

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2221(1)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization to Defer
Operating Costs and Capital Investments
Made to Implement and Operate the
Company's Oregon Wildfire Protection Plan.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 7, 2023, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Nolan Moser

Chief Administrative Law Judge



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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 7, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: January 11, 2023

TO: Public Utility Commission

FROM: Kathy Zarate and Bret Stevens

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

SUBJECT: PACIFIC POWER:
(Docket No. UM 2221(1))
Wildfire Mitigation Deferral Reauthorization.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) request for the reauthorization of deferred 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, 2023.¹

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization of deferred accounting of costs associated with Senate Bill (SB) 762 (2021) for the 12-month period beginning on January 5, 2023.

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

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 and past Staff reports, I have replaced PacifiCorp's WPP with WMP.

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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).

- A. 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: 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 becomes effective. In OAR 860-027-0300(3) and (4), 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

PacifiCorp requests reauthorization to use deferred accounting for expenses related to SB 762. Senate Bill 762 established a 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 762 provides the following:³

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

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.

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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. This request was first approved in Order No. 22-258. PAC is now asking to reauthorize this deferral to include costs incurred from implementing its WMP. This authorization for deferred accounting would last for one year from January 5, 2023, through January 4, 2024. PacifiCorp submitted its 2023 WMP on December 29, 2022.⁴ On July 12, 2022, PacifiCorp filed UE 407, requesting approval for a rate schedule and automatic adjustment clause to begin recovery costs these deferred costs along with costs associated with future WMPs. Recognizing that UE 407 is still ongoing, the company is asking to reauthorize deferred accounting for an additional 12-month period.

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 Initial 2023 WMP application includes incremental capital investments of approximately \$102.6 million, and incremental operating costs of approximately \$13.8 million are expected to be incurred in 2023. Staff notes that PAC's 2023 WMP has not been approved. As such, these figures are preliminary and may change significantly. While PAC is projecting these levels of spending, Staff is only recommending the approval of deferred accounting for the implementation costs associated with the final approved version of the 2023 WMP.

Conclusion

After Staff's review of PacifiCorp's application requesting reauthorization to defer, for future inclusion in customer rates, the revenue associated with cost and capital investment made to implement and operate its WMP in 2023, associated with 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.

⁴ See Docket No. UM 2207, In the Matter of PacifiCorp Wildfire Protection Plan, PacifiCorp's 2023 Wildfire Mitigation Plan, Dec. 29, 2022.

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

PROPOSED COMMISSION MOTION:

Approve Pacific Power's application for reauthorization to use deferred accounting for operating costs and capital investments made to implement and operate PacifiCorp's 2023 Oregon Wildfire Mitigation Plan associated with Senate Bill 762, for the 12-month period beginning on January 5, 2023.

PAC UM 2221(1) Wildfire Mitigation Deferral