

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 12, 2022

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: July 5, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PACIFIC POWER:
(Docket No. UM 2221)
Application for Approval of Deferred Accounting for Operating Costs and
Capital Investments Made to Implement and Operate PacifiCorp's Oregon
Wildfire Protection Plan.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve the application of PacifiCorp dba Pacific Power (PacifiCorp, PAC, or Company) for authorization to defer accounting for operating costs and capital investments made to implement and operate PacifiCorp's Oregon Wildfire Mitigation Plan (WMP), for the 12-month period beginning on January 5, 2022.¹

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for authorization to defer accounting of costs associated with Senate Bill (SB) 762 (2021).

¹ The PacifiCorp filing uses the term Wildfire Protection Plan throughout its filing instead of WMP. The term Wildfire Mitigation Plan is used in the OPUC's OAR. For consistency with our OAR, I have replaced PacifiCorp's WPP with WMP.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "[i]dentifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers." ORS 757.259(2)(e).

In OAR 860-027-0300(1)(b), "Deferred Accounting" means recording the following in a balance sheet account, with Commission authorization for later reflection in rate:

- A. Electric companies, gas utilities, and steam heat utilities: current expense or revenue associated with current service, as allowed by ORS 757.259; or
- B. Large telecommunications utilities: an amount allowed by ORS 759.200.

If a deferral under ORS 757.259 or ORS 759.200 is reauthorized, the reauthorization expires 12 months from the date the authorization become effective.

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications for reauthorization must include a description and explanation of the entries in the deferred account, up to the date of the application for reauthorization, as well as the reason for continuation of deferred accounting.

Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Analysis

Background

On January 5, 2022, PacifiCorp requested deferred accounting to permit tracking of the operating costs incurred and prudent capital investments made to implement and operate the Company's annual WMP filed in accordance with SB 762. PacifiCorp will make a subsequent filing in 2022 for approval of a rate schedule and automatic adjustment clause to begin recovery of these costs.

SB 762 established a new state-wide requirement for public utilities that provide electric service to customers in Oregon to file an annual WMP with the first plan due by

December 31, 2021. PacifiCorp filed its first WMP on December 30, 2021 (2022 WMP).²

Section 3(8) of SB 762³ provides the following:

(8) All reasonable operating costs incurred by, and prudent investments made by, a public utility to develop, implement or operate a wildfire protection plan under this section are recoverable in the rates of the public utility from all customers through a filing under ORS 757.210 to 757.220. The commission shall establish an automatic adjustment clause, as defined in ORS 757.210, or another method to allow timely recovery of the costs.

PacifiCorp is filing for deferral of the operating costs and capital investments made to implement and operate its 2022 WMP for the 12-month period beginning on January 5, 2022. PacifiCorp plans to file to establish a rate schedule and automatic adjustment clause in 2022 to begin recovering these costs in rates as allowed by SB 762.

Reason for Deferral

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses in order 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.

Proposed Accounting

PacifiCorp proposes to record deferred amounts to Federal Energy Regulatory Commission (FERC) Account 182.3, Other Regulatory Assets. This account will accrue interest at the Commission-authorized rate for deferred accounts.

Estimated Deferrals in Authorized Period

PacifiCorp's 2022 WMP includes incremental capital investments of approximately \$24 million, and incremental operating costs of approximately \$20 million are expected to be incurred in 2022.

Information Related to Future Amortization

- Earnings Review – Cost recovery associated with this deferral may be subject to an earnings review.

² See Docket No. UM 2207, *In the Matter of PacifiCorp Wildfire Protection Plan*, Initial Application, Dec. 30, 2021.

³ Section 3, chapter 592, Oregon Laws 2021, available at SB0762 (oregonlegislature.gov).

- Prudence Review – A prudence review should be performed by Commission Staff as part of their review of this deferral’s annual reauthorization filing.
- Rate Spread/Rate Design – Revenues will be allocated to each cost-of-service schedule using a method to be developed prior to amortization and reflective of the transmission and generation functions expenditures incurred.
- Sharing – No recommendation is made at this time with regards to the presence of a sharing mechanism.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (with exceptions) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

Conclusion

After Staff’s review of PacifiCorp’s application requesting authorization to defer, for future inclusion in customer rates, the revenue associated with cost and capital investment made to implement and operate its 2022 WMP to begin recovering these costs in rates as allowed by SB 762; and, because the application also meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends PacifiCorp’s application be approved.

The Company has reviewed this memo and agrees with or expresses no objections to Staff’s recommendation.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp’s application for authorization to use deferred accounting for operating costs and capital investments made to implement and operate PacifiCorp’s Oregon Wildfire Mitigation Plan associated with Senate Bill 762, for the 12-month period beginning on January 5, 2022.