

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 28, 2024**

REGULAR **CONSENT** **EFFECTIVE DATE** Upon Approval

DATE: May 15, 2024

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway and Matt Muldoon **SIGNED**

SUBJECT: PACIFICORP:
(Docket No. UI 501)
Requests approval for affiliated interest transaction of pad mounted transformer with Nevada Power Company.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve PacifiCorp's (PacifiCorp, PAC, or Company) application for approval of an affiliated-interest Agreement (Agreement) with Nevada Power Company dba NV Energy (NV Energy), an affiliated interest, subject to the following Staff-proposed conditions (Conditions):

Conditions:

1. PacifiCorp shall notify the Commission of any substantive changes to the Agreement, including any material changes in price or other parameters of the Agreement. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
2. PacifiCorp shall provide the Commission, upon request, access to all books of account, as well as documents, data and records that pertain to any transaction under this agreement involving NV Energy.
3. The Commission reserves the right to review, for reasonableness, all financial aspects of these transactions in any rate proceeding or alternative form of regulation.

Issue

Whether the Commission should approve PacifiCorp's affiliated interest transaction with NV Energy, which involves the purchase of a pad-mounted transformer unit.

Applicable Law

An "affiliated interest," as defined in ORS 757.015(3), includes every corporation five percent or more of whose voting securities are owned by a corporation or person that also owns, or is part of a successive chain of ownership, five percent or more of the voting securities of a public utility.

Application requirements for affiliated interest transactions are set forth in OAR 860-027-0040. OAR 860-027-0040(2)(g) requires that the application include the cost incurred and market value of the goods or services being provided.

The Commission reviews affiliated interest transactions to ensure they are fair and reasonable and not contrary to the public interest. ORS 757.495(3). When services or supplies (except for generation) are sold to an energy utility by an affiliate, sales shall be recorded in the energy utility's accounts at the affiliate's cost or the market rate, whichever is lower, unless there is an applicable rate on file with the Commission or with FERC. OAR 860-027-0048(4)(e).

Analysis

Background

PacifiCorp filed this application with the Commission on April 23, 2024, pursuant to ORS 757.495(1) and OAR 860-027-0040. PacifiCorp is an indirect, wholly owned subsidiary of Berkshire Hathaway Energy Company (BHE). NV Energy is also a wholly owned, indirect subsidiary of BHE, which qualifies NV Energy as an affiliated interest of PacifiCorp.

In its filing the Company requests to execute an agreement with NV Energy to purchase from NV Energy a pad-mounted transformer. This piece of equipment is needed by PacifiCorp to provide service to a customer in its Idaho service area. The agreement is to be executed through a purchase order. The Company explains that shipment of transformers from its supplier was delayed by the manufacturer until the end of 2024. PacifiCorp requires this piece of equipment earlier than the manufacturer's delivery date in order to provide service in its Idaho service territory.

Staff's review included examination of the Company's current application, including a copy of the Contract. Staff investigated the following issues:

1. Terms and Conditions of the Agreement;
2. Transfer Pricing;
3. Public Interest Compliance; and
4. Records Availability, Audit Provisions, and Reporting Requirements.

Terms and Conditions of the Agreement

Per the terms of the purchase order, PacifiCorp agrees to pay NV Energy \$4,366 for the pad-mounted transformer unit. This amount represents NV Energy's cost for the item, plus administrative expenses.

Staff reviewed the purchase order and did not identify any unexpected or unusual terms or conditions.

Transfer Pricing

PacifiCorp agrees to pay NV Energy \$4,366 for the pad-mounted transformer unit. This amount represents NV Energy's cost for the item, plus administrative expenses.

Public Interest

The Commission customarily applies a "no-harm" standard in determining what is "not contrary to the public interest" in matters involving affiliated interest transactions. See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Commission Order No. 01-778 at 10 (September 4, 2001). Staff does not find any provisions in the Contract that would be contrary to the public interest.

Records Availability, Audit Provisions, and Reporting Requirements

Staff notes that the Commission retains the ability to review all affiliated-interest transactions of the Company through both its annual affiliated-interest report, in general rate case filings, and its auditing capability. Staff's recommended conditions provide for all necessary Commission examination of PacifiCorp's records concerning the agreement.

Conclusion

Based on Staff's review of this application Staff concludes that the public interest is not harmed by this transaction, provided the recommended Conditions are adopted.

The Company has reviewed this memo and agrees with its content.

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PROPOSED COMMISSION MOTION:

Approve PacifiCorp's affiliated-interest Agreement with NV Energy, subject to the Staff's three recommended Conditions.

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