BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 433

In the Matters of

PACIFICORP dba PACIFIC POWER,

Request for a General Rate Revision (UE 433),

Deferred Accounting Related to Wildfire Damage and Restoration Costs (UM 2116),

Deferred Accounting for Operating Costs and Capital Investments to Implement the Company's Distribution System Plan (UM 2220), and

Deferred Accounting of Deer Creek Mine Royalty Payment Costs (UM 2161).

ORDER

DISPOSITION: APPLICATION FOR RECONSIDERATION OR REHEARING DENIED

I. SUMMARY

This order addresses PacifiCorp, dba Pacific Power's, application for reconsideration or rehearing of Order No. 24-447. Because the company has not demonstrated that it meets our standards for reconsideration or rehearing, we deny PacifiCorp's application.

II. BACKGROUND AND PROCEDURAL HISTORY

On February 14, 2024, PacifiCorp filed Advice No. 24-001 to request a general rate increase for its Oregon retail customers as of January 1, 2025. After an investigation into the request and a contested case process, we resolved numerous issues presented by

¹ In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision, Docket No. UE 433, Order No. 24-447 (Dec. 19, 2024).

PacifiCorp's request for a rate increase and approved an increase to PacifiCorp's revenue requirement of approximately 8.5 percent from the company's previous base rates, to be effective January 1, 2025.²

On February 18, 2025, PacifiCorp filed an application for reconsideration or rehearing regarding our conclusions on wildfire mitigation investments and Gateway South transmission line in Order No. 24-447. With regard to the wildfire mitigation investments, we concluded that PacifiCorp "failed to establish the prudency of its Utah investments to the exclusion of a proportionate level of investments in Oregon and adopt[ed] Staff's proposed permanent rate base disallowance of \$9.988 million." We also concluded that PacifiCorp "failed to provide sufficient analysis to justify its decision to construct the [Gateway South transmission] line sooner rather than later" and that "a robust cost-benefit analysis [was] required to demonstrate benefits to Oregon customers starting on the rate effective date." We limited the company's "return on Oregon's allocated share of the capital investment * * * to the [modified blended treasury rate (MBT)] until PacifiCorp addresses our concerns with its analysis and demonstrates, in its next rate case, that the benefits identified in planning have materialized to produce a net benefit to customers."

On March 5, 2025, Commission Staff and the Alliance for Western Energy Consumers (AWEC) filed responses to PacifiCorp's application.

III. APPLICABLE LAW

The Commission may grant an application for rehearing or reconsideration upon a showing that there is:

- a) New evidence that is essential to the decision and that was unavailable and not reasonably discoverable before issuance of the order;
- b) A change in the law or policy since the date the order was issued relating to an issue essential to the decision;
- c) An error of law or fact in the order that is essential to the decision;

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² Order No. 24-447.

³ *Id.* at 29.

⁴ *Id*. at 42.

⁵ *Id*.

d) Good cause for further examination of an issue essential to the decision.⁶

As we explained in our order, PacifiCorp, as the utility, bears the burden of proof in a general rate case:

ORS 757.210 establishes the burden of proof and provides that, in a rate case, "the utility shall bear the burden of showing that the rate or schedule of rates proposed to be established or increased or changed is fair, just and reasonable." Thus, PacifiCorp must submit evidence showing that its proposed rates are just and reasonable. Once the company has presented its evidence, the burden of going forward then shifts to the party or parties who oppose including the costs in the utility's revenue requirement. Staff or an intervenor, if it opposes the utility's claimed costs, may in turn show that the costs are not reasonable. For any change proposed by PacifiCorp that is disputed by another party, PacifiCorp still must show, by a preponderance of evidence, that the change is just and reasonable. If the company fails to meet that burden of proof, either because the opposing party presented persuasive evidence in opposition to the proposal, or because PacifiCorp failed to present adequate information in the first place, then PacifiCorp does not prevail because it has not carried its burden of proof.⁸

In determining the prudence of a specific investment, we look to what the utility knew or should have known at the time it made its decision.

IV. DISCUSSION

We conclude that PacifiCorp failed to meet the standards for reconsideration or rehearing of Order No. 24-447. The company does not identify any new evidence that is essential to the decision that was unavailable and not reasonably discoverable before we issued Order No. 24-447, nor does PacifiCorp identify any change in the law or policy since the order was issued. PacifiCorp's arguments instead turn on whether we made "[a]n error of law or fact in the order that is essential to the decision" or whether there is "[g]ood cause

⁶ OAR 860-001-0720(3).

⁷ In the Matter of the Application of Northwest Natural Gas Company for a General Rate Revision, Docket No. UG 132, Order No. 99-697 at 3 (Nov. 12, 1999).

⁸ Order No. 24-447 at 5-6.

⁹ OAR 860-001-0720(3).

for further examination of an issue essential to the decision."¹⁰ We find no error of law or fact, or good cause for further examination.

A. Wildfire Mitigation Investments

1. Positions of the Parties

PacifiCorp argues that we erred in several respects in concluding that the company failed to establish the prudence of approximately \$9.988 million (Oregon-allocated) of wildfire mitigation investments in transmission lines. The company states we "wholly ignore[d] Staff's analysis of system-wide wildfire risks and PacifiCorp's testimony supporting its investments" and "unfairly fault[ed] PacifiCorp for failing to provide specific analysis responding to an argument that no party had raised[.]"¹¹

The company argues that substantial evidence exists in the record demonstrating increased wildfire risk from transmission assets in Utah. PacifiCorp asserts that Staff conducted a system-wide analysis of wildfire risks in the company's service territory that "found that the risk is substantially greater in Utah." PacifiCorp notes that this analysis was presented in the context of the company's Catastrophic Fire Fund proposal.

PacifiCorp argues that it demonstrated that the transmission assets replaced in Utah presented a greater risk of wildfire than transmission assets in Oregon FHCAs because it was replacing 46-kV transmission lines in Utah and there are no such lines located in Oregon.¹³

The company also argues that "because neither the Commission nor any party challenged specific investments in Utah or advocated for the specific alternatives mentioned in the Order through testimony or at hearing, PacifiCorp had no notice or opportunity to respond and include relevant evidence in the evidentiary record." PacifiCorp states that we therefore "erred by relying on potential lower-cost alternatives as a basis to disallow the [c]ompany's wildfire mitigation investments on its transmission system." ¹⁵

PacifiCorp argues that the record does not support the Commission's conclusion that approximately \$9.988 million of the company's wildfire mitigation investments were imprudent. The company argues "that Staff did not believe that the entirety of that

¹⁰ OAR 860-001-0720(3)(c), (d).

¹¹ PacifiCorp Application for Rehearing or Reconsideration at 28.

¹² *Id.* at 29.

¹³ *Id.* at 31.

¹⁴ *Id.* at 32.

¹⁵ *Id*.

\$9.988 million was imprudently incurred," and agreed that the investments "provided benefits to the system as a whole, including to Oregon customers." As such, PacifiCorp asserts the Commission erred by finding the entire \$9.988 million as imprudent because it is not supported by the record. Further, the company argues that if the Commission relied on any allocation factor aside from that included in the 2020 protocol, the Commission erred by failing to acknowledge or explain its inconsistency with past practice.

The company argues that substantial reason does not support the Commission's conclusion that PacifiCorp failed to establish the prudence of its wildfire mitigation investments in Utah and that this represents an unexplained departure from the Commission's past practice. PacifiCorp explains it believes Order No. 24-447 "does not explain why the number of transmission miles within FHCAs dictates the prudence of investments." The company asserts the Commission's "conclusion appears to be premised on the false assumption that all transmission lines within FHCAs pose the same risk of wildfire ignition." PacifiCorp also argues that the Order does not explain why the Commission "disallowed investments PacifiCorp made consistent with its Utah WMP because [it] did not make additional, 'proportionate' investments in transmission lines in FHCAs in Oregon, despite the fact that such investments were not identified in the company's Commission-approved Oregon WMP."

PacifiCorp argues that the Commission failed to explain why "the disallowance of a broad category of prudent investments" without "assessing any of the individual investments" appropriately departed from the Commission's prior practice.²⁰ Finally, the company requests that if the Commission denies reconsideration, it should allow PacifiCorp to present additional analysis on rehearing.²¹

Commission Staff responds that "the Commission's conclusion that PacifiCorp's Transmission System Wildfire Mitigation investments were imprudent was neither legal error nor based on errors of fact."²² Staff explains that "[t]he Commission's ruling that the [c]ompany's investment was imprudent is not a finding of fact subject to review for substantial evidence" but rather a "part of the Commission's exercise of discretion in setting rates."²³ Staff therefore argues that the appropriate standard is a showing of error in law or fact and PacifiCorp has not made such a showing here. Staff asserts PacifiCorp

¹⁶ PacifiCorp Application for Rehearing or Reconsideration at 33.

¹⁷ *Id.* at 35.

¹⁸ *Id.* at 35-36.

¹⁹ *Id*. at 36.

²⁰ *Id*. at 38.

²¹ Id at 31-32

²² Staff Response to Application for Rehearing or Reconsideration at 13.

²³ *Id.* at 13.

had a reasonable opportunity to present evidence on this topic in response to Staff's concerns raised in opening testimony. Further, Staff explains PacifiCorp had the burden of proof and did not meet it.

Staff argues that the Commission cannot rely on an analysis it conducted in 2024 as evidence supporting the prudence of the company's wildfire mitigation investment decisions made from 2017-2023 because there is no way the company could have relied on it. Finally, Staff asserts that it was appropriate for the Commission to disallow \$9.988 million of the company's wildfire mitigation investments because "the Commission has recognized that when a utility fails to provide sufficient information on which [it] can base a decision, the Commission will make a determin[ation] on a disallowance that reasonably penalizes a utility for its imprudence based on the best information before it."²⁴

AWEC makes clear that it "made no argument regarding the recovery of costs associated with PacifiCorp's wildfire mitigation plan" and "takes no position on the evidence in the record to support or object to related arguments presented in PacifiCorp's [a]pplication."²⁵ AWEC notes, however, that the 2020 protocol was not intended to bind future Commission's on "any treatment of costs purely because the costs are systemallocated by PacifiCorp[.]"²⁶ AWEC explains that "the Commission still must find that the costs incurred were prudent in the first place."²⁷ Finally, AWEC "express[ed] some concern with the treatment of wildfire mitigation costs in this docket" and urged the Commission to "be cognizant in any order on reconsideration of ensuring that Oregon customers are treated equitably under a future cost allocation methodology with respect to similar costs" given forthcoming expiration of the 2020 protocol.

2. Resolution

We concluded in Order No. 24-447 that PacifiCorp had not met its burden to demonstrate that its wildfire mitigation investments in Utah were prudent. We did so after reviewing the parties' extensive testimony and briefing on the matter. Although PacifiCorp disagrees, we did not find sufficient evidence in the record to support the prudence of the company's wildfire mitigation investments in Utah, and PacifiCorp's application does not point us to any legal or factual error made in our order that is essential to the underlying decision on the prudence of these investments.

²⁴ Staff Response to Application for Rehearing or Reconsideration at 19.

²⁵ AWEC Response to Application for Rehearing or Reconsideration at 14.

²⁶ *Id.* at 15.

²⁷ *Id*.

Although Order No. 24-447 noted that the company failed to provide (1) sufficient evidence of a system-wide risk analysis and (2) analysis showing that the upgrades to the Utah transmission lines were a lower cost and lower risk alternative to other alternatives, the order does not state that that is the only evidence PacifiCorp could have produced to establish prudence. Indeed, we consider all evidence produced by a party and recognize that the ideal analysis may not always be possible.

PacifiCorp notes that as part of its testimony in this docket, Staff prepared "a systemwide analysis [of wildfire risk] to identify potential allocations of the [c]ompany's wildfire costs" in response to arguments regarding a withdrawn proposal for a Catastrophic Fire Fund.²⁸ The analysis PacifiCorp points to was prepared in 2024 specifically for use in this docket on a different topic and was not available for use by the company when it incurred the costs in question. As PacifiCorp explained in its closing brief: "The prudence of the [c]ompany's actions is measured at the time the [c]ompany took the actions, based on the information available at that time."²⁹ PacifiCorp did not explain how Staff's 2024 analysis was relevant to what the company knew or should have known at the time it made these investments, or what amount of the underlying data would have been available to the company at that time.

PacifiCorp also did not produce its own analysis to support its decision to prioritize these significant wildfire mitigation investments in Utah. Presumably, if PacifiCorp had conducted such an analysis and relied on it in making its wildfire mitigation investment decisions, it would have included it in testimony and discussed it in briefing. The lack of evidence offered on this point, specific to the time that the utility made its decisions, was fatal to PacifiCorp's claim of prudence for its Utah-based wildfire mitigation investments.

PacifiCorp also complains that it did not have a fair opportunity to respond to the Commission's conclusion that PacifiCorp did not provide an analysis showing that upgrades to the Utah transmission lines were a lower cost and lower risk alternative to other alternatives. 30 We reiterate our earlier discussion about the burden of proof

²⁸ PacifiCorp Application for Reconsideration or Rehearing at 29.

²⁹ PacifiCorp Closing Br. at 18.

³⁰ The company quotes a passage from Order No. 02-469 to support its argument that it did not have a fair opportunity to respond, but that passage, when read in context, does not stand for the proposition PacifiCorp cites it for. Immediately before the cited passage, which is itself a quote from Order No. 87-1017, Order No. 02-469 explains that "[t]he company does not file testimony on every single revenue item, expense item, rate base item, and rate of return item in its results of operations." It goes on to explain that the Commission will only "review the items that parties or we [the Commissioners of the Public Utility Commission of Oregon] have put at issue." In accordance with that principle, the issue of PacifiCorp's wildfire mitigation investments in Utah was properly before us and ripe for resolution in Order No 24-447.

belonging to PacifiCorp after its initial evidence was challenged. Staff raised concerns about these investments in opening testimony. The company had the opportunity to respond in subsequent rounds of testimony to establish its case for prudence and did not meet its burden. As such, our order accurately states the standard for prudence and describes types of evidence that could have led us to find the investments prudent.

PacifiCorp also seeks reconsideration or rehearing on the remedy of the \$9.988 million disallowance, claiming we imposed a remedy that no party asked for. We have broad authority to disallow some or all costs after finding that they were not demonstrated to be prudent.³¹ We are not bound by the remedies proposed by the parties in resolving a contested case before us and may craft our own remedies after considering a matter's unique facts. PacifiCorp did not establish that all or a subset of its wildfire mitigation investments in Utah were prudent, and we will not assume into rates any portion of those costs here.

After considering the parties' arguments, we also conclude there is not good cause for further examination of any issues raised in PacifiCorp's application relating to the company's wildfire mitigation investments in Utah. We deny PacifiCorp's request to present additional analysis on rehearing.

B. Gateway South

1. Positions of the Parties

PacifiCorp argues that we erred in denying the company the ability to earn its full return on the Gateway South transmission project. First, PacifiCorp argues that "[b]y requiring a demonstration of net benefits, the Commission arbitrarily and unlawfully applied a heightened cost recovery standard to Gateway South." PacifiCorp explains that because it demonstrated customer benefits from the Gateway South transmission project, 33 it is entitled to "a prudence determination and full cost recovery under traditional prudence standards."

Second, PacifiCorp argues that we may not reduce the company's recovery of the Gateway South transmission project's costs, including the cost of equity financing, based on affordability concerns or to limit the rate impacts on customers. The company asserts

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³¹ See Staff's Response to PacifiCorp Application at 18.

³² PacifiCorp Application for Rehearing or Reconsideration at 11.

³³ *Id.* at 11-12 (company explanation of customer benefits).

³⁴ *Id*. at 11.

that we ignored the significant risk PacifiCorp bore with the Gateway South project and that it should receive its full rate of return to account for that risk.

Third, the company asserts that it is entitled to full recovery of Gateway South's prudent costs under ORS 469A.120 because the project is "associated electricity transmission" and because the matching benefits are in rates. PacifiCorp explains "Gateway South is the associated transmission for 1,400 MW of Wyoming wind generation now being delivered to PacifiCorp's Oregon customers," that Gateway South is directly connected to a renewable energy resource covered by ORS 469A.120, and that "these wind resources could not be delivered to Oregon customers without Gateway South." The company argues we are precluded from "reduc[ing] PacifiCorp's recovery of the prudent costs of Gateway South by applying a heightened cost recovery standard * * * or a discounted MBT return to reduce rate impacts." PacifiCorp also asserts that all of the benefits of the new 1,400 MW of Wyoming wind generation were included in the 2025 TAM and that under Order No. 07-572, all fixed costs of the associated transmission of those wind resources "must also be reflected."

Fourth, PacifiCorp argues that the "transmission revenues credited to Oregon will include revenue earned on Gateway South * * * result[ing] in Oregon customers paying less than the full costs of Gateway South" without a corresponding reduction in the transmission revenue credit.³⁸ The company describes this as "another benefit Oregon customers will receive that is not matched with the costs incurred to produce that benefit."³⁹

Fifth, the company disagrees that it failed to explain the timing of Gateway South, and explains "the timing of Gateway South was driven primarily by (1) the need to acquire significant generation resources to meet a looming 2025 capacity need, and (2) the potential loss of PTCs [production tax credits]."⁴⁰ PacifiCorp also argues that even if it built Gateway South too soon, that is not evidence of imprudence given the size of the project.⁴¹

Sixth, PacifiCorp argues we presumed the company can recover the costs of complying with its OATT obligations exclusively from non-retail customers. In doing so, the company asserts that we relied on an argument that no party raised and that it therefore

³⁵ PacifiCorp Application for Rehearing or Reconsideration at 15.

³⁶ *Id.* at 15.

³⁷ *Id.* at 15-16.

³⁸ *Id.* at 16.

³⁹ *Id*.

⁴⁰ *Id*. at 17.

⁴¹ *Id*. at 20.

could not present evidence and briefing to address this rationale. PacifiCorp explained that it has an obligation to expand transmission service if necessary to grant FERC-jurisdictional interconnection service, and that Gateway South was designed to both meet that obligation while providing customers with additional benefits than would result from building alternative facilities to meet the interconnection need. The company explains that its OATT policy and FERC policy and precedent prohibit PacifiCorp from directly assigning the costs of alternative facilities to those interconnection customers, and therefore, PacifiCorp's analysis assigning costs for alternative facilities to retail customers was reasonable.

Staff opposes PacifiCorp's arguments related to Gateway South and argues that PacifiCorp did not "identify any error of law or fact essential to the decision or other good cause that would warrant reconsideration of the Commission's Order." Staff explains that we correctly applied the prudence standard and that the company failed to meet its burden of proof demonstrating that the timing of the Gateway South transmission line was prudent. Staff reiterates our conclusion that PacifiCorp failed to provide sufficient analysis to justify the decision to construct Gateway South sooner rather than later. Staff also believes PacifiCorp misconstrued Order No. 24-447 and explains that our use of a net benefits standard was used not to determine prudence, but rather to remedy the company's imprudence. Staff reiterates that PacifiCorp could receive full recovery for Gateway South in a future rate case if it addresses its analytical deficiencies.

Staff also argues that we did not commit legal error by limiting full recovery for Gateway South. Staff notes that PacifiCorp cites no statement in Order No. 24-447 to support its argument that we relied on affordability concerns in reducing recovery for Gateway South. Staff also notes that PacifiCorp's argument that it is entitled to full recovery of Gateway South's prudent costs under ORS 469A.120 because the project is "associated electricity transmission" and because the matching benefits are in rates was raised for the first time in its application seeking reconsideration or rehearing. Staff argues that to the extent ORS 469A.120 applies, it is consistent with Order No. 24-447 because the order found PacifiCorp's actions related to Gateway South to be imprudent. Staff explains that the company's argument that Order No. 07-572 establishing a renewable adjustment clause (RAC) requires matching fixed and variable cost recovery and that it is therefore entitled to full cost recovery for Gateway South's costs was also raised for the first time in its application seeking reconsideration or rehearing. Staff argues that Order No. 07-572 does not eliminate the need for the Commission to find Gateway South costs to be prudent before allowing full cost recovery. Staff also argues that, that the Commission

⁴² Staff Response to Application for Rehearing or Reconsideration at 1.

did not violate ratemaking standards in finding Gateway South to be imprudent and allowing less than full recovery.

Next, Staff argues that Order No. 24-447 does not contain erroneous findings of fact related to the timing of Gateway South's construction, and that there was no legal error in rejecting PacifiCorp's analysis for alternative transmission facilities. Staff explains that Order 24-447 does not find that PacifiCorp must recover the cost of facilities necessary to meet its OATT obligations from interconnection customers.

Staff explains that PacifiCorp has not identified new evidence unavailable at hearing and essential to our decision on Gateway South. Staff notes the evidence presented by the company in its application existed at the time of the hearing and the company does not address why it could not have been included in its earlier testimony. Staff further notes that information about Gateway South's performance after the line was placed in service and the 2025 TAM, the subject of a newly-filed declaration, are not relevant to prudence. Finally, Staff argues that none of PacifiCorp's other arguments constitute good cause for reconsideration of any issue essential to the Commission's decision.

AWEC agrees with our decision to limit PacifiCorp's recovery of Gateway South costs, though acknowledges that the decision differs from the position advocated for by AWEC during these proceedings. AWEC argues that we did not err in limiting PacifiCorp's recovery of Gateway South costs. AWEC explains that nothing precludes the use of a net benefit analysis to determine the prudence of an investment and its belief that PacifiCorp's arguments comparing other dockets to this one are unpersuasive. AWEC notes our order in 2022 was clear about its expectations for Gateway South cost recovery and that we were justified in concluding PacifiCorp's analysis failed to "alleviate [the Commission's] concerns with the [clompany's decision-making."⁴³

AWEC also argues that our decision properly considered the record and not customer affordability when limiting Gateway South cost recovery. AWEC explains that PacifiCorp's argument regarding ORS 469A.120 fails because the statute only allows recovery of prudent projects, and that we found Gateway South was imprudent. Finally, AWEC argues that Oregon customers are not receiving benefits from Gateway South that they are not paying for.

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⁴³ AWEC Response to Application for Rehearing or Reconsideration at 8, citing Order No. 22-178.

2. Resolution⁴⁴

We conclude that PacifiCorp failed to meet the showing for reconsideration or rehearing under our rules.⁴⁵ The company's application does not identify any new evidence that is essential to the decision that was unavailable and not reasonably discoverable before issuance of our order, nor does PacifiCorp identify any subsequent change in the law or policy relating to an issue essential to the decision. PacifiCorp has not demonstrated that we made "[a]n error of law or fact in the order that is essential to the decision" and we do not conclude there is "[g]ood cause for further examination of an issue essential to the decision."

We concluded in Order No. 24-447 that PacifiCorp had "failed to provide sufficient analysis to justify its decision to construct the line sooner rather than later," and limited the company's return on its Gateway South investments to the MBT until the company addresses our concerns in a future rate case. We have repeatedly expressed concerns about the timing of Gateway South, the company's exclusion of the majority of project costs from its analysis and the chronic over-estimation of benefits over several years. Prior orders directly told the company what types of analysis we would need to see when the company ultimately sought cost recovery for the project.

PacifiCorp failed to respond to those concerns in this docket and did not carry its burden to prove the prudence of its Gateway South investments, including the timing of its investment. Importantly, we did not permanently preclude PacifiCorp from receiving the full rate of return on these investments and invited the company to complete this analysis in a future rate case. Given that we have repeatedly and clearly outlined our cost recovery expectations related to Gateway South in the past, we will not grant rehearing to allow the company to present that analysis now. It had an opportunity to do so during this rate case and chose not to.

Additionally, PacifiCorp argues that it should receive full recovery for Gateway South under ORS 469A.120 because it is "associated electricity transmission" under that statute. The company raises this argument for the first time on reconsideration. An argument that the utility did not make prior to the final order cannot reasonably be considered essential to our decision, and PacifiCorp does not provide any explanation as

⁴⁴ PacifiCorp references material outside the record as support for its application. We only considered the contents of that material, including PacifiCorp's newly filed declaration, to ascertain whether there was newly discoverable evidence that was essential to our Gateway South decision to justify reconsideration or rehearing.

⁴⁵ OAR 860-001-0720(3).

⁴⁶ OAR 860-001-0720(3)(c), (d).

to why it is essential to our decision here, whether it relates to a change in law, or why it neglected to raise it before the company's application for reconsideration or rehearing. As such, we will not entertain it here.

V. **ORDER**

IT IS ORDERED that PacifiCorp's application for reconsideration or rehearing is denied.

Made, entered, and effective Apr 11, 2025

Letha Tawney

Letto Launey

Commissioner

Commissioner

A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.