Ratemaking Framework Workshop #4: **Exploration of MRP and PBR Design for Oregon**

AR 676, Rulemaking to Establish Multi-Year Plan Framework (HB 3179 & SB 688)

Date: Wednesday, April 15, 2026 // 9:30am–12:00pm PST
Meeting will be hosted virtually via Zoom:
https://betterenergy.zoom.us/j/86067353491?pwd=eagljZ2mKLajxZqCDqT5u4T0i9yeBh.1

Meeting Pre-Read/Worksheet:

In advance of Workshop #4, please review the pre-read/worksheet at the end of this document. These materials are intended to support participant engagement in the discussion of MRP framework components during the session. The pre-read provides a brief refresher on Staff's proposed guiding principles, goals, and outcomes to help ground today's conversation, followed by a worksheet outlining key ratemaking framework decision points for consideration in Phase 1 of AR 676. These decision points correspond to several of the topics highlighted in the workshop agenda and are designed to help participants reflect on tradeoffs and clarify where additional input or discussion may be most valuable. The materials are for discussion purposes only and do not represent a Staff proposal. Reviewing the worksheet in advance will help support the breakout room discussions and polling activities planned for the workshop.

Meeting Objectives:

1. Share and discuss components of Staff's upcoming ratemaking framework proposal and discuss framework components that require additional stakeholder feedback.
2. Enable deeper understanding and collaborative discussion on decision option points in advance of Staff's upcoming proposal.

Meeting Ground Rules:

- Respect differences of perspective and the time we have together.
- Be open to continued learning and growth informed by new information; it is ok for perspectives to shift or change throughout the process.

Agenda:

9:30AM **Welcome and Introductions (10 mins)**

9:40 AM **Staff Presentation (20 mins)**
Staff to provide a high-level overview of the following items:

- Next steps in the AR 676 proceeding
- Proposed guiding principles, goals, and outcomes as presented in the pre-read
- MRP scope considerations

10:00 AM **CEG Presentation (30 mins)**
CEG to provide a high-level presentation on some of the MRP framework items to be discussed in greater detail today (for more detail on MRP framework components, please refer directly to the MRP report filed in the docket), and approaches taken in other jurisdictions.

10:30 **Polling Activity: MRP Type and Duration (15 mins)**
Opportunity to respond to a series of polls regarding what type of MRP participants would like to see in Oregon, as well as MRP duration. Participants will have the opportunity to share their perspectives regarding MRPs for both gas and electric utilities.

10:45AM **BREAK**

11:00AM **Breakout Rooms: Discussion of MRP Framework Components (50 mins)**
Breakout room session in which participants will discuss different approaches related to the following MRP components/features, the tradeoffs between different approaches, and whether they favor certain approaches over others.

- Annual cost adjustments
- Earnings sharing mechanisms
- Capital funding mechanisms

There will be a dedicated guest expert in each breakout room who will be available to help answer technical questions regarding tradeoffs between different approaches, what certain approaches might look like in practice, etc.

11:50AM **Next Steps and Wrap-Up**

12:00PM **Adjourn**

Pre-Read/Worksheet

Workshop 4: Staff Proposed Principles, Goals, and Outcomes; Worksheet for Comments; MRP Reference Tables

This document is being provided to stakeholders to identify key design components that Oregon may rely upon to construct its multi-year rate plan (MRP) and performance-based ratemaking (PBR) frameworks and to share initial perspectives on the guiding principles, goals, and outcomes staff anticipate using to develop a straw proposal.

Table of Contents

Staff's Proposed Principles, Goals, and Outcomes 3

For Stakeholders to Complete: Ratemaking Framework Decision Points 7

Resource: Phase 1 Ratemaking Decision Matrix 12

Staff's Proposed Principles, Goals, and Outcomes

Principles to Guide MRP and PBR Development

Staff expect to generate recommendations for MRP and PBR design using the following proposed principles, which are informed by Stakeholder input. The decisions in Phase 1 and beyond will reflect tensions and trade-offs across the principles. Staff is looking to provide recommendations that achieve the best balance of these principles, which can be decision-making tools in both the development of MRP and PBR design as well as in future rate cases.

1. **Contain and smooth customer rate impacts:** MRPs should increase the predictability of rate increases for customers, seeking to improve both transparency and accountability in utility service. Through this, MRPs with performance-based components should better align utility investments with customer value while appropriately balancing risk between customers and utilities.
2. **Maintain utility financial stability:** MRPs should provide utilities a fair earning opportunity that reflects risk, maintains access to capital, and provides flexibility where needed. A predictable and clear ratemaking framework with strong connections to planning processes will help maintain utility financial stability.
3. **Reduce regulatory burden and improve administrative efficiency:** MRPs should seek to streamline proceedings and review where possible, including through consolidation of various rate adjustments into MRPs, while striving to

improve accessibility and procedural equity. Simultaneously, efforts to adopt a rate case schedule in AR 677 will result in less frequent and overlapping rate cases across utilities.

Goals and Outcomes Framework

The Goals-Outcomes framework below outlines three goals for the state's electric and gas utilities with corresponding outcomes. The purpose of the goals-outcomes framework is to improve alignment between the state's energy goals, regulatory objectives, stakeholders' priorities, and incentives within MRP regulatory design. Goals provide high-level, broad objectives that can be pursued through a combination of different policy and regulatory approaches. Outcomes are more specific, observable results from a utility system that derive, in part, from operational and business decisions. Outcomes should be measurable, either through quantitative or qualitative metrics. The proposed goals and outcomes below are informed by stakeholder input.

Electric Utilities: Goals and Outcomes

The goals and outcomes for electric utilities reflect the electricity system, areas for investment, risks, and state policies. Outcomes that support performance areas specified in Senate Bill (SB) 688 (performance incentives for electric utilities) are noted with an asterisk (*).

Goals	Outcomes	Explanation of Outcome
Affordable, high-value service	Customer satisfaction *	Customers receive service commensurate with its associated cost. Customers facing economic hardship or energy burdens can receive assistance to avoid arrears or disconnections through tools such as flexible payment plans, discounts, and other measures. Customers with service needs are able to speak with their utility or access assistance easily. Relevant SB-688 public interest area: Customer programs, including flexible payment plans, that reduce disconnections
	Reliability *	Safe, adequate, and reliable service is a key function of utilities, and can be measured at various levels of the electric system. Relevant SB-688 public interest area: reliability and resilience
	Rate stability	Customers will have greater predictability in their utility rates, the associated ratemaking components, and when and how rates are expected to change.
High-performing utility	Cost containment *	A more comprehensive and transparent ratemaking approach that seeks to contain costs can improve utility performance and productivity, while supporting affordability for customers.

		Relevant SB-688 public interest area: efficient utility operations to reduce costs
	Investment efficiency	A high-performing utility with cost containment will make least-cost, highest value investment decisions, including the use of operational and non-capital solutions.
	Asset utilization	Higher asset utilization puts downward pressure on rates by spreading recovery of fixed costs over a relatively higher sales volume. Improved planning, system management, and use of flexible resources can increase the utilization of energy infrastructure.
Achievement of societal goals	Clean energy development *	Clean energy development, including distributed resources, is needed to reduce emissions and comply with state policy, including HB 2021. Efficient procurement and interconnection of the least-cost and lowest-risk resources can ensure development provides the greatest system and customer value. Relevant SB-688 public interest area: greenhouse gas emissions
	Distributional equity *	Access to the benefits of the energy system by all Oregonians includes a focus on community benefits, the deployment of distributed resources, and the potential for differentiated rates. Relevant SB-688 public interest area: energy efficiency, distributed energy resources, and services for low-income customers
	Resilience	The utility system must adapt to a changing environment and natural world while still delivering affordable and reliable service to all customers. Relevant SB-688 public interest area: reliability and resilience

Gas Utilities: Goals and Outcomes

The goals and outcomes for gas utilities reflect the gas system, areas of investment, risks, and state policies.

Goals	Outcomes	Explanation of Outcome
Affordable, high-value service	Customer satisfaction	Customers receive service commensurate with its associated cost. Customers facing economic hardship or energy burdens can receive assistance to avoid arrears or disconnections through tools such as flexible payment plans, discounts, and other measures. Customers with service needs are able to speak with their utility or access assistance easily.

	Reliability	Safe, adequate, and reliable service is a key function of utilities, and can be measured at various levels of the gas system.
	Rate stability	Customers will have greater predictability in their utility rates, the associated ratemaking components, and when and how rates are expected to change.
High-performing utility	Cost containment	A more comprehensive and transparent ratemaking approach that seeks to contain costs can improve utility performance and productivity, while supporting affordability for customers.
	Investment efficiency	A high-performing utility with cost containment will make least-cost, highest value investment decisions, including the use of operational and non-capital solutions.
	Asset utilization	Higher asset utilization puts downward pressure on rates by spreading recovery of fixed costs over a relatively higher sales volume. Improved planning, system management, and use of flexible resources can increase the utilization of energy infrastructure.
Achievement of societal goals	Greenhouse gas emissions reduction	The gas system must reduce emissions consistent with the Climate Protection Program through a variety of resources, including non-pipeline alternatives and peak demand reduction.
	Distributional equity	Access to the benefits of the energy system by all Oregonians includes a focus on community benefits, energy efficiency, and the potential for differentiated rates.

For Stakeholders to Complete: Ratemaking Framework Decision Points

The following table lists MRP and PBR elements that Staff has identified could be subject to decisions in AR 676. Some are expected to be a focus of the Phase 1 Straw Proposal, because identifying these threshold design decisions will clarify the parameters of a Phase 1 interim Commission decision and provide greater focus in Phase 2. Other decision points are included that may receive some attention in a Phase 1 decision, then get fuller attention in subsequent phases of AR 676 or future rate cases. For these, a Phase 1 decision might suggest inclusion or exclusion of certain components, while adoption and design details could take place in a later phase. **Bolded ratemaking components** in the table indicate those that are anticipated to addressed in the Straw Proposal in either of these manners.

Stakeholders are invited to provide perspectives on proposed outcomes and decision points at the April 15, 2026 workshop and through written comments following the workshop. The workshop will focus on a subset of decisions or ratemaking components, while written comments are invited on other areas as well.

Where applicable, the column that lists each MRP and PBR design component includes a reference to the relevant page number in the "Multi-Year Rate Plans: Purpose and Design Considerations" report (MRP Report) from December 2025.

A description of each phase can be located in the Staff Implementation Letter filed in AR 676 in October 2025 and each phase is summarized below:

- Phase 1: Foundations and Concept Development
- Phase 2: Framework Design
- Phase 3: Formal Rulemaking
- Phase 4: Implementation

Ratemaking Component	Options or Considerations	Recommended Approach
Principles, Goals, and Outcomes	See prior section	
Type of MRP (MRP Report, p. 7)	• Index-based cap (revenue or price cap) • Forecasted MRP	
Revenue decoupling (MRP Report, p. 40) or other	How does the existence of decoupling, or not, relate to MRP type?	

Ratemaking Component		Options or Considerations	Recommended Approach
revenue true-up mechanism			
Plan duration (stay-out period; MRP Report, p. 14)		3-7 years	
Scope of an MRP (inc. trackers and deferrals; MRP Report, p. 11)		Which costs and revenues are consolidated within the MRP base rates and thus subject to associated cost controls?	
Going-in rates (MRP Report, p. 17)		• What information determines the revenue requirement? • Should a historical or forecasted test year be used?	[Determined in a rate case]
ROE (MRP Report, p. 19)		• Do new risks, or mitigants, from the MRP change the ROE? • What influence does authorized ROE have on MRP incentives?	[Determined in a rate case]
Index-based Adjustments (if applicable)	**Inflation measure (MRP Report, p. 24)**	• GDPPI • Other inflation measures or composite structures (e.g., regional indices, CPI, etc.)	
	X factor (MRP Report, p. 25)	• How to set (e.g., total factor productivity study)? • Who conducts the study?	
	Z factor (MRP Report, p. 29)	• What are the criteria to trigger a Z-factor adjustment?	
	Stretch factor (consumer dividend; MRP Report, p. 27)	• Is a stretch factor warranted? • What is the adjustment value based on?	
Capital funding mechanism(s) (MRP Report, p. 31)		• What projects could be subject to a separate funding mechanism? • What mechanism design is applicable?	

Ratemaking Component	Options or Considerations	Recommended Approach
Earnings sharing mechanism (MRP Report, p. 20)	• Is it symmetric or asymmetric? • Are there tiers and deadbands, and of what size?	
Off-ramp (MRP Report, p. 39)	• What thresholds or criteria could trigger an off-ramp? • How to make these unlikely, but available when necessary?	
Reopener (MRP Report, p. 39)	• What thresholds or criteria could trigger a reopener? • How to make these unlikely, but available when necessary?	
Rebasing (MRP Report, p. 36)	• When does rebasing occur? Based on what information? • How to avoid perverse incentives to inflate costs?	
Efficiency carryover mechanism (MRP Report, p. 38)	• Should an ECM be incorporated? • What structure?	
Capex/opex equalization (MRP Report, p. 36)	• What approach is applicable (e.g., targeted PIMs, capitalization of opex, totex accounting) • What is relationship or connections to capital funding?	
Metrics and scorecards (MRP Report, p. 40)	• Which outcomes are subject to metric reporting or a scorecard?	
Performance Incentives (MRP Report, p. 40-41)	• Which outcomes should be targeted for new or updated performance incentives? • What performance incentive design is most applicable to each outcome (PIMs, SSM, etc.)? • How much revenue should be subject to performance incentives?	

Ratemaking Component	Options or Considerations	Recommended Approach
The relationship between planning processes (DSP, IRP, etc.) and MRPs (MRP Report, p. 44-45)	• How do planning processes inform MRP design and revenue requirements? What timing needs to be taken into account? • How to manage imperfect information or studies subject to later completion?	

Resource: Revenues Subject to MRP Revenue Cap

The MRP should consolidate as many revenue and cost drivers within the framework as possible to achieve the principles for cost stability and containment, maintain utility financial performance, reduce regulatory burden, and improve administrative efficiency.

The following provides a non-exhaustive discussion tool for which cost categories and revenues could fall within an index-based revenue cap MRP structure in the first MRP cycles, and which could be excluded. Identifying the range of components and evaluating the trade-offs associated with including or excluding them in the MRP scope are important for subsequent phases of this proceeding. Over time, additional utility activities and cost drivers could be consolidated within the MRP, including those indicated by asterisks (*).

In Scope of MRP	Recovered Separately from MRP
• Operations and maintenance (O&M) expenses • Amortization, depreciation, taxes and fees • Administrative and general expenses • Transmission system costs • Distribution system costs • Generation system costs[1] • Return on rate base • Most trackers and deferrals, except those identified for separate recovery • Customer program costs	• Power costs, including PCAM • Gas costs (including purchased gas adjustment) • Wildfire tracker *(electric utilities)* * • Energy Trust of Oregon funding *

[1] Staff still plans to comply with ORS 469A.120(2) but envisions a process that is built into the MRP process and not one that stands on its own.

Resource: Phase 1 Ratemaking Decision Matrix

The following table serves as a reference to assist stakeholders in completing the Ratemaking Framework Decision Points table on page 6. The table maps elements of the proposed Principles, Goals, and Outcomes in this document to MRP and PBR ratemaking components, linking specific design decisions to the results they might achieve. In some cases, additional ratemaking tools are included, such as rate design or procurement methods, which may not be subject to AR 676 but are also applicable to support an objective.

Principle, Goal, or Outcome	To achieve…	You might prioritize tools like…	Because these tools…
Affordable, High Value Service	Lower rate increases over time (cost containment and efficiency)	• An index-based cap with higher stretch (S) factors • Productivity (X) factor set to industry benchmarks • Longer plan duration (MRP term) • Comprehensive MRP scope with limited revenues collected outside the MRP • Going-in rates set with affordability criteria • Limited interim adjustments	Incentivize utilities to manage costs and improve productivity
	Rate stability and predictability for customers	• An index-based price cap with gradual adjustments between years • Comprehensive MRP scope with limited revenues collected outside the MRP • Limited, focused application of PIMs • Limited, focused use of capital funding mechanisms • Rebasing • Limited interim adjustments	Reduce year-to-year bill volatility and rate shock
	Clarity on when higher costs are justified for policy outcomes	• A forecasted MRP to show cost expectations • Clearly defined principles, goals, and outcomes • Strong link between planning processes and MRPs • Metrics and scorecards • Z factor	Make tradeoffs between affordability and policy goals more transparent

Principle, Goal, or Outcome	To achieve…	You might prioritize tools like…	Because these tools…
High-performing utility	Utility financial health and access to capital	• A forecasted MRP • Clearly defined principles, goals, and outcomes • Strong link between planning processes and MRPs • Shorter plan duration (MRP term) • Risk mitigation mechanisms including design options related to Z factor, off-ramps, reopeners, earnings sharing mechanism and use of deadbands	Reduce revenue volatility and improve creditworthiness
	Fair sharing of risk between utilities and customers	• Risk mitigation mechanisms including design options related to Z factor, off-ramps, reopeners, earnings sharing mechanism and use of deadbands • Limited, clearly defined trackers	Better allocate risk based on what utilities can or cannot control
	Reduced regulatory lag while maintaining strong cost control incentives	• Strong link between planning processes and MRPs • An index-based cap that adequately addresses attrition during the MRP • Strategic use of trackers and deferrals	Depending on the tools, either reduce financial risk or strengthen cost discipline
	Reduced reliance on adders and single-issue ratemaking	• Comprehensive MRP scope with limited revenues collected outside the MRP • Consolidating predictable and smaller costs into base rates • Limited and strategic use of trackers for exceptional cases	Create a more integrate ratemaking framework
	Flexibility to respond to uncertainty	• Strong link between planning processes and MRPs (e.g., capital funding mechanism to allow addition of limited, exceptional projects) • Risk mitigation mechanisms: Z factor, off-ramps, reopeners, earnings sharing mechanism • Revenue decoupling or revenue true-ups • Rate design and cost allocation approaches that account for changing usage patterns or customer counts	Stabilize revenues and allow course corrections when conditions materially change
Achievement of Societal Goals	Strong investment in clean energy, reliability, and resilience	• Forecasted MRP to support investment in fulfillment of policy goals • Strong link between planning processes and MRPs • Targeted trackers for major investments	Provide more certainty and accountability that utilities can recover

Principle, Goal, or Outcome	To achieve…	You might prioritize tools like…	Because these tools…
		• Strategic use of capital trackers, alternative rate mechanisms, or PIMs	costs and earn returns on investments
	Innovation & experimentation (pilots, new technologies)	• Pilot-specific funding or cost recovery • Targeted PIMs • Exploration of regulatory sandboxes or approaches to pilot projects • Inclusion of non-wires and non-pipeline alternatives in planning	Allow testing of new approaches with manageable risk
	Procurement neutrality (least-cost solutions, including DERs)	• Comprehensive MRP scope with limited revenues collected outside the MRP • Capex/Opex equalization or Totex style approaches • Metrics tied to least-cost procurement • Inclusion of non-wires and non-pipeline alternatives in planning	Reduce bias towards capital expenditures while supporting lower-cost alternatives
	Support for low-income customers and equity outcomes	• Targeted PIMs, metrics, and scorecards (e.g. disconnections, affordability, energy burden) • Rate design and customer programs • Program cost recovery mechanisms	Direct attention and outcomes toward equity outcomes
Accountability, Transparency, and Administrative Efficiency	Administrative simplicity and transparency	• Fewer, high-priority PIMs, including backstop PIMs for accountability and derived from historical data • Standardized metrics and scorecards, and consolidated data collection • Limited interim adjustments	Reduce regulatory burden and track outcomes more easily
	Clear and manageable MRP scope	• Defined criteria for including costs in base rates and efforts to consolidate costs into base rates over time • Strategic use of trackers and deferrals • Limited interim adjustments	Reduce disputes over cost treatment and provide a comprehensive approach