

ORDER NO. 25-011

ENTERED Jan 21 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 513

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Approval of an Affiliated
Transaction with Chubb Limited (Wildfire
Insurance).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 21, 2025, 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. CA5

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: January 21, 2025**

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

DATE: January 9, 2025

TO: Public Utility Commission

FROM: Luz Mondragon and Bret Stevens

THROUGH: Caroline Moore, Scott Gibbens, and Matt Muldoon **SIGNED**

SUBJECT: PACIFICORP:
(Docket No. UI 513)
Requests approval of Affiliated Interest transaction with Chubb Limited.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve PacifiCorp's (PacifiCorp, PAC, or Company) application for approval of an affiliated-interest (AI) Agreement (Agreement) with Chubb Limited (Chubb) for Excess Liability Insurance, subject to the following Staff-proposed conditions (Conditions):

Conditions:

1. PacifiCorp shall report to the Commission, as part of its annual affiliated interest report, a summary of the Company's transactions with Chubb Limited.
2. PacifiCorp shall notify the Commission of any substantive changes to the Agreement, including any material changes in price or other parameters of the Agreement. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
3. PacifiCorp shall provide the Commission, upon request, access to all books of account, as well as documents, data and records that pertain to any transaction involving Chubb Limited.
4. The Commission reserves the right to review, for reasonableness, all financial aspects of these transactions in any rate proceeding or alternative form of regulation.

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DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's affiliated interest transaction with Chubb, which involves a contract agreement for Excess Liability Insurance for the period of August 15, 2024 through February 15, 2026.

Applicable Law

"Affiliated interest," as defined in ORS 757.015(3), includes every corporation five percent or more of whose voting securities are owned by any corporation or person owning five percent of the voting securities of a public utility or in any successive chain of ownership of a public utility.

ORS 757.495 requires a public utility to seek approval of contracts with affiliated interests within 90 days of the execution of the contract. ORS 757.495(3) provides that the Commission may approve an affiliated interest agreement if the agreement is fair, reasonable, and not contrary to the public interest. When services or supplies (except for generation) are sold to an energy utility by an affiliate, sales shall be recorded in the energy utility's accounts at the affiliate's cost or the market rate, whichever is lower, unless there is an applicable rate on file with the Commission or with the Federal Energy Regulatory Commission (FERC). OAR 860-027-0048(4)(e).

The requirements for an affiliated interest transaction application are set forth in OAR 860-027-0040. The application must include a description of the relationship between the utility and the other contracting entity, any pecuniary interest of any officer or director, a description of the goods or services to be provided, the market value of the goods or services if different from the costs, the methods for pricing those goods and services, the reason for or benefits received from the transaction, and a copy of the contract. OAR 860-027-0040(a)-(m).

Background

PacifiCorp is an indirect, wholly owned subsidiary of Berkshire Hathaway Energy Company (BHE), which is a subsidiary of Berkshire Hathaway, Inc. (Berkshire Hathaway, BHI). In the third quarter of 2023 BHI began confidentially buying Chubb Limited stock.¹ During the same time period BHE was negotiating the excess liability insurance policy with Chubb, for coverage from August 15, 2023 to August 15, 2024. At

¹ Bill Stone, *Why Did Warren Buffett Buy Chubb?*, Forbes (May 26, 2024), available at: https://www.forbes.com/sites/bill_stone/2024/05/26/why-did-warren-buffett-buy-chubb/.

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the time BHI had less than a five percent investment in Chubb Limited's stock.² On May 15, 2024, BHI filed Form 13F, which unveiled that BHI acquired an ownership interest amounting to greater than five percent Chubb common stock.³ Berkshire Hathaway's ownership interest in PacifiCorp and Chubb qualifies Chubb as affiliated interests of PacifiCorp.

Prior to the expiration of the above-mentioned policy, BHE engaged with brokers to obtain benchmarking, quotes, and recommendations for coverage.⁴ This engagement resulted in BHE renewing the policy for a period of 18-month effective August 15, 2024.⁵

PacifiCorp filed this Application with the Commission on October 29, 2024, pursuant to ORS 757.495 and in accordance with OAR 860-027-0040. In its Application, the Company seeks approval from the Commission of an affiliated interest transaction where PacifiCorp contracts with Chubb for Excess Liability Insurance for the period of August 15, 2024, through February 15, 2026.

Analysis

In its filing the Company states that **[BEGIN CONFIDENTIAL]**

[END CONFIDENTIAL].⁶

Staff's review included examination of the Company's current application, including a copy of the confidential insurance quotations. Staff also issued a number of information requests regarding the 2024-2026 policy, policy premiums and determination of market costs. Staff investigated the following issues:

1. Terms and Conditions of the Agreement;
2. Transfer Pricing;

² *In the Matter of PacifiCorp, dba Pacific Power, Application for Approval of an Affiliated Transaction with Chubb Limited (Excess Liability Insurance)*, Docket No. UI 506, Order No. 24-418, Appendix A at 2-5 (November 15, 2024).

³ *Id.*

⁴ UI 506 PacifiCorp's response to IR 8.

⁵ UI 506 PacifiCorp's response to IR 9.

⁶ UI 513 *In the Matter of PACIFICORP, dba PACIFIC POWER, Application for Approval of an Affiliated Transaction with Chubb Limited (Excess Liability Insurance)*.

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3. Public Interest Compliance; and
4. Records Availability, Audit Provisions, and Reporting Requirements.

Terms and Conditions of the Agreement

[BEGIN CONFIDENTIAL]

[END CONFIDENTIAL].⁸

Staff reviewed the quotations, binders and the policy contract and did not identify any unexpected or unusual terms or conditions.

Transfer Pricing

For the Excess Liability policy, PacifiCorp will pay [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]. Staff conducted discovery into whether the policy premium was attained by using a lower of cost or market method where quotes and coverage details from multiple insurance companies were reviewed, compared and negotiated. After reviewing the Company's response to information requests in this filing, Staff is satisfied that the contract pricing terms are at or below standard market prices.

However, Staff notes that it is difficult to analyze the lower of cost or market for insurance quotes and coverage, given the confidential nature in how insurance quotes are developed. The ability to properly analyze these types of affiliated transactions is an issue that Staff will continue to explore.

Public Interest

The Commission customarily applies a "no-harm" standard in determining what is "not contrary to the public interest" in matters involving affiliated interest transactions.¹⁰ Staff finds the agreement will not harm customers and is satisfied that agreement is not contrary to the public interest.

Given ongoing dialogue regarding the Company's insurance policies and the difficulty in determining the lower of cost or market value, Staff believes it will be important to

⁷ [BEGIN CONFIDENTIAL]

[END

CONFIDENTIAL]. In Docket No. UI 506, the coverage limit included only Wildfire Excess Liability coverage.

⁸ Docket No. UI 513, PacifiCorp's Supplemental response to IR 3 Attach 3_12052024.

⁹ *Id.* The amount includes excess liability coverage in other states.

¹⁰ See e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Commission Order No. 01-778 at 10 (September 4, 2001).

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closely track and analyze the Company's purchase of insurance policies where an affiliated interest exists. In doing so, Staff notes that there has been an increase in coverage, period length, and policy premium since the last policy expired. The Company states that the increase in coverage is due to accessibility to coverage not previously available.¹¹

Records Availability, Audit Provisions, and Reporting Requirements

Staff notes that the Commission retains the ability to review all affiliated-interest transactions of the Company through both its annual affiliated-interest report, in general rate case filings, and its auditing capability. Staff's recommended conditions provide for all necessary Commission examination of PacifiCorp's records concerning the agreement.

Conclusion

Based on Staff's review of this application, Staff concludes that the public interest is not harmed by this transaction, provided the recommended Conditions are adopted.

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

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application for an affiliated-interest Agreement with Chubb Limited, subject to the Staff's four recommended Conditions.

PAC UI 513 Excess Liability Insurance

¹¹ Docket No. UI 513, PacifiCorp's response to IR 7.