Oregon Public Utility Commission

Ratemaking Framework

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

Wednesday, April 15, 2026
9:30am–12:00 pm PT

Meet the GPI Facilitation Team

Aileen Cole
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The Great Plains Institute is an organization of leaders and experts dedicated to engaging and collaborating with people, organizations, and communities to craft nonpartisan, pragmatic energy solutions that benefit people, the economy, and the environment.

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Agenda

9:30 **Welcome and Introductions**

9:40 **Staff Presentation**

Overview of guiding principles, goals, and outcomes, items for focus in Phases 1 & 2, and MRP scope considerations

10:00 **CEG Presentation**

MRP design elements, overview from other jurisdictions, breakout room discussion

10:30 **Polling Activity**

10:45 **BREAK**

11:00 **Breakout Room Discussion: MRP Framework Components**

- Discussion on approaches, tradeoffs, considerations for different MRP framework components
- Each breakout room will have a “faculty expert” in attendance
    - Mark Kolesar (Kolesar Buchanan & Associates Ltd., former chair of the Alberta Utilities Commission)
    - Melissa Whited (Vice President, Synapse Energy Economics, Inc.)
    - Cara Goldenberg (Principal, RMI)

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

12:00 **Adjourn**

Meeting Ground Rules

1. Respect differences of perspective and the time we have together.

2. Be open to continued learning and growth informed by new information; it is ok for perspectives to shift or change throughout the process.

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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.

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AR 676 Phase 1 Workshop Schedule

Date	Workshop	
December 17, 2025	**Kickoff Meeting**	• Review objectives and process • Presentation of MYP report • Presentation of survey results
January 27, 2026	**PBR Foundations**	• Stakeholder input on goals/outcomes approach • Review common PBR mechanisms • Facilitated discussion
February 27, 2026	**Existing Regulatory Structures**	• Review current regulatory structures in Oregon to clarify leverage points for incentive alignment • Facilitated discussion
April 15, 2026	**Exploration of MYP and PBR Design for Oregon**	• Participants provide input on MYP design elements and preferred PBR mechanisms • Facilitated discussion
May–June 2026	• Staff to file Phase 1 MRP Straw Proposal & Final Proposal • Staff Report to be published • Public Meeting: Staff to seek Commission decision to adopt MRP and PBR foundational structures	

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AR 676 Workshop 4
Staff Presentation

Michelle Scala & Bret Stevens
April 15, 2026

Oregon Public Utility Commission

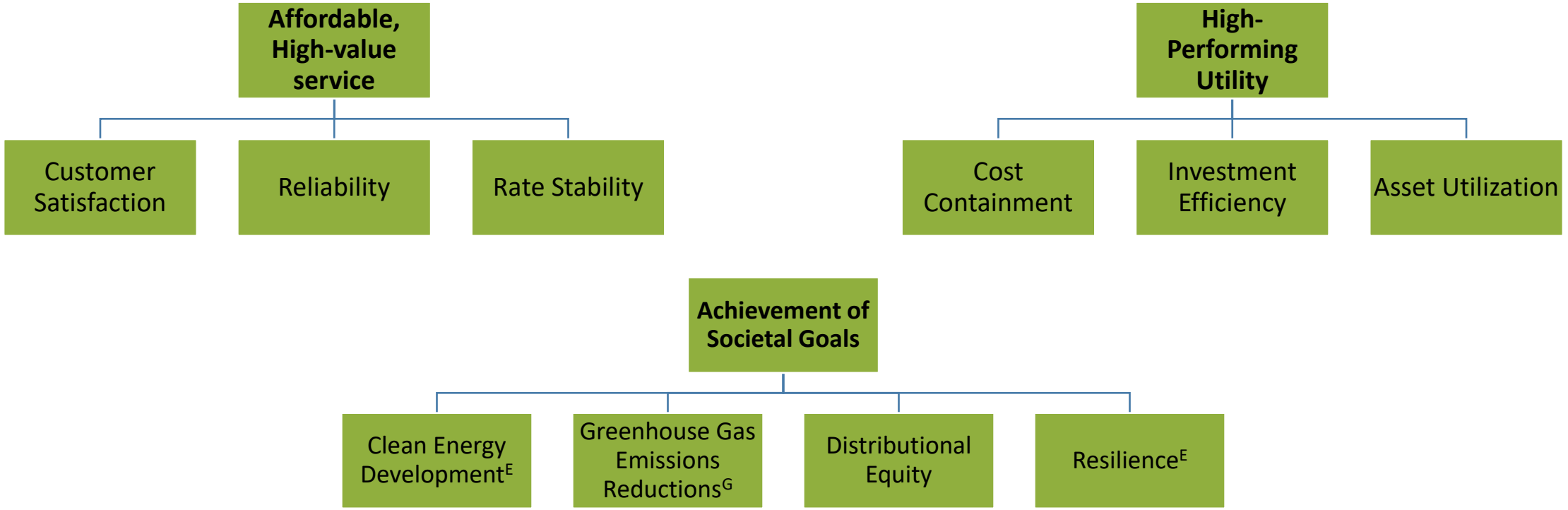
Topics

- Staff Principles
- Goals/Outcomes Framework
- Phase 1 and Phase 2 Issues
- MRP Scope

Staff Principles

1. Contain and smooth customer rate impacts
2. Maintain utility financial stability
3. Reduce regulatory burden and improve administrative efficiency

Goals and Outcomes



E = Electric Only

G = Gas Only

Phase 1 Issues

- Principles, goals, & outcomes
- Type of MRP
  - Index-based cap (price or revenue)
  - Forecasted MRP
- Decoupling
- Plan duration
- MRP scope
- PBR outcomes

Phase 2 Issues

- Index components (inflation measure, X-factor, Z-factor, Stretch factor)
- Capital funding mechanisms
- Earnings sharing mechanisms
- Off-ramp
- Reopeners
- Rebasing

Phase 2 Issues

- Efficiency carryover mechanism
- Capex/Opex equalization
- Metrics and scorecards
- PIM metrics and size
- Linking planning process and MRP

MRP Scope

- Current base rates
  - O&M
  - Depreciation expense
  - Taxes
  - Administration and general expenses
  - RoR

MRP Scope

- All trackers, excluding:
  - Power cost forecast
  - PCAM
  - PGA
  - Wildfire mitigation tracker*
  - Energy Trust tracker*

*May change in future MRPs

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Exploration of MRP and PBR Design for Oregon

AR 676 – Workshop 4

April 15, 2026

Presentation Objectives

- Revisit MRP design elements
- Share select design decisions by peer jurisdictions
- Provide resources for stakeholders to apply to Oregon
- Q&A and brief discussion

For your reflection

- What is one feature of MRP design in other jurisdictions that you think could be applicable to Oregon?
- Are there any features from those jurisdictions that may not be applicable to Oregon?
- What is one MRP design element that you want to learn more about?

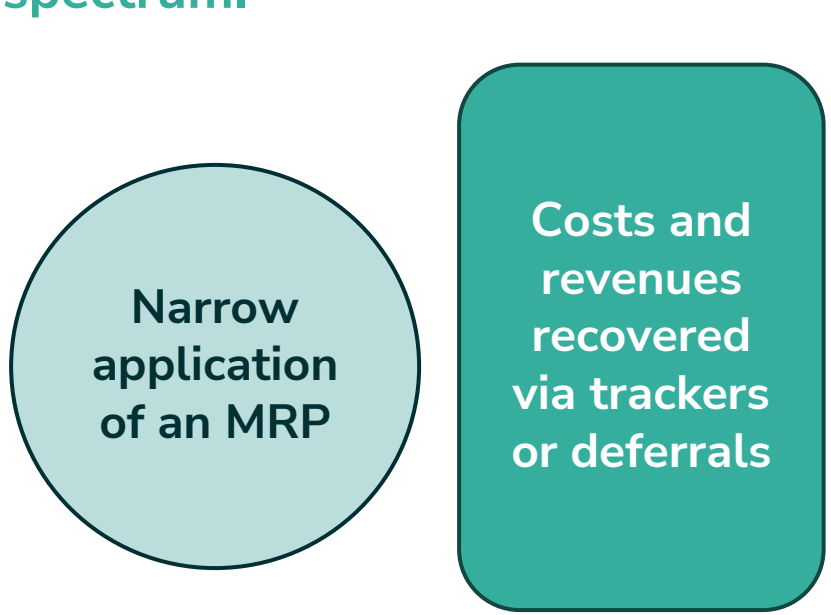
MRP Design Elements relevant to Workshop #4

Workshop discussion is structured around a selection of fundamental MRP design elements.

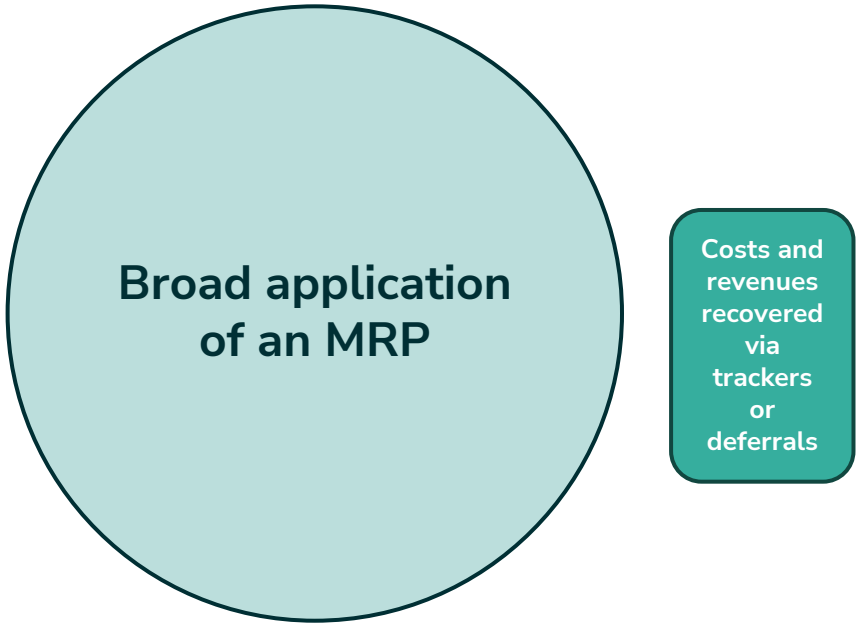
- ✓ Type of MRP
- ✓ Scope (i.e. comprehensiveness) of an MRP
- ✓ Index-based adjustments
  - ✓ Inflation (I) factor
  - ✓ Productivity (X) factor
  - ✓ Z factor
  - ✓ Stretch factor
- ✓ Plan duration
- ✓ Earnings sharing mechanism
- ✓ Treatment of capital expenses

Scoping: What costs and revenues can (or should) be included in an MRP?

The breadth of an MRP, including its degree of integration with other structures, **exists on a spectrum.**



Significant portions of utility costs and revenue are recovered from mechanisms outside an MRP (such as trackers, deferrals, system benefits charges, special purpose charges, etc.).



Larger share of costs and revenues are consolidated within the MRP structure. Utility business strategy, regulatory objectives, and policy goals are aligned through enterprise-wide incentive structures.

How are capital expenses treated in a ratemaking framework?

An MRP should be designed with **visibility and attention** to the full picture of **current rate base**, **ongoing capital projects,** and **potential additional investments** during the MRP period. Capital expenses can be recovered through different strategies:

- Incorporate capital expenses in rates.
- Utilize a capital funding mechanism for recovery of selected types of capital expenses.
- Recover targeted expenses through cost trackers.
- Employ additional capex/opex equalization strategies for more integrated or comprehensive approaches.

Example
Connecticut: Customized K-bar ("CT-bar") plus separate capital cost trackers (proposed final decision)

Two-part structure: (1) “CT-bar” for incremental capital expenditures that are not captured in the Revenue Cap Formula, and (2) additional capital cost trackers for occasional cases.

How have other jurisdictions approached MRP design?

Adopted MRP frameworks reflect a variety of approaches and development processes.

MRP/PBR Component		Washington (Adopted 2021)	Hawaii (Adopted 2020)	Alberta (Adopted 2009)
Type of MRP		Utility-specific, electric and gas utilities	Index-based revenue cap (electric)	EDCs: Index-based price cap Gas utilities: Index-based revenue cap
Revenue decoupling		Maintained for electric utilities	Maintained	Maintained for gas utilities
Goals and outcomes		4 goals with 3-5 associated outcomes	Hierarchical Goals>Outcomes framework	Top-level objectives for PBR framework and guiding principles for PBR plans
Plan duration		2-4 years	5 years	5 years
Scope of an MRP/Going-in rates		Historical test years with adjustments	Historical test year from rate case	Forecasted test years
Phasing in MRPs and PBR		PBR legislation requires MRP alignment with clean energy implementation plans	HPUC established a months-long tariff review process to finalize tariffs associated with PBR	Assembled utility feedback and aligned on submission of PBR proposals in 2011
Index–based Adjustments	Inflation factor	Utility/intervenor-proposed	GDPPI	Weighted composite of Alberta-specific labor cost index and consumer price index
	X factor	N/A	0%	0.1% productivity + 0.3% premium
	Z factor	Subject to UTC approval	0.2-0.28%	Materiality threshold 0.4%
	Stretch factor (consumer dividend)	N/A	0.22% + $25 million savings commitment	0.3%
Capital funding mechanism(s)		Utility-specific	Exceptional Project Recovery Mechanism	Two-tier approach, including a K-bar
Earnings sharing mechanism		Asymmetric ESM	Symmetric, tiered ESM	Asymmetric, two-tiered ESM

Examining capital funding strategies in Hawaii and Alberta...

Hawaii

Exceptional Project Recovery Mechanism (EPRM)

The EPRM replaced the “Major Projects Interim Recovery” to permit investments that go beyond “business as usual” expenses and to support exceptional projects that align with regulatory or policy priorities.

Guiding principles set by the HPUC dictate that EPRM applications be considered on a case-by-case basis, with no monetary threshold for capital projects.

EPRM can also consider projects with non-capital expenses if they are at least $2.5 million.

Alberta

Two-tier approach, including a K-bar.

Type 1 capital can be approved if extraordinary and outside normal operations. Projects are subject to a materiality threshold of 0.01% impact on ROE and must also consider operating expenditure (opex) alternatives.

Type 2 capital is managed within a pre-set, index-based budget (K-bar) based on a 5-year historical average, adjusted for customer growth and a productivity factor to encourage cost containment.

Deep Dive: Maine MRP

Maine's MRP debate recently concluded with Commission guidance for an index-based revenue cap framework.

MRP/PBR Component		Maine		
		Commission Staff – Christensen Associates Proposal	***Office of Public Advocate – Synapse Proposal***	***Maine Public Utilities Commission***
Status		Proposed (2026)	Proposed (2026)	Adopted as guidance (2026)
Type of MRP		Index-based price cap (EDCs)	Index-based revenue cap (EDCs)	Index-based revenue cap (EDCs)
Revenue decoupling		Eliminate	Maintain	Maintain
Goals and outcomes		3 goals	Support goals and outcomes	
Plan duration		4 years	5 years	
Scope of an MRP/Going-in rates		Traditional COSR	Historical test year	
Phasing in MRPs and PBR		Utilities can submit MRP proposal in rate cases with supporting evidence		Utilities can submit MRP proposal in rate cases with supporting evidence
Index – based Adjustments	Inflation factor	Weighted average growth rate of labor, capital, and materials	GDPPI	
	X factor	-0.54%	No position on X-factor	
	Z factor	0.0013% materiality threshold	Similar, with strict criteria for storm cost recovery. No event aggregation	Subject to further consideration
	Stretch factor (consumer dividend)	0.4%	Support, neutral on specific value	Yes, subject to further consideration
Capital funding mechanism(s)		F-factor: Supplemental revenue	Similar to Hawaii's EPRM, inclusion of storm cost recovery expense	F-factor adopted with similarities to Hawaii's EPRM
Earnings sharing mechanism		Symmetric ESM	Asymmetric ESM	

Introduction to Workshop #4 worksheet

Stakeholders are invited to **complete the "Ratemaking Framework Decision Points"** worksheet and **submit** in comment period following Workshop #4.

Ratemaking Component		Options or Considerations	Recommended Approach
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?	
Earnings sharing mechanism (MRP Report, p. 20)		• Is it symmetric or asymmetric? • Are there tiers and deadbands, and of what size?	

- Workshop #4 written comments **due Wednesday, April 22.**
- Each design component includes a reference to the relevant page number in the "Multi-Year Rate Plans: Purpose and Design Considerations" report from December 2025.

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 revenue true-up mechanism	How does the existence of decoupling, or not, relate to MRP type?	

Attempting to define the scope of an MRP

The **"Revenue Subject to MRP Revenue Cap"** resource provides a **non-exhaustive list** of revenues and cost drivers in Oregon that **could be incorporated** in an MRP.

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.
** Indicates additional utility activities and cost drivers that could be consolidated into an MRP over time.*

Tying together MRP objectives and design

The final table, **"Phase 1 Ratemaking Decision Matrix,"** illustrates how MRP **design elements** can be **applied** to **achieve priority objectives.**

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

Participant discussion

- What is one feature of MRP design in other jurisdictions that you think could be applicable to Oregon?
- Are there any features from those jurisdictions that may not be applicable to Oregon?
- What is one MRP design element that you want to learn more about?

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Thank you.

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Appendix

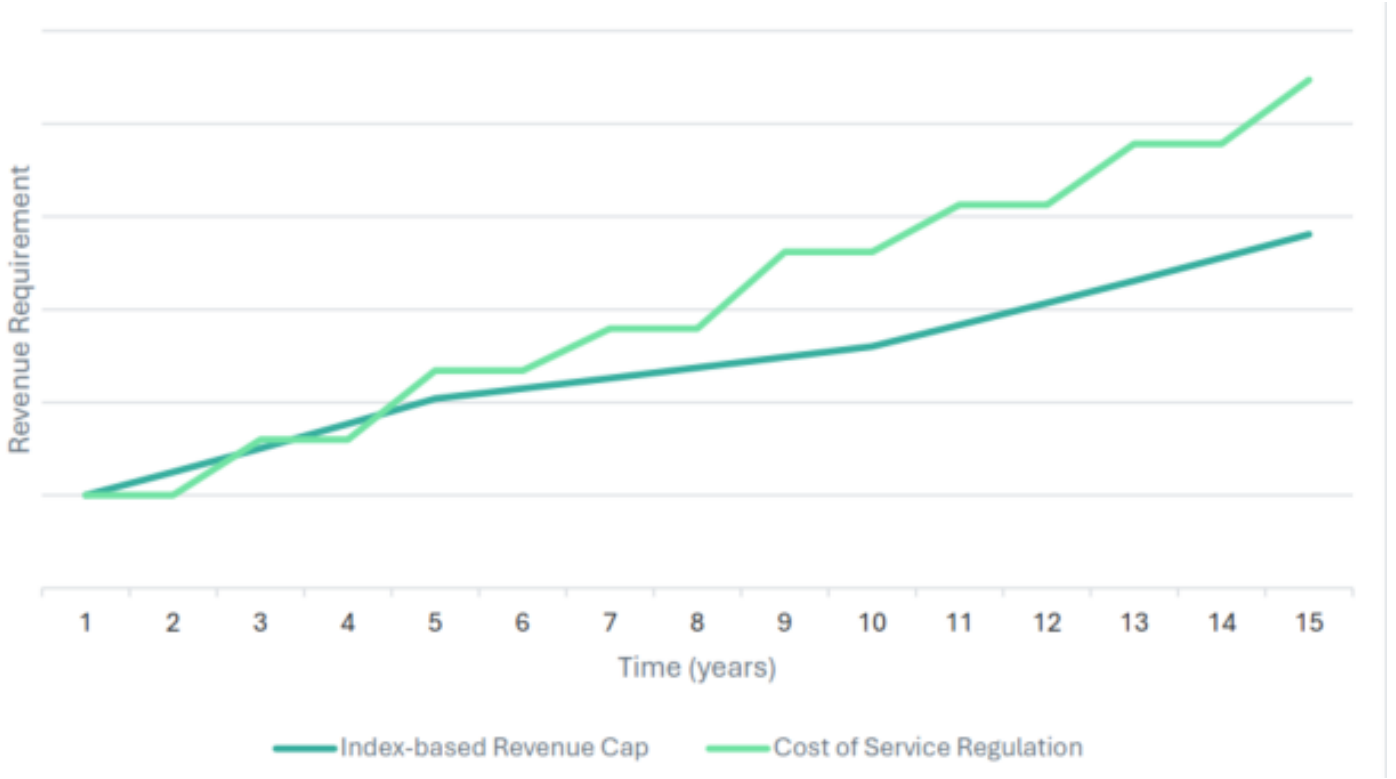
MRPs should support long-term utility cost containment.

Lower total utility costs can be achieved from

- Near-term utility incentives to seek cost savings below a revenue (or price) cap – i.e., savings within each MRP period
- Long-term reduction in total revenue growth (compared to COSR baseline), as cost savings are carried into future periods' allowed revenue

Requires calibration of incentives, within and between periods to achieve fair and balanced outcomes

Illustrative Comparison of Customer Rates Under an Index-Based Revenue Cap Versus Cost of Service (COSR) Regulation



Index-based cap MRPs

Target revenue (cap), is set for the first year of the MRP period, then annual adjustments are made using predefined factors that are "indexed" to variables outside of utility control.

- Exogenous factors can include inflation or adjustments in the case of extreme events.

- *Price cap* can be used instead of a *revenue cap*, in which the revenue requirement is translated into rates that are held fixed (except for index-based adjustments).
  - As a price cap does not cap utility revenues, a utility can still increase its profits by increasing sales volumes.

Pros	Cons
• Promotes cost efficiency • Capped revenue (or price) functions as a budget against which utility should manage their costs • Motivates utility to seek cost savings and operational efficiencies throughout the duration of MRP period	• Revenue cap that is too high can dilute cost-containment incentives • Complex deliberations to set adjustment factors (X-factor, etc.)

Forecasted MRPs

Allowed revenue in each year of the period is derived from a utility's forecasted costs.

- The revenue determination is more directly derived from costs that are in the utility's control.

- Distinct from index-based cap MRP, in which revenue adjusts year-to-year based on exogenous factors.

- Important for Forecasted MRPs to ensure that allowed revenues are not too generous or skewed by inflated cost forecasts.

Pros	Cons
• Can motivate cost containment (*with use of a cap*) • Based on expected utility costs for the MRP period • Allows for direct comparison of forecast and actual costs in rate-setting • Grants additional utility input to inform allowed revenue (compared to Index-based cap MRP)	• Utility may have too much control over estimated future costs • Cost forecasts could be inflated (information asymmetry) • Revenue cap that is too high can dilute cost-containment incentives

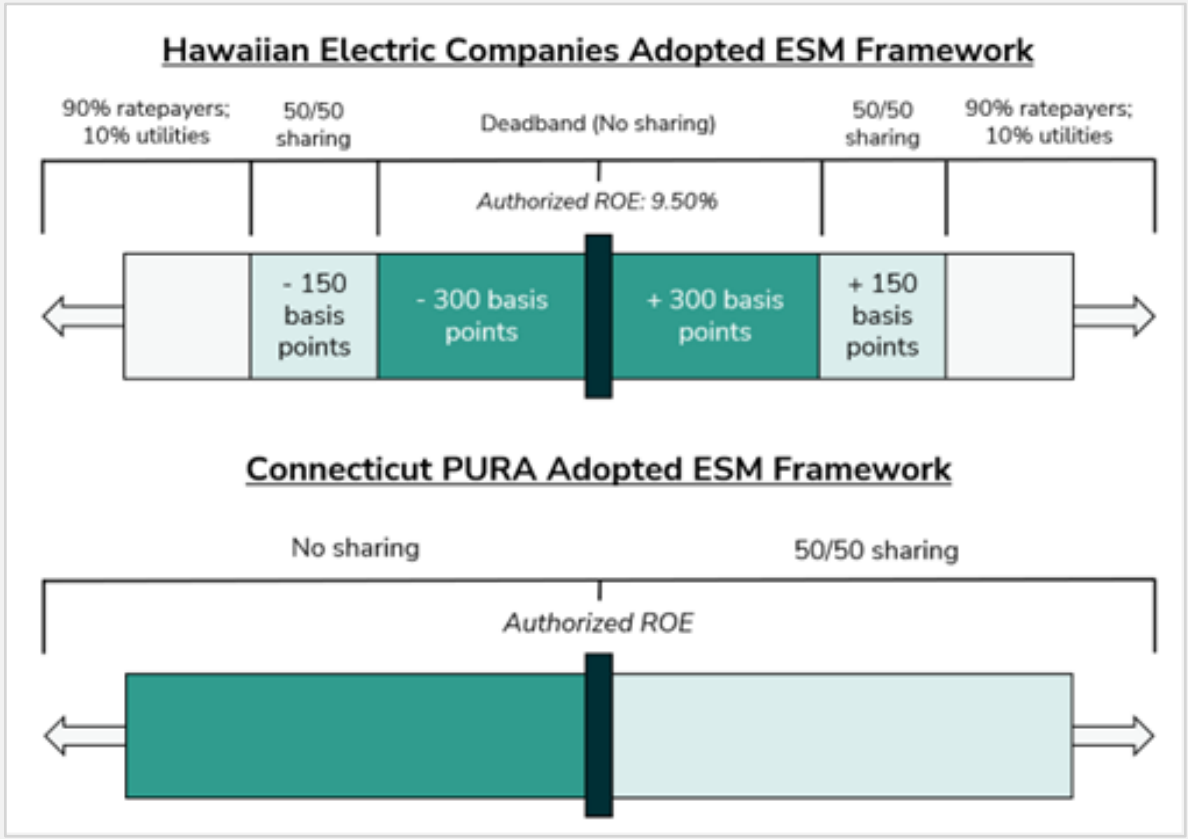
Earnings Sharing Mechanism (ESM)

Structure by which the utility and customers share a portion of over- or under-earning outside the authorized ROE.

Features of an ESM can include:

- **Deadbands** (range where the utility retains all earnings or losses)
- **Tiers** (incremental customer-utility sharing proportions)
- **Symmetries** (equal application of tiers above and below ROE)
- Design should **align customer and utility incentives** through achievement of cost efficiencies and equitable risk- and benefit-sharing.

Examples: Hawaii and Connecticut



Attrition Relief Mechanism (ARM)

Structure to make annual adjustments to target revenue according to a predetermined formula and factors that are separate from actual costs incurred.

Illustrative ARM formula

Target Revenue Year N = Target Revenue Year (N – 1) + Inflation – X-factor + K-bar + Z-factor + …

- Meant to address potential erosion of achievable savings in an indexed-cap MRP.
- ARM formula can contain a **mix of fixed values and external (exogenous) factors,** like inflation (I-factor) or unforeseen future events (Z-factor).
- **Components within the formula can be attuned to certain guiding principles or governance priorities,** such as motivating utility productivity gains above and beyond peer utilities.

Example
Hawaii: Gross Domestic Purchases Price Index (GDPPI)
Annual adjustment made according to the annual forecasted change in GDPPI.

Capital Funding Mechanisms

Ratemaking provision that allows the utility to recover costs associated with capital outside of the MRP's primary revenue components.

- Capital recovery in MRP should be designed to consider **totality of rate base obligations, ongoing capital projects, and potential additional investments** during plan duration.
- Common capital recovery approaches include:
  - **K-bar:** Adjustment factor set based on historical capital expenditures.
  - **Forecasted capital:** The utility estimates its necessary capital expenditures for the MRP period, which informs a capped revenue allowance for those projects during the period.
  - **Capital trackers:** Annual cost trackers allow recovery of actual costs incurred.
  - **Project- or program-specific cost recovery:** Allow recovery of costs incurred for designated projects or capital funding programs, subject to certain criteria.

Example
Connecticut: Customized K-bar ("CT-bar") plus separate capital cost trackers

Two-part structure: (1) "CT-bar" for incremental capital expenditures that are not captured in the Revenue Cap Formula, and (2) additional capital cost trackers for occasional cases.

Plan Duration

The length of time for which rates are set for a utility without an update through a general rate case.

- Plan duration should provide sufficient opportunity for a **utility to pursue meaningful cost efficiency and business innovation,** while **balancing rapid changes** in utility industry.
- Multi-year periods can **reduce the administrative burden** of frequent rate cases.
- Regulators can predetermine circumstances that trigger adjustments during the plan duration.

Plan Duration in Select Peer Jurisdictions				
State	**2 Years**	**3 Years**	**4 Years**	**5 Years**
Alberta				✓
Connecticut			✓	
Great Britain (RIIO)				✓
Hawaii				✓
Maryland		✓		
Massachusetts				✓
North Carolina		✓		
Washington	✓	✓	✓	

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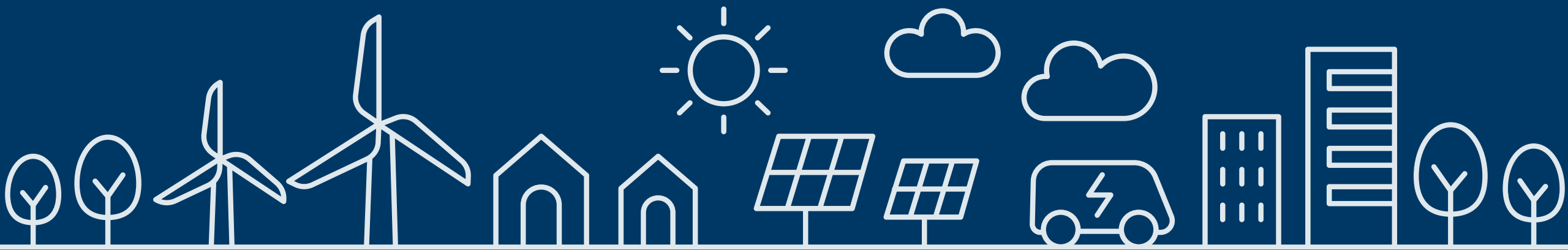
Polling Activity

MRP Scope & Duration



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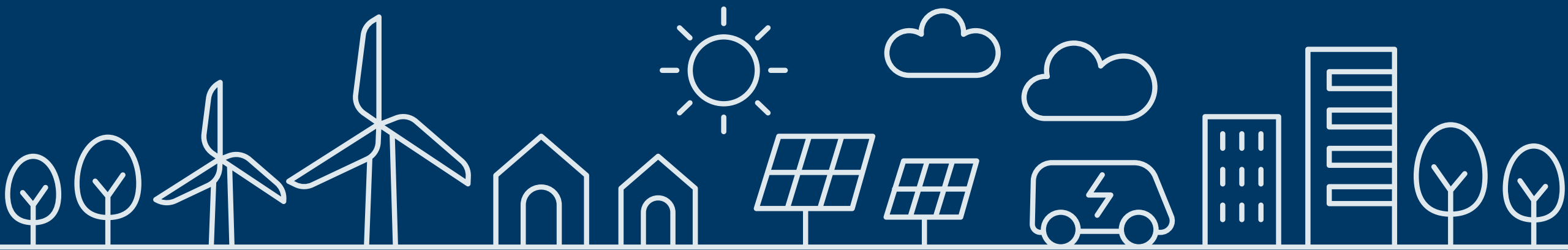
BREAK

Return at 11:00am PT



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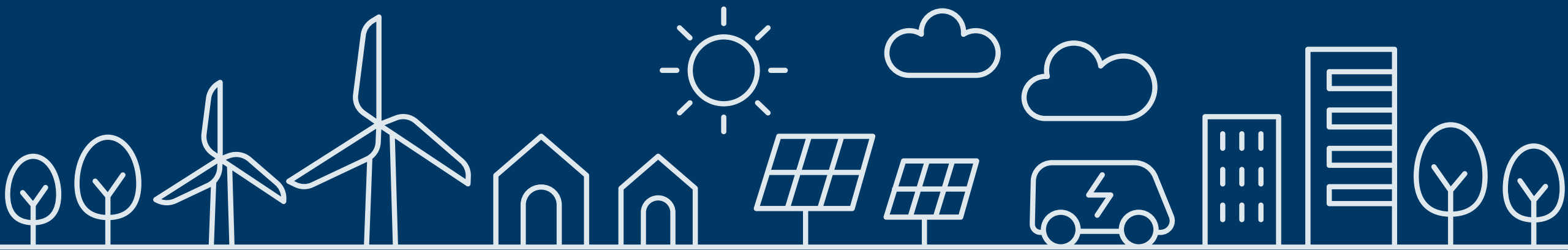
Breakout Rooms



Breakout Room Discussion

- Each breakout room will have a facilitator and a “faculty expert”
  - Faculty experts are available to answer technical questions, help participants understand what different approaches mean, important tradeoffs between different approaches, etc.
  - Faculty experts:
    - Mark Kolesar (Kolesar Buchanan & Associates Ltd., former chair of the Alberta Utilities Commission)
    - Melissa Whited (Vice President, Synapse Energy Economics, Inc.)
    - Cara Goldenberg (Principal, RMI)
- All breakout rooms will discuss the following topics:
  - Annual cost adjustments
  - Earnings sharing mechanisms
  - Capital funding mechanisms
- Whiteboards will be available for use

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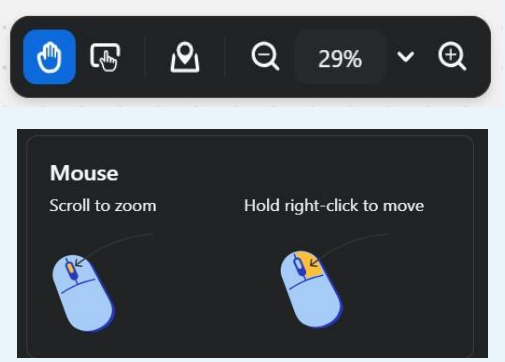

To move around the whiteboard, you can either select the hand in the bottom right corner, or right click with your mouse

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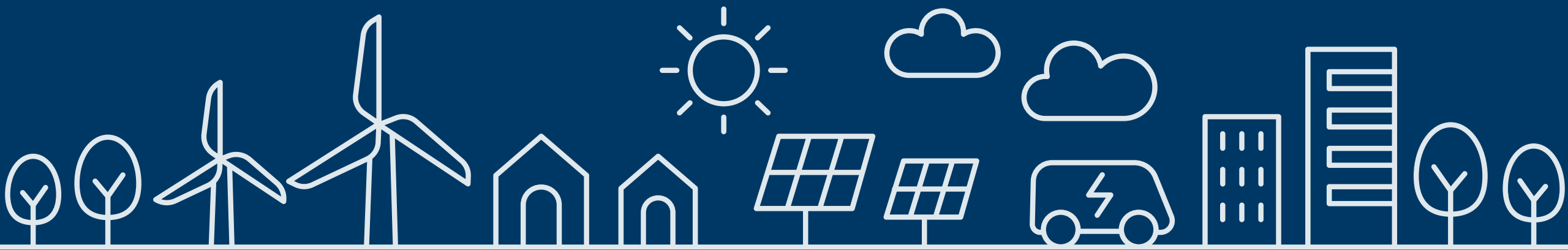
Wrap-Up and Next Steps



Wrap-Up and Next Steps

- Key upcoming Phase 1 dates:

Task		Date
Phase 1 INFORMAL RULEMAKING PHASE		
Workshop Pre-read	Staff and CEG release MRP/PBR Components Pre-read .	April 8, 2026
Workshop #4	Workshop on Exploration of MRP and PBR Design for Oregon.	April 15, 2026 ~~9:00-11:00am PT~~
Comments	Written comments on Workshop #4 due.	April 22, 2026
Staff proposal	Staff releases Phase 1 MRP Strate proposal.	May 6, 2026
Comments	Written comments on Staff Straw Proposal due.	May 20, 2026
Staff proposal	Staff releases Final Phase 1 MRP proposal.	~~June 1, 2026~~ **June 4, 2026**
Staff Report	Target Staff Report published.	June 16, 2026
Public Meeting	Target Public Meeting date.	June 23, 2026
TBD FORMAL RULEMAKING PHASE – approximately 49 days or longer (May 2026)		

- Final remarks from Staff

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Thank you!

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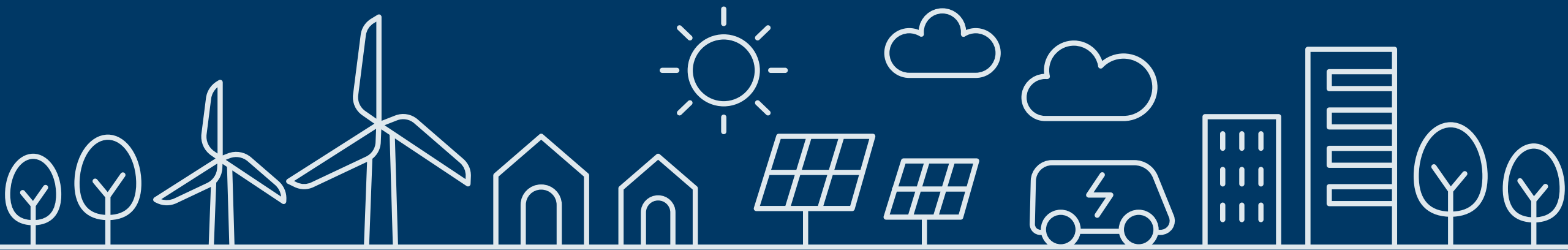
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