

ORDER NO. 25-029

ENTERED Feb 05 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2250(2)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization of
Deferred Accounting for an Independent
Evaluator to Review Decommissioning
Costs.

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. CA8

**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 2250(2))
PacifiCorp’s Application for Reauthorization of Deferred Accounting for an Independent Evaluator to Review Decommissioning Costs.

STAFF RECOMMENDATION:

Staff recommends the Commission approve PacifiCorp’s application requesting reauthorization of deferred accounting for costs for an Independent Evaluator to Review Decommissioning Costs for the 12-month period beginning July 27, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp’s application for deferred accounting related an Independent Evaluator to Review Decommissioning Costs.

Applicable Law

In accordance with Oregon Revised Statutes (ORS) 757.259(2)(e) and OAR 860-027-0300, PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) submitted two separate applications to the Public Utility Commission of Oregon (Commission) requesting orders authorizing deferred accounting to track the costs associated with retaining an Independent Evaluator for review of coal plant decommissioning costs in PacifiCorp’s Application for Authority to Implement a Decommissioning Cost Recovery Adjustment and Coal Removal Mechanism.

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Analysis

Background

On July 8, 2021, PacifiCorp filed an application for authority to implement a decommissioning cost recovery adjustment and coal removal mechanism. In the application the Company requested authorization of a new tariff to collect an increase to the estimated decommissioning costs of certain coal-fired generation as reflected in the studies conducted by Kiewit Engineering Group, Inc. (Kiewit Studies). Commission Order No. 20-473 in PacifiCorp's 2021 general rate case (Docket No. UE 374) included a requirement for a robust review and verification of the decommissioning cost estimates in the Kiewit Studies by an Independent Evaluator to demonstrate the estimates are reliable for cost recovery.

PacifiCorp worked with parties in Docket No. UM 2183 to develop a draft Request for Proposal (RFP) for selecting an Independent Evaluator. At the May 5, 2022, Public Meeting, the Commission approved Staff's recommendation to authorize the issuance and use of PacifiCorp's draft RFP for selecting an Independent Evaluator to review the Kiewit Studies.

The RFP was issued in the Summer 2022 and an Independent Evaluator, Sargent & Lundy LLC, was selected in consultation with stakeholders in late Fall 2022. On July 27, 2022, the Company filed an application to defer the costs associated with the retention of and the scope of work identified in the RFP for the Independent Evaluator, including the review of the Kiewit Studies, for 12 months beginning July 27, 2022. On July 27, 2023, PacifiCorp filed an application for reauthorization of deferred accounting for the 12 months beginning July 27, 2023. Both applications were approved by the Commission on June 12, 2024, in Order No. 24-187. In this application, the Company is requesting reauthorization to continue deferral of these costs for the 12 months beginning July 27, 2024.

In UE 433, PacifiCorp's most recent rate case, the issue of whether the Kiewit decommissioning cost estimates already completed should be adopted by the Commission was broached by several parties. In Order No. 24-447, the Commission decided that "After considering the parties' arguments, we agree to adopt the cost estimates from the Kiewit Studies to cap Oregon's decommissioning cost responsibility for Jim Bridger Units 3 and 4, and Dave Johnston Unit 4."

There are other PacifiCorp coal plants for which decommissioning costs will likely be needed. Therefore, Staff views this deferral request as still relevant.

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Description of the Expenses

The costs at issue are for an Independent Evaluator to review the Kiewit Studies. PacifiCorp issued an RFP for an IE at the direction of the Commission.

Reason for Deferral

As discussed above, PacifiCorp requests reauthorization to defer the costs associated with the retention of an Independent Evaluator. 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. Commission approval of PacifiCorp's application will allow the Company to continue tracking the costs for the Independent Evaluator separate from PacifiCorp's other costs and revenues. Granting this Application will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by customers. PacifiCorp's application is consistent with the Commission's previous approval of deferred accounting applications.

Proposed Accounting

If this application is approved, PacifiCorp will continue to record the deferred amounts to Federal Energy Regulatory Commission account 182.3, Other Regulatory Assets. This account will accrue interest at the Commission-authorized rate for deferred accounts.

Estimate of Amounts

PacifiCorp anticipates the Independent Evaluator's total costs will be approximately \$323,330

Information Related to Future Amortization

- Earnings review – The Commission will review earnings in accordance with ORS 757.259(5) at the time of amortization.
- 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.
- 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

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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.

Conclusion

Staff recommends the Commission approve PacifiCorp's request to reauthorize deferral costs to retain an Independent Evaluator to Review Decommissioning Costs.

The Company has had the opportunity to review this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application requesting reauthorization of deferred accounting for costs of an Independent Evaluator to Review Decommissioning Costs for the 12-month period beginning July 27, 2024.

PacifiCorp UM 2250(2)