PACIFIC POWER
A DIVISION OF PACIFICORP

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September 18, 2026

***VIA ELECTRONIC FILING***

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

**Re: AR 676—PacifiCorp's Comments on Staff's Electric & Gas O&M Concept**

PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully submits these comments in response to Staff's Electric & Gas O&M Concept, version 1, dated September 4, 2026 (the Concept), in docket AR 676, the multi-year rate plan (MYRP) rulemaking implementing HB 3179. PacifiCorp appreciates Staff's straw proposal, the synthesis of the Track 1 record in Attachment 1, and the collaborative discussions on August 26 and September 8, 2026. The Concept represents constructive progress. These comments follow the structure of the Concept and are accompanied by an appendix of specific proposed edits with supporting rationale (Appendix A) to assist Staff in developing the integrated Track 1 Concept Proposal.

PacifiCorp also provides an illustration demonstrating the application of its proposed four-factor framework in Appendix B.

## General Position and Areas of Agreement with the Concept

PacifiCorp agrees with the Concept's central premise that, for the bulk of O&M, the primary approach—establishing going-in rates for the test year and adjusting revenue annually through the indices—functions as intended, and that Oregon's framework does not provide dollar-for-dollar, contemporaneous recovery of O&M. The Company is *not* seeking to convert the MYRP into contemporaneous recovery of all O&M and instead is seeking a reasonable, principled, and durable ratemaking construct for a five-year rate plan.

Under the primary approach, the utility receives the annual index adjustment factors and manages ordinary differences within the indexed revenue requirement. PacifiCorp also understands that there is already agreement that certain categories should be set aside from the cap. This includes Power Costs, Energy Trust of Oregon funding, and Wildfire Mitigation. PacifiCorp endorses the Concept's recognition that limited departures are warranted where the characteristics of a cost clearly justify them, and it supports the Attachment 1 alignment principles: the O&M baseline should be built on knowable costs; the analysis should examine the underlying driver of a cost rather than treat all O&M as economically identical; and exceptions should be based on durable principles—which is discussed more in the next section.

**Scope of these Comments and the Conceptual Framework**

At the outset, PacifiCorp wishes to be clear about the scope of these comments: the Company is commenting on the conceptual framework—the principles that determine when a cost may be treated differently than the primary approach—and is not, in these comments, addressing the detailed design or mechanics of the individual exception mechanisms, such as the specific triggers, thresholds, or procedures for Z-factor events, reopeners, rebasing, or off-ramps. Those mechanics are better developed in Track 2 and Phase IV, and PacifiCorp reserves comment on them for those phases.

PacifiCorp offers these comments at the conceptual level because establishing the conceptual framework first will give those later, procedural discussions a sound foundation.

The Concept uses the term that deviations from the primary approach should be "justified." The term justified indicates a *factual inquiry* into the nature of the costs and associated public policy. Accordingly, PacifiCorp recommends that the Concept adopt an explicit, fact-based test for when a cost warrants departure from the primary approach. Whether a cost should be treated differently is a question of fact that can be answered by evaluating and weighing the four factors that have been discussed throughout this workshop:

> **Factor 1:** Materiality—Are the costs material in nature to warrant deviation from the primary approach?
> **Factor 2:** Utility control—Is the cost within the utility's control to justify the performance based incentives inherent in a five-year MYRP, or is it driven by exogenous forces (change in law and ordered compliance costs)?
> **Factor 3:** Variability/Forecastablity—How variable is the cost in magnitude and timing that impact the accuracy of forecasts for a five year term (for example, insurance and power costs)?
> **Factor 4:** Public policy—Is the cost driven by public policy such that constraining it within a fixed cap would undermine the policy (for example, customer and low-income programs)?

Framing the analysis around these factors keeps the framework principled, consistent, durable, and adaptable to future circumstances. It avoids category-by-category disputes and ensures that any departure from the primary approach is tied to demonstrable characteristics and foundational principles of the cost rather than the availability of a particular recovery mechanism. For example, insurance costs have been highly volatile over the past five years and may warrant a deviation from the primary approach under current circumstances, but that may not always be the case. A factor-based framework provides the flexibility and long-term durability needed for the Commission to adapt to changing conditions, rather than being constrained by a rigid, category-by-category approach. PacifiCorp believes these factors provide a principled foundation for a durable and adaptable framework that can guide the Commission for years, if not decades, in resolving the various MYRPs and factual disputes that may arise in the future.

Relatedly, the summary table on page 3 of the Concept, while helpful, does not yet capture enough dimensions to support this analysis and provide a durable solution. PacifiCorp recommends that the table be expanded to evaluate each cost category against the four factors above, with the resulting recommended treatment shown, so that the framework's application is transparent and repeatable for years to come.

**Scope—Customer Programs**

PacifiCorp supports the Concept's clarification that limited exclusions from the revenue cap may be considered and it supports excluding the four categories Staff identified—HB 2475 bill discounts, demand response and flex load, Community Solar administration, and Community Based Renewable Energy activities justified outside of power cost. In PacifiCorp's experience, this is consistent with other states that have implemented MYRPs—including Washington and California where customer program costs are generally recovered through tariff riders.

Under the four-factor test, these programs fall outside the primary approach because they are driven by public policy and by customer enrollment and participation rather than by discretionary utility spending. Holding recovery of the HB 2475 discount to a fixed multi-year budget would create a disincentive to enroll eligible customers and would undermine energy burden reduction, and a demand response expenditure exceeding the budget but producing greater power-cost savings would be unrecoverable, breaking the match between program costs and benefits.

PacifiCorp recommends that, for these programs, the default be recovery outside the cap through tariff schedules, riders, or deferrals with balancing accounts and true-ups, consistent with current Oregon practice, and PacifiCorp's Washington and California MYRP construct. Specific edits appear in Appendix A.

**Going-In Rates, Forecasting, and Normalization**

PacifiCorp supports maintaining Oregon's current going-in-rate approach—a forward-looking test year informed by historical actuals, escalated and inclusive of known and measurable changes—as the MRP foundation, and welcomes the two supplemental tools the Concept identifies: forecasting and normalizing reasonably anticipated, volatile costs with modest fluctuations, and step adjustments for predictable mid-cycle costs subject to review. Because the indices escalate from the going-in level, accurate starting rates are essential. Consistent with the forecastability factor, however, these tools work only where a cost is reasonably predictable; they are not a substitute for deferral or balancing-account treatment where a material cost is genuinely unforecastable or arises from Commission or legislative action taken after going-in rates are set.

**Insurance and Other Volatile, Largely Uncontrollable Costs**

PacifiCorp respectfully disagrees with directing insurance solely to the exceptional Z-factor, reopener, and off-ramp mechanisms, which are high-threshold and limited-use by design. Applying the four-factor test, insurance—particularly excess liability and wildfire-related

coverage as seen over the last five years—scores high on materiality and variability—and low on utility control: it is recurring, the rate is largely set by market, has been structurally volatile, and is largely a uncontrollable cost that has shown sustained increases and reduced market capacity. Channeling a predictable-but-volatile annual cost through mechanisms reserved for extraordinary events is a poor fit and risks systematic under-recovery.

The Company recommends consideration of recovery through a deferral, balancing account, or automatic adjustment clause reconciled to actual, prudently incurred premiums. This is much less administratively burdensome than an offramp or reopener. Furthermore, PacifiCorp urges caution on the Concept's cost-sharing suggestion: sharing is functionally identical to a disallowance of prudent costs of service and can be especially punitive when applied to exogenous drivers such as insurance-market capacity.

**Indices — Alternative Labor Index**

PacifiCorp supports Staff's plan to examine alternative labor indices in Track 2. Contractual and union-negotiated wage growth may not track a broad inflation measure, and a labor index that diverges from actual contracted escalation would systematically under-recover a large, non-discretionary component of O&M. The Company can provide supporting data—including the share of labor within O&M and its escalation drivers—to inform the discussion.

**Materiality Factor, "Least Departure," Deferrals, and Symmetry**

PacifiCorp supports developing, in Track 2, principled materiality framework that informs whether exceptions are warranted while preserving cost-containment incentives and public policy consideration. PacifiCorp agrees the framework should discourage mid-cycle filings for every ordinary cost difference. However, PacifiCorp cautions against rigid materiality threshold and believes materiality should be one factor considered among the other three. There should be flexibility to consider when public policy warrants different treatment for discrete and unavoidable compliance costs.

In general, the Company recommends that any materiality framework be set lower for O&M than for capital. Regarding Attachment 1's "least departure" preference, PacifiCorp agrees normalization is the right tool for recurring, uneven costs that a stable baseline can represent, such as normalized storm costs, but normalization cannot substitute for a deferral where a cost is truly unforecastable or arises after the plan is set. The Company also agrees mechanisms should be calibrated for over-recovery: the balancing accounts and true-ups it recommends are inherently symmetrical, returning over-collections—including lower-than-forecast costs and temporary costs that roll off—to customers as readily as they recover under-collections.

**Pass-Through and Mandated Compliance Costs Not Addressed in the Concept**

The Concept does not squarely address statutory pass-through and mandated compliance costs. PacifiCorp recommends adding an express provision that the BPA residential exchange credit, Multnomah County Business Income Tax, Commission assessment, the Public Purpose Charge

(ORS 757.612), the low-income electric bill-payment and crisis-assistance charge (ORS 757.698), independent evaluator (IE) costs, and intervenor funding are recovered dollar-for-dollar or through riders or deferrals with balancing accounts outside the indexed cap, with rate changes permitted notwithstanding any stay-out period. Intervenor funding and IE costs are already handled through deferrals or tariff funding with balancing accounts today, and their level depends on regulatory activity—IE costs, for example, are often RFP- and IRP-triggered and may not arise in-term—so a fixed allowance is inappropriate. PacifiCorp notes that in Washington, it recently obtained a separate deferral for IE costs Docket No. UE-250904—despite the existence of its MYRP. Intervenor funding should be outside of the plan, so that utilities are not disincentivized from encouraging broad and inclusive participation in regulatory proceedings. PacifiCorp also has a deferral for intervenor funding that was reaffirmed this year in Washington Docket UE-220599—despite the existence of it MYRP. This is a principled approach, because consistent with the four-factor test, these costs are neither controllable, readily forecastable given filing cadences, and are legally mandated costs that promote public participation and therefore should not be "contained" within the performance based incentives inherent in a MYRP.

**Third-Party Audit and Rebasing**

The Concept suggests that going-in rates "could be supplemented by a third-party audit of costs, procured by the Commission," and the same concern extends to rebasing. PacifiCorp respectfully questions the need for this additional layer. Going-in rates are already established in a fully litigated general rate case in which the utility files complete cost support subject to audit, data requests, and cross-examination, and in which the Commission's review authority and prudence standards apply. Because rebasing is itself the filing of a new MYRP—effectively a new general rate case—imposing a Commission-procured audit at both going-in and each rebasing would operate as a recurring, and potentially annual, third-party audit and would effectively revive the operational audit. That added cost, delay, and administrative burden is not justified by a demonstrated benefit and is in tension with the Concept's efficiency objective.

PacifiCorp also encourages Staff to clarify why rebasing warrants distinct treatment given that it is, in substance, the establishment of a new plan; the procedural mechanics of rebasing are best addressed in Phase IV. If Staff has identified a specific oversight gap in the Commission's regulatory oversight role that an audit is intended to fill, PacifiCorp requests that it be articulated so the parties can consider whether existing tools already address it.

**Clear Definitions — Reopener, Off-Ramp, and "Material Deviation"**

While PacifiCorp is focused on the conceptual framework rather than detailed mechanics, it recommends that the Concept provide clear definitions of the exceptional tools it references—particularly "reopener" and "off-ramp"—and, for a reopener, a workable definition of "material deviation" under which the company must state its case for re-evaluating a particular cost category. Clear definitions will allow these tools to be applied predictably and will limit disputes over their availability. The need for a defined, evidence-based standard is illustrated by unforeseeable changes that have arisen in the past—such as a change in tax rate that PacifiCorp addressed through

a deferral. Because parties cannot know what the future will hold over a multi-year term, the framework should pair a clear reopener standard with the deferral flexibility described above. The detailed design of these mechanisms can be developed in Track 2 and Phase IV.

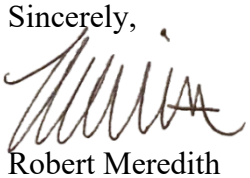
PacifiCorp also notes that the workload and administrative burden associated with "reopeners" and "off-ramps" remain uncertain. This uncertainty should be considered when evaluating potential regulatory tools, particularly because alternatives such as deferred accounting are well-established, reasonable mechanisms that may involve significantly less administrative burden. Deferrals can promote equitable outcomes by allowing recovery of, or refunds for, only prudently incurred costs. They also mitigate the consequences of forecasting inaccuracies (rates too high or too low) and align cost recovery with the actual incurrence of prudent costs, thereby supporting appropriate performance incentives.

**Conclusion**

PacifiCorp appreciates Staff's work on the O&M Concept and the collaborative tone/approach of Track 1. Adopting an explicit four-factor test for departing from the primary approach would strengthen the Concept. That test should cover: a sensible default for enrollment and policy-driven customer programs; recovery of insurance through a deferral or balancing account instead of exceptional tools or cost sharing; an alternative labor index; materiality framework set lower for O&M than for capital, while preserving deferrals for genuinely unforecastable and compliance driven costs; express treatment of statutory pass-through and mandated costs; no third-party or operational audit at going-in rates or rebasing; and clear definitions for reopeners and off-ramps. PacifiCorp has included cost scenario examples and visualizations of key cost drivers in Appendix B.

PacifiCorp looks forward to continued participation as this track advances toward an integrated Track 1 Concept Proposal. If you have any questions about these comments, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,



Robert Meredith
Director, Regulation
PacifiCorp d/b/a Pacific Power

## Appendix A — PacifiCorp's Proposed Edits to Staff's O&M Concept (v1)

The table below sets out PacifiCorp's specific proposed edits to the Concept, keyed to the relevant section or topic, together with the supporting rationale for each. The edits preserve the Concept's primary approach while establishing a principled, four-factor basis for the limited departures identified in Track 1.

| Concept § / Topic | Staff's Current Language / Approach | PacifiCorp's Proposed Edit | Supporting Rationale |
|---|---|---|---|
| **Conceptual framework — Four-factor test** | Primary approach is the default; "limited departures" allowed "where characteristics of the cost clearly justify." No explicit standard is stated. | Adopt an explicit four-factor test as the conceptual basis for departing from the primary approach: (1) materiality; (2) utility control; (3) variability/forecastable (magnitude and timing); and (4) whether the cost is driven by public policy such that a spending cap would undermine the policy. A cost that satisfies these factors should considered for—and potentially receive—a deferral. | Whether a cost warrants different treatment is a question of fact. A principled, fact-based standard gives utilities, Staff, and stakeholders a consistent lens, focuses the framework on principles rather than ad hoc mechanics, and reduces disputes over individual categories. |
| **Summary table (p.3) — Add dimensions** | Page-3 summary table maps cost categories to treatments but reflects limited dimensions. | Add columns to the summary table for each of the four factors (materiality, control, variability, public policy) so every cost category is evaluated against the same criteria, and show the resulting recommended treatment. | The current table lacks the dimensions needed to determine appropriate treatment. Adding the factors makes the analysis transparent and repeatable across categories. |
| **Scope — Customer program exclusions** | "Limited exclusions may be considered for specific costs, subject to Commission order," listing HB 2475 discounts, demand response/flex load, Community Solar admin, and CBRE. | Confirm the four categories are excluded from the revenue cap by default, recovered via tariff schedules, riders, or deferrals with balancing accounts/true-ups; make the exclusion administrable within the utility's MRP filing; and ensure the exclusion does not sunset before a durable framework exists. | Public-policy factor: costs are driven by enrollment and participation, not discretionary spending. A cap penalizes enrolling eligible customers and severs the cost/benefit match. Consistent with PacifiCorp's WA and CA MRPs the framework must not undermine energy burden reduction. |
| **Going-in rates — Forecast &** | Test year informed by historical actuals; may | Retain and endorse both tools, but clarify they apply only to | Indices escalate from the going-in level, so under-stated |

| Concept § / Topic | Staff's Current Language / Approach | PacifiCorp's Proposed Edit | Supporting Rationale |
|---|---|---|---|
| **normalize / step adjustments** | supplement with forecast-and-normalize for volatile costs with modest fluctuations and step adjustments for predictable mid-cycle costs. | reasonably predictable costs and do not displace deferral/balancing-account treatment for certain costs costs that are known to be not be reliability forecastable or arise from Commission/legislative action after going-in rates are set. | starting rates compound. Forecastability factor: the supplemental tools close predictable gaps but cannot capture truly unforecastable or after-arising obligations. |
| **Unforeseen Material Costs — Insurance** | Insurance directed to exceptional tools (Z-factor, reopener, off-ramp); Staff wants to "preserve cost-containment signals" and will explore materiality thresholds and cost sharing in Track 2. | Recover insurance (excess liability and wildfire coverage) through a deferral, balancing account, or AAC reconciled to actual, prudently incurred premiums—not exceptional tools. | Variability and control factors: insurance is recurring and structurally volatile, not a one-time "off the rails" event, so exceptional tools risk chronic under-recovery. |
| **Indices — Labor** | Staff will examine alternative labor indices in Track 2 because union-contracted labor may not track standard inflation. | Confirm the Track 2 commitment and provide that a labor index will reflect contracted/union-negotiated escalation where a broad inflation measure diverges materially. | Labor is a large, non-discretionary O&M component; an index lagging actual contracted escalation systematically under-recovers it. PacifiCorp will supply labor-share and driver data. |
| **Materiality, "least departure," and symmetry** | Attachment 1: exceptions materiality-based and limited; prefer "least departure" (averages/normalization) over deferrals; calibrate mechanisms for over-recovery too. | Set the O&M materiality framework lower than the capital threshold. Confirm normalization is preferred for recurring, representable costs, but preserve deferrals for unforecastable/after-arising costs. State expressly that balancing accounts and true-ups operate symmetrically, returning over-collections to customers. | O&M carve-outs are discrete and volatile; capital carve-outs are large/extraordinary. Deferrals link recovery to prudent cost incurrence (a performance tool). Symmetry directly answers the over-recovery concern in Attachment 1. |
| **Pass-through & mandated compliance costs** | The Concept does not address statutory pass-throughs or Commission-directed costs (intervenor funding, IE). | Add an express provision that these are recovered dollar-for-dollar or via riders/deferrals with balancing accounts outside the cap: Commission assessment; Public Purpose | Not discretionary spending subject to cost-containment and instead are unavoidable compliance costs. Intervenor funding and IE costs already use deferrals or tariff funding |

| Concept § / Topic | Staff's Current Language / Approach | PacifiCorp's Proposed Edit | Supporting Rationale |
|---|---|---|---|
| | | Charge (ORS 757.612); low-income bill-payment/crisis-assistance charge (ORS 757.698); IE costs; and intervenor funding—with rate changes permitted notwithstanding any stay-out period. | with balancing accounts and vary with regulatory activity. IE costs are RFP/IRP-triggered and may not arise in-term. Treatment must not undermine energy burden reduction. |
| **Going-in rates & rebasing — Third-party / operational audit** | Going-in rates "could be supplemented by a third-party audit of costs, procured by the Commission," filed as an exhibit and addressed in testimony; audit also implicated at rebasing. | Strike the third-party audit for both going-in rates and rebasing. Because rebasing is itself the filing of a new MYRP, an audit at each rebasing would become a recurring/annual audit and effectively revive the operational audit—neither is warranted. Address any audit mechanics, if pursued, in Phase IV. | Going-in rates are already set in a fully litigated GRC with complete cost support subject to audit, data requests, cross-examination, and prudence review. A separate Commission-procured audit adds cost, delay, and burden without demonstrated benefit and conflicts with the Concept's efficiency objective. |
| **Definitions — Reopener, off-ramp, "material deviation"** | The Concept references Z-factor, reopener, and off-ramp but does not define them or the threshold for a reopener. | Provide clear definitions of "reopener" and "off-ramp," and define "material deviation" for a reopener, under which the company states its case for re-evaluation of a cost category. Keep detailed mechanics for Track 2/Phase IV. | Clarity is needed to apply these tools predictably. Unforeseeable changes occur (e.g., a change in tax rate historically handled through a deferral), so a defined, evidence-based reopener standard is essential. |

## Appendix B — Application of 4 Factors to Various Costs

The table below shows how PacifiCorp's proposed 4 factors of evaluation can be applied to various costs. This list of costs is non-exhaustive.

| **Cost** | **Materiality** | **Utility Control** | **Variability/ Forecastablity** | **Public Policy** | **Notes** |
|---|---|---|---|---|---|
| | Is it material? | Is it not reasonably within the utility's control? | Is it volatile and/or unpredictable? | Is it required by public policy? | |
| Most O&M | ✓ | | | | Should be part of plan |
| WMP Costs | ✓ | | | ✓ | Should be excluded from plan |
| Net Power Costs | ✓ | ✓ | ✓ | | Should be excluded from plan |
| ETO Costs | ✓ | ✓ | ✓ | ✓ | Should be excluded from plan |
| Independent Evaluator Costs | | ✓ | ✓ | ✓ | Should be considered |
| Intervenor Funding | | ✓ | ✓ | ✓ | Should be considered |
| BPA Residential Exchange Credit | ✓ | ✓ | ✓ | ✓ | Should be a sur-credit |
| Direct Costs of LID Program | ✓ | ✓ | ✓ | ✓ | Should be excluded from plan |
| Demand Response/ Load Flexibility Programs | ✓ | | ✓ | ✓ | Should be excluded from plan |
| Multnomah County Business Tax | | ✓ | | ✓ | Should be paid for by Multnomah County customers through a surcharge |
| Community Solar Administration | ✓ | ✓ | | ✓ | Should be considered |

| **Cost** | **Materiality** | **Utility Control** | **Variability/ Forecastablity** | **Public Policy** | **Notes** |
|---|---|---|---|---|---|
| | Is it material? | Is is it not reasonably within the utility's control? | Is it volatile and/or unpredictable? | Is it required by public policy? | |
| Catastrophic Event Costs (major storms, fires, earthquakes, tsunamis) | ✓ | ✓ | ✓ | | Should be part of Z-factor |
| Excess Liability Insurance Costs | ✓ | ✓ | ✓ | | Should be considered |
| Oregon EAP Remittance | ✓ | ✓ | | ✓ | Should be a surcharge |
| Property Sales | | | ✓ | | Should be considered |
| Routine IT Costs | ✓ | | | | Should be part of plan |
| A&G Costs | ✓ | | | | Should be part of plan |