October 31, 2025

OPUC Staff Letter- Implementation of House Bill 3179 & Senate Bill 688

AR 676

Purpose[1]

This letter announces the Oregon Public Utility Commission's (PUC or Commission) rulemaking to establish a multi-year ratemaking framework in line with House Bill 3179 (2025) and Senate Bill 688 (2025). The letter also describes the initial rulemaking work plan, scope and phasing approach, and Phase 1 process. This rulemaking is one of several dockets opened as part of OPUC Staff's 2025 Legislative Implementation Work Plan.

Background

In OPUC Order No. 24-359 concerning a general rate request by Northwest Natural Gas Company, the Commission recognized "the administrative burden and cost that the current pace of general rate cases places on intervenors, the company, and ratepayers."[2] When these circumstances combine with an inflationary environment, state policies to reduce emissions, and other cost recovery trackers or mechanisms, the Commission concluded that "[i]t has proven difficult to test prudence, discipline costs, and ensure that areas of cost savings are incorporated into the revenue requirement."[3] The Commission expressed an interest in exploring whether multi-year rate plans could reduce administrative burden, ensure just and reasonable rates and consumer protections, and provide regulatory innovation while developing utility-specific performance metrics outside the bounds of a contested proceeding.[4] To continue this exploration, the Commission directed Staff to submit and present a report at a public meeting in 2025, addressing numerous considerations related to multi-year rate plans (MYPs) including design, timelines, and examples from other jurisdictions. The Commission also directed that Staff convene at least one workshop on these topics with stakeholders.[5]

[1] Oregon Revised Statutes (ORS) are the codified laws of the State of Oregon, and can be adopted, amended, or repealed by the Oregon Legislature. The ORS gives agencies general and specific authority to conduct rulemaking. Oregon Administrative Rules (OARs) are agency directives, standards, regulations, and statements of general applicability that implements, interprets or prescribes law or policy, or describes the procedure or practice requirements of an agency.
[2] Order No. 24-359 in Proceeding No. UG 490, October 25, 2024, page 49 at (V)(J)(3).
[3] Id
[4] Id, pages 49-50 at (V)(J)(3).
[5] Id, 50 at (V)(J)(3).

The Commission adopted similar language in Order No. 24-454, including reiterating the directive for Staff to submit and present a report on MYPs.[6]

Subsequently, in the 2025 legislative session, the Oregon State Legislature enacted HB 3179 and SB 688.

HB 3179

The FAIR Energy Act (HB 3179) adopted numerous rate-related provisions, which Staff proposes to address in four initial investigations. This rulemaking will focus on HB 3179 section 7(2)(a) in particular, which requires the Commission to adopt rules establishing multi-year rate plans for jurisdictional electric and gas utilities. Such rules would be inclusive of a utility's return on equity, determine procedural and content requirements for MYPs, set MYPs as between three to seven years, and limit the number of utilities that can request rate increases in a given year.[7] Legislation also permits the Commission to establish incentives, authorize customer refunds, or provide exceptions at its discretion.

SB 688

Performance-Based Regulation of Electric Utilities (SB 688) permits the Commission to "investigate, develop and adopt" a performance-based framework for jurisdictional electric utilities by January 2, 2027.[8] SB 688 further permits OPUC to provide incentives and penalties to align electric utility operations with the public interest, including to:

> (a) Reducing greenhouse gas emissions;
> (b) Increasing energy efficiency;
> (c) Improving electric utility reliability and resiliency;
> (d) Developing distributed energy resources;
> (e) Enhancing services for low-income customers; and
> (f) Improving the efficiency of utility operations to reduce costs to ratepayers.[9]

The legislation specifies numerous outcomes that a framework should orient utilities towards that are consistent with the public interest, including the list above as well as section 3:

> (a) Reduce the emissions of anthropogenic gases and atmospheric pollutants;

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[6] Order No. 24-454 in Proceeding No. UE 435, December 20, 2024, pages 121-122 at (VI)(62)(b).
[7] Staff notes that Docket No. AR 676 is one of four Oregon Public Utilities Commission concurrent proceedings for the implementation of HB 3179, each of which has its own unique docket number and workplan filed by Staff. AR 677 will adopt near-term guidance to establish a utility rate case schedule and develop a MYP exception process as discussed further below.
[8] SB 688, Section 2(3).
[9] SB 688, Section 2(2).

(b) Expand the use of distributed energy resources, community solar projects, microgrids, demand response programs and energy efficiency programs;
(c) Enhance the quality, reliability and resiliency of electricity service in this state;
(d) Offer flexible payment plans that reduce disconnections of electricity service for low-income customers and other programs that address the quality and affordability of electricity services for all customers; and
(e) Improve all aspects of utility operations to reduce costs and pass on savings to ratepayers.

Any adopted framework must provide performance standards, a baseline for measuring performance, clear and verifiable metrics, a description of how performance standards and metrics will be carried out, and identify how utilities will meet performance standards. Finally, SB 688 clarifies that the Commission may develop and adopt metrics that utilities measure and report on annually, even if such metrics are not subject to incentives or penalties.

Related dockets for the implementation of other sections of HB 3179 include:

- **AR 677 Filing Schedule and Exemption Process**: Rulemaking Docket AR 677 will focus on near-term implementation of section 7(2)(b)(C) of the bill. This rulemaking will establish an initial utility rate case schedule and set expectations and a processes for implementation of MYP exception process in HB 3179.
- **AR 678 Winter Rate Moratorium and Reporting Requirements**: Rulemaking Docket AR 678 will focus specifically on four sections of the bill that are listed below. This docket will house the rulemaking process to adopt near-term guidance for utilities filing rate changes in the near-term based on the changes spelled out in HB 3179.
    - Prohibition on residential rate increases November 1 – March 31;[10]
    - General Rate Case Impact Analysis requirements;[11]
    - Visual representation of cost drivers (annually);[12] and
    - Report on expected rate increases over the next 18 months (at least annually).[13]
- **UM 2405 HB 3179 Implementation Investigation Docket**: Investigation Docket UM 2405 will focus specifically on four sections of the bill that are listed below. AR 678 is the accompanying rulemaking docket which will put rules in place for each of these same sections.
    - Prohibition on residential rate increases November 1 - March 31;[14]
    - General Rate Case Impact Analysis requirements;[15]

[10] HB 3179, Section 3(7).
[11] HB 3179, Section 2(3).
[12] HB 3179, Section 12.
[13] HB 3179, Section 13.
[14] HB 3179, Section 3(7).
[15] HB 3179, Section 2(3).

- Visual representation of cost drivers (annually);[16] and
- Report on expected rate increases over the next 18 months (at least annually).[17]

Staff expects that the new ratemaking framework established in this rulemaking will provide long-term direction for many of the issues addressed on an initial basis in these near-term dockets. The ratemaking framework rulemaking will look to and leverage learnings surfaced across these dockets.

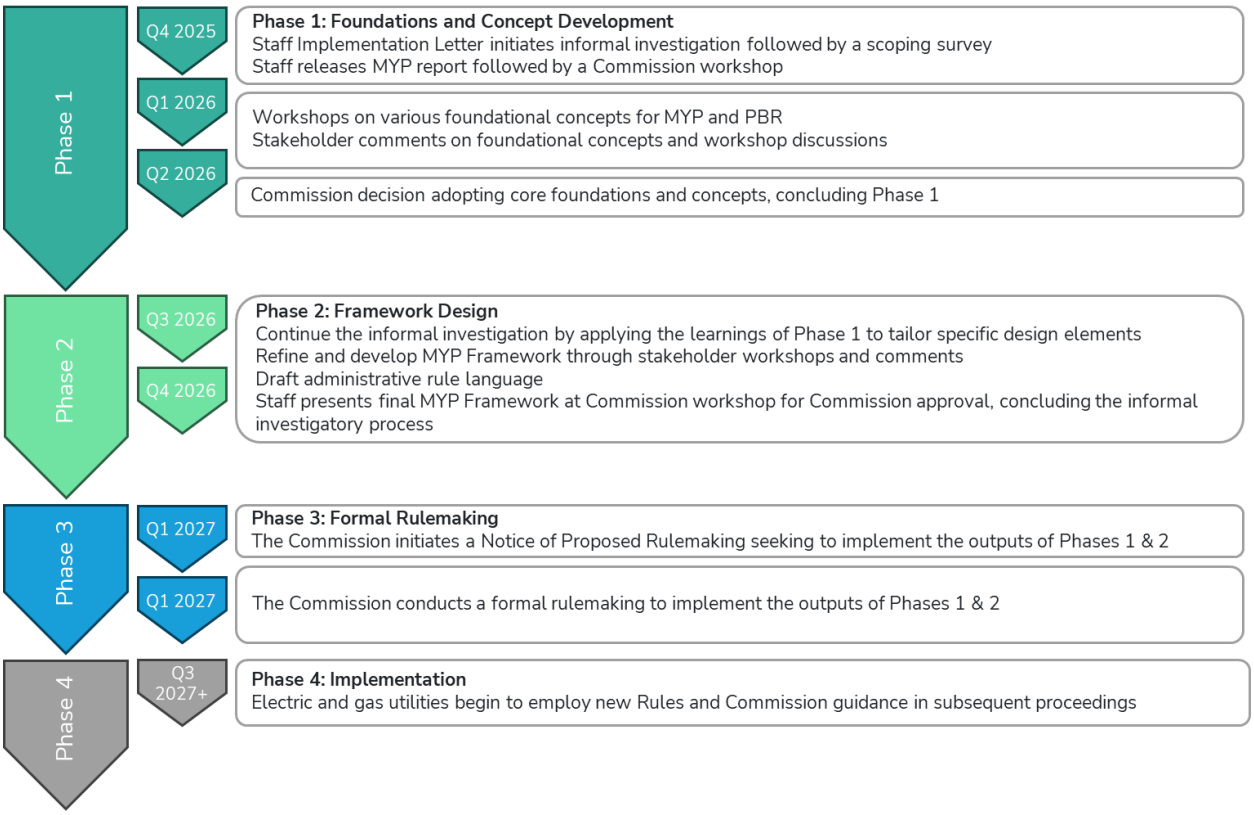
Proposed Work Plan

Staff proposes a four-phase work plan to fulfill those requirements identified for Order Nos. 24-359 and 24-454, section 7 of HB 3179, and SB 688; for clarification, Staff is treating directives on performance-based regulation as integrated within the MYP concepts explored in this Docket. This process provides a staged approach through which the OPUC and participating stakeholders will jointly evaluate options for MYP and PBR design to determine how to apply these structures in Oregon. The phased approach is an intentional process design that seeks to invest time early to clarify questions of "why" and "how" these reforms can be applied, which should support clarity in later phases to make purpose-built updates.

In response to the legislative requirements and Commission direction, Staff proposes to conduct a rulemaking investigation with the following scope:

- A MYP report by the end of 2025, consistent with Order Nos. 24-359 and 24-454;
- Commission direction for the goals, priorities, and additional areas for focus and refinement of a ratemaking framework for implementing MYP and PBR; and
- Commission adopted administrative rules that establish a ratemaking framework for implementing MYP and PBR.

[16] HB 3179, Section 12.
[17] HB 3179, Section 13.



At the outset, Staff emphasizes that this investigation seeks to establish a common understanding among stakeholders of available MYP and PBR options that builds toward a Multi-Year Rate Plan Framework over the next year. To that end, the proceeding will feature educational workshops, robust dialogue, and opportunities for stakeholder input. For example, virtual workshops will likely feature interactive dialogue, breakout rooms, and brainstorming exercises in which participants can vet their ideas and receive live feedback. In addition, informal stakeholder comments may be invited between workshops on key questions or topics for attention. Participants are also invited to prepare and submit their own research into regulatory options or new structures that can support constructive consideration in the proceeding.

Phase 1: Foundations and Concept Development

This informal investigation will begin with devoted time and attention to establish a strong foundation of the purpose and available mechanisms for performance-based regulation, including multi-year rate plans. This is an important up-front investment by the OPUC and stakeholders to ensure that the Oregon regulatory community has a shared understanding of the objectives for reforms under consideration, their respective design choices, as well as identification of how they can be applied in Oregon.

Phase 1 Objectives

Staff have the following objectives for Phase 1 of this investigation, which it seeks to pursue collaboratively with stakeholders.

1. Identify primary goals and outcomes that Oregon MYPs and PBR should achieve and design principles to apply.
2. Establish a shared understanding among stakeholders of MYP and PBR tools, including their fit in Oregon.
3. Build the foundations for an Oregon MYP Framework, based on which the Commission can evaluate proposed options and future design work can be built upon.
4. Incorporate findings from other HB 3179 near-term investigations into this investigation, such as rate case schedules and interim expectations for the use of deferrals and other rate recovery filings.[18]

Phase 1 Outcome

At the conclusion of Phase 1, Staff will seek a Commission decision at a Public Meeting to adopt MYP and PBR foundational structures for Oregon, which will serve as the basis for further work to design an MYP Framework in this investigation.

Questions for Phase 1 Attention

Primary questions for attention in Phase 1 include (but will not be limited to) the following.

1. What are the objectives and goals the Commission seeks to achieve through the MYP and PBR?
2. What are the available mechanisms in the MYP and PBR "toolset," and what design choices does each present?
3. What are the primary incentives in current Oregon utility regulations? How will new MYP and PBR mechanisms integrate with or alter these to provide new structural incentives for utility performance?
4. What is the role of deferrals and other alternative rate mechanisms in the MYP? How do they encourage cost control?
5. How do MYP and PBR design choices differ between electric and gas utilities?
6. What scale of regulatory framework change should Oregon pursue (e.g., targeted use of incentive regulation, or broad-based reform)? How will it be best to phase in changes over time?

Phase 1 Schedule (subject to adjustment)

The following table identifies primary activities and expected dates that are planned for stakeholder engagement in Phase 1. Workshops will be facilitated by Great Plains Institute and focus on education and facilitated discussion to identify stakeholder positions and questions. Staff plans to invite Commissioners to some workshops, particularly for key educational and level-setting content. Staff will recap the workshops and circulate proposals to seek further comments from stakeholders.

[18] See "Launch investigation into HB 3179 "Implementation Issues" (UM Docket) and bring expectations for the use of deferrals and other rate recovery filings to Commission at a public meeting" in Staff's 2025 Legislative Implementation Plan.

Date (approx.)	Activity or Milestone	Purpose and Focus Areas
November-December, 2025	Scoping survey	Staff will seek initial perspectives on MYP and PBR considerations from stakeholders
December 8, 2025	MYP report released	Staff will use the MYP report to serve as the launch point for the rulemaking. It will cover the purpose and basis of MYPs, MYP design elements, and how to ensure affordability objectives are supported by MYPs
Week of December 15, 2025	AR 676 Kickoff Commission Workshop	Review Objectives and Process Presentation of MYP report Presentation of survey results
January 2026	Workshop	PBR Foundations presentation - Review common PBR mechanisms - Stakeholder input on design principles and goals/outcomes approach Followed by a facilitated discussion
	Staff summary	Staff will distribute a meeting summary and recap
	Stakeholder comments	Stakeholders are invited to provide written comments in response to the workshop, summary, and other relevant considerations
February 2026	Workshop	Existing Regulatory Structures presentation - Review current regulatory structures in Oregon to clarify leverage points for incentive alignment Followed by a facilitated discussion
	Staff summary	Staff will distribute a meeting summary and recap
	Stakeholder comments	Stakeholders are invited to provide written comments in response to the workshop, summary, and other relevant considerations
March 2026	Workshop	Exploration of MYP and PBR Design for Oregon - Participants provide input on MYP design elements and preferred PBR mechanisms Followed by a facilitated discussion
	Staff summary	Staff will distribute a meeting summary and recap
	Stakeholder comments	Stakeholders are invited to provide written comments in response to the final workshop and other relevant considerations.
April 2026	Staff draft proposal	Staff outlines foundational concepts, goals, and outcomes for MYPs

	Stakeholder comments	Stakeholders are invited to provide written comments in response to Staff's draft proposal
May 2026	Staff report	Staff will file a final report outlining the foundational concepts, goals, and outcomes for MYPs approximately one week before Staff presentation
	Staff presentation of MYP foundational Phase 1 concepts at Public Meeting	Staff presents the findings and proposals contained in its final report to the Commission for approval, which concludes the Phase 1 process

This schedule represents an initial plan for key milestones and focus areas expected to feature in Phase 1. In practice, the process will require flexibility and some adaptation to respond to developments in the course of this work. For example, the Commission, Staff, or consultants to the OPUC may seek additional comments or stakeholder input over the course of Phase 1, occurring between workshops identified here. The Commission may also schedule additional technical workshops for commissioners to participate and hear party dialogue. Staff will provide a detailed schedule in the coming weeks.

Phase 2: Framework Design

Phase 2 will continue the informal investigation and apply the learning and developments of Phase 1, to consider specific designs for application in Oregon. Phase 2 will seek to create a refined and functional "Oregon Framework" for MYPs and/or PBR, which can be considered by the Oregon PUC for adoption. This phase will begin with review and identification of key design elements for refinement then transition to development of draft administrative rule language.

Phase 2 Objectives

The scope and work streams for Phase 2 will be largely informed by the Commission's decisions in Phase 1. Primary questions for attention in Phase 2 might include the following:

1. What performance mechanisms (e.g., PIMs or other incentives) will be adopted, with what design features and of what size?
2. What amount of utility revenue, or earnings, will be subject to performance adjustments? How is it best to measure these amounts (e.g., basis points or fixed dollar amounts)?
3. What are the filing requirements for utility rate plan proposals that would incorporate MYP and/or PBR features?
4. How do adopted structures relate to, or incorporate information from, other ratemaking activities such as integrated resource planning, CEPs, and proposed network investments?

5. What guidelines or principles will the Commission apply in its review of MYP and/or PBR structures and individual mechanisms when details of those are proposed for adoption (e.g., utility proposals for going-in rates to MYPs and revenue adjustments)?

Phase 2 Outcome

Commission decision at a Public Meeting to move draft rules to the formal rulemaking stage and issue a NOPR to initiate a formal rulemaking.

Phase 2 Schedule

The Phase 2 schedule will be heavily informed by the experience and outputs of Phase 1. At this time, Staff expects that Phase 2 will proceed over the course of six months, with a target completion between October-December 2026. Phase 2 will invite detailed proposals from participants for design features of mechanisms under consideration. Those proposals or accompanying research will be the subject of facilitated workshops and technical meetings at which Staff and Commissioners can learn and explore options under consideration. Stakeholders will also have opportunities to provide written comments, including on a draft MYP Framework and draft administrative rule language.

Phase 3: Formal Rulemaking

The Phase 3 process will be initiated through a Notice of Proposed Rulemaking (NOPR) that seeks to implement the outputs of Phases 1 and 2. Unlike Phases 1 and 2, this phase will be initiated and led by AHD and subject to traditional regulatory and administrative procedures. Staff proposes to initiate this Phase 3 process and issuances of a NOPR in late 2026 or early 2027 and conclude by June 2027.

Phase 4: Implementation

While the conclusion of a formal rulemaking in Phase 3 marks the end of AR 676, Staff notes that implementation and revisions to an MYP Framework will occur through the implementation process and therefore has included a fourth Phase. In Phase 4, Oregon utilities are expected to employ new MYP rules and possible PBR rules or guidance in subsequent ratemaking proposals following the conclusion of AR 676 in June 2027. These will be reviewed according to updated rules and other standards that are adopted in the course of this investigation and rulemaking. Timing and details of this Phase will be subject to developments in the course of Phases 1 through 3.

Next Steps

All of the Actions listed below are OPTIONAL for All Stakeholders.

- Staff will publish a detailed schedule to the docket
- Staff will release an initial scoping survey to stakeholders
- Note the workshop timing above (Invites and Agendas to follow along))

- Email puc.hearings@puc.oregon.gov if you would like to join the service list for any of the new dockets (listed above)

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