

August 21, 2023

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

**Re: UM _____—PacifiCorp’s Application for Authorization of Deferred Accounting
Related to Insurance Costs**

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) submits for filing its Application for Authorization of Deferred Accounting Related to Insurance Costs.

PacifiCorp respectfully requests that all communications related to this filing be addressed to:

Carla Scarsella
Deputy General Counsel
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
carla.scarsella@pacificorp.com

Ajay Kumar
Assistant General Counsel
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
ajay.kumar@pacificorp.com

Oregon Dockets
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
oregondockets@pacificorp.com

Additionally, PacifiCorp requests that all formal information requests regarding this matter be addressed to:

By email (preferred): datarequest@pacificorp.com.

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Public Utility Commission of Oregon

August 21, 2023

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If you have any questions, please contact Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matthew McVee', written in a cursive style.

Matthew McVee
Vice President, Regulatory Policy and Operations

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Authorization of Deferred
Accounting Related to Insurance Costs

**APPLICATION FOR
AUTHORIZATION OF DEFERRED
ACCOUNTING**

I. INTRODUCTION

In accordance with Oregon Revised Statutes (ORS) 757.259 and Oregon Administrative Rules (OAR) 860-027-0300, PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) applies to the Public Utility Commission of Oregon (Commission) for an order authorizing deferral of the costs associated with increased insurance premiums (Deferred Amount). PacifiCorp seeks authorization to defer the costs incurred from the date of this application for a 12-month period ending August 21, 2024.¹ PacifiCorp intends to seek amortization of the Deferred Amount in a future commission proceeding.

II. CONTACT INFORMATION

Communications regarding this application should be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: oregondockets@pacificorp.com

Carla Scarsella
Deputy General Counsel
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: Carla.scarsella@pacificorp.com

¹ In accordance with OAR 860-027-0300, PacifiCorp will file for reauthorization of the deferral, as necessary.

Ajay Kumar
Assistant General Counsel
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: Ajay.kumar@pacificorp.com

In addition, the Company requests that all data requests regarding this application be sent to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal questions may be directed to Cathie Allen, Manager of Regulatory Affairs, at 503-813-5934.

III. OAR 860-027-0300(3) REQUIREMENTS

As required by OAR 860-027-0300(3), PacifiCorp provides the following:

A. Background Description

Wildfires across the western United States have resulted in significantly increasing wildfire costs and an inability to acquire insurance at rates and coverage levels that have been consistent with past premiums. Liability insurance, including wildfire liability insurance, is a prudent business expense that protects the Company and customers against financial losses from third-party claims. PacifiCorp's currently approved rates include premiums for commercial insurance covering third-party liability for claims in excess of \$10 million (the Company self-insures for small claims under \$10 million), and a self-insurance reserve for property damage in each state. However, because the wildfire risk for utilities in the western United States has radically changed in the past few years, the premiums for available commercial insurance have significantly increased. As was noted in the *Insurance Journal*,

insurers have taken note of the fact that, “[l]iability on the scale imposed by the Oregon jury presents an existential threat to an industry that faces increasing wildfire risk from more extreme weather fueled by climate change.”²

B. Reasons for Deferral

As discussed above, PacifiCorp requests authorization to defer the incremental costs associated with PacifiCorp’s insurance coverage. ORS 757.259(2)(e) allows the deferral of identifiable utility expenses to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers.

Based on the best available information known in its last rate case, PacifiCorp’s rates were approved to reflect a reasonable level of self-insurance and commercial insurance related to third-party claims, which is a normal part of providing electric service to customers. The costs identified in this application would account for the policy periods commencing August 15, 2023, or later. As such, all costs are related to claims against PacifiCorp resulting from providing service to its customers.

The combined amount of these insurance premiums, and continued ability to maintain coverage may represent a material impact to the financial stability of the Company that resulted from unique and unforeseen circumstances outside the Company’s reasonable control. Additionally, this deferral covers insurance costs for the third-party claims on PacifiCorp for events that may occur under both Federal and State emergency declarations. While the settlement approved by the Commission in PacifiCorp’s most recent general rate case limits the ability of the Company to file deferrals, this deferral meets two of the

² Joel Rosenblatt, *Utility Investors Wary of Exposures After Buffet’s PacifiCorp Held Liable for Wildfires*, INSURANCE JOURNAL (July 19, 2023), <https://www.insurancejournal.com/news/national/2023/07/19/731224.htm>.

exceptions to that settlement.³ Specifically, as noted above, this deferral results from the Company incurring increased costs for insurance that would cover major expenses as a result of a state or federal declaration of emergency, and it is necessary to respond to a material threat to the financial stability of the Company resulting from unique and unforeseen circumstances outside the Company’s reasonable control.

The potential magnitude of the increase in insurance costs exceeds normal costs anticipated by PacifiCorp and included in its retail rates, and could also far exceed the reasonable business risk associated with acquiring insurance.

C. Proposed Accounting

If this application is approved, PacifiCorp will record deferred amounts by debiting Federal Energy Regulatory Commission (FERC) Account 182.3-Other Regulatory Assets and crediting FERC Account 925-Injuries and damages. If this application is denied, the costs will remain in FERC Account 925.

D. An Estimate of the Amounts to be Recorded in the Deferred Account

PacifiCorp estimates that the commercial insurance costs are approximately \$125 million (total company) for the policy period beginning August 15, 2023, or later. Current rates reflect approximately \$29 million (total company), which would result in a deferral for Oregon’s allocated share of approximately \$96 million (total company) for the difference between the new costs and the amount in rates.

³ *In the Matter of the PacifiCorp d/b/a Pacific Power, Request for General Rate Revision*, Docket UE 399, Order No. 22-491 at 10 (Dec. 16, 2021)(The full list of exceptions are “(a) the deferral is authorized by statute or Commission order, resulting from a Commission-initiated deferral mechanism, a reauthorization of an existing deferral, or approval of an agreed-upon deferral mechanism in a proceeding, (b) the stipulating Parties seek reauthorization of a previously filed deferral, (c) laws, regulations or orders become effective that require significant cost reductions or expenditures, (d) the Company incurs major expenses or savings as a result of a state or federal declaration of emergency, or (e) a deferral is necessary to respond to material threat to the financial stability of the Company resulting from unique and unforeseen circumstances outside the Company’s reasonable control.”).

E. Notice

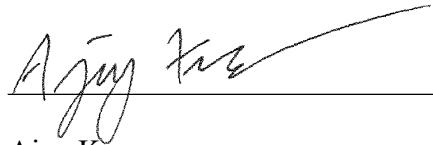
A copy of the Notice of Application is included as Exhibit A. This notice will be served to the service list in docket UE 399.

IV. CONCLUSION

PacifiCorp respectfully requests that, in accordance with ORS 757.259(2)(e), the Commission authorize the Company to defer the costs described in this application for the 12-month period beginning August 21, 2023. Recovery of the increased insurance costs will only be authorized through a subsequent application, general rate case, or through other appropriate filings as authorized by the commission.

Respectfully submitted this 21st day of August, 2023.

By:



Ajay Kumar
Carla Scarsella
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Attorneys for PacifiCorp d/b/a Pacific Power

Exhibit A

Notice of Application

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Authorization of Deferred
Accounting Related to Insurance Costs.

**NOTICE OF
APPLICATION FOR
AUTHORIZATION OF
DEFERRED ACCOUNTING**

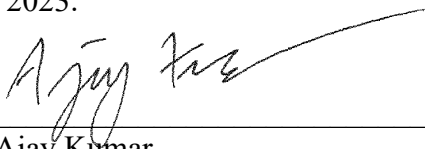
On August 21, 2023, PacifiCorp d/b/a Pacific Power filed an application with the Public Utility Commission of Oregon (Commission) for an order authorizing the use of deferred accounting for the costs associated with increased insurance premiums. The authorization will not authorize a change in rates but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding. To obtain a copy of the application, contact the following:

Oregon Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: oregondockets@pacificorp.com

Any person may submit written comments to the Commission regarding the application with 25 days of the filing of the application.

Respectfully submitted on August 21, 2023.

By:



Ajay Kumar
Assistant General Counsel
PacifiCorp

CERTIFICATE OF SERVICE

I certify that a true and correct copy of **PacifiCorp's Notice of Application for Authorization of Deferred Accounting** was served on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

Service List UE 399

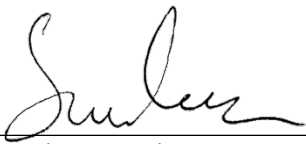
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WILLIAM STEELE (C) BILL STEELE AND ASSOCIATES, LLC PO BOX 631151 HIGHLANDS RANCH, CO 80164 w.steele1@icloud.com	DIANE HENKELS (C) SMALL BUSINESS UTILITY ADVOCATES 621 SW MORRISON ST. STE 1025 PORTLAND, OR 97205 diane@utilityadvocates.org

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VICKI M BALDWIN (C) PARSONS BEHLE & LATIMER 201 S MAIN ST STE 1800 SALT LAKE CITY, UT 84111 vbaldwin@parsonsbehle.com	
ALEX KRONAUER (C) WALMART alex.kronauer@walmart.com	STEVE W CHRISS (C) WAL-MART STORES, INC. 2001 SE 10TH ST BENTONVILLE, AR 72716-0550 stephen.chriss@wal-mart.com

Dated this 21st day of August, 2023.



 Santiago Gutierrez
 Coordinator, Regulatory Operations