

ORDER NO. 23-377

ENTERED Oct 20 2023

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2269

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application of Deferred Accounting for
Costs Associated with the Commission
Approved Independent Evaluators and
Third-Party Expert Services in Request for
Proposals.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on October 17, 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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 17, 2023**

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

DATE: September 25, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2269)
Reauthorization of deferral accounting for costs related to with the Commission Approved Independent Evaluators and Third-Party Expert Services in Request for Proposals.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) request to defer costs associated with the Commission Approved Independent Evaluators and Third-Party Expert Services in Request for Proposals for the 12 months beginning December 27, 2022.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's requests for reauthorization to defer costs accounting for costs related to the Commission Approved Independent Evaluators and Third-Party Expert Services in Request for Proposals.

Applicable Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Docket No. UM 2269
September 25, 2023
Page 2

Identifiable 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 fluctuation 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(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for deferrals must include:

- (a) A description of the utility expense or revenue for which deferred accounting is requested;
- (b) The reason(s) deferred accounting is being requested and a reference to the section(s) of ORS 757.259 or 759.200 under which deferral may be authorized;
- (c) The account proposed for recording of the amounts to be deferred and the account which would be used for recording the amounts in the absence of approval of deferred accounting;
- (d) An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application; and
- (e) A copy of the notice of application for deferred accounting and list of persons served with the notice.

The application must also include a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

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. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

The Commission's Competitive Bidding Rules (CBRs) are set forth in OAR Chapter 860, Division 89, and require the use of an IE for procurements subject to the CBRs. OAR 860-089-0200 and RFP Guideline 5 requires an Oregon IE's participation in all

Docket No. UM 2269
September 25, 2023
Page 3

RFPs.¹ OAR 860-089-0200(3) provides that a company may request recovery of fees and expenses associated with an Oregon IE.

OAR 860-089-0400(5)(a) also requires an electric company to use a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist before modeling the effects of such resources.

Analysis

Background

On September 15, 2011, PacifiCorp filed an application under Docket No. UM 1556 for deferral of the costs associated with the Oregon IE for its 2011 Request for Proposals. The Commission approved the deferral on October 28, 2011, in Order No. 11-431.

On June 1, 2017, PacifiCorp filed an application for approval of a solicitation process for new wind resources (2017R RFP). The Company did not file an application for deferred accounting of the costs associated with the Oregon IE costs for the 2017R RFP.

On September 2, 2021, PacifiCorp filed an application requesting the Commission to open a docket for the approval of the 2022AS RFP and appoint an IE for the 2022AS RFP. The filing was assigned Docket No. UM 2193. On October 25, 2021, the Commission approved the Company's choice of PA Consulting as the Oregon IE for the 2022AS RFP.

The Company seeks authorization to establish deferred accounting for the costs associated with the third-party expert required under OAR 860-089-0400(5)(a) and the Oregon IEs approved by the Commission for the Company's current 2022AS RFP.

For administrative efficiency, the Company is also proposing to include in this deferral the costs associated with Commission approved Oregon IEs and third-party experts in future RFPs. PacifiCorp states that it could have multiple RFPs running concurrently and believes a single deferral would streamline the reauthorization.

Description of expenses

OAR 860-089-0200 and RFP Guideline 5 requires an Oregon IE's participation in all RFPs. OAR 860-089-0200 further provides that a company may request recovery of fees and expenses associated with an Oregon IE. The Commission has also provided

¹ *In the matter of an Investigation Regarding Competitive Bidding*, Docket No. UM 1182, Order No. 06-446 at 6 (Aug. 10, 2006) ("An IE must be used in each RFP to help ensure that all offers are treated fairly").

Docket No. UM 2269
September 25, 2023
Page 4

that a utility may request deferred accounting to track the costs of an Oregon IE for later potential inclusion in rates.² PacifiCorp respectfully requests authorization under ORS 757.259(2)(e) to establish and maintain a balancing account to record the costs associated with the third-party experts required under OAR 860-089-0400(5)(a) and Commission approved Oregon IEs in PacifiCorp's current 2022AS RFP and all future RFPs.

Reason for Deferral

ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to match appropriately the costs borne by and benefits received by customers. This request seeks to align the costs of the Oregon IE and third-party experts and the services they will perform on behalf of PacifiCorp's customers. The Commission has approved of the use of deferred accounting to track the costs of Oregon IEs for later potential inclusion in rates.

Proposed Accounting

During the period of deferral, PacifiCorp proposes to account for the deferred costs of the IE and third-party experts by recording the deferral in Account 182.3, Other regulatory Assets. This account will accrue interest at the Commission-authorized rate for deferred accounts. Amortization of the balance would be considered in a subsequent proceeding coincident with inclusion in rates. In the absence of approval of deferred accounting the costs would be recorded in Account 928, Regulatory Commission Expenses.

Estimate of Amounts

The Company anticipates that the cost of the Oregon IE will be approximately \$750,000 and the cost of the third-party expert will be approximately \$420,000.

Information Related to Future Amortization

- Earnings review – An earnings review is required prior to amortization, per ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include verification of accounting methodology used to determine final amortization balance.
- Sharing –Staff is not recommending any sharing for this activity/filing.

² *Id.* (“We agree that if an IE is useful to the process, and we believe that to be so, then the cost of the IE should be included in rates. Utilities may request deferred accounting to track the costs of IEs for later prudence review and potential inclusion in rates.”).

Docket No. UM 2269
September 25, 2023
Page 5

- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred IE costs will be subject to the three percent test in accordance with ORS 757.259(6), with exceptions set forth in (7) and (8), which limits 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

Staff reviewed the Company’s application and after staff review, Staff recommends the Commission approve Pacific Power’s (PacifiCorp, PAC, or Company) request to defer costs associated with the Commission Approved Independent Evaluators and Third-Party Expert Services in Request for Proposals.

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

PROPOSED COMMISSION MOTION:

Approve Pacific Power’s application and re-authorization to defer costs associated the Commission Approved Independent Evaluators and Third-Party Expert Services in Request for Proposals for the 12-month period beginning December 27, 2022, and ending December 26, 2023.

CA8 – UM 2269