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

October 9, 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 Comments on OPUC Staff Electric Distribution Costs Concept V.1

Dear Filing Center:

Please find Portland General Electric (PGE) comments on Oregon Public Utility Commission (OPUC) Staff's first proposal on electrical distribution costs below. PGE appreciates thoughtfulness and comprehensiveness found in Staff's proposal. As noted in PGE's pre-read on electric distribution capital, the Company will use this opportunity to engage with the docket to not only comment on Staff's initial proposal but to explore any other Track 1 topics. This is due to the speed of the decisions being considered and made in this docket.

Areas of Alignment

PGE largely agrees with Staff's approach to capital and Staff's position on how to employ the various MRP tools that been identified. With this in mind, it is worth underscoring PGE's conceptual approach to capital costs in the MRP framework. At a "30,000 foot level" the tradeoff for most capital – including distribution – being managed under the index and revenue cap comes with the utilities having the flexibility to manage and reprioritize the capital portfolios and projects under the index with *minimal administrative overhead*. PGE understands that alternative recovery mechanisms should remain limited, distinct, and subject to clear safeguards and thresholds, including regulatory scrutiny akin to current processes. But with regards to capital under the index and revenue cap it is important that the MRP framework reduces administrative burden. Staff should articulate within Track 1 and hopefully prior to the launching of Track 4 how it envisions the processes around project documentation, prudency review, and its approach to establishing used-and-useful for capital under the index and the cap so that the cost containment benefits are not outweighed by an ever increasing need for more documentation in the annual true-up process.

With regards to more specific elements, PGE agrees that going-in rates are foundational. A reasonable and well-supported starting point reduces reliance on alternative mechanisms during the MRP term. The Commission should continue to apply prudence and used-and-useful review to capital included only for the going in rates and have less intensive documentation processes for annual reporting on capital projects under the index and revenue cap.

PGE also agrees that most distribution capital is planned, recurring, and managed as a portfolio. Utilities routinely screen, sequence, rescope, defer, and rebalance projects as needs and circumstances change. Per PGE's comments above, differences in project timing or mix should not justify the need for supplemental recovery **nor** should they require additional documentation to the OPUC. Any MRP annual reporting should promote transparency **but not** create an annual capital true-up that amounts to a recurring mini rate case.

Consistent with PGE's prior filings, the MRP should distinguish ordinary business risk from material cost-recovery risk. PGE understands that routine project cost overruns, including inflation or contractor-productivity pressures on ordinary distribution work, should not automatically flow through to customers. PGE appreciates that Oregon's MRP design requires utilities to first manage capital cost variability through its portfolio and the indexed revenue cap. Recovery of incremental or extraordinary costs requires good cause and a showing that the investment cannot reasonably be accommodated by the index and reasonable reprioritization.

Key Comments and Recommended Revisions

Going-In Rates

Staff proposes a forward-looking test year that uses the current cost-of-service approach and is also informed by DSP and expected capital requirements. PGE supports that approach, especially if the DSP can be used to inform and shape a forecasted mid-cycle step or stair-step increase in revenue requirement. This will reinforce utility accountability around planning.

SCFM

Staff describes the SCFM primarily as a project-based mechanism for large, lumpy, mid-cycle investments. PGE agrees that eligibility should remain targeted. Yet a project-only test may not reflect how utilities implement related distribution, technology, or cybersecurity investments.
A group of related projects – driven by a single policy decision, for example – may create a material revenue requirement even when no individual project meets the threshold. The SCFM should therefore permit either a discrete material project or a highly-targeted portfolio of related investments. With this in mind, the proposed tiering for SCFM eligibility proposed by Staff could be a very workable mechanism.

And while Staff has yet to articulate a metric for materiality and/or thresholds for SCFM Tier eligibility, PGE recommends inclusion of a mechanism that balances or considers project costs along with annual revenue-requirement effects, especially for Tier 2. Customers pay the revenue requirement associated with an asset, not its full construction cost in one year. Gross project cost may support screening but may not be the best measure alone for materiality.

PGE remains cautious about filing limits as they could bar otherwise eligible investments. In short, capital should not face different standards for recovery without a clear policy basis. Reduced ROE introduces several complex issues for eligible SCFM costs and should be avoided. Further the extent to which a lower ROE is meant to offset a reduction in regulatory lag fails to recognize that MRP Framework design to link overall revenues to a predetermined index and revenue cap for the

duration of the MRP already attenuates the link between revenue growth and utility's actual cost growth.

When capital is approved for mid-cycle recovery, through the SCFM or another authorized mechanism, the associated revenue requirement should include depreciation (return of), financing costs (return on inclusive of taxes), and all applicable offsets (e.g., tax credits, grant funding, etc.).

Finally, Staff's next proposal should articulate conceptually how approved SCFM amounts (in both Tiers) interact with the MRP broadly. This would include assumptions about depreciation and revenue requirement, the Renewable Automatic Adjustment Clause, decoupling, and the Earnings Sharing Mechanism. Each mechanism serves a different purpose, but authorized revenues and related costs must be treated consistently. The framework should also define how SCFM plant and associated revenue requirements transition into base rates in the next MRP. Clear transition rules will prevent gaps, duplication, and repeated litigation of settled issues.

Z-Factor

Applying PGE's previously filed normalization hierarchy to capitalized storm restoration, recurring storm costs may be normalized in going-in rates while extraordinary restoration costs may require separate treatment. Staff should clearly distinguish normalized costs from eligible extraordinary costs, define offsets, prevent duplicate recovery, and establish boundaries that govern the use of the Z-factor relative to other mechanisms (i.e., SCFM, deferrals, balancing accounts, and reopener.)

Depreciation and Offsets

Staff proposes updating depreciation schedules with each alternative adjustment to recognize accumulated depreciation on existing rate base, depreciation associated with new investment, and applicable retirements and other offsets. As long as this is only triggered by the use of an MRP alternative adjustment mechanism (i.e., SCFM) for like assets, PGE is not opposed. This aligns in a very general sense with the concept of matching. Broadly, depreciation expenses, net plant calculations, and depreciation roll-off should not be subject to limited true-up during the MRP.

With regards to depreciation data more broadly, PGE agrees that the first MRP's going-in rates should reflect the most current Commission-approved depreciation rates and reserve information reasonably available. Only if/when the Commission approves revised depreciation mid-MRP should any aspect of the depreciation data and cost recovery be changed. (PGE intends to complete a depreciation study immediately prior to the next MRP to avoid this issue, if possible.) In the specific instance when depreciation must be adjusted mid-MRP, PGE believes a reopener would be appropriate for this issue. Further, PGE is open to discussing a reopener eligibility requirement for updated deprecation that depends on something like a net revenue-requirement impact test. With that in mind any mid-MRP adjustment for depreciation should be symmetrical, prevent duplicate recovery, and with regards to existing assets should be limited to issues of roll-off.

PGE would push back on Staff assertion that the mid-MRP updating of deprecation should automatically trigger an entire review of the associated revenue requirement. This risks relitigating the entire MRP as host of decisions to optimally function within and under the index and revenue

cap will have been made. To arrive at reasonably fair and accurate measure of the costs attributable to the mid-cycle adjustment and preserve the cost containment discipline of the MRP framework PGE would suggest that any mid-MRP changes be limited to the impact of a new depreciation study on the base year MRP approved cost of service without diving into issues like reserves.

Finally, PGE finds the prospect of a mid-MRP update of depreciation to be complicated. PGE will strive to complete a depreciation study immediately prior to filing its first MRP.

Annual Reporting and Early Eligibility Review Should Reduce Burden

PGE supports annual informational reporting that confirms in-service additions and supports later prudence review. The process should not become a forecast-to-actual true-up or mini rate case.

Reopeners

As stated previously PGE understands the need to limit reopener use for an MRP. Its application should correct a material structural assumption or input when the MRP otherwise remains workable. PGE does not view a reopener as a mechanism for adding individual capital investments to rates.

Rebasing

At rebasing to start the next MRP, Staff would return to actual cost of service so that recorded plant, including investment previously recovered through the SCFM, becomes the foundation for the next plan. Staff describes rebasing as the point to reconcile forecast and actual results and reset the base. PGE agrees that rebasing should function to establish the next MRP's cost-of-service starting point and incorporate eligible plant previously recovered through separate mechanisms. To this end, PGE would appreciate an explanation for how the OPUC envisions the setting of rates in the next MRP, highlighting any contrast to the current GRC process for test year costs.

Conclusion

PGE appreciates Staff's thoughtful initial concept. PGE agrees that most distribution capital should remain within the indexed revenue cap and that ordinary changes in project timing or portfolio mix should not trigger supplemental recovery. PGE's concern is not with the default, but in having reasonable access to alternative mechanisms when a prudent investment cannot reasonably be absorbed through reprioritization.

As Staff develops its next proposal, PGE recommends preserving a traditional cost-of-service foundation for going-in rates. The framework should maintain a clear boundary between planning and ratemaking. It should allow qualifying projects and portfolios to use the SCFM. Materiality should focus on revenue-requirement impacts. The framework should also establish practical rules for eligibility, depreciation, offsets, reporting, and early review.

These refinements would preserve cost discipline while supporting necessary investment, reliable service, and fair customer outcomes. PGE looks forward to the continuing collaboration with Staff and stakeholders on MRP design.

Please direct questions to JP Batmale at jp.batmale@pgn.com and all formal correspondence and requests to pge.opuc.filings@pgn.com.

Sincerely,

\s\ JP Batmale

Jean-Pierre Batmale,
Senior Regulatory Consultant