

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP dba PACIFIC POWER &
LIGHT COMPANY

Petition for an Order Approving Deferral
of Costs Related to Insurance Costs.

DOCKET UE-23 _____

PACIFICORP'S PETITION FOR
ACCOUNTING ORDER

I. INTRODUCTION

1 In accordance with WAC 480-07-370(3), PacifiCorp dba Pacific Power & Light Company (PacifiCorp or the Company) petitions the Washington Utilities and Transportation Commission (Commission) for an order authorizing the Company to record a regulatory asset for costs associated with increased insurance premiums (“Deferred Amount”). Wildfire liability risk is impacting the commercial insurance markets with an increase in the premiums for available insurance coverage. PacifiCorp is seeking to defer these amounts until they can be appropriately reflected in the Company’s base rates.

II. BACKGROUND

2 PacifiCorp is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission’s jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and Wyoming. The Company’s principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

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PacifiCorp's name and address:

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In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred) datarequest@pacificorp.com

By regular mail Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
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Informal inquiries may be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

III. THE BASIS FOR REQUESTING DEFERRED ACCOUNTING

A. Description

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Wildfires across the western United States have resulted in significantly increasing wildfire costs and an inability to acquire insurance at rates and coverage levels that have been consistent with past premiums. Liability insurance, including wildfire liability insurance, is a prudent business expense that protects the Company and customers against financial losses from third-party claims. PacifiCorp's currently approved rates include premiums for commercial insurance covering third-party liability for claims in excess of \$10 million (the Company self-insures for small claims under \$10

million), and a self-insurance reserve for property damage in each state. However, because the wildfire risk for utilities in the western United States has radically changed in the past few years, the premiums for available commercial insurance have significantly increased. As was noted in the *Insurance Journal*, insurers have taken note of the fact that, “[I]iability on the scale imposed by the Oregon jury presents an existential threat to an industry that faces increasing wildfire risk from more extreme weather fueled by climate change.”¹

5 As discussed above, PacifiCorp requests authorization to defer the incremental costs associated with PacifiCorp’s insurance coverage. Based on the best available information known in its last rate case, PacifiCorp’s rates were approved to reflect a reasonable level of self-insurance and commercial insurance related to third-party claims, which is a normal part of providing electric service to customers. The costs identified in this application would account for the policy periods commencing August 15, 2023, or later. As such, all costs are related to claims against PacifiCorp resulting from providing service to its customers.

6 The combined amount of these insurance premiums, and continued ability to maintain coverage may represent a material impact to the financial stability of the Company that resulted from unique and unforeseen circumstances outside the Company’s reasonable control. The potential magnitude of the insurance costs exceeds normal costs anticipated by PacifiCorp and included in its retail rates, and could also far exceed the reasonable business risk associated with these claims.

¹ Joel Rosenblatt, *Utility Investors Wary of Exposures After Buffet’s PacifiCorp Held Liable for Wildfires*, INSURANCE JOURNAL (July 19, 2023), <https://www.insurancejournal.com/news/national/2023/07/19/731224.htm>.

C. Proposed Accounting

7 If this petition is approved, PacifiCorp will record deferred amounts by debiting Federal Energy Regulatory Commission (FERC) Account 182.3-Other Regulatory Assets and crediting FERC Account 925-Injuries and damages. If this petition is denied, the costs will remain in FERC Account 925. The Company requests that it be allowed to accrue interest on the unamortized balance at the quarterly rate published by the Federal Energy Regulatory Commission (FERC).

C. Estimate of Amounts

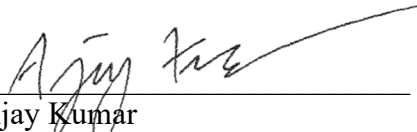
8 PacifiCorp estimates that the commercial insurance costs are approximately \$125 million (total company) for the policy period beginning August 15, 2023, or later. Current rates reflect approximately \$7 million (total company), which would result in a deferral for Washington's allocated share of approximately \$118 million (total company) for the difference between the new costs and the amount in rates. PacifiCorp is seeking to defer these amounts until they can be appropriately reflected in the Company's base rates.

IV. CONCLUSION

9 PacifiCorp respectfully requests that the Commission authorize the Company to defer the costs associated with the increased insurance coverage. The Company will address the ratemaking treatment of these costs in a separate proceeding.

Respectfully submitted this 21st day of August, 2023.

By:



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