

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 459

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Application for Distribution System Plan  
Alternative Rate Mechanism.

ORDER

DISPOSITION: SCHEDULE 121 APPROVED WITH MODIFICATIONS

**I. SUMMARY**

In this rate filing, Portland General Electric Company (PGE) filed an application requesting recovery of certain costs associated with its distribution system plan alternative recovery mechanism (DSP ARM). We adopt the parties' stipulation filed in this docket and apply an earnings test to PGE's new Schedule 121.

**II. PROCEDURAL HISTORY AND BACKGROUND**

On July 25, 2025, PGE filed an application requesting recovery of the revenue requirement associated with its new Schedule 121 DSP ARM. PGE's initial filing requested recovery of \$72.3 million of revenue requirement for capital investments in the distribution system already in service or expected to be in service by March 31, 2026, and that were included in the Distribution System Plan (DSP) filed in December 2024. PGE's initial filing seeks cost recovery through a new tariff that will discontinue once all values become a part of base rates. The initial filing included 72 projects, representing \$655 million of capital in-service or expected to be in-service by March 31, 2026.

PGE explains that the proposed DSP ARM would benefit both customers and the utility by allowing it to recover costs for targeted, in-service investments enhancing system reliability, safety, and affordability in a more limited manner than a general rate case. The company notes that the DSP ARM is limited to certain, discrete cost categories using the current authorized cost of capital, balancing cost recovery with sensitivity to customer affordability. Specifically, the DSP ARM "is limited to DSP capital costs, for gross plant,

accumulated reserve, accumulated deferred income taxes, depreciation expense, property taxes, and income tax expense for in scope capital investments that become operational and in-service” between January 1, 2025, and March 31, 2026.<sup>1</sup> PGE’s filing notes it is not seeking to increase its authorized return on equity in the DSP ARM.

Staff of the Public Utility Commission of Oregon, Oregon Citizens’ Utility Board (CUB), and Alliance of Western Energy Consumers (AWEC) all participated as parties to this proceeding. On December 23, 2025, PGE, Staff, and CUB (Stipulating Parties) filed a stipulation resolving all but one issue presented in these proceedings along with supporting testimony. AWEC was not a party to the stipulation but does not oppose it.

No party indicated an intent to cross-examine witnesses and therefore an evidentiary hearing was not held. PGE, AWEC, and CUB filed opening briefs on January 29, 2026.<sup>2</sup> Staff filed an opening brief on January 30, 2026. Staff, AWEC, and CUB filed response briefs on February 12, 2026. PGE filed its reply brief on February 24, 2026.

### III. STIPULATION

#### A. Summary of the Stipulation

The stipulation explains that “PGE will remove the rate base and associated depreciation expense for P37535 (the Glisan Substation Transformer Upgrade)” from the company’s initial request.<sup>3</sup> Stipulating Parties agree that “PGE’s gross plant will be reduced by \$75 million to address ‘non-distribution’ project and ‘costs exceeding support’ issues raised by Staff and CUB” until “the next general rate case effective date.”<sup>4</sup> Stipulating Parties agree that “PGE’s rate base will include a \$15 million adjustment that will be amortized over 20 years to address Parties’ proposed distribution project adjustments.”<sup>5</sup>

The Stipulating Parties agree that “PGE will unbundle the revenue requirement used for pricing between transmission, distribution, and other functions” and that “[t]his unbundled revenue requirement will be used for rate spread purposes.”<sup>6</sup> As part of this unbundling agreement and associated rate spread, several items will apply: (1) “PGE will unbundle these assets consistent with the final unbundling methodology supporting the compliance filing in UE 435” and consistent with OAR 860-038-0200; (2) “[a]ssets approved in UM 2347 for reclassification to transmission will be unbundled and spread

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<sup>1</sup> PGE/100, Tinker-Klotz/5.

<sup>2</sup> AWEC and CUB submitted joint briefing in this docket.

<sup>3</sup> Stipulation at 2.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 3.

as transmission[;]” (3) “[t]he forthcoming decision in UM 2377 will be applied for rate spread purposes to the unbundled revenue requirement in this docket” and the company will implement this as soon as practicable, but no later than 30 days after an order is issued in docket UM 2377; and (4) “PGE will unbundle and spread Grid Mod projects as identified in CUB/203 50/50 between Distribution and Generation.”<sup>7</sup>

The stipulation includes an agreement that to determine 2026/2027 base revenues used to allocate the functional revenue requirement and price Schedule 121 for cost recovery, PGE will use the 2026 load forecast for the first nine months the rates are in effect, with the 2027 load forecast used for January through March 2027.

The Stipulating Parties agree that the company will file an attestation for all capital projects in PGE’s request in docket UE 459 that are in-service by March 31, 2026, except for the Glisan Substation Transformer Upgrade, and that the parties will litigate the unresolved issue of an earnings test for Schedule 121.

Finally, the Stipulating Parties agree that the adjustments contained in the stipulation are in the public interest and will result in fair, just and reasonable rates. The Stipulating Parties recommend the Commission approve the stipulation.

## **B. Resolution**

Under OAR 860-001-0350, the Commission may adopt, reject, or propose to modify a stipulation. If the Commission proposes to modify a stipulation, the Commission must explain the decision and provide the parties with sufficient opportunity on the record to present evidence and argument to support the stipulation. In reviewing a stipulation, we review to determine whether the overall result of the stipulation results in fair, reasonable, and just rates. We review settlements on a holistic basis to determine whether they serve the public interest and result in just and reasonable rates.

Here, we have reviewed the stipulation, exhibits, and supporting testimony and we adopt this stipulation as a reasonable resolution of the issues raised by the parties regarding the DSP ARM. We find that the terms of the stipulation are supported by sufficient evidence, appropriately resolve issues in this proceeding, and will result in fair, just, and reasonable rates, with the application of an earnings test as addressed below. With the inclusion of the earnings test, we determine that the stipulation contributes to an overall settlement in the public interest. Accordingly, we adopt the stipulation in its entirety.

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<sup>7</sup> *Id.*

Advice No. 25-22 notes: “The costs for projects included under this schedule will be updated annually as provided above and will continue to be recovered under Schedule 121 until such time as the costs are included in base rates.”<sup>8</sup> The tariff does not, however, provide clarity on the timing of such annual update. We direct that the annual update filing be filed no later than the last business day of February.

#### IV. CONTESTED ISSUE

##### A. Earnings Test

###### 1. Introduction

Although the parties filed a stipulation resolving most issues presented in these proceedings, the parties disagree on whether an earnings test is appropriate as part of PGE’s DSP ARM, and if so, at what level to set the earnings test.

###### 2. Positions of the Parties

###### a. Staff

Staff recommends the Commission include an earnings test in PGE’s DSP ARM at PGE’s return on equity (ROE) approved in its most recent general rate case, 9.34 percent. Staff argues that nothing precludes the Commission from imposing an earnings test and that doing so would mitigate the negative consequences of single-issue ratemaking by better balancing interests and risks between the company and customers. Staff acknowledges that costs included in the DSP ARM would not be subject to an earnings test in a general rate case. However, Staff argues that the DSP ARM is a non-routine mechanism for cost recovery and that absent an earnings test, it is possible for the company to earn above-authorized returns to the detriment of customers.

Staff argues that the Commission retains discretion to balance interests and that in setting rates, the Commission must only ensure that rates are just and reasonable. Staff explains that with an earnings test, PGE’s actual ROE would be compared with its authorized ROE, and when the actual ROE exceeds the authorized ROE, the Commission could decide that no additional rate increase is necessary. Staff notes that this protects customers by ensuring they do not pay for expenses when utility earnings are high, but it also protects the utility by preventing refunds when earnings are low.

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<sup>8</sup> Initial Utility Filing, Advice No. 25-22, Original Sheet No. 12-2.

Staff argues that an earnings test is supported by the context surrounding PGE's DSP ARM request, including the legislative requirement to consider multi-year rate plans, PGE's capital expenditures outpacing the rate of inflation, PGE's increasing DSP spending, affordability challenges for PGE customers, PGE's Moody's credit rating downgrade to A3, and low risk that PGE will earn less than its authorized ROE given its recent profits and adjusted earnings.

*b. AWEC/CUB*

AWEC and CUB agree with Staff that an earnings test is appropriate for PGE's DSP ARM but argue that it should be set at 50 basis points below PGE's authorized ROE. AWEC and CUB assert that an earnings test would help to remove incentives for single-issue ratemakings and that the Commission has authority to adopt an earnings test under its delegated broad authority to ensure fair and reasonable rates, as described in Order No. 26-025.

AWEC and CUB assert that an earnings test set at 50 basis points below PGE's authorized ROE is within the range of earnings tests imposed by the Commission and is supported by affordability and equity concerns along with PGE's increasing annual profits. AWEC and CUB argue that an earnings test at PGE's current authorized ROE is insufficient, especially given that the DSP ARM would go into effect alongside several other single-issue tariffs that compound the rate increase's impact on PGE's customers.

AWEC and CUB disagree with PGE's arguments, arguing that PGE has a mistaken understanding of the purpose of an earnings test, and noting that the utility is not guaranteed to earn its authorized ROE, but rather only an opportunity to a reasonable earning. AWEC and CUB assert that ORS 757.259 does not limit the Commission's general authority to impose an earnings test in this docket and that the earnings test is not retroactive ratemaking because the proposed earnings test would be applied prospectively to future earnings results within the test year. AWEC and CUB also explain that no refund of revenues collected prior to this case would occur due to application of the earnings test.

*c. PGE*

PGE argues that no earnings test is appropriate for the DSP ARM, explaining that it is seeking recovery of reasonable, routine costs, noting they would not be subject to an earnings test in a general rate case. PGE asserts it would be unreasonable and impermissible to apply an earnings test to its DSP ARM and that no substantial evidence exists to support one.

The company asserts that only ORS 757.259 allows the Commission to require an earnings test and because the DSP ARM is a non-deferral docket, it would be contrary to law to impose an earnings test here. PGE explains this docket was initiated under ORS 757.205 and ORS 757.210, neither of which explicitly authorize an earnings test. The company disagrees that the Commission's general authority over ratemaking should control over the only specific statute discussing earnings tests.

PGE argues that imposing an earnings test here would entail retroactive ratemaking by conditioning cost recovery on earnings outcomes that occur after the costs are incurred and the rates are set. The company asserts that retroactively reducing earnings could result in unconstitutional confiscatory rates. PGE also explains that the stipulation agreed to by the parties notes the parties' agreement that the resulting rates are in the public interest and consistent with fair, just, and reasonable rates and that as such, no earnings test is necessary.

### **3. Resolution**

As we explained in Order No. 26-025:

The Commission prefers to set rates in a general rate proceeding, where all of the utilities' costs, investments, and earnings can be evaluated to ensure that rates are just and reasonable. Single-issue ratemaking proceedings are allowed but are limited. As we noted in our prior order, a single-issue rate case precludes a full examination of the utility's overall costs and profits, and could result in a rate adjustment that allows a utility additional cost recovery when the company is otherwise earning its authorized rate of return.<sup>9</sup>

Here, we adopt the stipulation establishing the DSP ARM, but to balance risk between customers and PGE and to ensure that rates remain just and reasonable, we require an earnings test set at PGE's current authorized ROE, 9.34 percent. As in the docket at issue in Order 26-025, we find the limited review afforded to PGE's rate base, costs, and earnings could result in unjust and unreasonable rates.<sup>10</sup> Requiring an earnings test as part of the DSP ARM will help ensure just and reasonable rates for customers while allowing PGE to reduce the regulatory lag experienced by the utility during this time of significant investment in the system. To implement the earnings test, we direct PGE to establish a

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<sup>9</sup> *In the Matter of Portland General Electric Company, Request for Seaside Battery Storage Resource Alternative Recovery Mechanism (Schedule 120)*, Docket No. UE 455, Order No. 26-025 at 2 (Jan. 28, 2026).

<sup>10</sup> *Id.* at 3.

deferral to track its Schedule 121 DSP ARM revenues. PGE will file the results of the earnings test on June 1 of each year in this docket, subsequent to its annual cost update filing, to be reviewed by Staff. The earnings test will cover the 12 months ending March 31 of each year, and any excess earnings will be refunded via a Schedule 121 adjustment following the earnings test.

As we made clear in Order No. 26-025, we have been delegated broad authority, “commensurate with that of the legislature itself for the exercise of [our] regulatory function.”<sup>11</sup> Under ORS 756.040(1), we are expressly charged to use those powers “to protect such customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.” Here we accomplish this balance by accepting this stipulation and allowing recovery of the cost of investments in the system that are targeted at delivering more reliable service and meeting policy goals while setting out an earnings test to ensure fair and reasonable rates. The deferral directed above ensures this approach does not violate the rule against retroactive ratemaking. The deferral of each year’s Schedule 121 revenues will allow for application of the earnings test and for incorporation into rates at a later date as appropriate.

## V. ORDER

IT IS ORDERED that:

1. The stipulation between Portland General Electric Company; Staff of the Public Utility Commission of Oregon; the Alliance of Western Energy Consumers; and the Oregon Citizens’ Utility Board, filed December 23, 2025, attached as Appendix A, is adopted.
2. Portland General Electric Company is directed to file an annual deferral to track its Schedule 121 revenues as described in this order.
3. Advice No. 25-22, filed on July 25, 2025, is permanently suspended.
4. Portland General Electric Company shall file revised schedules consistent with the directives of this order for effect on April 1, 2026.
5. In its compliance filing, the company is directed to provide detailed rate impacts for the adjustment authorized in this order as well as the combined rate impacts for all rate adjustments to be effective on April 1, 2026. All rate impacts should

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<sup>11</sup> *Id.* at 2 (citing *Pacific Northwest Bell Tel. Co. v. Sabin*, 21 Or App 200, 214, 534 P2d 984, *rev den* (1975)).

be expressed relative to current overall rates, both in dollar and percentage terms. For the individual and combined rate impacts, the company is directed provide average residential customer bill impacts, identifying the associated level of usage.

Made, entered, and effective Mar 11 2026.



**Letha Tawney**  
Chair



**Les Perkins**  
Commissioner



**Karin Power**  
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 459**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

UE 459 Distribution System Plan Alternative  
Rate Mechanism (Schedule 121)

**STIPULATION**

This Stipulation (“Stipulation”) is entered into by and between, Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens' Utility Board of Oregon (“CUB”), and Portland General Electric Company (“PGE”) (collectively, the “Stipulating Parties”). The Alliance of Western Energy Consumers (AWEC) is not a party to the Stipulation but does not oppose the Stipulation.

PGE filed the Distribution System Plan Alternative Rate Mechanism on July 25, 2025, for its request for recovery of the revenue requirement associated with new Schedule 121, Distribution System Plan Alternative Recovery Mechanism (DSP ARM). The revenue requirement was limited to the specific capital investments included in the DSP filed December 2024. The Stipulating Parties were also involved with the Memorandum of Understanding (MOU).<sup>1</sup>

Over the following four months, PGE responded to over 137 discovery requests from Staff and CUB. On November 12, 2025, Staff and CUB filed their opening testimony in this docket. AWEC did not file opening testimony but indicated that they reserved the right to participate in the

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<sup>1</sup> AWEC was also involved with the MOU.

remainder of the case. The Stipulating Parties held multiple settlement discussions initiating on November 20, 2025. At the December 4, 2025 settlement conference, the Stipulating Parties reached an agreement that they found reasonable for settlement. The Stipulation reached on December 4, 2025, resolves all issues raised by Staff and CUB in opening testimony in this docket (UE 459) with exception of the litigation of the earning test. The terms of the settlement reached at the December 4, 2025 settlement conference are described below.

### TERMS OF STIPULATION

1. This Stipulation resolves all issues in UE 459 except for issues associated with the use of an earnings test included in Staff 100, Issue 6 and CUB 200, Section IV.
2. PGE will remove the rate base and associated depreciation expense for P37535 (the Glisan Substation Transformer Upgrade) from PGE's request in UE 459. However, PGE is not precluded from requesting recovery of this project in a future cost recovery proceeding.
3. All remaining revenue requirement issues are resolved by the following two black box agreements:
  - a. PGE's gross plant will be reduced by \$75 million to address "non-distribution" project and "costs exceeding support" issues raised by Staff and CUB. This adjustment is temporary and will no longer be in effect as of the next general rate case effective date.
  - b. PGE's rate base will include a \$15 million adjustment that will be amortized over 20 years to address Parties' proposed distribution project adjustments. This adjustment will be reflected as a regulatory credit in PGE's regulated rate base with a corresponding \$750,000 credit to amortization expense that will amortize

over 20 years. This adjustment will be collected through Schedule 121, until included in base rates through PGE's next general rate case.

4. PGE will unbundle the revenue requirement used for pricing between transmission, distribution, and other functions as applicable based on the underlying allocation of assets included in PGE's request. This unbundled revenue requirement will be used for rate spread purposes. As part of the unbundled revenue requirement and associated rate spread the following apply:
  - a. PGE will unbundle these assets consistent with the final unbundling methodology supporting the compliance filing for UE 435 and consistent with Oregon Administrative Rule 860-038-0200.
  - b. Assets approved in UM 2347 for reclassification to transmission will be unbundled and spread as transmission.
  - c. The forthcoming decision in UM 2377 will be applied for rate spread purposes to the unbundled revenue requirement in this docket. PGE will implement the outcome of UM 2377 as soon as practicable but no later than 30 days following a Commission decision and order in the proceeding.
  - d. For settlement purposes, PGE will unbundle and spread Grid Mod projects as identified in CUB/203 50/50 between Distribution and Generation.
5. PGE will use a 9+3 2026/2027 load forecast for purposes of determining 2026/2027 Base Revenues used to allocate the functional revenue requirement and price Schedule 121 for cost recovery. This hybridized process uses the 2026 load forecast for the first nine months the rates are in effect, with the 2027 load forecast used for January through March 2027.

6. PGE will submit an attestation for all capital projects in PGE's request in UE 459 that are in-service by March 31, 2026, with the exception of P37535.
7. Parties will continue to litigate issues associated with the use and application of an earnings test in UE 459.
8. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable and will meet the standard in ORS 756.040.
9. The Stipulating Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket with the exception of the earnings test.
10. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the terms contained herein.
11. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation.
12. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.
13. The Stipulating Parties agree that without the written consent of all Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, and conduct or statements made at settlement conferences, are confidential and not admissible in this or

any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

14. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, and conduct or statements made at settlement conferences, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.
15. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

16. If this Stipulation is challenged, the Stipulating Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.
17. The substantive terms of this Stipulation are not enforceable by any Stipulating Party unless and until adopted by the Commission in a final order. Each Stipulating Party avers that it is signing this Stipulation in good faith and that it intends to abide by the terms of this Stipulation unless and until this Stipulation is rejected or adopted only in part by the Commission.
18. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this day December, 23, 2025.



Angelica Espinosa (Dec 23, 2025 12:20:39 PST)

PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

*/s/Claire Valentino-Fossum*

CITIZENS' UTILITY BOARD  
OF OREGON