Portland General Electric
121 SW Salmon Street • Portland, OR 97204
portlandgeneral.com

September 25, 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 Phase 2, Track 1, PGE Other Costs Pre-Read

Dear Filing Center:

Portland General Electric (PGE) appreciates the opportunity to provide this final Track 1 Pre-Read regarding the treatment of cost categories under Oregon's emerging Multi-Year Rate Plan (MRP) framework. This paper focuses on questions in Attachment 1 to Staff's Phase 2 Workplan that remain unresolved or underdeveloped, rather than repeating positions already explained in the two previous pre-reads.

Executive Summary

PGE finds that most foundational Track 1 concepts are converging: Going-in rates should rest on a cost-of-service record; the default annual revenue path for most costs should be under the index; and targeted mechanisms remain necessary, albeit in limited cases, for those costs that the index cannot reasonably represent. The remaining questions are primarily about implementation.

PGE sees the key remaining choices or questions as

- Supplemental Capital Funding Mechanism (SCFM) eligibility and true ups.
- When and how rebasing can be used and/or sequenced.
- Coordination among decoupling, earnings sharing, and PIMs for costs.
- Definitions, hierarchy, and use constraints around alternative mechanisms (e.g., deferrals, reopeners, SCFM, Z-factor)
- Determining the relationship between the G-Factor and costs, especially O&M
- Capitalization and TotEx issues.
- Depreciation in the Annual Revenue Adjustment
- Avoidance of duplicate recovery across decoupling, ESMs, PIMs, deferrals, and trackers.
- Annual review sufficient for prudence and used-and-useful purposes.
- The relationship between planning and cost recovery.
- Annual revenue adjustment and true-up process, using Hawaii as a particularly useful process example.

- Capitalization and TotEx issues to the extent the current record supports principles rather than a specific accounting recommendation.
- Lumpy investment scenarios stretching the index.

Finally, PGE would encourage Staff's final concept papers to include draft rules and associated recommendations for Commission orders. By receiving this in October and November, stakeholders will have sufficient time to assess and comment on Staff's framework.

Crosswalk Findings and Remaining Items

PGE believes the following issues are resolved and thanks staff and stakeholders.

- Going-in rates should be established through a Commission-reviewed cost-of-service proceeding that produces a representative starting revenue requirement.
- Ordinarily recurring costs should be managed under the index rather than reconciled to actual costs.
- Planning proceedings inform the record but do not, by themselves, decide cost recovery; DSP retains its importance as a guide to distribution costs in an MRP.
- Deferrals, balancing accounts, Z-factors, and capital mechanisms should be targeted rather than routine.

Addressing the following items should be part of the rulemaking process.

Item 1: Annual revenue adjustment and true-up process

A clear annual process is the connective tissue among the index, decoupling, SCFM, Z-factors, PIMs, ESM, and customer rates. A common filing, common set of revenue definitions, and an agreed calculation sequence, overlapping mechanisms will avoid disputes or duplicate recovery. We understand this will be addressed in Track 4. In the lead up to that, PGE will be exploring Hawaii as a useful example. It would appear to allow revenue updates annually through a formula and incorporates approved EPRM and Z-factor amounts, while a limited number of cost trackers and performance mechanisms operate alongside the revenue cap, index, decoupling, and the ESM.

Item 2: SCFM design and capital recovery timing

PGE has already supported a targeted SCFM and a focused true-up, but eligibility, project versus portfolio treatment, filing limits, and review timing remain unresolved. These questions matter because a five-year indexed plan may create a material gap between the in-service date of a qualifying investment and the next full rebasing.

Item 3: Depreciation and rebasing

The continued use of specialized depreciation studies and approved depreciation rates in going-in rates should continue until a different process can be vetted. Questions will arise, like: how to establish a mid-plan depreciation decision to change annual target revenues, if needed; or how potential rebasing should avoid overlapping or complement an annual update. Given the central nature of depreciation of capital costs to establishing revenue requirement, maintaining the current practices seems the most prudent course in the short-term.

Item 4: SCFM Use and Relationship to RAAC

PGE has recommended evaluating SCFM materiality using revenue-requirement impact rather than gross construction cost. Hawaii's Z-factor usage is set as approximately 0.14 percent of total allowed revenue for Hawaiian Electric. (Not a suggested level for any utility's Z-factor, but rather an example to discuss now and in Track 2.) The Commission should retain the flexibility to tailor SCFM materiality thresholds to each utility's situation until enough is known to support a single statewide number or percentage threshold.

Also, PGE appreciates the recent discussion about the relationship between the SCFM and the RAAC and concurs with Staff's current vision[1] of the RAAC continuing to operate either outside of or under the SCFM. Regardless, PGE believes the RAAC should continue as it remains a valuable tool to meet HB 2021's targets.

Item 5: Postponement of Capitalization / TotEx Use in Upcoming MRPs

In Phase 1 PGE clearly stated its opposition, at this time, to adopt a Capitalization/TotEx strategy. The legal, accounting, and regulatory-compact concerns surrounding this concept warrants a deliberative approach. By way of comparison, it took the OPUC and stakeholders nine months to develop rules for energy efficiency avoided-costs, and over a year to revise the rules around competitive bidding. The OPUC should plan to dedicate similar amounts of time to exploring issues like: cost-recovery; items that can and cannot earn a return on; and how ToTex would function in relationship to other MRP mechanisms, like PIMs. The sweeping nature of ToTex warrants more time before applying this concept in forthcoming MRPs. Much like the advocates' proposal for shadow PIMs to learn more and establish a baseline, PGE suggests exploring if and/or how ToTex may work for Oregon over the next few years, before implementing/adopting anything.

Item 6: G-Factor and Costs

While Track 2 will explore methodological issues, PGE thinks it is important to discuss the potential relationship of Staff's G-Factor to various costs. First, PGE appreciates Staff including a G-Factor. This element of the index will be helpful in Oregon's proposed MRP framework. Under this type of MRP, the G-factor should function as an O&M scale adjustment with some minor levels of capital recovery. Using the G-Factor to cover capital costs related to general growth – not large customers - would risk both over- and under-recovery and may weaken the cost-discipline incentives that are central to an index-based revenue-cap MRP. In this sense, clarifying the G-Factor's use and relationship to such MRP elements as the SCFM, Z-Factor, and reopeners would be helpful. As noted in PGE's recent comments, PGE encourage Staff and stakeholders to establish standardized use for the G-Factor around recurring and measurable cost growth, not captured elsewhere in the MRP, and relies on a predetermined methodology.[2]

Item 7: Decision Framework for Adjustments Beyond Indexed Treatment

PGE appreciates the dialogue in Phase 2 seems to balance the two positions that an indexed revenue cap cannot predict every circumstance over a five-year term ***and*** too many adjustments will weaken the sought-after budget discipline. While Staff genuinely appreciates Staff's position on customer programs, we think a decision framework, not a list of eligible accounts, might be

[1] *AR 676 Track 1, Electric Distribution Discussion #2*, September 21, 2026. Comments from Caroline Moore.
[2] *AR 676, PGE's MRP Adjustment Mechanism Memo*, September 18, 2026, pg. 5. Retrieved from https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAC&FileName=ar676hac349453039.pdf&DocketID=24739&numSequence=108.

more durable. PGE finds that recurring, but variable expenses may be normalized at the start of the plan and not have to be automatically removed. Participation-driven programs may be able to simply use a balancing account where growth exceeds or falls short of forecasts. Such a decision framework could include:

1. Is the cost or revenue change already represented in going-in rates, the index, or another approved mechanism?
2. Is the driver recurring and controllable, recurring but volatile, capital-driven, participation-driven, or a discrete exogenous event?
3. Is the impact material when measured against annual revenue requirement or customer rates?
4. Can a narrower remedy address the issue without reopening the plan?
5. Can the adjustment operate symmetrically where appropriate and without duplicate recovery?

Again, PGE is ***not opposed to*** customer programs being removed from the index. PGE appreciates the openness and flexibility of Staff and Stakeholders. We do, however, want to recognize that the proponents of HB 3179 sought balanced tradeoffs in managing costs and that in keeping with the spirit of the legislation basing the use of alternative mechanisms on principles may help strike a balance satisfactory to all parties. Finally, this could be an issue that is further explored after the first MRPs are filed.

Item 8: Filing Cadence

PGE supports one standardized, annual update window that consolidates MRP calculations and approval for adjustments to index elements, with some latitude for emergency filings. A single process for routine filings can reduce administrative burden, improve customer-impact visibility, and allow Staff and stakeholders to review the combined result. Separate emergencies or statutory filings may remain necessary, but the default should be consolidation with elimination of legacy reports (i.e., annual BOE).

Item 9: Recovery Timing

The timing question is not whether regulatory lag should exist. Some lag supports cost discipline by requiring the utility to manage within the approved revenue path. The question is how to distinguish ordinary business risk from material recovery risk associated with qualifying prudent investments that cannot be accommodated within the index. PGE illustrates three recovery pathways below:

Path	Best fit	Customer protection	Tradeoff
Index until rebasing	Routine, portfolio-manageable capital	Strong budget discipline; no incremental filing	Longer lag; may not fit material step changes
Annual SCFM adjustment	Qualifying material in-service project or portfolio	Focused prudence, used-and-useful, actual-cost and offset review	Adds annual process and reduces some lag
Temporary deferral/balancing account	Narrow cost needing a bridge to rebasing	Commission authorization; objective reconciliation	Can weaken incentives if used broadly

PGE's preferred approach is a hierarchy: use the index for ordinary capital, use the SCFM for qualifying material investment, and use deferral treatment only where it solves a distinct timing problem more simply. The Commission should also specify whether recovery begins with the next annual rate-effective date after the asset is placed in service, and the calculation of partial-year revenue requirements. Those detailed calculations should be established by Commission order and utility-specific evidence.

Item 10: Deferrals and Balancing Accounts

Deferrals and balancing accounts remain useful but should be limited and targeted. Their continued availability will be important, as will clear direction from the Commission as to their limited use and clear eligibility guardrails. The use should have a stated purpose, eligible accounts, approval period, carrying-cost treatment, reporting requirement, and termination or rebasing rule at a minimum. Guardrails should include:

- The cost is not already included in going-in rates, the index, SCFM, or another tracker.
- The driver and eligible amount can be measured objectively.
- The treatment advances a Commission-identified policy or addresses an uncontrollable or exogenous circumstance.
- The mechanism is symmetrical where the underlying risk can produce either over- or under-collection.
- The balance is reviewed and moved into or out of base rates at a defined time.

Item 11: Interaction of Costs with ESM, Decoupling, and PIMs

These mechanisms address different questions. Clear sequencing will be necessary so that one mechanism's timing is not mistaken for performance under another. PGE recommends that coordination be explored so principles and a consensus can develop ahead of any annual revenue adjustment.

Scenario

The annual index increases target revenue. An approved SCFM amount is then added. A Z-factor refund is subtracted. Decoupling reconciles collected revenue to the resulting target. Approved PIM and ESM amounts are shown separately under the MRP order's sequencing rules. The filing then shows the net rate change and confirms that no item is counted twice.

Overall, PGE feels strongly that the annual filing should be sufficiently detailed to verify the calculation without becoming a new rate case. Any true-up should verify actual eligible facts, rather than reopen every settled policy question. The goal should be for routine mathematical updates to receive a streamlined review. The Commission can preserve a common annual effective date while allowing a contested amount to be deferred, subject to later order, rather than delaying all undisputed components.

Scenario

PGE's filing shows a $40 million formula increase, a $7 million net SCFM addition, a $2 million Z-factor refund, and a $3 million decoupling refund. PIM and ESM amounts are separately stated. The filing explains that the SCFM addition reflects only eligible in-service plant after grants and prior collections. Customers and reviewers can see the gross components and the net change in one place.

Item 12: Lumpy Investment Scenarios Stretching the Index

As PGE has shared previously – and other utilities have articulated – there may be a large cost in the later years of an MRP, which are not part of the going-in rates, that could create significant revenue requirement impacts. This cost could be capital or O&M. As PGE shared in our pre-read materials[3], examples include major maintenance to refurbish a turbine (O&M) or compliance with a new NERC cybersecurity standard for communication hardware (capital). To the extent these costs are known in advance, are driven by standard operating decisions and not broader policy goals, and the placement of these costs under the index may lead to better, long-term cost containment PGE believes establishing a step-adjustment to the revenue requirement could be superior to placing these costs in the SCFM.

[3] See the following pre-read documents:

- *AR 676 –Portland General Electric, Track 1 O&M Cost Category Pre-Read*, August 21, 2026. Retrieved from https://edocs.puc.state.or.us/efdocs/HAC/ar676hac348788039.pdf
- *AR 676 – In the Matter of Rulemaking to Establish Multi-Year Rate Plan Framework, Portland General Electric Company, Track 1 Distribution (Capital) Cost Category Pre-Read*, September 4, 2026. Retrieved from https://edocs.puc.state.or.us/efdocs/HAC/ar676hac349180039.pdf

Conclusion

PGE appreciates PGE appreciates Staff's and stakeholders' continued engagement in developing Oregon's MRP framework. While substantial convergence has emerged around key Track 1 concepts, important implementation questions remain regarding annual updates, mechanism interactions, capital recovery, rebasing, and adjustment eligibility. PGE encourages Staff to provide draft rules and recommendations that establish clear guardrails, sequencing, and administrative processes so Oregon's MRP framework can balance cost discipline, customer protections, and timely recovery of prudent costs. PGE looks forward to continuing this dialogue as the Commission advances Phase 2. Please direct questions to JP Batmale at jp.batmale@pgn.com and all formal correspondence and requests to pge.opuc.filings@pgn.com.
Sincerely,

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Jason Salmi Klotz

Jason Salmi Klotz,
Senior Manager, Regulatory Strategy