

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

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

Petitioner,

For an Order Approving Deferral of
Independent Evaluator Costs for the
2025 Situs Request for Proposal

DOCKET UE-250904

CORRECTED

ORDER 01

GRANTING PETITION IN PART
SUBJECT TO CONDITION AND
DENYING IN PART

BACKGROUND

- 1 On November 18, 2025, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed a Petition for an Order Approving Deferral of Independent Evaluator Costs for 2025 Situs Request for Proposal (Petition) with the Washington Utilities and Transportation Commission (Commission).
- 2 On September 15, 2025, in Docket UE-250460, Order 03, the Commission required PacifiCorp to retain an independent evaluator (IE) to review the Company's consideration of bids including conditional-firm transmission and to provide the IE's report on the evaluation of conditional-firm bids in compliance with the requirements of chapter 480-107 WAC.¹ On October 10, 2025, PacifiCorp filed a request for approval of the IE selected for the Company's 2025 Washington situs requests for proposals (RFP). However, PacifiCorp subsequently argued that in the absence of any conditional firm bids as contemplated in Order 03 or other triggering conditions listed in WAC 480-107-023(1), the Commission should not require an IE.²

¹ *WUTC v. PacifiCorp*, Docket UE-250460, Order 03 at 5-7 ¶¶ 24, 35 (Sept. 15, 2025).

² *WUTC v. PacifiCorp*, Docket UE-250460, Order 04 at 3 ¶ 12 (Oct. 24, 2025). *See also* WAC 480-107-023(1) ("A utility must engage the services of an independent evaluator to assess and report on the solicitation process if: (a) The utility or its subsidiary or affiliate participates in the utility's RFP bidding process; (b) The utility intends to retain the option to procure resources that will result in the utility owning or having a purchase option in the resource over its expected useful life; or (c) The utility is considering repowering its existing resources to meet its resource need.")

3 On October 24, 2025, in Docket UE-250460, Order 04, the Commission required
PacifiCorp to retain an IE to review its 2025 RFP, reasoning that the use of an IE would
still provide value, oversight, and transparency.³

4 The Company’s Petition requests that the Commission authorize deferred accounting
treatment for the costs associated with complying with Order 03 in Docket UE-250460,
including the costs of retaining an independent evaluator for the 2025 RFP and any future
RFP where the Commission imposes similar requirements. The Company proposes to
record the deferral to Account 182.3 – Other Regulatory Assets. PacifiCorp further
requests that the Company be allowed to accrue interest on the unamortized balance at
the quarterly rate published by the Federal Energy Regulatory Commission (FERC).

5 Commission staff (Staff) has reviewed the Company’s Petition and recommends that the
Commission deny the Petition because PacifiCorp’s request does not satisfy Staff’s
proposed threshold for the materiality prong of the Commission’s deferred accounting
standard. Staff argues that the Commission generally authorizes deferred accounting
when costs are incurred due to extraordinary circumstances, that is, circumstances that
are beyond the utility’s control and result in costs that have a material impact on the
utility’s financial results.⁴ Staff acknowledges that the circumstances related to the
Company’s Petition are beyond the utility’s control, as the requirement to use an IE is the
product of a Commission order, but contends that the Commission should clarify the
standard for determining whether costs are material to a utility’s operations.

6 Staff proposes that the Commission establish a deferred accounting materiality threshold
based on the Commission’s materiality threshold for pro forma adjustments in Avista’s
2015 general rate case (GRC). In Avista’s 2015 GRC, the Commission limited pro forma
plant additions to additions that were “major” and defined major as at least 0.5 percent of
net plant in service.⁵ Extrapolating this standard, Staff recommends that the Commission
determine whether deferred costs will have a material impact on a utility’s financial

³ *WUTC v. PacifiCorp*, Docket UE-250460, Order 04 at 4-5 ¶¶ 17, 19, 28 (Oct. 24, 2025).

⁴ *See, e.g., In re Petition of PacifiCorp*, Docket UE-210414, Order 01 at 2 ¶ 7 (March 10, 2022) (“Staff correctly observes that utilities seeking deferred accounting treatment must demonstrate that extraordinary circumstances exist to justify such treatment. Circumstances that qualify as extraordinary are beyond the company’s control and generate costs that have a material impact on a company’s financial results.”).

⁵ *WUTC v. Avista*, Dockets UE-150204 & UG-150205, Order 05 at 17 ¶ 40 (Jan. 6, 2016) (determining that a 0.5 percent of rate base threshold “has the advantage of being proportional to the size of the Company’s rate base and therefore relevant to the issue of the financial impact on the Company in setting rates.”). *See also* WAC 480-140-040.

results by considering whether the costs that a utility seeks to defer will reduce a utility's rate of return by 5 to 14 basis points.⁶ Staff contends that a rate of return impact of five basis points, the lowest impact under its proposed range, would amount to at least \$790,000 based on PacifiCorp's currently authorized rates. Consequently, Staff asserts that the Commission should reject the Petition, because the costs at issue are less than \$790,000 and therefore not material.

7 In the alternative, if the Commission grants the Company's Petition, Staff has three additional recommendations. First, Staff states that the Commission should allow the Company to record the deferral to FERC 182.3 – Other Regulatory Assets, to enable the Company to seek recovery of the costs in a future period. Second, Staff maintains that the Commission should only authorize the deferral of the costs associated with the IE associated with the 2025 RFP, because the need and costs for possible future IEs are presently speculative. Staff argues that the Commission should require the Company to make additional filings in the event that the Company seeks to defer costs associated with other IEs at such time when the need and costs are known, which can then be evaluated in light of the Commission's deferred accounting standard. Third, Staff contends that the Commission should reject the Company's request to accrue interest on the deferral balance at the quarterly rate published by FERC. Instead, Staff asserts that the Commission should require the Company to accrue interest based on the Company's actual, after-tax cost of debt updated on a semi-annual basis, consistent with the Commission's recent policy statement regarding accounting deferrals.⁷

8 On February 6, Public Counsel submitted comments recommending that the Commission deny PacifiCorp's Petition and raising three points. First, Public Counsel argues that the amounts that PacifiCorp seeks to defer will not have a material impact on PacifiCorp's operations and suggests that costs are not extraordinary. Public Counsel further states that if the Commission does establish a threshold for materiality, the Commission should consider using 0.5 percent of the authorized rate of return as a threshold for materiality based on the current earnings test under RCW 80.28.425(6). Second, Public Counsel asserts that if the Commission does approve the Petition, it should require the Company to use an interest rate that is based on the after-tax cost of debt, rather than the FERC rate,

⁶ Staff explains that a project that is 0.5 percent of net plant would correspond to a rate of return impact of between 5 basis points (in the case of a project with a 50-year service life) and 14 basis points (in the case of a project with a 5-year service life).

⁷ *In the Matter of the Proceeding to Develop a Policy Statement Addressing Carrying Costs Associated with Accounting Deferrals*, Docket U-250264, Policy Statement at 6-7 ¶¶ 23-24 (Nov. 3, 2025).

consistent with the Commission's recent policy statement regarding carrying costs. Third, Public Counsel maintains that the Commission should only allow the Company to defer the costs associated with the IE for the 2025 RFP, because the need for future IEs is presently speculative.

9 On February 13, 2026, this matter came before the Commission at its regularly scheduled open meeting. The Commission heard comments from Staff, PacifiCorp, and Public Counsel.

10 Staff reiterated its position in its memo, noting the IE was required by Commission order, and therefore is arguably unavoidable. However, Staff reiterated that it did not believe the costs were material as they fell well below 0.5 percent of the Company's rate of return, and therefore the costs would not qualify for an accounting petition.

11 PacifiCorp began by noting that the Staff memorandum in the Company's possession recommended granting the Petition, but PacifiCorp would do its best to respond to Staff's updated recommendation. PacifiCorp first commented that a rigid approach for materiality is punitive and that declining to authorize a deferral would amount to a disallowance. The Company argued that disallowing this Petition incentivizes PacifiCorp to strongly oppose IEs in the future or seek an IE with greater costs so as to exceed the materiality threshold. Instead, PacifiCorp argued in favor of a multifactor test looking at the Petition holistically. PacifiCorp also noted that in discussing whether an IE was necessary, PacifiCorp argued it was not needed and would be too expensive. PacifiCorp further argued that other states grant deferrals for IE expenses and argued that having a standing deferral for IE expenses would be consistent with treatment in Oregon.

12 Public Counsel provided comments which reiterated its position as described in written comments. Public Counsel provided it did not believe that the costs were material and recommended the Petition should be denied. Public Counsel suggested that PacifiCorp is essentially arguing for the removal of the materiality component of the Commission's test for accounting petitions and recommended against such action.

13 After a long discussion, the Commission moved to continue this matter to the February 26, 2026, open meeting, to ensure that the proper version of Staff's memorandum is uploaded to the Commission's website, and all parties, those present on February 13, 2026, and those who were not, have an opportunity to comment.

14 On February 24, 2026, the Company filed written comments that were consistent with its oral comments at the February 13, 2026, open meeting.

15 On February 26, 2026, this matter came before the Commission at its regularly scheduled open meeting. At the open meeting, the Commission heard from Staff, PacifiCorp, and Public Counsel, who all adhered to their prior comments and statements from the February 13, 2026, open meeting.

DISCUSSION AND DECISION

16 The Commission typically reserves deferred accounting treatment for costs that result from extraordinary circumstances and have material impacts on a utility's financial results. The Commission has previously allowed deferred accounting when costs are beyond the utility's control and when the utility would not have an opportunity to recover the costs in rates.⁸ The Commission has also applied a materiality threshold when determining whether deferred accounting treatment is warranted, inquiring whether the costs in question are large enough to have a material impact on a utility's earnings.⁹

17 The Commission commends the parties for their robust discussion of this issue. The Commission appreciates Staff's concerns regarding the deferral standard, particularly with regard to rate affordability, which includes the interest that customers pay and through trackers, and that the Commission should generally ensure cost recover through general rate cases rather than individual filings. However, it is clear that the Commission has granted similar petitions for deferred accounting, suggesting that the Commission retains discretion to authorize deferred accounting based on the totality of the circumstances, and that entirely denying the Petition would be potentially inconsistent with prior Commission decisions. Given that the Commission required PacifiCorp to retain an IE for its 2025 RFP, the Commission determines that deferred accounting of the 2025 RFP IE is appropriate. The Commission sees a need to further evaluate the materiality component of the deferred accounting standard going forward to develop further guidance, but elects to exercise its discretion to grant the Petition in part, subject to the conditions that the Company accrue interest at its accrual, after-tax cost of debt, updated semi-annually, and deny the Petition in part with respect to the Company's

⁸ *In re Petition of Avista Corporation*, Dockets UE-250576 & UG-250577, Order 01 at 4 ¶ 15 fn. 4 (Oct. 10, 2025) (collecting cases).

⁹ *In re Petition of Avista Corporation*, Dockets UE-250576 & UG-250577, Order 01 at 4-5 ¶ 16 (Oct. 10, 2025) (*citing In re Petition of PacifiCorp*, Docket UE-210414, Order 01 at 2 ¶ 7 (Mar. 10, 2022) ("Circumstances that qualify as extraordinary are beyond the company's control and generate costs that have a material impact on a company's financial results."); *WUTC v. Nw. Nat. Gas Co.*, Docket UG-080519, Order 01 at 3 ¶ 7 (May 2, 2008) ("[D]eferred amounts must be of a magnitude such that recording the costs under the Federal Energy Regulatory Commission's uniform system of accounts has a material impact on company earnings.")).

request to defer the costs of any additional independent evaluators that may be required for future RFPs.

FINDINGS AND CONCLUSIONS

- 18 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including electric companies.
- 19 (2) PacifiCorp is an electric company and a public service company subject to Commission jurisdiction.
- 20 (3) On November 18, 2025, PacifiCorp filed a Petition for an Order Approving Deferral of Independent Evaluator Costs for 2025 Situs Request for Proposal.
- 21 (4) On February 13, 2026, this matter came before the Commission at its regularly scheduled open meeting. The Commission moved to continue this matter to the February 26, 2026, open meeting to ensure that all parties had an opportunity to comment on this matter.
- 22 (5) On February 26, 2026, this matter came before the Commission at its regularly scheduled open meeting.
- 23 (6) The Commission finds that the Commission has previously granted deferred accounting petitions similar to PacifiCorp's Petition, notwithstanding the materiality component of the deferred accounting standard based on the totality of the circumstances.
- 24 (7) While the Commission intends to develop further guidance regarding the materiality component of the deferred accounting standard, the Commission elects to exercise its discretion and determines that PacifiCorp's Petition should be granted in part, subject to the condition that the Company accrue interest at its accrual, after-tax cost of debt, updated semi-annually, and denied in part with respect to the Company's request to defer the costs of any additional independent evaluators that may be required for future RFPs.

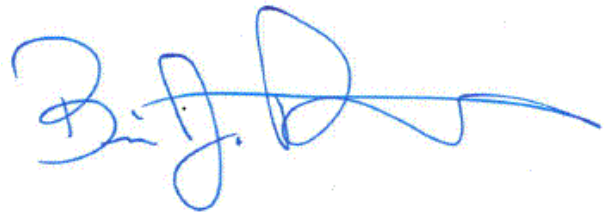
ORDER

THE COMMISSION ORDERS:

- 25 (1) PacifiCorp d/b/a Pacific Power & Light Company's Petition for an Order Approving Deferral of Independent Evaluator Costs for the 2025 Washington Situs Request for Proposals is granted in part, subject to the condition that the Company accrue interest at its accrual, after-tax cost of debt, updated semi-annually, and denied in part with respect to Company's request to defer the costs of any additional independent evaluators that may be required for future RFPs.

DATED at Lacey, Washington February 26, 2026.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.