

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 5, 2022**

REGULAR CONSENT EFFECTIVE DATE October 4, 2021

DATE: April 22, 2022

TO: Public Utility Commission

FROM: Curtis Dlouhy

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2116(1))
Requests reauthorization to defer expenses associated with 2020 wildfire damage restoration for the 12-month period beginning October 4, 2021.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) application to reauthorize the use of deferred accounting for costs associated with damage restoration from the 2020 Labor Day wildfires, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful, for the 12-month period starting October 4, 2021.

Staff further recommends that the Commission reapprove a regulatory asset for PacifiCorp's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's supplemental application to defer costs associated with the 2020 Labor Day wildfires for the 12-month period beginning October 4, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.

Whether the Commission should approve a regulatory asset for PacifiCorp's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

Applicable Rule

PacifiCorp makes this filing in accordance with ORS 757.259 and OAR 860-027-0300.

ORS 757.259 authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers.

Under ORS 757.295(6), unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. With some exceptions, a company's amortization of amounts deferred under ORS 757.295(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year.

OAR 860-027-0300 sets forth several requirements for an application to defer.

Analysis

Background

PacifiCorp filed its supplemental application to reauthorize this deferral on October 4, 2021. This deferral requested the use of deferred accounting for incremental costs associated with restoring service to customers and repairing, replacing, and restoring utility facilities damaged by the 2020 Labor Day wildfires in Oregon (hereinafter referred to as "Labor Day wildfires" or "wildfires"). The wildfires burned over a million acres in Oregon, including land in PacifiCorp's territory, resulting in significant and in some cases devastating damage. PacifiCorp seeks to defer incremental costs associated with restoring its service to its customers and restoring utility facilities damaged by the wildfires.¹

In its supplemental filing, PacifiCorp provides a high-level summary table of the restoration activities that it has completed to date.² The table is reproduced in Table 1

¹ PacifiCorp's Application for Authorization to Defer Costs and Lost Revenues Associated with the Wildfire Emergency, Page 3.

² PacifiCorp's Supplemental Application for Deferred Accounting Related to Wildfire Damage and Restoration Costs filed on October 4, 2021, Page 3.

on page 4 of this memo. In PacifiCorp's supplemental filing, the Company estimates that it spent approximately \$185 million in incremental costs in the 12-month period beginning on September 14, 2020, and anticipates that it will spend another \$11 million to fully restore service to customers and repair, replace, and restore damaged utility facilities.³ The Company anticipates that it will finish the rest of its restoration work in the 2023 calendar year.

Staff has recommended the approval of the initial application in a separate memo at this public meeting. PacifiCorp states in its supplemental filing that it expects the restoration work to continue into 2023 and has echoed this in its communications with Staff on various other dockets.

Further, Staff would like to reiterate that the recommendations put forth in this memo are consistent with the recommendations approved for Portland General Electric's deferral related to its Labor Day wildfires deferral in Docket No. UM 2115.⁴

³ *Id.*, at Pages 4-5.

⁴ See Commission Order Nos. 20-389 and 22-077.

Table 1: Restoration Activity Summary

District	WF Rebuild Project	Benefits
Medford	Almeda	Restore services to customers in Talent, Phoenix, Ashland and Medford and address distribution tree removal.
Medford	S. Obenchain	Restore transmission on Line 19 for Prospect Hydro, and to customers in Shady Cove and Butte Falls. Address transmission rights of way vegetation and distribution tree removal.
Lincoln City	Echo Mountain	Restore transmission redundancy on Van Duzer lines, address vegetation management along transmission right of way and restore customers in Otis and Neotsu and address distribution tree removal.
Roseburg	Archie Creek	Restore Line 46 and Line 39 transmission in support of Umpqua hydro projects, address long-term vegetation management and tree removal for both rebuild and future asset protection, procure pre-wrapped Genics fire wrapped poles for Line 39, access management and erosion control for improved access.
Stayton	Beachie Creek	Restore customers on the distribution system in Mehama, Mill City, Gates, and Lyons. Address vegetation removal in support of rebuild efforts.
Grants Pass	Slater (Oregon)	Restore transmission on Line 33 in Oregon. Restore distribution service to customers in Takelma and O'Brien.
Klamath Falls	Two Four Two Fire	Restore distribution service to customers in Chiloquin and address vegetation along both distribution and transmission right of way.

PacifiCorp proposes to record deferred amounts by debiting a regulatory asset account and crediting relevant operations and maintenance expense accounts. If approved, the deferral will be credited to Operating Revenues.⁵

Notes on the timing of PacifiCorp's Supplemental Filing

Staff notes that the initial application in UM 2116 was filed on September 14, 2020, but that the Company's supplemental application was filed on October 4, 2021. This means that there is approximately a three-week gap between the end of the first 12-month period and the beginning of the next twelve-month period, meaning that costs incurred relevant to this deferral by PacifiCorp in that window would not be recoverable.

Although Staff generally supports the use of deferred accounting and the continued use of the regulatory asset for plant taken out of service in this docket, Staff does not support the use of deferred accounting for any incremental costs relevant to the Labor Day wildfires incurred from September 14, 2021 through October 3, 2021.

⁵ PacifiCorp's Application for Deferred Accounting Related to Wildfire Damage and Restoration Costs, Page 3-4.

Conclusion

Based on the nature of the event and materiality of the costs associated with the 2020 Labor Day wildfires, Staff concludes the discretionary criteria for an application to defer are satisfied. Further, a deferral would align customer costs and benefits, which satisfies the statutory criteria for approval of an application to defer. Therefore, Staff recommends that the Commission approve PacifiCorp's request to reauthorize the use of deferred accounting for the costs associated with the 2020 Labor Day wildfires recovery for the 12-month period beginning October 4, 2021. The Company has reviewed this memo and agrees with its content.

Staff also recommends that the Commission continue to approve a regulatory asset for PacifiCorp's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's applications to reauthorize the use of deferred accounting for the costs associated with damage restoration from the 2020 Labor Day wildfires, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful, for the 12-month period starting October 4, 2021.

Approve a regulatory asset for PacifiCorp's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.