

Agenda Date: September 11, 2025

Item Number: A1

**Docket:** UE-230673

**Company:** PacifiCorp d/b/a Pacific Power & Light Company

**Staff:** David Panco, Regulatory Analyst

### **Recommendation**

Issue an Order granting the petition (Petition) filed by PacifiCorp d/b/a Pacific Power & Light Company, on August 21, 2023, in Docket UE-230673, authorizing deferred accounting treatment of incremental costs associated with increased insurance premiums, subject to the following conditions:

- (a) PacifiCorp d/b/a Pacific Power & Light Company shall accrue carrying costs on the deferred balance at the Company's actual, after-tax cost of debt adjusted semi-annually, and
- (b) PacifiCorp d/b/a Pacific Power & Light must request determination of prudence and propose an appropriate amortization period for the deferred balance in its next general rate case.

### **Background**

On August 21, 2023, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed with the Washington Utilities and Transportation Commission (Commission) its Petition seeking an order authorizing the Company to record a regulatory asset for costs associated with increased excess general liability insurance premiums, purported to result from increased wildfire risk.

The Company had previously filed a general rate case, UE-230172, on April 10, 2023.

On March 19, 2024, the Commission issued Final Order 08/06 in Docket UE-230172 which, among other items, allowed recovery of incremental increases to operation and maintenance costs associated with the Company's Washington Wildfire Mitigation costs. Order 08/06 approved a settlement that did not explicitly address insurance costs.

### **Discussion**

The Company requests deferred accounting treatment of the incremental cost of liability insurance in excess of amounts included in rates beginning August 15, 2023, with interest accruing at the quarterly rate published by the Federal Energy Regulatory Commission (FERC). This treatment will result in a deferral balance of approximately \$10.4 million through August 2025. Given fluid conditions involving availability and cost of excess liability insurance for electric utilities in the western United States, future costs cannot be estimated with any degree of certainty.

Commission Staff (Staff) does not contest that these increased insurance costs meet the Commission standard of being extraordinary and involving material dollar amounts. However, the Commission has expressed a preference for using the actual cost of debt, adjusted semi-annually, as the appropriate carrying cost for these sort of accounting deferrals.

Granting deferred accounting treatment does not result in a prudence determination and does not guarantee cost recovery. As such, Staff makes no recommendation regarding prudence or the recovery of these costs at this time. Staff does recommend that the Commission approve the Petition subject to the condition that PacifiCorp request a prudence determination and cost recovery for the deferred amounts in its next general rate case<sup>1</sup> as delaying proposed cost recovery will result in excess carrying cost accrual.

Staff, accordingly, recommends authorizing the Company's proposed accounting treatment subject to the conditions indicated in this memorandum.

### **Conclusion**

Staff recommends granting this Petition authorizing deferred accounting treatment of incremental costs associated with increased excess liability insurance premiums subject to:

- (a) Carrying costs to accrue at the Company's actual, after-tax cost of debt adjusted semi-annually, and
- (b) Company to request determination of prudence and to propose amortization period in its next general rate case.

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<sup>1</sup> per RCW 80.28.425.