use to determine which mechanism is most appropriate in a given circumstance
- Potential materiality thresholds and principles to guide the application of cost-recovery pathways outside the revenue cap and index. More explicit criteria governing when a cost is not reasonably represented by going-in rates plus the index. The distinction between "future," "predictable," and "reasonably accommodated by the index" remains insufficiently clear.
- Confirmation that the four listed customer-program cost categories in Staff's O&M concept paper will be outside the MRP scope until other frameworks are developed.
- Description of the coordination among annual adjustments, true-ups, offsets, rebasing, and prudence review to inform Track 4.
- The timing and scope of the 3rd-Party audit of costs as part of the going-in process.
- Treatment of O&M costs that arise from major capital additions during the MRP term;

Pass Through Mechanism

PGE believes Staff and Stakeholders should consider adding another vehicle or even a factor for O&M costs that are effectively just pass-through. For example, PGE's Schedule 115 collects the costs for the Oregon Energy Assistance Program (OEAP), which are passed along directly to Oregon Housing and Community Services (OHCS). The OEAP funding level is legislatively set. It does not grow with inflation and cannot be "managed" by PGE. Including it under the MRP revenue cap serves no cost containment purpose. Another example are local taxes above and beyond routing franchise fees imposed by municipalities or counties. Multnomah County's Business Income Tax (Schedule 106) is set by the county and cannot be managed by PGE. One benefit of another vehicle or factor for these pass-through costs is so that the costs can be assigned to the correct customers. In the case of Schedule 106, having excluded from the revenue cap and index means it will be easier to assign these tax costs solely to PGE customers in Multnomah county.

O&M Driven by Capital Additions

PGE recommended that qualifying capital-related O&M be eligible for coordinated treatment through the Supplemental Capital Funding Mechanism (SCFM), a step adjustment, or another targeted mechanism when warranted. PGE's Capital Pre-Read further recommended that:

- materiality should focus primarily on revenue-requirement impacts;
- both project and portfolio treatment should be available;
- prudence and used-and-useful review should apply;
- true-ups should address actual eligible costs and offsets; and
- duplicate recovery should be prevented.

There will be cases when a prudent capital addition results in material incremental O&M or property-tax impacts that cannot reasonably be reflected through normalization or the standard index. Those costs should receive coordinated treatment through the SCFM, or another targeted mechanism (RAAC). PGE support development of an eligibility criteria and materiality requirements for these associated O&M costs to receive such treatment. Staff should be clear about this.

Alternative Mechanisms Should Follow a Structured Hierarchy

PGE recommends that Staff further develop a hierarchy that prioritizes the least disruptive solution that adequately addresses the identified issue:

Circumstance	Preferred Mechanism
Recurring but variable cost	Normalization
Predictable future cost	Forecasting or step adjustment
Material capital-related O&M	SCFM-linked treatment or step adjustment
Participation-driven customer costs	Balancing account or targeted mechanism
Commission-directed post-MRP obligation	Deferral or balancing account
Material unforeseen exogenous event	Z-factor
Failed assumption affecting one component	Reopener
Plan-wide failure	Off-ramp

Materiality

PGE encourages Staff to continue in Track 2 to develop materiality criteria combined with principles for the application use of alternative mechanisms. PGE recommends that materiality be evaluated primarily using annual revenue-requirement impacts rather than gross project cost alone.

Additional considerations may also be appropriate depending on the circumstances. To this end, if Staff has already considered alternative approaches, PGE encourages Staff to be forthcoming and not wait to share alternative approaches until late in the docket.

Standardization Should Establish Structure Without Predetermining Utility-Specific Outcomes

PGE continues to support a layered regulatory structure. Administrative rules should establish definitions, minimum filing requirements, procedural transparency, materiality principles, and safeguards against duplicate recovery. AR 676 Commission orders should establish implementation principles, eligibility standards, methodology guidance, and coordination among MRP elements. Utility-specific proceedings should determine category treatment, methodologies, amounts, normalization approaches, and evidentiary findings based on the developed record. This approach preserves predictability while avoiding premature universal treatment of all O&M categories.

Rebasing and Administrative Efficiency

Finally, PGE encourages Staff to ensure that rebasing remains a meaningful refresh of the revenue requirement while avoiding unnecessary re-litigation of settled issues.
Where a mechanism includes a true-up, review should focus on objective verification of eligible costs, actual results, offsets, and compliance with Commission direction. Annual implementation proceedings should not become substitute general rate cases. Similarly, issues previously resolved should not be reopened absent good cause. A clear rebasing process will improve transparency and support continuity between successive MRP terms.

Summary of Clarifications, Recommendations, and Suggestions

PGE respectfully encourages Staff to:

1. Establish criteria (e.g., materiality) for determining when a cost is not reasonably represented by going-in rates and the general index.
2. Clarify the distinct purposes of normalization, forecasting, step adjustments, SCFM treatment, balancing accounts, deferrals, reopeners, and Z-factors.
3. Permit associated material O&M and property taxes to follow qualifying capital through coordinated mechanisms where appropriate.
4. Evaluate materiality primarily using annual revenue-requirement impacts while leaving space for appropriate qualitative considerations, such as principles around energy burden.
5. Preserve targeted treatment for policy-driven and participation-driven customer programs.
6. Clarify how funding mechanisms and factors outside utility control.
7. Reserve utility-specific methodologies and category treatment for utility-specific MRP proceedings supported by a developed evidentiary record.
8. Ensure annual implementation does not recreate a general rate case.
9. Establish clear transition treatment at rebasing.

Conclusion

PGE appreciates Staff's development of a thoughtful and constructive initial O&M concept paper. PGE's recommendations are intended to strengthen that framework rather than fundamentally alter it. By clarifying key decision criteria, strengthening customer protections, preserving administrative efficiency, and recognizing the diverse characteristics of O&M cost drivers, Staff can further advance the Commission's goals of cost containment, reasonable utility incentives, customer protection, regulatory predictability, and reliable service. PGE looks forward to continued collaboration with Staff and stakeholders as AR 676 progresses through later phases of concept development and implementation. Please direct questions to JP Batmale at jp.batmale@pgn.com and all formal correspondence and requests to pge.opuc.filings@pgn.com.

Sincerely,

\s\ Jason Salmi Klotz

Jason Salmi Klotz,
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