

ORDER NO. 24-477

ENTERED Dec 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2301(1)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization of  
Deferred Accounting Related to Insurance  
Costs.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on December 31, 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.



Docket No. UM 2301(1)  
December 31, 2024  
Page 2

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. OAR 860-027-0300(4) requires the utility to include certain information in an application to defer, such as reason for the deferral, and the estimated amount of the deferral.

Amounts deferred 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. ORS 757.259(5), OAR 860-027-0300. 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*

On August 21, 2024, PacifiCorp submitted its application in Docket No. UM 2301(1) for reauthorization of deferred accounting for increased incremental insurance costs related to wildfires.

The Commission first approved a deferral request for these costs with Order No. 24-01, issued on January 23, 2024, for the 12-months ending on August 21, 2024.

In its Application for reauthorization, the Company stated, that the costs identified in this application account for the policy periods beginning August 15, 2024, or later and that "this deferral covers insurance costs for the third-party claims on PacifiCorp for events that may occur under both Federal and State emergency declarations."

In Order 24-447, the Commission explicitly discussed the Company's request to amortize approximately \$44.0 million in excess liability insurance costs deferred in Docket No. UM 2301. The Commission directed PacifiCorp to amortize 90 percent of the balance over three years through a tariff rider to be effective January 1, 2025, noting a "...paradigm change that presented material risks to PacifiCorp's financial health at the same time as insurance premiums increased." Further, the Commission states,

...Even though we would not in other circumstances be likely to consider a cost of this magnitude a material threat to financial health, we consider the totality of the circumstances including contemporaneous credit downgrades and deeply degraded results of operations demonstrating serious financial risks to PacifiCorp and its customers.<sup>1</sup>

---

<sup>1</sup> *In the Matter of PacifiCorp dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 433, Order No. 24-447 at 25.

Docket No. UM 2301(1)  
December 31, 2024  
Page 3

*Estimated 2024 Costs*

In its Application, the Company states that commercial insurance costs for the total company will increase from the \$29 million currently in rates to \$210 million (a \$181 million increase) for the policy period starting August 15, 2024, or later. It is requesting reauthorization to defer the Oregon portion of that increase. Per the Commission's order in the Company's most recent general rate case, Docket No. UE 433, Order 24-447, 90/10 sharing would be applied during amortization.<sup>2</sup>

*Description of expenses*

In its Application, the Company lists the following expenses as part of the commercial insurance cost increase: premiums for commercial insurance covering third-party liability for claims in excess of \$10 million and a self-insurance reserve for property damage in each state.

*Reason for Deferral*

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses 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. Granting this deferral will minimize the frequency of rate changes and allow for the appropriate matching of costs and benefits for customers.

*Proposed Accounting*

The Company will record Deferred Amounts at Federal Energy Regulatory Commission (FERC) Account 182.3 – Other Regulatory Assets and crediting FERC Account 925 – Injuries and Damages.

*Information Related to Future Amortization*

- Prudence Review – A prudence review is required prior to amortization. The Commission found certain costs associated with this application prudently incurred in Order 24-447.<sup>3</sup>
- Sharing – Per Order 24-447, 90/10 sharing would be applied during amortization of amounts approved for amortization.
- Rate Spread/Design – The deferred amortization amount will be spread on an equal percentage rate spread.<sup>4</sup>

---

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> See Workpapers related to Advice No. 24-024.

Docket No. UM 2301(1)  
December 31, 2024  
Page 4

- 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 (exceptions at ORS 757.259(7) and (8)) 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. Because Pacific Power is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent rate impact, and under ORS 757.259(10)(c) the Commission may authorize amortization of a deferral at a higher rate impact when it is reasonable under the circumstances.

#### Conclusion

Staff reviewed the Company’s application for reauthorization and determined it meets the criteria for a deferral.

#### **PROPOSED COMMISSION MOTION:**

Approve the Company’s application for reauthorization to defer for later ratemaking treatment increased insurance costs related to wildfires for the twelve months beginning August 21, 2024.

UM 2301 PacifiCorp Wildfire Ins Def