Multi-Year Rate Plan Framework

Docket No. AR 676
Phase 2 Track 1

Gas Capital
Workshop 1

Oregon Public Utility Commission

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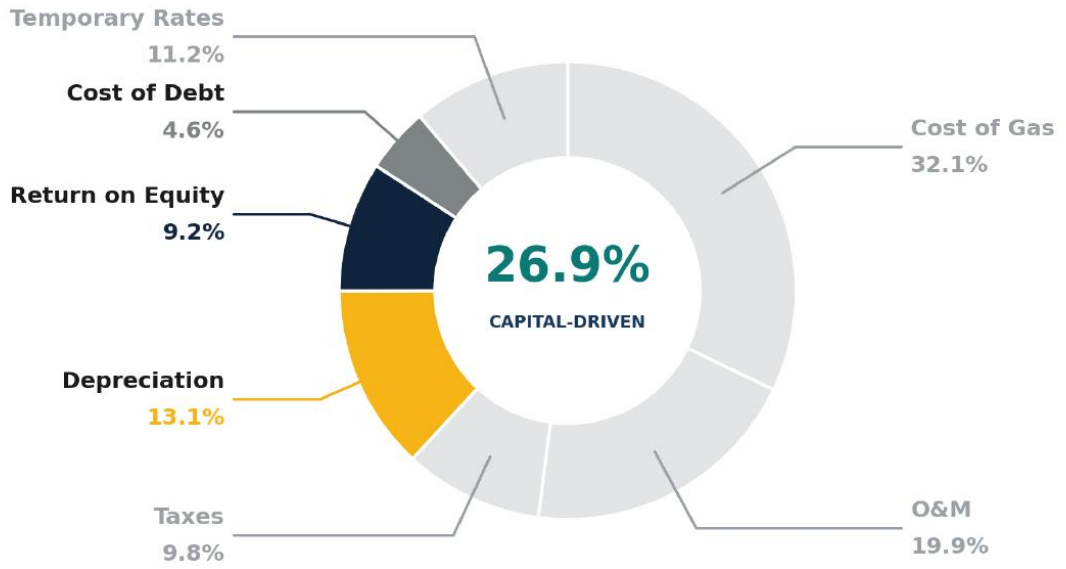
September 23, 2026

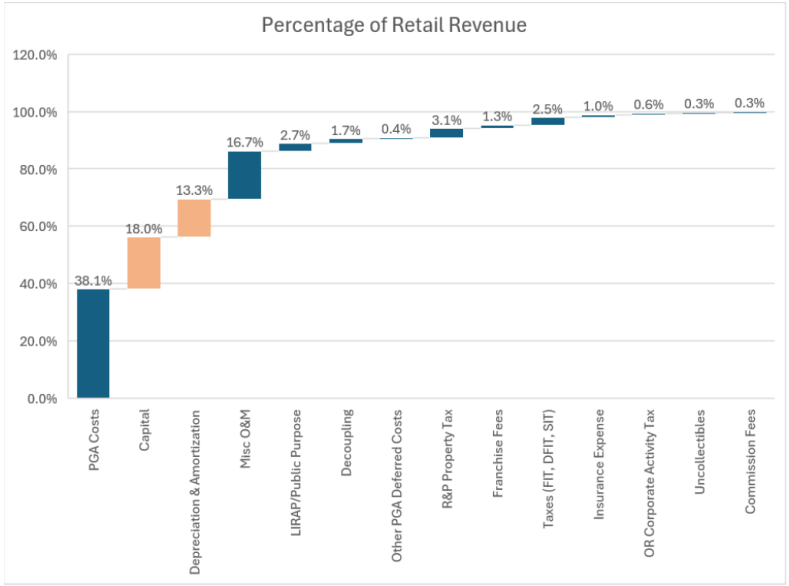
Capital in the revenue requirement

As reported in the pre-reads. Utility specific and thus not directly comparable.

NW Natural: capital as a percentage of total bill



Avista: percentage of retail revenue, (UG 519)



Capital-related costs are ~30.3% of retail revenue (orange bars):
Capital 18.0% +Depreciation & Amortization 13.3%.

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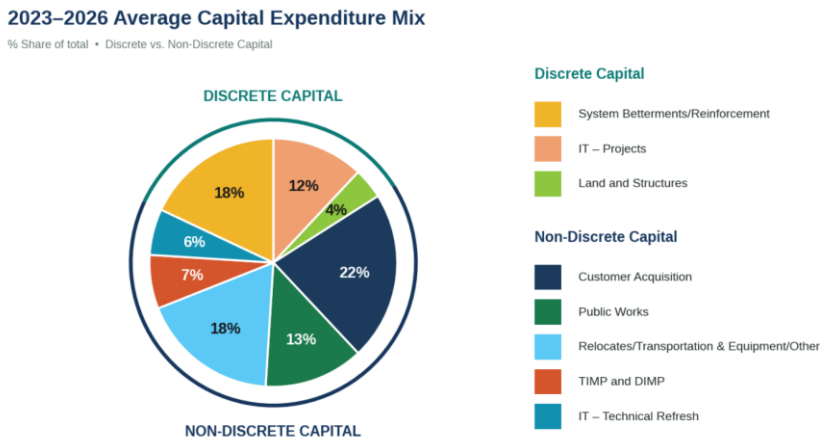
Capital Composition

Utility pre-read capital data visualizations.

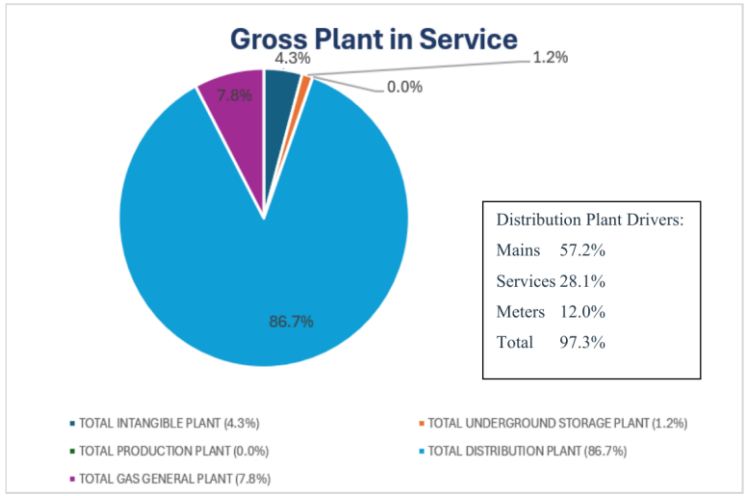
NW Natural: 2023–2026 capital mix



Non-discrete is "recurring, steady-level spend over which the Company has little discretion"

Approximately 66% per the graphic.

Avista: gross plant in service



Portfolio is "primarily programmatic".

Cascade: gross plant in service

~80%

of the annual increase in plant in service is mains and services

Blanket-type portfolio work, "generally a known and expected annual cost."

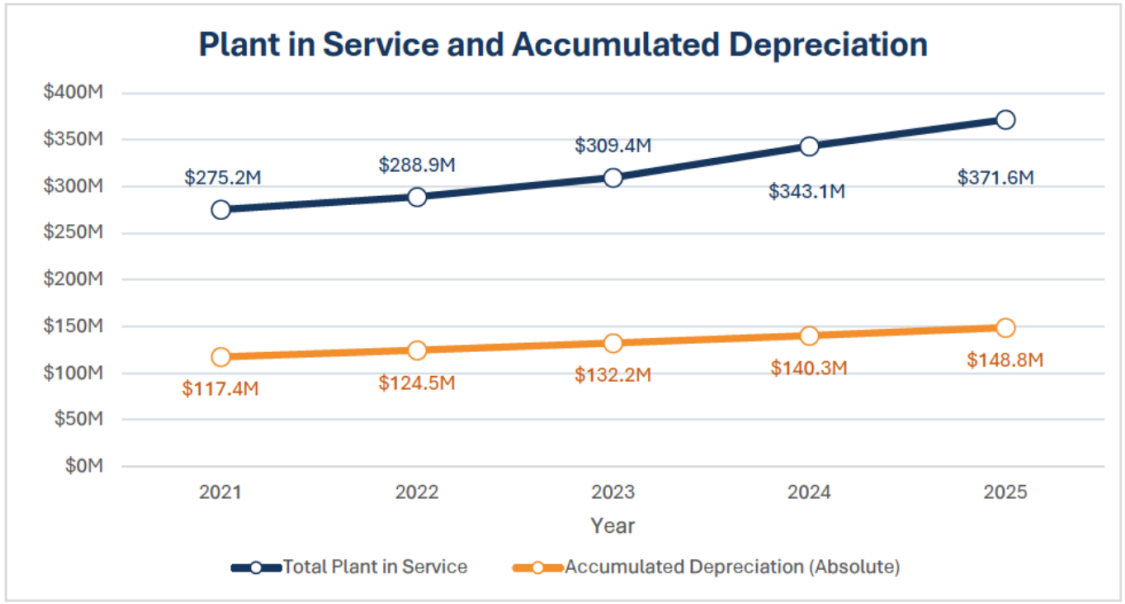
Annual increase in plant in service
2022: $13.6M
2023: $20.6M
2024: $33.6M
2025: $28.6M

Approximate revenue requirement increase (proxy based) 10%. Includes both return on and return of capital.

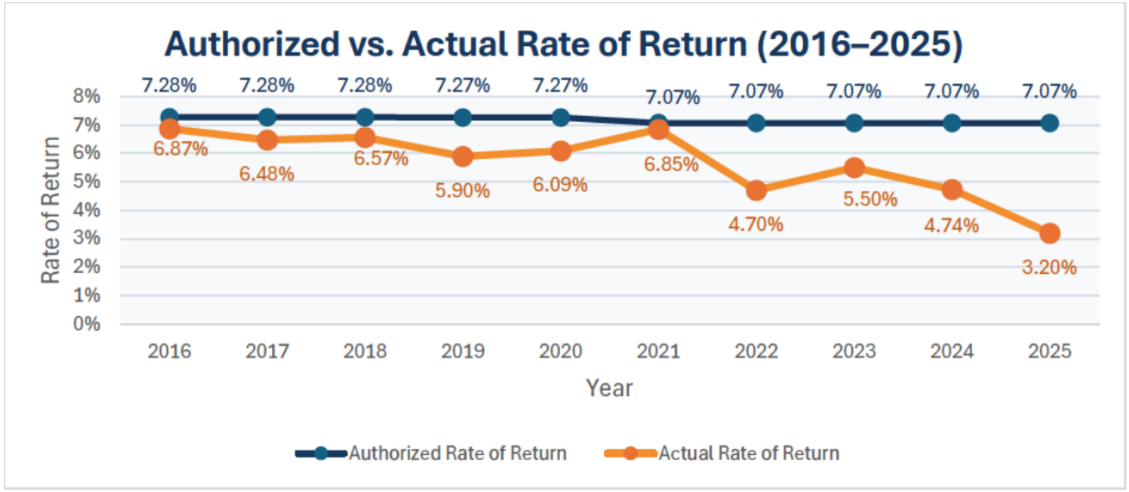
Cascade: plant growth and earnings

Cascade data visualizations continued.

Total plant in service and accumulated depreciation



Authorized vs. actual rate of return, 2016–2025



- **Lag estimate.** Cascade's $7.7M "Five-Year Total" applies a 10% proxy to four annual increments (2022–2025); mains and services are 80% of each year's increase.
- **Earnings.** Cascade attributes under-earning to "its continued program of capital investment" and "significant regulatory lag"; the pre-read does not quantify each driver.

Utility Feedback on MRP Components

Staff synthesis of utility pre-reads.

Topic	NW Natural	Avista	Cascade
Going-in rates	Describes forward test year, AMA, used and useful	Traditional GRC, including attestations	Current GRC process
Index	"Reasonable starting point" for predictable capital; "not a good fit for every category"	*Not addressed*	Broad, formula-driven, for routine, typical capital
SCFM	"Discrete, long-planned investments"; also listed for short-lived IT and capital-to-O&M shifts	*Not addressed*	Capital "beyond routine, typical investments"; needs it "cannot anticipate"; eligibility review, annual true-up
Outside the MRP	SB 98 RNG tracker; TSA deferral, UM 2192	*Not addressed*	Recovery of specific costs outside the MRP "should continue"
Other	None	Five-year plan and four-stage prioritization	Off-ramps "should be considered"; eligibility flexible for utility size

Gas capital cost situations

Hypothetical concepts for potential cost treatment. Examples are from the pre-reads.

	Predictable	Not predictable
Recurring	*NW Natural non-discrete categories; Avista programs; Cascade mains and services* **Going in:** Current test-year approaches **Annual adjustments:** Standard indices	*No pre-read identified recurring capital as volatile* **Going in:** Normalized level **Annual adjustments:** Standard indices;
Future	*NW Natural: projects at Mist and LNG storage, large reinforcements, IT re-platforms* **Going in:** Forecast step if known and measurable **Annual adjustments:** Used-and-useful confirmation; SCFM if material and not in going-in rates (or netted out with SCFM recovery)	*NW Natural: TSA and cybersecurity directives. Cascade: "policy or event-driven" needs* **Going in:** Not applicable **Annual adjustments:** SCFM, Z factor, or deferral, based on criteria/eligibility

NWN flags SB 98 RNG (ORS 757.392–757.396) should remain outside the MRP by statute?

Where are costs best addressed?

How should tools be oriented to preserve MRP cost containment and address unique capital needs

1 Going-in level	2 Forecast step	3 SCFM	4 Z factor	5 Deferral
Test-year capital; normalization for volatile recurring spend.	Known, measurable discrete project placed in the plan at filing.	Material investment not in going-in rates; project or coherent portfolio.	Discrete, material, exogenous event the utility could not anticipate.	Qualifying costs that cannot be forecast or reasonably addressed with other tools. High bar.
Default for programmatic capital.	Used-and-useful confirmed at in-service.	Not for routine, planned, programmatic capital.	Requires threshold and qualifying-event definition.	Least cost-containment effect.

No double recovery. Capital in a dedicated mechanism, SCFM, or deferral is netted out of going-in rates and the index then rebased after MRP cycle.

Additional capital treatment discussion points from pre-read:

- NW Natural lists "targeted forecasted capital into the MRP" or SCFM for discrete projects.
- Cascade proposes an initial review of "eligibility, customer need, and forecasted costs."

Issues for discussion from pre-reads

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Additional areas to explore for concept development

Growth and the G factor

Cascade: growth under 2% a year; CPP and line extension allowance phase-out "likely to further suppress future growth".

How do we approach growth and the G-factor for gas utilities?

Depreciation

Not addressed for a five-year term.
NW Natural: rates set by a Commission-approved study

Align studies OAR? Every five years with rebasing?

Index and capital intensity

NW Natural: an index that does not track capital "will compound quickly".
Cascade: index measure is "an important technical question".

Which lever carries programmatic growth above the index?

IT and cloud

NW Natural: short lives "concentrates recovery"; cloud shifts spend to O&M "without any change in the underlying work".

Resolve shifts known at filing in the going-in level?

Trackers and deferrals

NW Natural: SB 98 RNG tracker; TSA security directive deferral, UM 2192.

Does the deferral continue in a first MRP? What others and why?

Materiality

Cascade: "a project considered small for one utility could be substantial for Cascade".

Revenue requirement basis? What can be signaled for Track 2.

Questions?

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Next Steps

Track 1: Gas Capital (D, T, & S) Schedule

- **October 5**: Discussion session 12:30-1:30pm PT
- **October 16**: Staff synthesis and concept v1 issued
- **October 19**: Discussion session 12:30-1:30pm PT
- **October 30:** Written comment deadline

Staff Contact

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