

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2221(3)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization to Defer
Operating Costs and Capital Investments
Made to Implement and Operate the
Company's Oregon Wildfire Protection
Plan.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 8, 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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 8, 2025**

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

DATE: June 30, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2221(3))
Application for Reauthorization of Deferred Accounting for Operating
Costs and Capital Investments Made to Implement and Operate
PacifiCorp's Oregon Wildfire Mitigation Plan.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) request for the reauthorization of deferred accounting for operating costs and capital investments made to implement and operate PacifiCorp's Oregon Wildfire Mitigation Plan (WMP),¹ for the 12-month period beginning on January 5, 2025.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization of deferred accounting of costs associated with Senate Bill (SB) 762 (2021) for the 12 month period beginning January 5, 2025.

¹ The PacifiCorp filing uses the term "Wildfire Protection Plan" throughout its filing instead of WMP. The term Wildfire Mitigation Plan is used in the OPUC's OAR. For consistency with our OAR and past Staff reports, we have replaced PacifiCorp's WPP with WMP.

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Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Amounts deferred under ORS 757.259(5) and OAR 860-027-0300 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. 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

This current filing, seeking its the third reauthorization was filed on December 18, 2024, for the 12-month period beginning on January 5, 2025.

The Company filed its first WMP on December 30, 2021 (2022 WPP)² and it was approved by the Commission on April 28, 2022, in Order No. 22-131. On January 5, 2022, PacifiCorp filed for deferral of the operating costs and capital investments made to implement and operate its 2022 WPP. The Commission approved the initial deferral application at the July 12, 2022, Public Meeting and issued Order No. 22-258, on July 13, 2022, to defer costs related to the WPP for the 12 months beginning January 5, 2022.

² See, PacifiCorp's 2022 Wildfire Protection Plan, filed December 30, 2021, Docket No. UM 2207.

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On August 18, 2022, PacifiCorp filed Advice No. 22-009 for approval of a rate schedule and automatic adjustment clause to begin recovering these costs in rates as allowed by SB 762.

SB 762 established a new state-wide requirement for public utilities that provide electric service to customers in Oregon to file an annual wildfire protection plan (WPP),³ specifically in Section 3(8) of SB 762.⁴

On May 10, 2023, the Commission issued Order No. 23-172, relating to Advice Filing 22-009, adopting the Stipulation filed by PacifiCorp, Commission Staff, and the Alliance of Western Energy Consumers.⁵ PacifiCorp's 2023 WMP was filed on December 29, 2022, and was approved by the Commission in Order No. 23-220.

On January 5, 2023, PacifiCorp filed an application requesting reauthorization to defer the operating costs and capital investments made to implement and operate its WMP for the 12-month period beginning January 5, 2023. The Commission approved the deferral application in Order No. 23-032 issued on February 8, 2023.

The Company filed its 2024 WMP deferral on January 5, 2024, and it was approved by the Commission in Order No. 24-432.⁶

Description of the Expenses

The Company describes the investments to construct, maintain, and operate electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire.

The WMP includes incremental capital investments for system hardening (including system automation and fuse replacement), situational awareness (including weather station installs and fire impact modelling), system operations, and public safety partner coordination.

³ See, per formal rulemaking and OAR 860-300-0020, the wildfire protection plan is now referred to as the wildfire mitigation plan.

⁴ See, (8) All reasonable operating costs incurred by, and prudent investments made by, a public utility to develop, implement or operate a wildfire protection plan under this section are recoverable in the rates of the public utility from all customers through a filing under ORS 757.210 to 757.220. The commission shall establish an automatic adjustment clause, as defined in ORS 757.210, or another method to allow timely recovery of the costs.

⁵ See, in the Matter of PacifiCorp, dba, Pacific Power, Application for Approval of an Automatic Adjustment Clause for Recovery of Costs Associated with the Company's Wildfire Protection Plan, Docket No. UE 407, Order No. 23-173 (May 10, 2023)

⁶ See, [UM 2221\(2\) PM Order_encrypted .pdf](#).

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The WMP also includes incremental operating costs for several measures including but not limited to risk modeling, inspection and correction, and vegetation management.

Reason for Deferral

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.

The Company's application also is consistent with SB 762 and with the Commission's previous approval of deferred accounting applications.

Proposed Accounting

The Company will continue to record 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

The Company estimates it will incur approximately \$155 million in incremental capital investments and approximately \$38 million in incremental operating costs associated with the WMP.⁷ While not significant enough to raise concerns about deferring amounts, Staff notes that the Company's estimates for deferred costs submitted in its application differ significantly from the forecasted 2025 expenditures provided as part of the 2025 Wildfire Mitigation Plan in UM 2207.⁸ In the Automatic Adjustment Clause filing, Staff looks forward to exploring the source of discrepancy in these estimates.

The operating costs and capital investments incurred for later inclusion in rates.

Information Related to Future Amortization

- Earnings Review – The Stipulation in UE 407 that was adopted by the Commission in Order No. 23-173 prohibits the use of an earnings tests and parties to the Stipulation are prohibited from seeking changes to this mechanism that would have an effective date prior to July 1, 2025.
- Prudence Review – A prudence review should be performed by Commission Staff as part of their review of this deferral's annual reauthorization filing.

⁷ See Section 13.2 Costs, Table 37 and Table 38 in PacifiCorp's 2024 WMP filed December 29, 2023, in Docket No. 2207

⁸ The 2025 Wildfire Mitigation Plans include Data Tables forecasting costs for the plan by funding source. The estimated costs in PAC's application for deferral are several times greater than the 2025 forecasted expenditures identified as being funded through deferral/amortization in PAC's Data Table 13.

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- Rate Spread/Rate Design – Revenues will be allocated to each cost-of-service schedule using a method to be developed prior to amortization and reflective of the transmission and generation functions expenditures incurred.
- Sharing – No recommendation is made at this time with regards to the presence of a sharing mechanism.
- 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 (with exceptions) 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

Conclusion

After Staff's review of PacifiCorp's application requesting reauthorization to defer, for future inclusion in customer rates, the revenue associated with cost and capital investment made to implement and operate its WMP in 2025, associated with SB 762 and, because the application meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends PacifiCorp's application be approved.

The Company has reviewed this memo and agrees with or expresses no objections to Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's application for reauthorization to use deferred accounting for operating costs and capital investments made to implement and operate PacifiCorp's 2025 Oregon Wildfire Mitigation Plan associated with Senate Bill 762, for the 12-month period beginning on January 5, 2025.