Multi-Year Rate Plan Framework

Docket No. AR 676
Phase 2 Track 1

Electric & Gas O&M
Workshop 1

Oregon Public Utility Commission

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Standard approach under the MRP framework

Applies to each cost category absent a determination that different treatment is warranted.

PRIMARY APPROACH

1 Set going-in rates

- Historic actuals
- Planning process
- Program budget
- Other

2 Annual adjustments

- Indices (I – X – S + G + Z)
- PIMs

Annual adjustment also includes:

- Decoupling
- ESM
- PIMs
- Used-and-useful confirmation (informational)

3 Rebasing

- Return to actual cost of service
- Reset the base for the next plan

ALTERNATIVE APPROACHES

- Forecast revenue for each year

- Capital mechanism (capital only)
- True up actuals
- Z factor
- Reopeners
- Off ramps

- Handle outside of MRP

MRP cost treatment tools

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Index only

Going-in level escalates by the formula.

Administratively simple; does not track drivers other than inflation.

Normalization

Recurring but variable cost averaged into the going-in level, then indexed.

No additional mechanism; requires an agreed averaging method and period.

Category escalator

A contract rate, bargaining agreement, or category index substitutes for the general index.

Closer to the driver; requires review of the substituted input each cycle.

Capital linkage

Incremental O&M carried with the capital mechanism or recognized through the growth factor.

Addresses stepwise increases; requires materiality criteria and a true-up.

Balancing account

A forecast level is set in the plan; only the variance is reconciled.

Retains containment on the forecast portion; adds an annual filing.

Deferral

Actual qualifying costs tracked where the amount cannot be forecast.

Recovers prudent costs incurred; least cost-containment effect.

Z factor

A discrete, material exogenous event outside utility control.

Requires a materiality threshold and a definition of qualifying events.

PIM or metric

Recovery tied to a measured outcome rather than to spending.

Addresses performance directly; design determines the incentive created.

Recovery outside the MRP. A separate schedule or adjustment clause. Phase 1 recommended comprehensive scope with limited exceptions; this treatment should only be considered where no other tool can reasonably address the cost driver or stated complexities.

Excludes reopeners and off-ramps

Non-standard O&M Cost categories

O&M cost categories that utility pre-reads identified as candidates for specialized cost treatment.

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UNIVERSAL

Labor

Bargaining agreements; wages have outpaced indices

Insurance

Market and claims conditions shift sharply

Special taxes

Property tax follows net plant value, not CPI

IT operations

Subscription pricing; capex-to-O&M shifts; start-up costs

T&D operations

Inspection volume and work cycles, present and future

Customer programs

Bill discounts · advisory groups · non-ETO EE and admin · demand response

Property sales

Discrete, one-directional, timing-driven

Intervenor funding and advisory groups

Set outside the utility's control

New legislative programs

Cannot be forecast at filing

ELECTRIC

Independent Evaluator costs

Triggered by an RFP that may or may not occur

REC sales

Discrete and market-timed

Community solar admin

Start-up and administration distinct from bill credits; Commission controlled

Transportation electrification

Three-year plan cadence

GAS

Storage and LNG O&M

Cycle-driven; distinct from distribution work

Contracted field services

Locate and survey volume plus contract pricing

Safety and integrity inspections

Cost per inspection tracks inflation; the number of inspections does not

O&M cost situations

Hypothetical concepts for potential cost treatment

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	Predictable	Not predictable
Recurring	**Going in:** Current test-year approaches **Annual adjustments:** Standard indices	*Highly variable or volatile costs* **Going in:** Forecasted + deferral **Annual adjustments:** True-up
Future	*For example, O&M associated with future capital* **Going in:** Forecasted **Annual adjustments:** Standard indices	*For example, policy change* **Going in:** Not applicable **Annual adjustments:** Z factor or recovery outside the MRP, based on criteria/eligibility

Labor, insurance, taxes, and IT operations

Staff synthesis of utility pre-reads.

Category	Why considered for specialized treatment	Possible treatment(s) identified by utilities
Labor	Wages set by bargaining agreement. Utilities report union wages have outpaced inflation indices.	Known agreements and compensation forecasts in place of a general index
Insurance	Market and claims conditions can shift sharply.	Detailed cost projections or a current policy-year quote
Special taxes	Property tax follows net plant value. For example, PGE reported $99.8M in 2025 to $137.6M in 2026.	Detailed projections. Property tax from new plant carried with the capital mechanism.
IT operations	Subscription pricing, cybersecurity, and capex-to-O&M shifts produce step changes.	Contract and implementation forecasts. Deferral and amortization of start-up costs.

System operations and O&M associated with future capital

Staff synthesis of utility pre-reads.

Category	Why considered for specialized treatment	Possible treatment(s) identified by utilities
T&D operations	Cost per inspection tracks inflation; the number of inspections does not (NW Natural).	Known contract terms plus the required inspection schedule (NW Natural).
Gas storage and LNG	Cycle-driven maintenance, distinct from distribution work. Approximately 3% of NW Natural's illustrative mix.	No specific treatment proposed.
O&M from future capital	PGE example: a year-3 transmission project generates $9M in O&M and $15M in property taxes in years 4 and 5.	Capital mechanism to carry associated incremental O&M, or an agreed step increase once in service (PGE).
Lumpy maintenance cycles	Major Maintenance Accrual obligations tied to hours of operation produce single-year increases (PGE).	Deferral of the marginal in-term increase, raised by PGE as a question rather than a position.

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Customer programs

Cost driver and current recovery differ by program.

Program	Cost driver	Current recovery
Bill discounts and arrearage forgiveness	Program design in GRC and program dockets. Impacted by enrollment levels.	Deferral plus automatic adjustment schedule
Energy assistance collections	Amount set by statute (ORS 757.698).	Fixed schedule; remitted to designated agencies
Demand response/flex load/other pilots	Planning and program design* Impacted by enrollment levels.	Deferral plus adjustment schedules
Community solar admin	Administrative/start-up costs set by PUC	Deferral plus adjustment schedule
Transportation electrification	Amount set by statute, can propose incremental costs in planning	Adjustment schedules
Non-ETO energy efficiency and administration	ETO multiyear plan and other program dockets	Adjustment schedules
Other CBRE	Planning, other programs and procurement activities	Mix of power costs and adjustment schedules

**Some statutory requirements*

Pass-through costs, discrete events, and new mandates

Staff synthesis of utility pre-reads.

Category	Why identified	Treatment proposed in the pre-reads
Statutory pass-throughs	Public purpose charge set at 1.5% of revenues by ORS 757.612. Assistance collections under ORS 757.698 may change mid-term.	Recovery outside the MRP; amounts are collected and remitted, not discretionary spending (PacifiCorp).
Independent Evaluator costs	Triggered by an RFP, itself triggered by an IRP demonstrating resource need. May not occur during a plan term.	Deferred accounting to track actual qualifying costs (PacifiCorp).
Intervenor funding and advisory groups	Commission-ordered. PGE recovers advisory group costs through Schedule 153 at approximately $290,000 annually.	Continued eligibility for riders or deferrals (PacifiCorp).
Property and REC sales	Discrete, timing-driven and one-directional; not aligned with a five-year plan.	Listed among candidates for exclusion from the MRP (PacifiCorp).
New legislative or regulatory mandates	Policy change identified by each submission as a driver outside utility control.	Z factor for material unforeseen exogenous events; reopener where a targeted remedy is feasible (PGE).

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Questions?

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Next Steps

Track 1: Electric & Gas O&M Schedule

- **August 31**: Discussion session 12:30-1:30pm PT
- **September 4:** Staff Concept v1 issued
- **September 8:** Discussion session 12:30-1:30pm PT
- **September 18:** Written comments due
- **October 9:** Staff concept v2 issues

**Next Track 1 workshop: Electric Distribution, September 9.*

Potential Structure of Staff Concept

1. **Default treatment:** Treatment applicable absent a determination to the contrary
2. **Criteria:** The basis on which a category receives different treatment
3. **Tools :** The mechanism for different treatment (if any)
4. **Regulatory pathway:** Administrative rule, AR 676 order, or utility MRP filing

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