

ORDER NO. 24-259

ENTERED Aug 07 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2269(1)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization to Defer
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 August 6, 2024, 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:

Alison Lackey
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. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 6, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: July 29, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore and Michelle Scala **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2269(1))
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, 2023.

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

Pursuant to ORS 757.259 and 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 reauthorizing the Company to defer the costs associated with the independent evaluator (Oregon IE) approved by the Commission for the Company's 2022 All Source Request for Proposal (2022AS RFP), other Commission approved

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Oregon IEs in future RFPs, and the cost of third-party engineering services required under OAR 860-089-0400(5)(a).

OAR 860-089-0200 and RFP Guideline 5 requires an Oregon IE's participation in all RFPs.¹ 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 that a utility may request deferred accounting to track the costs of an Oregon IE for later potential inclusion in rates.²

In addition, OAR 860-089-0400(5)(a) 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

The first instance of this type of deferral request for PacifiCorp was on September 15, 2011, when 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 September 2, 2021, PacifiCorp filed an application requesting the Commission to open a docket for the approval of the 2022 All Source (AS) RFP and appoint an IE. 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 2022 AS RFP.³

On December 27, 2022, PacifiCorp filed for authorization to establish deferred accounting for the costs associated with the third-party expert required under OAR 860-089-0400(5)(a) as well as the Oregon IEs approved by the Commission for the Company's 2022AS RFP. On September 29, 2023, the Company notified the Commission that it was suspending the 2022AS RFP. However, even though the

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

² *Id.* At 7. ("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 prudency review and potential inclusion in rates.")

³ *In the Matter of PacifiCorp d/b/a Pacific Power Application for Approval of an Independent Evaluator in 2022 All-Source Request for Proposals*, Docket No. UM 2193, Order No. 21-351 (October 25, 2021).

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2022AS RFP is currently suspended, the IE continues to be retained and the Company is incurring costs.

The Company, at that time, sought 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 has also proposed to include in this deferral the costs associated with Commission approved Oregon IEs and third-party experts in future RFPs. The Commission approved the Company's application on October 20, 2023.⁴

This current deferral application was filed on December 13, 2023. For administrative efficiency, the Company is proposing to include in this deferral the costs associated with Commission approved Oregon IEs and third-party experts in 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

The Company 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.

Note: Amortization of the balance would be considered in a subsequent proceeding coincident with inclusion in rates.

Description of Expense

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.

⁴ See Order 23-377.

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The Commission has also provided that a utility may request deferred accounting to track the costs of an Oregon IE for later potential inclusion in rates.

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.
- 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, 2023.