

ORDER NO. 25-027

ENTERED Feb 05 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2159(3)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization to
Approve Deferred Accounting Costs
Related to Wildfire Risk Mitigation
Measures and Vegetation Management.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 4, 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:



Katharine Mapes on behalf of
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. CA6

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 4, 2025**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: January 15, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PACIFIC POWER:
(Docket No. UM 2159(3))
Reauthorization of deferral accounting for costs related to Wildfire Risk Mitigation Measures and Vegetation Management.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power’s (PacifiCorp, PAC, or Company) request to defer costs associated with Wildfire Risk Mitigation and Vegetation Measures for the 12-month period beginning June 23, 2024, and ending June 22, 2025.

DISCUSSION

Issue

Whether the Commission should approve PacifiCorp’s requests for reauthorization to defer costs accounting for costs related to Wildfire Risk Mitigation Measures and Vegetation Management.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates in order to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires a utility seeking reauthorization of a deferral to file the application within 60 days of expiration of the deferral and provide the following:

Docket No. UM 2159(3)
January 15, 2025
Page 2

- (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.

As part of PacifiCorp's UE 374 rate case, the Commission determined that annual deferral of costs within the Wildfire Mitigation and Vegetation Management Cost Recovery Mechanism (WMVM) is authorized under ORS 757.259(2)(e) in Order No. 20-473.

Analysis

Background

In Docket No. UE 374, Order No. 20-473, the Commission authorized the WMVM for a period of three years. The Order authorized \$30 million in wildfire mitigation and vegetation management O&M expense in base rates.

The WMVM provides an opportunity to recover additional wildfire mitigation and vegetation management O&M spend beyond what is included in base rates subject to performance metrics and an earnings test for a period of three years.

In Docket No. UE 399, Order No. 22-491, the Commission approved the First Partial Stipulation which modified the design of the WMVM, including extending the WMVM through the end of 2024 unless PacifiCorp files a general rate case with a new forecast for 2024, and authorized \$50 million in non-wildfire mitigation vegetation management O&M expense in base rates beginning January 1, 2023.

Docket No. UM 2159(3)
January 15, 2025
Page 3

PacifiCorp's second filing using the Commission-authorized WMVM was made on May 5, 2023.¹ On February 14, 2024, PacifiCorp filed a general rate case and included a proposal to increase the baseline O&M for vegetation management in base rates from \$50 million to \$67 million with rates effective January 1, 2025.²

In this application, PacifiCorp requests reauthorization to continue deferral of the difference between the Commission approved baseline O&M for vegetation management in base rates and actual wildfire mitigation costs not included in the Company's WMP³ and vegetation management O&M costs incurred as part of the Company's ongoing vegetation management program for the 12-month period beginning June 23, 2024.

Reason for Deferral

PacifiCorp requests reauthorization to defer the incremental costs associated with wildfire risk mitigation and vegetation management. These amounts will not include costs deferred in UM 2221 for the 2024 WMP.

In addition, 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.

Description for expenses

On May 6, 2024, PacifiCorp filed for cost recovery of approximately \$18.2 million through the WMVM, which includes approximately \$777,000 in a residual balance from 2022, \$16.3 million of the Deferred Amounts from 2023, and \$1.1 million in estimated accrued interest. As of May 31, 2024, the Company has not exceeded the \$50 million included in base rates for 2024, and therefore has not deferred any 2024 amounts as of that date.

Estimate of Amounts

In Order No. 22-491, the Commission authorized \$50 million in base rates related to non-wildfire mitigation vegetation management O&M. For 2024, the non-wildfire related vegetation management O&M costs are expected to be approximately \$66 million, or about \$16 million more than is currently authorized in base rates.

¹ *In the Matter of PacifiCorp, dba Pacific Power, Application for Approval of Deferred Accounting for Costs Related to Wildfire Risk Mitigation Measures and Vegetation Management*, Docket No. UM 2159, Order No. 23-330, PacifiCorp's Advice No. 23-011, Schedule 94 (September 11, 2023).

² *See In the Matter of PacifiCorp dba Pacific Power, Request for a General Rate Revision*, Docket No. UE 433, Direct Testimony of Allen Berreth, PAC/1400, Allen/7-8 (February 2024).

³ This deferral will not include costs in the Company's WMP filed in Docket No. UM 2207. Costs associated with the WMP are deferred under a separate deferral application in Docket No. UM 2221.

Docket No. UM 2159(3)
January 15, 2025
Page 4

Note: The balance as of December 31, 20224 is \$20,269,169.47.⁴

Proposed Accounting

PacifiCorp will record Deferred Amounts by debiting Federal Energy Regulatory Commission (FERC) Account 182.3-Other Regulatory Assets and crediting the incremental operations and maintenance expense to various FERC Accounts, including primarily 593.0 Maintenance Overhead Lines (distribution) and 571.0-Maintenance Overhead Lines (transmission).

Information Related to Future Amortization

- Earnings Review – The Commission will review earnings in accordance with ORS 757.259(5) at the time of amortization. The Commission adopted an earnings test component combined with a performance-based mechanism on vegetation management violations in its order in UE 374, Order No. 20-473, and in UE 399, Order No. 22-491.
- Prudence Review – The prudence review will be conducted prior to amortization and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – A costs sharing mechanism was not adopted in Order Nos. 20-473 and 22-491, but the Company can bear some costs based on its vegetation management performance and earnings levels.
- Rate Spread/Design – The deferred amortization amount will be spread based on distribution and transmission revenues in proportion to the components for which costs are incurred.
- 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 limit.

⁴ See, spread sheet with the ending balance provided by the Company.

Docket No. UM 2159(3)
January 15, 2025
Page 5

Conclusion

Staff reviewed the Company's application and finds it meets the requirements of ORS 757.259 and OAR 860-027-0300. In Order No. 22-491, the Commission adopted a stipulation that modified PacifiCorp's WMVM to extend the timeline for incremental cost recovery through 2024. Accordingly, Staff recommends the application be approved.

The Company has reviewed this memo and has stated no objection.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's application and re-authorization to defer costs associated with Wildfire Risk Mitigation Measures and Vegetation Management for the 12-month period beginning June 23, 2024.

UM 2159(3)