CABLE HUSTON LLP

October 1, 2026

**VIA ELECTRONIC FILING**

Staff of the Public Utility Commission of
Oregon
Attn: Michelle Scala
michelle.m.scala@puc.oregon.gov

Re: *In the Matter of Oregon Public Utility Commission,* Rulemaking to Establish Multi-Year Rate Plan (HB 3179 and SB 688 Implementation)
**Docket No. AR 676**

Dear Michelle Scala,

The Alliance of Western Energy Consumers ("AWEC") appreciates the opportunity to provide the following comments in response to Staff's Phase 2, Track 2 MRP Methodologies and Approaches Survey. Per Staff's request, AWEC provides general comments on the components where it has initial concerns or recommendations at this stage. AWEC continues to evaluate the Track 2 MRP Methodologies and Approaches.

**1. Adjustment Factors**

As a general principle, AWEC continues to support an indexed MRP framework that expects utilities to manage ordinary changes in costs during the term of an MRP. With that in mind, AWEC believes it is important that the adjustment factors be limited and narrowly tailored to serve a discrete purpose. Adjustment factors should not be designed to, or have the effect of, eliminating risk or providing utilities with routine opportunities to recover costs outside the indexed MRP. This properly balances the risk and rewards a utility for operating in an efficient manner.

At this stage, AWEC does not have a particular recommendation as to any one of the I, X, S, or G factor methodologies, but continues to recommend that these methodologies be considered on a utility by utility basis rather than prescribed in the general MRP framework. AWEC looks forward to reviewing Staff's concepts for these mechanisms in the coming weeks.

At a minimum, the I factor should not duplicate the cost escalation that is already reflected in going-in rates. Similarly, any X or S factor should avoid double counting the same expected productivity improvements. AWEC does not believe that the S factor needs to be a standing feature of every MRP and may appropriately be zero where the circumstances do not support an additional stretch factor.

As for the Z factor, AWEC generally agrees with the characterization set forth in Staff's recent Electric Distribution Concept, which describes the Z factor as "event driven" and proposes limiting its use to "discrete, material, exogenous and unforeseen" costs that cannot be managed within the MRP.[1] A Z factor should not be available for ordinary cost variations or forecasting errors. Rather, the utility should bear the burden of demonstrating that the particular event is outside its control, is material, and is not already accounted for through going-in rates or another recovery mechanism. AWEC does not have a recommendation for a materiality threshold at this time, but the threshold should be sufficiently high such that ordinary cost fluctuations remain within the MRP.

**2. Supplemental Capital Funding Mechanism**

Staff describes the Supplemental Capital Funding Mechanism ("SCFM") as project driven and intended for a narrow category of large, lumpy investments that cannot reasonably be accommodated through ordinary capital planning. AWEC is concerned that the SCFM, without proper safeguards, could amount to single issue ratemaking with all upside flowing to the utilities to the detriment of customers.

The SCFM should therefore remain limited to significant and discrete projects that cannot be deferred or reprioritized within the indexed MRP. As Staff recognizes, a forecast-to-actual capital variance does not by itself justify supplemental recovery. Rather, the utility should be required to satisfy a high evidentiary burden demonstrating that the SCFM project would result in material underearning and cannot reasonably be accommodated through reprioritization of other investments.

It is also important that any project receiving SCFM treatment remains subject to prudence and used and useful review. In that same vein, recovery should exclude amounts already provided through the revenue cap or another recovery mechanism. AWEC also supports limiting the frequency of SCFM filings and considering other customer protections, including cost sharing or a reduced return on equity for capital receiving SCFM treatment. Because SCFM treatment accelerates recovery relative to the general MRP framework, it should not become a routine mechanism for recovery of capital that can otherwise be managed in the MRP.

**3. Decoupling**

AWEC generally does not support decoupling because it reduces the risk for the utility without a corresponding adjustment to the utility's authorized return on equity. Decoupling eliminates the financial incentive from conservation efforts by making the utility whole from reduced sales. AWEC recognizes, however, that the Commission has adopted decoupling for certain customers. At a minimum, AWEC does not support applying the same decoupling framework to all rate classes.

AWEC is particularly concerned with decoupling for industrial schedules because those schedules may contain relatively few customers with substantially different load characteristics

[1] Staff Electric Distribution Concept v1at 6.

such that a material change in the usage of one large customer can result in significant cost shifting among the remaining customers on the schedule. Moreover, changes in industrial usage may be driven by factors unrelated to conservation or energy efficiency, which are major reasons for using decoupling. For example, an industrial customer may reduce or curtail production because of an economic downturn or changes in market demand. Decoupling that load reduction would shift the resulting revenue shortfall to other customers on that schedule even though the reduction in usage was unrelated to the policy objectives associated with decoupling. Further, decoupling can reduce the benefit to an industrial customer from the investments that reduce its usage.

Accordingly, if Staff moves forward with decoupling, it should evaluate its application on a class specific basis. Some factors for Staff to consider include the number and load characteristics of customers within a particular class, the degree to which an individual customer can materially affect class wide usage, and the reasons usage may fluctuate.

AWEC does not have a recommendation at this time regarding a uniform deadband or whether full or partial decoupling should apply to other customer classes, but looks forward to reviewing Staff's proposal in its forthcoming concept paper.

**4. Earnings Sharing Mechanism, Reopeners, and Off Ramps**

AWEC continues to recommend against an Earnings Sharing Mechanism ("ESM"). An indexed MRP is intended to give the utility an incentive to manage its costs below the cap. Overearnings that result from a utility operating more efficiently than it assumed in the index are part of that incentive.

An ESM may undermine that incentive by requiring utilities to share the benefit of improved efficiency. At the same time, AWEC does not support requiring customers to share utility underearnings. The utility should retain meaningful responsibility for managing costs within the MRP.

AWEC similarly does not support using reopeners as another mechanism to adjust individual cost categories when actual costs depart from the assumptions underlying the MRP. Doing so would allow the utility to isolate unfavorable cost changes for review without consideration of the costs or revenues that may change in its favor elsewhere in the MRP. Material deviations in costs should instead be evaluated based on their impact on the utility's overall earnings. If those deviations are so significant that the MRP no longer results in just and reasonable rates, an off-ramp, rather than a reopener, should apply.

That said, an off-ramp should have the highest threshold and should be reserved for circumstances where the MRP as a whole can no longer produce just and reasonable rates. Where a utility is underearning relative to its authorized ROE, AWEC continues to recommend that an off-ramp apply only if the utility can demonstrate that its existing rates are confiscatory under *Federal Power Commission v. Hope Natural Gas Co*.[2]

[2] *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944).

Finally, Staff should consider the cumulative impact of the mechanisms under consideration in Track 2. The Z factor, SCFM, decoupling, ESM, reopeners, and off-ramp mechanisms each shift some level of risk away from the utility, without a corresponding adjustment to the authorized return on equity. If too many of these mechanisms are available, utilities may be left with little remaining incentive to manage costs within the MRP. Staff should therefore evaluate the extent to which the chosen mechanisms may overlap, lead to duplicative recovery, or otherwise undermine the cost control incentives central to the MRP framework.

AWEC appreciates the opportunity to provide these comments and looks forward to continuing to work with Staff and stakeholders in this proceeding.

Dated this 1st day of October 2026.


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