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October 1, 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 2, MRP Methodologies and Approaches Survey Response

Dear Filing Center:

Portland General Electric (PGE) appreciates the opportunity to provide these Track 2 survey responses regarding the Multi-Year Rate Plan (MRP) methodologies and approaches. These comments on answering the questions posed in the Oregon Public Utility Commission (OPUC) Staff memo from September 15, 2026. These responses are designed to expand upon PGE's September 18, 2026 comments regarding MRP adjustment mechanisms

Question 1: I-Factor

PGE recommends that the I-factor recognize the impact of general inflation on the utility's cost structure while supporting a predictable and stable customer rate path. The I-factor should operate alongside, rather than replace, other mechanisms designed to address growth, extraordinary events, or major capital investment. PGE recommends a utility-specific approach where feasible because utilities experience different cost pressures. If a single inflation measure is adopted statewide, PGE supports the use of the U.S. Bureau of Economic Analysis national data from the Gross Domestic Product, Price Index (GDP-PI). PGE strongly recommends using a lagged or averaged historical index, such as a multi-quarter average, immediately leading into a given MRP year, rather than a forward-looking inflation forecast. Further, PGE recommends updating the inflation figure annually during the pendency of the MYRP rather than setting it for all years of the MYRP at the beginning. This will allow for changes in macroeconomic conditions impacting the utility to be considered with a reasonable cadence.

Question 2: X-Factor

PGE recommends that the X-factor represent the electric utility industry's expected productivity performance relative to the broader economy. The purpose of the X-factor is to emulate the competitive pressures that would exist in a market environment and to achieve productivity improvements consistent with industry experience. The X-factor should therefore be based on industry-wide, not utility-specific, performance. Consistent with established economic literature, when a broad inflation measure such as GDP-PI is used, the X-factor should reflect both: (1) the difference between electric utility industry total factor productivity (TFP) growth and economy-wide TFP growth; and (2) the difference between economy-wide input price growth and utility-industry input price growth.

PGE notes that recent industry experience demonstrates the importance of grounding the X-factor in current empirical evidence. Several recent studies have found utility-industry productivity growth below economy-wide productivity growth while utility input costs have increased faster than broader inflation measures, producing negative calculated X-factors in some cases. Notably, some jurisdictions have elected to set the X-factor at zero rather than apply a negative productivity factor.

Who would undertake the productivity analysis?
In other state's the analysis appears to be performed by independent productivity experts with demonstrated experience conducting electric utility TFP studies and developing indexed-cap ratemaking parameters.[1] Independent expert analysis may be preferable because the X-factor is intended to reflect industry performance rather than the experience of any individual utility. However, establishing an industry baseline that can be transparently updated, especially for new MRP filings may be preferable. In this sense, it my be preferable for a utility to conduct an X-Factor study leading into an MRP. Track 2 should discuss these issues and explore tradeoffs. Regardless, the resulting study should be transparent, reproducible, and available for stakeholder review.

Through an informal conversation with an industry expert, PGE was informed that TFP studies can cost between $200,000 and $450,000 and the study can take between nine months to complete. This information should be double-checked by Staff through its own sources. But this informal information does raise a scenario to consider: if the OPUC wanted an electric utility X-Factor that was applied equally across all electric utilities and used at the beginning of their MRPs, the process may need to start as soon as Q1 2027. (This is only a scenario, and not PGE's position at this time.)

How often it would be updated?
PGE supports periodic updates through Commission-sponsored reviews that balances administrative efficiency and total costs against the need to reflect evolving industry conditions. Again, , establishing an industry baseline that can be transparently updated, especially for new MRP filings may be preferable. One final tradeoff to consider: the interval between revised TFP studies may need to be sufficiently long to reflect meaningful productivity trends and avoid influence from factors like short-term business cycles or temporary cost fluctuations. Bringing in experts to discuss could be very helpful.

Any bounds on what the X-factor could be?
PGE does not recommend establishing an arbitrary numerical bound. The X-factor should be determined through the results of the underlying productivity study and supporting record. Instead, the Commission should retain discretion to evaluate how a calculated value should be applied. Research from PNNL [2]and from the Maine Public Utility Commission[3] provide technical insights into the methodology for establishing an X-Factor.

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[1] Christensen Associates Energy Consulting, Performance-Based Regulation Report with Recommendations for the Maine Public Utilities Commission, June 27, 2025.
[2] Tarufelli and Weimar, PNNL, Total Factor Productivity Studies in the Electric Sector – An Overview of the Methodologies & Best Practices, June 2022.
[3] Christensen Associates Energy Consulting, Performance-Based Regulation Report with Recommendations for the Maine Public Utilities Commission, June 27, 2025.

In what docket the updates would occur?
PGE supports conducting productivity studies through Commission investigatory proceedings or other dedicated processes separate from individual MYRP filings. This approach would promote consistency across utilities and allow the resulting productivity parameters to inform future MYRPs.

Question 3: Z-Factor

PGE recommends a Z-factor that is narrowly focused on extraordinary, exogenous, and unforecastable events that could not reasonably have been reflected in an approved index. The purpose of the Z-factor should be to provide a structured mechanism for addressing major events outside the utility's control. A Z-factor should be subject to Commission review, materiality thresholds, and explicit safeguards against duplicate recovery. PGE notes that other jurisdictions generally apply Z-factors only to events that satisfy multiple criteria, including exogeneity, materiality, incrementality, and lack of reasonable forecastability. Examples include:

- Hawaiian Electric Company (HECO) operates under a revenue-cap framework that includes a Z-factor for extraordinary events and uses a materiality threshold of approximately 0.14 percent of allowed revenues, equivalent to roughly $4 million for PGE, before Z-factor treatment becomes available.
- California has historically utilized major-event recovery mechanisms that include a utility deductible before recovery is sought, including examples referenced by PGE where a $10 million deductible applies prior to seeking regulatory recovery.
- Massachusetts permits Z-factor treatment for certain statutory, regulatory, accounting, or legislative changes uniquely affecting utilities, rather than routine operating cost increases.
- Alberta identifies major environmental events, legislative changes, acts of war, terrorism, major labor disruptions, and similar extraordinary events as examples of costs potentially eligible for Z-factor treatment.

These examples illustrate that successful Z-factors generally rely on clearly defined eligibility standards and materiality screens applied to events outside utility control.

What costs should be eligible for Z-factor recovery?
PGE recommends limiting recovery to prudently incurred incremental costs arising from extraordinary events outside the utility's reasonable control. Potential examples include major natural disasters, government-declared emergencies, significant legislative or regulatory mandates creating unanticipated costs, or major system disruptions.

What materiality threshold should be considered – if any?
PGE supports a materiality threshold as a fundamental element of any Z-factor. Hawaii's Z-factor includes a utility-specific, per-event materiality threshold. Costs associated with an exogenous event must exceed $4 million for HECO or $1 million for HELCO and MECO before they are eligible for Z-factor consideration. Recovery remains subject to prudence review and Commission discretion. At this juncture PGE does not have a recommended methodology for a numerical threshold yet but looks forward to debating its merits and developing a standard through Track 2.

How frequent Z-factor adjustments should be able to be filed?
PGE recommends that filings occur only when a qualifying event has occurred and the applicable eligibility and materiality criteria have been satisfied. The mechanism should not become a routine annual reconciliation process

When should the rate update should occur?
PGE supports recovery through the annual MRP update process or another Commission-approved process following review of eligibility, prudence, and calculation of net recoverable costs. The specific timing should balance timely recovery with administrative efficiency and customer affordability.

Can a Z-factor can be used for only one event or whether multiple events could be accumulated into a Z-factor filing?
As the Z-Factor should be limited to qualifying events (e.g., Governor declared emergency) some latitude should be allowed for filing at the discretion of the utility based on financial circumstances. Aggregating multiple qualifying events, when appropriate, can improve administrative efficiency while maintaining transparency.

What the burden of proof should be in a company's Z-factor filing
In keeping with the intent of HB 3179 and MRP broadly, the utility should bear the burden of demonstrating that:

i. The event was outside the utility's reasonable control.
ii. The event was not known and measurable when rates were established.
iii. The event is extraordinary rather than recurring.
iv. The costs are incremental to amounts already reflected in rates.
v. All applicable offsets, including insurance proceeds, grants, avoided costs, tax benefits, and related revenues, have been fully netted.
vi. The costs were prudently incurred.

The utility should also demonstrate that the requested costs are not eligible for recovery or mitigated through another MRP mechanism like the, SCFM or reopener.

Question 4: S-Factor

S-factor principles should include: transparency; objectivity (observable evidence); and replicable. The data sources should rely on industry cost benchmarking analysis and reflect the evidentiary record. Any stretch factor should be company-specific and consistently applied. Because the stretch factor relates to the individual efficiencies of each utility, it should be set for each utility separately.

Question 5: G-Factor

Under an MRP with revenue decoupling, higher revenue from customer growth beyond PGE's forecast will most likely be returned. Without a G-Factor new costs for higher-than-forecasted growth puts negative financial pressure on the utility. New customers - of any rate class – bring additional costs to the utility. To some degree a new customer may require incremental, physical expenditures depending on location or size that could include:

a. Customer-service drop
b. New Meters
c. Transformers
d. New or updated distribution mains or feeders
e. Service-extension construction.
f. Connection-study costs.
g. Customer or developer contributions.
h. Line-extension allowances.
i. Shared system reinforcements.
j. Generation and transmission upgrades attributable to specific load additions.

Accordingly, a materiality threshold may need to be tailored to the type of growth (i.e., numeric for residential customers using customer count or cost-based for commercial and industrial customers). PGE would be interested in exploring a numeric threshold for residential customers and a cost threshold for other customers.

PGE recommends that a G Factor is set on an individual basis for each utility. Because a g factor is dependent on the unique growth composition of customers, and customer classes, within each utility service area, it would not make sense to set a singular growth factor for all utilities. Therefore, PGE recommends the G factor is set within each individual MYRP.

Question 6: Supplemental Capital Funding Mechanism (SCFM)

The SCFM should focus on eligible capital investments that are material and difficult to forecast accurately at the time rates are established. The SCFM should complement, not replace, traditional ratemaking and should maintain prudence review and Commission oversight. PGE views the SCFM as the preferred mechanism for policy-driven, capital investments or those capital investments whose timing is uncertain and magnitude is large (e.g., >= 2.5% of Revenue Requirement). PGE only uses 2.5% of Revenue requirement as an example and is still determining its ultimate position on its proposal. At this time, PGE's position is that the Commission may set an SCFM threshold that is either a portfolio capital investment threshold (for interelated capital projects) or individual project threshold, or both.

What types of capital projects should be eligible for SCFM treatment?

Customer-driven, policy-driven, transmission, long lead-time, and other qualifying investments that are material and difficult to forecast. PGE supports continued consideration of the relationship between the SCFM and RAAC.

What materiality or size thresholds should apply?
For investments that are not driven by policy (e.g., HB 2021) revenue requirement impact may be more informative than gross construction costs. Also, for resources with energy and/or capacity benefits the rate treatment of costs and benefits collectively should be considered. For instance, if the costs of a resource were not allowed to be recovered through a SCFM, then fairness would require that the benefits of that resource should also be excluded from ratemaking through the MYRP.

How often SCFM updates should occur and how they should be documented?
Annually. The approach to documentation can be developed as part of Track 4 or in future MRP filings. Further, this would allow not only for incremental resources to be considered in each annual SCFM, but also for the roll-off of depreciation on a prior resource to be recognized annually as occurs today, for instance, through the RAAC.

What safeguards should ensure SCFM use does not overlap with other mechanisms or circumvent prudence review?
Commission review of annual reporting that uses transparent calculations should prevent overlap with mechanisms.

Question 7: Decoupling

PGE supports decoupling in the MRP and has previously supported weather-normalized, use-per-customer decoupling for residential and small commercial customers. PGE envisions decoupling removing the sales-volume risk, which may reduce the frequency and magnitude of ESM triggers.

What level of decoupling should be included (full, partial, etc.)?
PGE is open to partial decoupling, as it retains the incentive for pursuing large-customer growth and reduces the administrative burden associated with that growth.

Which classes should be subject to decoupling?
Residential and small-commercial, especially as they are the most impacted by ongoing energy-efficiency investments.

Whether a decoupling mechanism should include deadbands and whether they should be symmetric?
The decoupling mechanism should not include deadbands. The utilities are already absorbing a fair amount of risk. Decoupling does not address under-earning due to costs exceeding indexed allowances, inflation rising faster than forecasted, risks around O&M management issues, etc. Further, this will complicate the design and the interaction with both the G-Factor and the ESM. PGE suggests the OPUC explore a decoupling deadband after observing the MRP in practice and determining if it is needed, given all of the other factors already in play.

Whether the load forecast should be updated both when setting rates and when calculating the decoupling mechanism each year?
PGE is still developing a position on this issue. It would be helpful to hear from the OPUC consultant the extent to which load forecasts in other states using a revenue-capped, index-based MRP remain consistent throughout an MRP cycle and any concerns around decoupling calculations and the potential for bias.

Question 8: Efficiency Carryover Mechanism (ECM)

It is too early at this time to consider or adopt an ECM. Evidence from other jurisdictions suggest that the ECM is a complex mechanism to administer in an already complicated MRP Framework. Further, the cause and effect benefits are hard to determine. Alberta recently ceased its use of the ECM, "…due to insufficient evidence indicating the ECM was a deciding factor in any utility operational plans or investment decisions, thereby concluding that the ECM did not provide sufficient incentive to impact utility performance."[4] Additionally, Connecticut, Massachusetts, and Hawaii do not employ an ECM. The considerations to balance are administrative burden (high) and practicality challenges to the putative cost-containment benefits (indeterminate). At best, Oregon should study the possibility of adopting ECM for the second round of MRP filings (i.e. after each utility has gone through one MRP).

Question 9: Earnings Sharing Mechanism (ESM) & Deadbands

Earnings sharing should function as a backstop, rather than as a substitute, for other MRP mechanisms like decoupling and G-factor. In Track 2 PGE would appreciate exploring the effect of decoupling design on ESM outcomes, as part of the deadband range conversation. For example, under full decoupling a more limited deadband bandwidth of 100 to 150 basis points may prove to be reasonable. With that said, PGE has done no analysis into an appropriate approach into establishing deadbands and looks forward to exploring this with Staff and stakeholders. Finally, PGE supports symmetric ESM deadbands as it aligns with principles of balanced risk-sharing. PGE recommends that the ESM is set in an individual utilities MRP because of the unique financial circumstances of each utility.

Question 10: Reopeners & Offramps

Per previous comments, there should be a clear distinction between reopeners and offramps. Reopeners should address targeted problems within an MRP element. Offramps should be reserved for broader issues that fundamentally cause the framework to fail. The mechanisms should operate sequentially, with narrower remedies under reopeners and considered before the more significant remedy of offramp usage. PGE recommends that the OPUC define reopeners, offramps, and SCFM within the proposed rules.

Under what condition can a case be reopened?

A reopener should be available when a material assumption, forecast, mechanism, legal circumstance, affordability outcome, financial condition, or operational outcome indicates that part of the framework is no longer functioning as intended.

Under what conditions should a new MRP case (an offramp) be allowed to be filed ahead of schedule?

An offramp should be available when fundamental assumptions materially fail, targeted corrections cannot restore the plan, or continued operation would no longer produce just and reasonable rates.

[4] AR 676, CEG Report to OPUC "Multi-Year Rate Plans: Purpose & Design Considerations" page 28, December 12, 2025.

Should the offramp or reopener be based on firm thresholds or principles to be evaluated by the Commission?
PGE recommends a hybrid approach. Objective triggers can provide clarity, but PGE does not have specific recommendations at this time for the objective triggers. While Commission judgment should remain available to evaluate materiality, context, and whether narrower remedies are sufficient, some concrete objective triggers provides more certainty of outcomes for all stakeholders.

Conclusion

PGE appreciates the opportunity to present its responses to Staff's survey and the collaboration that has occurred within this docket by all parties. PGE looks forward to further developing its own positions on the above topics and reviewing the positions of all stakeholders. Please direct questions to JP Batmale at jp.batmale@pgn.com and all formal correspondence and requests to pge.opuc.filings@pgn.com.

Sincerely,

Sincerely,

\s\ JP Batmale

JP Batmale,
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