PACIFIC POWER
A DIVISION OF PACIFICORP

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October 9, 2026

VIA ELECTRONIC FILING

Oregon Public Utility Commission
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: AR 676—PacifiCorp's Comments on Staff's Electric Distribution Concept

PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully submits the following comments in response to the Public Utility Commission of Oregon Staff's (Staff) concept proposal for treatment of electric distribution capital under the multi-year rate plan (MRP) framework as part of Docket No. AR 676.

Supplemental Capital Funding Mechanism (SCFM)

PacifiCorp supports the creation of SCFMs and appreciates that Staff seeks to address large projects that fall mid-cycle. While this is introduced in the electric distribution subcategory of Track 1, PacifiCorp believes SCFMs could be used for any large projects.

However, PacifiCorp does not believe that utilities should be limited to two SCFMs per MRP cycle. The landscape in Oregon is rapidly evolving, requiring utilities to make significant investments to meet clean energy targets, serve unprecedented load growth, and remain resilient in a changing climate, among other things. Further, a limit of two SCFMs per MRP cycle is uniquely problematic for utilities with multistate operations, since resource procurement, transmission planning, and major software deployment may not be able to be planned according to regulatory requirements for one state. PacifiCorp is concerned that limiting the number of SCFMs may disincentivize utilities to make these investments earlier on in the MRP cycle.

PacifiCorp does not have recommendations on the thresholds and tiers in the SCFM and looks forward to continuing the conversation on this matter with Staff and stakeholders as the AR 676 rulemaking progresses.

<u>Portfolio Approach to SCFMs</u>

In the September 30, 2026, discussion session, Staff seemed to indicate that they would like utilities to take a portfolio approach to SCFM filings. Staff advocated for utilities to wait to file a SCFM until they had a project or could combine projects to reach a certain dollar threshold. PacifiCorp views this as problematic. By combining multiple projects into one SCFM, the filing looks more like a mini rate case rather than a narrow issue filing. This would be much more administratively burdensome for Staff, utilities, and stakeholders, which PacifiCorp believes is not in the spirit of the FAIR Act.

Renewable Adjustment Clause Option

The FAIR Act and the creation of SCFMs should not limit or impact a utility's ability to use the Renewable Adjustment Clause (RAC), as authorized by ORS 469A.120. ORS 469A.120(2)(a) explicitly requires the establishment of a mechanism that is specific to the recovery of costs identified for compliance with the Oregon Renewable Portfolio standards. Under 469A.120 there are very specific requirements for a RAC, which include timely recovery and discretion on the part of the utility on when to file a RAC. While the SCFM is similar, it does not meet all the requirements of the RAC statute. The SCFM should be a supplement to the RAC and not a replacement.

Distribution System Plan (DSP)

DSP provides useful information about potential non-traditional solutions for grid needs. DSP does include a distribution capital forecast to provide context for the types of projects that could be eligible candidates for non-traditional solutions, but those capital forecasts are an input to the report and are based upon a snapshot in time.

A utility's DSP may not align with its MRP filing date, causing the utility to use out of date information for going-in rates. Utilities should use their most recent capital forecast to inform going-in rates.

While the DSP includes a distribution capital forecast to provide context regarding projects that may be candidates for non-traditional solutions, that forecast is an input to the DSP rather than its primary purpose.

Distribution capital plans are developed through multiple planning processes across the company, each with distinct objectives, planning horizons, risk considerations, and update cycles. As a result, the capital forecast included in a DSP reflects a snapshot in time of information from numerous functional areas and should not be viewed as the company's definitive forecast for ratemaking purposes.

In addition, the DSP evaluates only a limited subset of distribution needs, primarily those associated with potential capacity constraints and opportunities for non-traditional solutions. The DSP is not intended to comprehensively assess or prioritize all distribution investments across the system. Expanding the DSP to serve as the basis for going-in rates would significantly broaden its scope beyond its current planning objectives and regulatory purpose.

For these reasons, PacifiCorp believes the most current capital planning information available at the time of an MRP filing should be used to establish going-in rates rather than the capital forecast presented in the DSP.

PacifiCorp believes that non-traditional solutions such as non-wire alternatives and grid-enhancing technologies should be incentivized through a performance incentive mechanism (PIM). The discussion of PIMs will occur in Track 3 of this proceeding.

PacifiCorp looks forward to working with Staff and stakeholders to further understand the details of Staff's proposal.

Depreciation

For a utility to refrain from requesting a general rate revision for five years, utilities must rely on depreciation of existing rate base, recovery of large new investments, and an adjustment factors. This three-legged stool ensures that a utility is not over-burdened with regulatory lag in the interim period between MRPs. Without one of these elements, the framework becomes unbalanced and increases the risk that utilities will be unable to recover costs necessary to provide safe and reliable service.

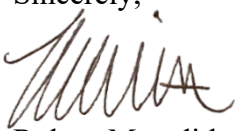
Aligning a depreciation study with an MRP cycle could be challenging for a multi-state utility such as PacifiCorp. Depreciation studies are often driven by operational, accounting, and jurisdictional considerations that do not neatly correspond to a five-year MRP filing schedule. Requiring depreciation updates only at the time of an MRP filing could force utilities either to rely on outdated depreciation schedules for extended periods or to undertake studies based on timing considerations rather than when updated information is most appropriate. PacifiCorp recommends that a utility be able to incorporate the revenue requirement impact (either up or down) for a depreciation study through a SCFM or Z-factor adjustment.

Conclusion

PacifiCorp appreciates the opportunity to participate in the discussion of the MRP framework. PacifiCorp looks forward to continued discussion amongst all the parties to reach consensus on fair, balanced, and meaningful rules to help reach the goals set forth in the FAIR Act.

If you have any questions about this filing, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,



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