

ORDER NO. 24-432

ENTERED Nov 27 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2221(2)

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 November 26, 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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 26, 2024**

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

DATE: November 18, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2221(2))
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, 2024.¹

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, 2024.

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, we have replaced PacifiCorp’s WPP with WMP.

Docket No. UM 2221(2)
November 18, 2024
Page 2

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).

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with 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).

Analysis

Background

Senate Bill 762 established a new state-wide requirement for public utilities that provide electric service to customers in Oregon to file an annual wildfire protection plan (WPP).²

Section 3(8) of SB 762 provides for 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 ORS 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 filed its first WMP on December 30, 2021 (2022 WPP) and it was approved by the Commission on April 28, 2022, in Order No. 22-131.

² Per formal rulemaking and OAR 860-300-0020, the wildfire protection plan is now referred to as the wildfire mitigation plan.

Docket No. UM 2221(2)
November 18, 2024
Page 3

On January 5, 2022, PacifiCorp filed its first deferral request for the operating costs and capital investments made to implement and operate its 2022 WPP. The Commission approved the deferral application on July 13, 2022, in Order No. 22-258, to defer costs related to the WPP for the 12 months beginning January 5, 2022.

On August 18, 2022, PacifiCorp filed Advice 22-009 (docketed as UE 407) for approval of a rate schedule and automatic adjustment clause to begin recovering these costs in rates as allowed by SB 762. On May 10, 2023, the Commission issued Order No. 23-172, adopting the Stipulation filed by PacifiCorp, Commission Staff, and the Alliance of Western Energy Consumers.

PacifiCorp's 2023 WMP was filed on December 29, 2022, and was approved by the Commission in Order No. 23-220.

On January 5, 2023, PacifiCorp filed an application requesting reauthorization to defer the operating costs and capital investments made to implement and operate its WMP for the 12-month period beginning January 5, 2023. The Commission approved the deferral application in Order No. 23-032 issued on February 8, 2023.

This current filing, seeking its second reauthorization was filed on January 5, 2024.

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.

Description of Utility Expense

PacifiCorp's WMP describes the investments to construct, maintain, and operate electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire. The WMP includes incremental capital investments for system hardening (including system automation and fuse replacement), situational awareness (including weather station installs and fire impact modelling), system operations, and public safety partner coordination.

The WMP also includes incremental operating costs for several measures including but not limited to risk modeling, inspection and correction, and vegetation management.

Docket No. UM 2221(2)
November 18, 2024
Page 4

PacifiCorp seeks to continue deferral of its full WMP operating costs and capital investments incurred for later inclusion in rates.

Estimated Deferrals in Authorized Period

For 2024, PacifiCorp estimates it will incur approximately \$166 million in incremental capital investments and approximately \$42 million in incremental operating costs associated with the 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 2024, associated with SB 762; and, because the application 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 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, 2024.

PAC UM 2221(2) Wildfire Mitigation Deferral