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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97308

Re: AR 676 - Rulemaking to Establish Multi-Year Rate Plan Framework (HB 3179 & SB 688 Implementation)

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files a joint response on behalf of NW Natural, Avista Utilities, and Cascade Natural Gas Corporation (collectively referred to herein as the "Gas Utilities") in response to Staff's Phase 2, Track 2, Multi-Year Rate Plan ("MRP") Methodologies and Approaches Survey published on September 15, 2026.

Joint Response from Gas Utilities

I-Factor

Degree of standardization:
The I-Factor methodology and governing principles should be standardized, while the specific indexes, weights, and cost categories may vary by industry or utility where supported by evidence of the underlying cost drivers. The framework should allow flexibility to allow different inflation factors to be applied to certain O&M related cost components to align with the underlying cost drivers. For example, labor may require a different escalator than non-labor O&M, while scheduled compliance, inspection, or information-technology costs may warrant a known and measurable adjustment, normalization, or another targeted treatment that can complement the inflation index.

Initial Position:
The inflation adjustment factor should provide a transparent, formula-based method for updating non-capital revenue requirement components during the MRP term. For non-labor O&M, each Gas Utility should propose a published general inflation measure, potentially calculated using a four-quarter average that reasonably reflects the cost categories to which it applies. For labor-related O&M, a labor-specific escalator may be appropriate where union agreements, non-union compensation, benefits, or contracted

workforce costs do not track general inflation. The applicable index or escalator for each material cost component should be proposed and supported in the utility's MRP filing.

The role of the inflation adjustment is to help maintain the utility's ability to recover reasonable operating costs between rate cases. The inflation factor should not, however, replace known and measurable adjustments for costs that are expected to change for reasons other than general inflation. Where reasonably known at the time the MRP is established, those changes should be reflected directly in the going-in revenue requirement or the MRP forecast rather than relying on a general inflation factor as a proxy. For example, contracted services may include identified step increases that differ from general inflation. Certain operating activities may also have known changes in the timing or level of required work. These costs should be reflected using the best available known and measurable information rather than applying a general inflation factor as a proxy.

Key Parameters / guardrails:
The inflation factor should use one or more published inflation indices; be applied by cost category; be calculated using an averaged index value (i.e., 4 quarter average) to reduce volatility and avoid reliance on a single point-in-time observation; and be updated on an annual basis and used to adjust costs for the next year.

Caps and floors may be appropriate to address extreme volatility, but they should not be set so narrowly that they undermine the accuracy of the adjustment or prevent the mechanism from reasonably reflecting changes in underlying costs. The appropriate parameters should be supported based on historical index volatility and the design of the overall MRP.

As explained above, utility-specific cost pressures that are known and measurable, such as identified contractual step increases, should be reflected directly in the going-in revenue requirement or MRP forecast rather than being approximated through a broader inflation index. However, utility-specific adjustments should be limited to material cost changes that are demonstrably not captured by the applicable index to avoid undermining the efficiency incentives of the MRP.

Rationale / tradeoffs:
A standardized I-Factor framework promotes transparency, predictability, and administrative efficiency, while preserving flexibility to reflect materially different cost structures across utilities. The principal tradeoff is between simplicity and cost causation. A single economy-wide index would be easy to administer but may not reasonably reflect the actual escalation pressures experienced by gas utilities, especially where utility operating costs are driven by specialized labor, contractor availability, safety and compliance requirements, technology investments, and supply-chain conditions. Conversely, a highly customized utility-specific index could better match cost drivers but may be more complex and more contested. The utilities should be able to propose inflation factors for O&M cost categories in their individual rate cases, subject to common

governing principles and a requirement to demonstrate that each proposed index reasonably reflects the costs to which it will apply.

X-Factor

Degree of standardization:
The X-Factor should be standardized in purpose and methodology, but not in value. The Commission should allow flexibility to adopt a utility-specific X-Factor as justified within a rate case where the record supports the utility's specific productivity trends, O&M composition, capital intensity, customer growth, or compliance obligations which may differ materially between utilities and industries.

As part of the rulemaking, a common approach could be to define the data sources, study period, peer group criteria, and process for establishing the productivity adjustment, but allow the study to be completed and reviewed within the context of the MRP filing. The standardized framework should also address the treatment of extraordinary events, changes in output measures, and the relationship between the X-Factor and other MRP components, including the I-Factor, growth factor, stretch factor, or earnings-sharing mechanism. These common principles would promote consistency and transparency without predetermining the appropriate result for an individual utility.

The Commission should recognize that productivity studies may produce a negative X-Factor. At a basic level, productivity reflects the relationship between growth in utility outputs, including customer growth, and growth in the labor, materials, and other inputs required to provide service. When customer growth is limited, as it has been in Oregon driven by the removal of line extension allowances and macroeconomic challenges, utilities have fewer opportunities to spread costs across a growing customer base and measured productivity may be lower or negative. A properly supported negative result should therefore be evaluated on the same basis as a positive result.

Accordingly, the X-Factor should be industry-specific or utility-specific in application, depending on the available data and the comparability of the peer group, while the governing principles and review process should be standardized across utilities.

Initial Position:
The X-Factor should be based on demonstrated productivity trends and reflect a reasonable and achievable expectation, rather than an unsupported or predetermined cost reduction. Productivity generally reflects the relationship between changes in utility outputs, including customers served, and changes in the labor, materials, and other inputs required to provide service. Additionally, the X-Factor should be calibrated to avoid assuming productivity gains that are inconsistent with the utilities' safety, reliability, compliance, system integrity, and customer-service obligations.

Key Parameters / guardrails:
The X-Factor should be established through a transparent evidentiary process at the time of the utility's MRP proceeding. A total factor productivity study ("TFP") is a complex and in-depth process that relies on objective, verifiable data. A qualified expert should be used to conduct such a study. Any total factor productivity study should use a reasonable peer sample, a sufficiently long study period to avoid short-term volatility, and methods that are clearly explained and capable of replication. Because productivity studies can be complex and contested, the X-Factor should generally be set for the full MRP term rather than updated annually and reset at the beginning of each MRP. Cost recovery of the TFP study should also be considered as part of the MRP.

Rationale / tradeoffs:
The major tradeoff is between administrative simplicity and analytical precision. A single standardized X-Factor is simpler and easier to administer but may not fairly reflect differences in utility operations or the limited comparability of gas productivity data. A utility-specific X-Factor may better reflect actual operating conditions, but it can make the MRP process more complex.

Z-Factor

Degree of standardization:
The Gas Utilities would support a standardized Z-factor framework, including eligibility criteria and procedural requirements, but the application of those criteria should remain utility-specific. A common definition of the types of events that may qualify, the required showing, the materiality threshold, and the process for Commission review should be established. Whether a particular event is extraordinary, material, outside the utility's reasonable control, and not otherwise reflected in the MRP will depend on the facts and circumstances of the individual utility. The Z-Factor should be available to each utility that satisfies the Commission's eligibility requirements.

Initial Position:
The Z-Factor should be reserved for extraordinary, exogenous events that produce material cost or savings impacts that are not reasonably captured through other elements of the MRP. Potential qualifying events may include major storms or natural disasters, catastrophic system damage, new or materially changed legal or regulatory requirements, government-mandated programs, significant tax law changes, cybersecurity events, public health emergencies, or other discrete events that are beyond the utility's control and could not reasonably have been anticipated when the MRP was approved. Eligibility should be determined based on the specific facts and circumstances of each event rather than by treating broad categories of costs as automatically qualifying or disqualifying.

Key Parameters / guardrails:
The Gas Utilities propose establishing clear criteria for Z-Factor treatment. To qualify, a cost change should:

(1) not already be included in rates;

(2) result from an event or circumstance that is beyond the utility's reasonable control;

(3) produce a significant financial impact based on a threshold established at the time of the utility's MRP filing; and

(4) be supported by evidence demonstrating the nature of the event, the resulting cost or savings, and the amount requested for recovery or credit.

When a potentially qualifying event occurs and costs begin to be incurred, the utility should be permitted to promptly file for authorization to defer those costs. Deferral should be available from the date the deferral is filed, subject to subsequent Commission review of whether the event and associated costs satisfy the Z-Factor eligibility requirements.

The utility should then seek amortization of the approved deferral and any corresponding change in rates through an annual Z-Factor filing, which may include multiple qualifying events to promote administrative efficiency. This two-step process would provide timely access to deferral accounting while consolidating rate changes into a predictable annual proceeding. An expedited rate adjustment should also be available when an event creates an immediate and significant financial impact that cannot reasonably await the annual filing.

Any approved recovery should be reconciled to actual costs. The utility should bear the burden of demonstrating that the event and associated costs satisfy the applicable eligibility requirements.

Rationale / tradeoffs:
The Z-Factor is a necessary safety valve because even a well-designed MRP cannot anticipate every material event that may occur during the plan term. It should protect utilities from extraordinary, exogenous costs that are outside management's reasonable control and not otherwise reflected in rates, while also providing customers the benefit of any material savings resulting from qualifying events. Without a Z-Factor, a utility could be required to absorb significant costs that it could not reasonably avoid, forecast, or manage through the normal MRP formula.

S-Factor

Degree of standardization:
The Commission should establish a common definition of the S-Factor's purpose, the circumstances under which it may be considered, and the principles governing its calculation. An S-Factor should not be presumed and should only be utilized if supported by evidence demonstrating that the utility has a reasonable and achievable opportunity to realize incremental productivity improvements beyond those already reflected in the X-Factor. The party proposing the S-Factor should bear the burden of demonstrating both that the factor is warranted and that the proposed level is reasonable.

The need for, and level of, any S-Factor should be determined based on the utility's specific circumstances and in coordination with the other elements of its MRP. Relevant considerations should include the design of the approved MRP, the level and methodology of the I and X-Factor, the existence of an earnings-sharing mechanism, the utility's recent cost performance, and the extent to which customers are otherwise protected under the plan. The S-Factor should not duplicate productivity expectations already reflected in the X-Factor or impose overlapping customer protections. For these reasons, the S-Factor should only be used in very limited, extraordinary circumstances.

Initial Position:
The S-Factor should only be applied if the utility has a reasonable and achievable opportunity to realize efficiencies beyond those already reflected in the I factor and X-Factor. There should not be a presumption that an S-Factor is warranted. The proposing party should bear the burden of demonstrating both the need for an S-Factor and that the proposed level is reasonable, achievable, and supported by evidence specific to the utility.

The S-Factor should not be assumed to have the same value for each utility, used as a generic customer dividend, or added to the MRP without considering the plan as a whole. Its determination should account for the X-Factor, any earnings-sharing mechanism, performance mechanisms, and other customer protections. It should not duplicate productivity expectations or customer benefits already reflected elsewhere in the plan. Any S-Factor must also allow the utility a reasonable opportunity to maintain safe, reliable, and compliant service.

Key Parameters / guardrails:
The S-Factor should only be used in limited, extraordinary circumstances. There must be evidence presented that demonstrates that a potential efficiency exists, there is policy basis to achieve the efficiency, it is in management's control to achieve the efficiency, and why other factors in the MRP do not already incentivize the efficient activity. The S-Factor should not be based on broad economy-wide assumptions or generalized expectations that utilities can always absorb additional cost reductions. Guardrails should include avoiding duplication with the X-Factor, limiting the S-Factor to a clearly defined portion of the revenue formula, and reassessing its applicability in each MRP proceeding rather than carrying it forward automatically.

Rationale / tradeoffs:
The principal rationale for an S-Factor is to provide customers with a share of reasonably expected incremental efficiency gains at the outset of an MRP. However, there should be no presumption that such opportunities exist. In many cases, management's ongoing efforts to control costs and provide the utility a reasonable opportunity to earn its authorized rate of return result in efficiencies already captured in the base year.

Before considering an S-Factor, the MRP must begin with a base year that reasonably reflects the utility's full and prudent cost of providing service. Current ratemaking policies may exclude or limit recovery of legitimate costs, including market-based employee

compensation, leaving the utility below its reasonable cost of service when rates are initially established. Applying an S-Factor to an already deficient starting point would compound that under recovery throughout the MRP term rather than share incremental efficiencies. The transition to an MRP should therefore include reconsideration of policies that prevent recovery of prudent costs necessary to attract and retain qualified employees and provide safe, reliable, and compliant service.

The S-Factor also presents a significant risk of double counting if it is layered on top of an X-Factor, an earnings-sharing mechanism, capital disallowance risk, performance mechanisms, or other customer protections. If set too high, the S-Factor can convert an incentive-based framework into an administratively imposed cost-reduction mandate, potentially undermining service quality, safety, reliability, regulatory compliance, and financial stability.

G-Factor

The Gas Utilities do not propose a growth factor and instead propose maintaining the revenue-per customer decoupling that is currently in place for NW Natural, Cascade and Avista. Revenue-per-customer decoupling provides an effective mechanism for addressing changes in customer counts and usage during an MRP.[1]

Rationale / tradeoffs:
Revenue-per-customer decoupling already addresses changes in customer growth by adjusting authorized revenues based on actual customer counts during the MRP. As customers are added or lost, allowed revenues adjust accordingly, reducing the mismatch between the customer-count assumptions embedded in rates and the utility's actual experience. Decoupling also protects against changes in customer usage caused by weather, conservation, and energy efficiency.

Accordingly, a separate G-Factor is generally unnecessary for gas utilities with revenue-per-customer decoupling. Using both mechanisms could duplicate the recognition of customer growth and add unnecessary complexity to the MRP. A separate G-Factor should be considered only if decoupling is unavailable or if a material growth-related cost is identified that is not addressed through decoupling, the MRP formula, forecast capital, or another existing mechanism.

The principal tradeoff is therefore between adopting a separate, untested mechanism that may overlap with other elements of the MRP and continuing to rely on understood revenue-per-customer decoupling mechanism that already adjusts revenues for changes in customer counts. Revenue-per-customer decoupling provides the more direct, transparent, and administratively efficient approach while avoiding the duplication and complexity that a separate G-Factor could create.

[1] NW Natural currently has partial decoupling along with the WARM program for residential and small commercial customers. Together, these mechanisms act similar to a full revenue-per-customer decoupling mechanism.

Supplemental Capital Funding Mechanism

Degree of standardization:
The SCFM should use a common framework for eligibility, filing requirements, prudence and used-and-useful review, true-up, offsets, and prevention of duplicate recovery, while allowing for utility-specific application. Capital needs differ by utility based on system condition, capital planning, customer growth, safety and reliability obligations, compliance requirements, modernization needs, and the extent to which capital-related revenue requirements are already reflected in going-in rates and the indexed revenue path. Accordingly, the framework and safeguards should be standardized, but qualifying projects and portfolios, materiality thresholds, and the timing of recovery should reflect each utility's circumstances.

The SCFM should perform two principal functions:

First, it should allow utilities to forecast qualifying projects and portfolios in the initial rate plan filing and later adjust the associated revenue requirement to reflect actual costs and in-service dates, including incremental O&M that comes online with those investments. This should be the preferred approach when practicable because it incorporates anticipated capital needs into customer rates from the outset, promotes rate predictability, and reduces the potential for unexpected rate changes during the MRP.

Second, the SCFM should allow utilities to add qualifying projects and portfolios, and their associated O&M, that were not reasonably anticipated or included when rates were established.

The mechanism should also recognize that project costs and schedules may change over a five-year MRP. Utilities should be able to update the timing and amount of SCFM recovery as projects are completed earlier or later than forecast, without losing eligibility solely because actual project timing differs from the original forecast. This combination of forecast-based recovery, reconciliation to actual costs and in-service dates, and a pathway for newly identified capital needs provides flexibility while maintaining appropriate customer protections. It also avoids prescribing identical capital programs or dollar thresholds across utilities when their capital needs and starting rate treatment may be materially different.

Initial Position:
The SCFM should be available for material capital projects, programs, or portfolios that are necessary to provide safe, reliable, and compliant service and whose revenue requirement cannot reasonably be addressed through going-in rates and the ordinary MRP formula. For the Gas Utilities, potential candidates include system reinforcements, reliability and resilience projects, cybersecurity, information-technology systems, storage investments, and externally required public-works or relocation projects. The SCFM should not fund routine capital spending that can reasonably be accommodated through going-in rates and the indexed revenue path, nor should it duplicate costs recovered through a Z-Factor or other recovery mechanism.

Key Parameters / guardrails:
Capital costs recovered through the SCFM should be: (1) incremental to the capital-related revenue requirement reflected in going-in rates and the MRP indexed revenue path; (2) supported by project-level or program-level documentation proportionate to the nature and scale of the investment; and (3) not recovered through another mechanism. Materiality thresholds should be established for each utility based on its size and circumstances rather than through a single dollar threshold applicable to all utilities.

To the extent practicable at the outset of the MRP, the utility should identify the need, scope, schedule, forecasted cost, expected in-service date, revenue requirement, customer rate impact, and basis for SCFM treatment. Forecasted projects should be reviewed when included in the rate plan and subsequently reconciled to actual costs and in-service dates, with the understanding that more detailed documentation for each project will typically be completed within 1 year of beginning the project. Projects added during the MRP should be subject to the same eligibility, documentation, and review standards.

SCFM updates should occur through a defined annual or periodic filing process that permits adjustments for changes in project costs and timing while avoiding unnecessary or overly frequent rate changes. The Commission should retain authority to review eligibility, prudence, actual costs, and whether investments are used and useful; require appropriate offsets and true-ups. Any limits on the frequency or use of the SCFM should promote administrative efficiency and rate stability without preventing recovery of qualifying investments solely because project timing changes during the MRP.

Rationale / tradeoffs:
A supplemental capital funding mechanism is necessary because an indexed revenue path may not reasonably accommodate significant capital investments whose timing or revenue requirement impacts differ materially from the assumptions reflected in going-in rates. Without an SCFM, utilities may face a choice between delaying investments and experiencing significant regulatory lag, while customers may face larger and less predictable rate changes in the next rate case.

The principal tradeoff is between providing timely recovery for material capital investments and preserving the cost-management incentives of the indexed framework. The SCFM should therefore complement, rather than replace, the utility's obligation to manage routine capital within the MRP. Prudence and used-and-useful review, reconciliation to actual costs and timing, applicable offsets, and protections against duplicate recovery should ensure that the mechanism addresses genuine funding gaps without becoming a general capital tracker.

Decoupling

Degree of standardization:
Existing decoupling mechanisms that are proven to work should be retained and, as necessary, adapted to complement the MRP structure. The Gas Utilities utilize a revenue-per-customer decoupling mechanism because it addresses variations in margin recovery

associated with weather, conservation, energy efficiency, building shell improvements, and customer usage trends. The existing decoupling mechanism should be integrated as part of each utility's MRP.

Initial Position:
Revenue-per-customer decoupling addresses variations between authorized and actual revenues caused by weather, conservation, energy efficiency, and changing customer usage. Decoupling reconciles these differences on a per-customer basis so that the utility recovers no more or less than the revenues authorized under the MRP, while removing disincentives to support energy efficiency and other State policy objectives. Decoupling has long been recognized in Oregon as an effective tool to remove throughput risk, mitigate the effects of weather variability and energy efficiency, and support rate stability.

Importantly, revenue-per-customer decoupling for gas utilities in Oregon is necessary as State climate policies and Energy Trust-delivered programs intensify energy efficiency efforts that ultimately reduce gas usage. These policies are unrelated to utility performance. Decoupling mechanisms ensure that utilities are able to recover no more or less than the authorized revenues established in their most recent GRC (or, in this case, future MRP) by reconciling differences between authorized and actual revenues, on a per customer basis. This ensures that the Gas Utilities can remain financially healthy and creditworthy while supporting and implementing State policy objectives, without creating inherent disincentives to fully pursue energy efficiency opportunities.

Key Parameters / guardrails:
Decoupling is subject to Commission oversight and remains compatible with both traditional cost-of-service regulation and MRPs. Decoupling complements longer plan terms by stabilizing revenues between rate cases during a period of significant policy-driven change. This mechanism should continue under any future MRP structure and include any deferrals that are transferred into the MRP from existing mechanisms.

The mechanism should identify the customer classes subject to decoupling, the authorized revenue or margin target, the method for weather normalization if applicable, the treatment of customer count changes, and the timing of annual true ups. For gas utilities, decoupling should apply to distribution margin revenues rather than commodity costs, which are typically addressed through separate gas cost recovery mechanisms. The mechanism should be symmetrical so that both under-recoveries and over-recoveries are reflected for customers. The calculation should continue to be transparent, auditable, and updated annually through a filing subject to Commission review.

Rationale / tradeoffs:
Decoupling complements an MRP by stabilizing recovery of the authorized distribution revenue requirement while preserving incentives for gas utilities to support energy efficiency, conservation, and other policies that may reduce throughput. This is important because natural gas distribution costs are largely fixed, while usage can vary due to weather, conservation, customer behavior, and policy trends. The principal tradeoff is that

decoupling improves revenue alignment but can create annual bill adjustments, which can be either surcharges or credits.

Efficiency Carryover Mechanism

Degree of standardization:
The Efficiency Carryover Mechanism should be utility-specific in application. A common framework should define the types of efficiencies that may qualify, how savings are measured, the period over which benefits may be retained, and how the mechanism interacts with other MRP components. However, the availability and magnitude of efficiency opportunities will vary by utility depending on system condition, customer mix, capital and O&M programs, prior efficiency initiatives, workforce needs, and existing incentive mechanisms.

Initial Position:
If adopted, the ECM should support sustained, verifiable efficiency gains that do not detract from the provision of safe and reliable service and do not otherwise conflict with other MRP factors.

Key Parameters / guardrails:
The Commission should establish clear guardrails for any ECM. Eligible efficiencies should be limited to savings that are measurable, sustainable, and within management control. The carryover period into the next plan should be defined in the context of the MRP filing.

Rationale / tradeoffs:
An ECM may strengthen incentives for efficiencies that will benefit customers over time, but it would add significant administrative complexity.

Earnings Sharing Mechanism

Degree of standardization:
The Gas Utilities support a standard approach to an Earnings Sharing Mechanism in terms of the calibration of deadbands, sharing percentages, and interactions with other MRP components. The ESM should be designed as symmetrical. Doing so would also require revisiting existing earnings test structures, which may conflict with or undermine a symmetrical approach if left unchanged.

Initial Position:
The ESM should provide a symmetrical or appropriately balanced earnings backstop that protects customers and utilities from outcomes materially outside the range contemplated when the MRP was approved. The mechanism should allow the utility a reasonable opportunity to earn within an acceptable range around the authorized return while sharing unusually high earnings with customers and, if adopted symmetrically, providing protection against unusually low earnings. The ESM should not be designed to eliminate

ordinary business risk or to convert the MRP into annual cost-of-service regulation. Instead, it should serve as a guardrail that preserves the integrity of the plan.

Key Parameters / guardrails:
The ESM should provide a symmetrical earnings backstop that protects both customers and utilities from outcomes materially outside the range contemplated when the MRP was approved. Earnings above or below 50 basis point range around the authorized return should be shared between customers and the utility. Earnings should be measured on a calendar-year basis, with results reported in May of the following year and any resulting credit or surcharge applied at the next annual MRP rate change. This approach provides a consistent review period and avoids separate, off-cycle rate changes. The ESM should serve as a guardrail, not eliminate ordinary business risk or convert the MRP into annual cost-of-service regulation, and should preserve sufficient upside for utilities to pursue efficiencies under the plan.

Rationale / tradeoffs:
The ESM protects both customers and the utility when earnings fall well outside the range expected when the MRP was approved. Earnings within the deadband reflect ordinary business risk and management performance, so the utility should keep the gains or absorb the losses. Earnings outside the deadband more likely mean the plan's assumptions did not match actual conditions, including going-in rates, the index, or the X-Factor. Those earnings should be shared symmetrically.

A relatively narrow deadband is appropriate for the initial MRP. Because the framework is new, early earnings swings are more likely to come from how the plan was calibrated than from utility performance. A narrow, symmetrical band protects customers and the utility while experience is gained, and it reduces pressure for reopeners or early rate cases. The tradeoff is that a narrower band weakens efficiency incentives because more of the benefit is shared. The Commission can revisit the deadband in future MRPs based on actual results.

<u>Re-openers / Off-ramps</u>

Degree of standardization:
Re-openers and off-ramps should be applied based on utility-specific circumstances.

Initial Position:
A re-opener should be available when a material development was not reasonably anticipated when the MRP was approved and cannot be addressed through existing mechanisms. Potential triggers include sustained earnings materially outside the approved range, significant deterioration in credit metrics, loss of reasonable access to capital, major changes in law or regulation, extraordinary safety or reliability events, material pipeline safety or integrity investments not addressed through the supplemental capital mechanism, or cost impacts beyond the scope of the Z-Factor or ESM. A re-opener should generally be limited to the triggering issue; a full off-ramp should be

reserved for circumstances where the MRP as a whole is no longer capable of producing just and reasonable rates.

Key Parameters / guardrails:
Quantitative thresholds such as defined earnings erosion, sustained credit metric deterioration, material variance from approved revenue requirement assumptions, or cost impacts exceeding a specified percentage of revenue requirement could be used as triggering conditions.

Rationale / tradeoffs:
Re-openers and off-ramps provide an important safety valve in an MRP by recognizing that material events may occur during the plan term that cannot reasonably be addressed through the approved formula or adjustment mechanisms. They help preserve the Commission's ability to ensure just and reasonable rates and protect both customers and utilities from outcomes that fall outside the range contemplated when the MRP was approved. The principal tradeoff is between regulatory flexibility and plan robustness.

Conclusion

The Gas Utilities appreciate the opportunity to provide these comments and look forward to continuing active participation in this rulemaking process.

Sincerely,

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