

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP d/b/a PACIFIC POWER &
LIGHT COMPANY,

Petition for an Order to Approve Deferral of
Costs Related to Insurance Costs

DOCKET UE-230673

ORDER 01

GRANTING ACCOUNTING PETITION
SUBJECT TO CONDITIONS

BACKGROUND

- 1 On August 21, 2023, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed a petition with the Washington Utilities and Transportation Commission (Commission) for an order in accordance with WAC 480-07-370(3) to defer costs associated with increased insurance premiums related to wildfire liability risk for coverage starting on August 15, 2023, and later. Commission Staff (Staff) estimates that through August 2025, incremental costs are approximately \$10.4 million and would continue to accrue in the deferral for the Washington share of the total Company amount for excess insurance premiums not in rates. The Company requests deferred accounting for these costs with interest accruing at the quarterly rate published by the Federal Energy Regulatory Commission (FERC).¹ PacifiCorp seeks to defer these amounts until they can be appropriately reflected in the Company's base rates in a future general rate case (GRC) filed pursuant to RCW 80.28.425.
- 2 On March 19, 2024, the Commission issued Final Order 08/06 in the Company's most recent GRC in Docket UE-230172, in which PacifiCorp was allowed recovery of incremental increases to operation and maintenance costs associated with the Company's Washington Wildfire Mitigation costs. Final Order 08/06 approved a settlement that did not explicitly address insurance costs.² The Company states in its Petition that current rates reflect only approximately \$7 million of the total system-wide \$125 million for

¹ *In the Matter of PacifiCorp d/b/a Pacific Power & Light Co.*, Petition for an Order Approving Deferral of Costs Related to Insurance Costs (Aug. 21, 2023) (Petition).

² See *PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-230172, Final Order 08/06 (Mar. 19, 2024).

commercial insurance costs for the policy period beginning August 15, 2023, or later, for the Company across all jurisdictions that its service territory spans.

- 3 In its Petition, PacifiCorp argues that wildfires in the western United States have resulted in significant increases to wildfire costs and an inability for the Company to acquire insurance at rates and coverage levels consistent with past premiums.³ The Company argues that 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, and the Company self-insures for small claims under \$10 million. The Company's current premiums also cover a self-insurance reserve for property damage in each state.
- 4 PacifiCorp references an article in *Insurance Journal* to support its claim that insurers have taken note of Oregon jury determinations on gross negligence claims against PacifiCorp on a scale that "presents an existential threat to an industry that faces increasing wildfire risk from more extreme weather fueled by climate change."⁴
- 5 PacifiCorp asks the Commission to authorize deferral accounting for the incremental costs for the additional premium cost increases. The Company argues that its current rates were approved in Docket UE-230172 based on the best available information known at the time, reflecting a reasonable level of self-insurance and commercial insurance related to third-party claims, which it argues is a normal part of providing electric service to customers.⁵
- 6 PacifiCorp argues that the combined amount of the increased insurance premiums may represent a material impact to the financial stability of the Company that is resulting from unique and unforeseen circumstances outside the Company's reasonable control, with a potential magnitude of costs to exceed normal costs anticipated by the Company included in its retail rates that could also far exceed the reasonable business risk associated with these claims.⁶

³ Petition at 2, ¶ 4.

⁴ Id. at 3, par 4 (citing 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>).

⁵ Petition at 3, ¶ 5.

⁶ Petition at 3, ¶ 6.

- 7 Staff reviewed the Petition and observes that due to 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. Staff does not contest that these increased insurance costs meet the Commission's standard of being extraordinary and involve material dollar amounts. However, Staff notes that the Commission has expressed a preference for using the actual cost of debt, adjusted semi-annually, as the appropriate carrying cost for similar accounting deferrals.
- 8 Staff explains that granting deferred accounting treatment does not result in a prudence determination and does not guarantee cost recovery and makes no recommendation regarding prudence or the recovery of these costs at this time. Staff recommends that the Commission approve the Petition subject to a condition that PacifiCorp request a prudence determination and cost recovery for the deferred amounts in its next GRC, as delaying proposed cost recovery will result in excess carrying cost accrual.
- 9 Staff recommends that the Commission grant the Company's Petition authorizing the Company's proposed accounting treatment subject to the following conditions:
1. Carrying costs accrue at the Company's actual, after-tax cost of debt adjusted semi-annually; and
 2. PacifiCorp will request determination of prudence and to propose amortization period in its next general rate case.
- 10 This matter came before the Commission at its regularly scheduled September 11, 2025, Open Meeting. The Company, Staff, and Public Counsel provided oral comments at the Open Meeting.
- 11 The Company stated at the Open Meeting that the FERC interest rate has been applied as the carrying cost in similar deferrals for incremental insurance costs that it has requested in other state jurisdictions. Discussion confirmed that the current FERC interest rate is approximately 7.5 percent. The FERC interest rate fluctuates quarterly and has increased over recent years.
- 12 Discussion at the Open Meeting acknowledged that in Final Order 08/06 in the Company's most recent GRC, the Commission authorized an overall results-only rate of

return (ROR) and did not specify cost of debt.⁷ The Company has not provided a calculation for its actual after-tax cost of debt on a semi-annual basis in this Docket. The Company stated that its actual cost of debt is lower than the FERC rate and is between five and six percent, subject to check.

- 13 The Company also stated at the Open Meeting that it is aware of affordability concerns and is exploring options to manage insurance costs including leveraging its relationship with its Berkshire Hathaway affiliates to obtain better insurance rates. While the Company was unsure at the Open Meeting the extent of coverage, it states in its Petition that the Company self-insures a portion of its insurance costs.⁸
- 14 Public Counsel commented at the Open Meeting that because carrying costs are not statutorily mandated they should not be tracked in the requested accounting petition in this docket, consistent with Public Counsel comments in the Commission's policy docket on carrying costs.⁹ Public Counsel expressed concerns over the substantial time period for carrying costs to apply in this deferral given that the filing date was over two years ago. Public Counsel argues that where carrying costs are authorized by statute they should be as low as possible to protect consumers and incentivize utilities to address these matters in GRCs.
- 15 Because the Company's actual cost of debt is unspecified and it is unlikely to be known until the Company files its next GRC, Public Counsel recommends that if the Commission approves carrying costs, it should apply the Modified Blended Treasury (MBT) rate that has been calculated recently by the Oregon Public Utility Commission (OPUC) and that was discussed in comments that were submitted by the Alliance of Western Energy Consumers (AWEC) in Docket U-250264.¹⁰ Public Counsel provides that the MBT rate applied by the OPUC was approximately 5.16 percent in January 2025.

⁷ See *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Order 08/06, Dockets UE-210712 & UE- 210852 at ¶¶ 38, 210 (Mar. 19, 2024).

⁸ Petition at ¶ 4.

⁹ See *Notice of Opportunity to Comment, Related to the Commission's proceeding to develop a policy statement addressing carrying costs associated with accounting deferrals*, Docket U-250264 (June 10, 2025); *Notice of Opportunity to File Written Comments*, Docket U-250264 (June 17, 2025); Public Counsel Comments, Docket U-250264 (filed July 25, 2025); Public Counsel Comments, Docket U-250264 (filed Aug. 29, 2025) (responding to other parties' initial comments and recommendations regarding carrying costs associated with accounting deferrals submitted July 25, 2025); AWEC Comments, U-250264 (filed July 25, 2025).

¹⁰ AWEC Comments (filed July 25, 2025).

- 16 Staff indicated that the MBT rate could be more easily verified on a semi-annual basis in January and July of each year than the Company's actual cost of debt. The Company agreed that the MBT rate would be an acceptable carrying cost for this deferral.

DISCUSSION

- 17 The Commission typically reserves deferred accounting treatment for costs that result from extraordinary circumstances and that have material impacts on the Company's financial results. The Commission has allowed deferred accounting where costs were beyond the utility's control.
- 18 After reviewing the Petition, Staff's recommendations, and the discussion that took place at the Commission's September 11, 2025, Open Meeting, we agree that the incremental costs that PacifiCorp has incurred for insurance premiums above the amounts authorized in rates are material and relate to extraordinary circumstances occurring across the western United States. We therefore grant the requested deferral in this docket, subject to two conditions described below relating to carrying costs and determining prudence of the deferred costs for recovery in the Company's next GRC.
- 19 Because there is a policy docket currently pending before the Commission addressing appropriate carrying costs, the commission is not prepared to disallow them in this docket at this time. Given the uncertainty and complication in determining the Company's actual after tax cost of debt updated semi-annually as recommended by the Staff, the Commission finds appropriate Public Counsel's proposal to use the MBT rate determined in July and January of each year.
- 20 The Commission finds that the specific circumstances in this docket surrounding the Company's uncertain actual cost of debt warrant using the MBT rate as a carrying cost for this deferral. Barring these circumstances, the commission would prefer greater certainty regarding a utility's actual, after-tax cost of debt to be able to calculate more appropriate carrying costs.
- 21 The Commission is concerned about the potential impact this deferral could have on affordability given that more than two years have passed since the Company requested this deferral. The Commission recognizes the potential for significant increases to customer rates that may result from deferred accounting petitions and clarifies that our approval here is solely for a deferral and is not a prudence finding for any costs that may accrue in the deferral. Prudence and cost recovery of any portion of the deferral amounts must be addressed when they are brought forward in the Company's next GRC filing.

22 We therefore grant the Company's request in its Petition to defer incremental insurance costs not captured in rates for the policy period beginning on August 15, 2023, and later, subject to the following conditions:

1. Carrying costs accrue based on the Modified Blended Treasury rate adjusted semi-annually in July and January; and
2. PacifiCorp will request determination of prudence for the deferred balance and will propose an amortization period in its next general rate case.

23 The additional insurance costs at issue in this Docket for Washington customers exceeds the amount contemplated in PacifiCorp's last GRC in Docket UE-230172 by a significant margin. PacifiCorp's proposed accounting treatment will enable parties to address in a future GRC the appropriate Washington share of the additional insurance costs in rates incurred from August 15, 2023, going forward.

FINDINGS AND CONCLUSIONS

- 24 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 25 (2) PacifiCorp is an electric company and a public service company subject to Commission jurisdiction under RCW 80.04.010.
- 26 (3) The Commission has jurisdiction over the subject matter of this proceeding and over PacifiCorp.
- 27 (4) WAC 480-07-370(3) allows companies to file petitions such as the Petition filed by PacifiCorp in this Docket.
- 28 (5) Staff has reviewed the Petition in Docket UE-230673 filed on August 21, 2023, and recommends the Commission approve the Company's Petition on condition that the Commission limit carrying cost accrual to the Company's actual, after-tax cost of debt adjusted semi-annually, and that the PacifiCorp request determination of prudence and propose amortization period in its next GRC.

- 29 (6) This matter came before the Commission at its regularly scheduled meeting on September 11, 2025.
- 30 (7) Due to concerns about rate impacts from carrying costs, the lack of an approved cost of debt from the Company's last GRC, and the uncertainty and complication in determining the Company's actual after tax cost of debt updated semi-annually as recommended by Staff, it is appropriate to apply Public Counsel's proposal to use the MBT rate determined in July and January of each year as carrying costs for this deferral.
- 31 (8) After reviewing PacifiCorp's Petition filed in Docket UE-230673 and giving due consideration to all relevant matters, the Commission finds that the Petition should be granted subject to the following conditions:
1. Carrying costs accrue based on the Modified Blended Treasury rate adjusted semi-annually in July and January; and
 2. PacifiCorp will request determination of prudence for the deferred balance and will propose an amortization period in its next general rate case.

ORDER

THE COMMISSION ORDERS:

- 32 (1) PacifiCorp d/b/a Pacific Power & Light Company's Petition for an Accounting Order to Approve Deferral of Costs Related to Insurance Costs associated with incremental insurance premiums from August 15, 2023, and later is granted subject to the following conditions:
1. Carrying costs accrue based on the Modified Blended Treasury rate adjusted semi-annually in July and January; and
 2. PacifiCorp will request determination of prudence for the deferred amounts and will propose an amortization period in its next general rate case.
- 33 (2) This Order shall not affect the Commission's authority over rates, services,

accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting the Petition subject to two conditions be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 34 (3) The Commission retains jurisdiction over the subject matter and PacifiCorp d/b/a Pacific Power & Light Company to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 16, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner