

AR 677 Rulemaking General Rate Revisions HB 3179 Staff Transition Period Concept

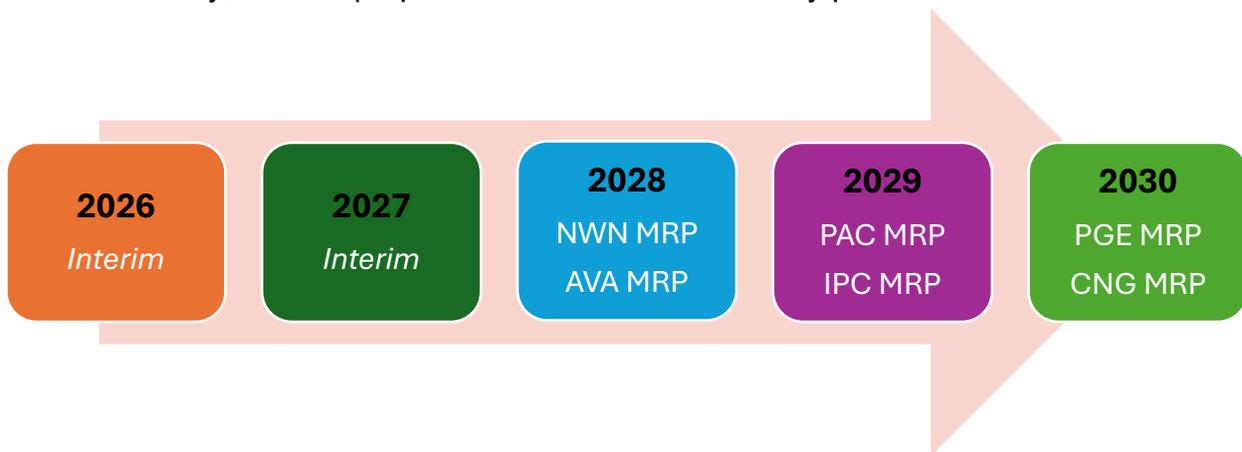
In the Matter of Rulemaking to Establish General Rate Revisions Filing Schedule and Exemption Process (HB 3179 Implementation).

Purpose

This straw proposal provides draft concepts for the transition period between now and each utility's first Multi-Year Rate Plan (MRP) under HB 3179. The objective is to clarify how existing ratemaking tools will be evaluated during the transition period and ensure that actions taken before 2029 do not undermine implementation of the MRP framework. This document is intended to inform stakeholder discussion and further refinement.

MRP Filing Schedule

Staff's proposed MRP filing schedule for inaugural utility MRPs is intended to create the certainty the utilities and stakeholders need to adequately plan. It provides a starting point for discussion and subject to change. At this stage, Staff's proposal sought to consider utilities' last GRC effective date, cumulative rate increases, utility size and service territory, and the proposed transition cost recovery process.



Transition Concepts

Staff's vision for cost recovery during the transition periods focuses on a limited number of narrowly scoped general rate cases (GRC) and discourages the use of new limited scope cost recovery mechanisms, such as alternative rate mechanisms (ARMs) and deferred accounting. Staff also responds to the concept of indexing approaches during the transition period.



Principles

Staff's concept is intended to preserve as much bandwidth as possible for the development of the MRP framework and to facilitate a transition that is transparent, predictable, and cost-contained. This phase is distinct from the term *between* utility MRPs once the framework has been established.

During the transition period, utilities will continue to make investments in energy resources and infrastructure, face inflationary pressures, incur non-discretionary costs (e.g., public works projects), and may make capital investments with short depreciable lives (e.g., software). Staff also recognizes that utilities with later MRP filing dates may have additional considerations and that there is a necessary balance between regulatory lag and rate shock. Staff's transition period concepts attempts to reflect these realities, the affordability and energy burden experience of customers, and the need to focus as much bandwidth as possible on MRP framework development. Therefore, Staff's proposal is guided by the following principles:

1. Balance affordability, financial stability, and administrative capacity.
2. Focus on targeted, high priority, and disciplined costs.
3. Provide clear expectations that enhance predictability and help utilities plan to avoid under recovery.

Transition Period Capital (ARMs)

With the two exceptions noted below, Staff does not contemplate the use of new ARMs during the transition period. Capital trackers or formula-like recovery mechanisms can reduce cost containment incentives, shift risk to customers, and unnecessarily complicate the transition to MRPs without the structural safeguards contemplated under HB 3179.

Staff's concept contemplates implementation of an ARM if the utility demonstrates:

- A single cost or cost category is included,
- The Company will not file a GRC during the transition period,
- The scope and timing of the filing is made such that it is responsive to Staff and stakeholder bandwidth, and
- Delayed cost recovery would materially impair access to capital, or
- The Company achieved a Return on Equity greater than 250 basis points lower than their most recently approved Authorized Return on Equity.



Any utility that determines it necessary to file for recovery via an ARM or tracker-like mechanism is expected to demonstrate that recovery during the transition period is necessary, time sensitive, and cannot reasonably be pursued in a GRC or the utility's first MRP filing in order to balance potential burden from cumulative impact of the proposed increase on customers.

Staff's concept does not include cost overruns for recovery during the transition period; and no investment will be subject to recovery unless in use prior to the rate effective date. Based on learnings from recent ARMs, Staff's concept also contemplates that depreciation for the same class of asset is included and there is an earnings test where excess earnings would be refunded and there would be no automatic upward adjustment for earnings shortfalls.

Staff notes that utility bears the burden of demonstrating both necessity and time sensitivity. General statements of policy alignment, system benefit, or future need are not sufficient. Where the required showing is not made, the request will be denied without prejudice to later review.

Approval of cost recovery in an ARM does not limit the Commission's authority to review scope, cost management, or overruns in the first MRP.

Deferrals

Staff intends to utilize the transition period to focus on minimizing use of new deferrals for cost recovery outside of general rate cases. Staff recognizes that deferrals are used to facilitate various existing cost-recovery mechanisms and statutorily required programs and recovery of costs associated with extraordinary and unforeseen costs, but notes in several instances, deferrals are used to facilitate year-over-year and dollar-for-dollar, recovery of costs that could be forecasted and recovered through general rate cases.

Staff will closely scrutinize new deferral requests during the transition period and look for opportunities to streamline reauthorizations that are not associated with existing cost recovery mechanisms, statutorily required programs, or high cost extraordinary and unforeseen costs. Further, based on Staff's analysis of the utilities' success at obtaining authorization to amortize deferred costs, Staff concludes recovery risk may not be commensurate with the utilities authorized RoR. Instead, the likelihood that utilities will be allowed to amortize deferred costs, based on a review of past Commission decisions, may warrant a lower interest rate.



Staff's concept does not include the creation of new deferrals without approaches that balance utility and ratepayer impacts through application of the Modified Blended Treasury Rate or another industry-based rate to deferred amounts rather than the utility's rate of return where evidence exists that recovery of costs is more likely than the utilities standard business risk.

General Rate Cases

Staff's transition concept seeks to facilitate one or fewer GRCs filed consistent with HB 3179 and other existing statutes. In line with Staff's principles, the transition concept focuses on moderating cumulative rate impacts and limited the number of concurrently filed GRCs in the transition period. To this end, Staff recommends any utility GRC filing during the transition period demonstrate consideration of the following Staff objectives:

- Minimize transition period proceedings
 - Utilities limit GRC filings to one within two years of utility's first MRP.
 - Limited number of concurrent rate cases to two.
- GRC's demonstrate narrow focus and O&M discipline
 - Target total rate increase requests to track at or below inflation.
 - Prioritize the use of GRCs where O&M reductions are possible.
 - Focus on bringing new capital projects into rates that are focused on cost-effective reliability, safety, and long-term affordability.
 - Focus on urgent or non-discretionary costs, including investments with short depreciable lives.
 - Focus on projects that can be supported with a thorough non-wires, non-pipes, or other alternatives analysis informed by stakeholder input.
- Mindfulness of potential rate shock
 - Phased increase for rate increases above 5 percent.

Indexed O&M

Staff notes that discussion of indexing approaches such as a fixed percent annual rate increase during the transition period has been discussed at workshops. Staff's concept reserves consideration of indexing for the MRP framework development process and does not include any indexing mechanisms or inflation-based automatic adjustments during the transition period. Indexing can reduce regulatory burden but also weakens the link between costs and review. Introducing indexing prior to MRPs risks embedding cost assumptions that may not receive full scrutiny before becoming the baseline for MRPs.



Next Steps

- **Tuesday, March 10, 2026, 9:30-11:30 Pacific:** AR 677 Workshop
 - Presentation of Staff proposal for clarification and initial discussion.
- **Tuesday, March 17, 2026.** AR 677 Comment deadline (optional)
 - Comments on Staff proposal and workshop discussion.

- *HB 3179 implementation office hours, every Monday, 12:30-1:30 Pacific.*

Staff looks forward to stakeholder input on this proposal and appreciates all of the thoughtful engagement on these efforts to date.

If you have any questions regarding this document or process, please contact:

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To receive meeting notices and agendas for this docket, send an email to puc.hearings@puc.oregon.gov, and ask to be added to the service list for Docket No. AR 677. You will then receive emails with workshop details, when new documents have been added to the docket, or there is a change to the schedule.