



Oregon

Tina Kotek, Governor



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Senator Janeen Sollman, Chair
Senator David Brock Smith, Vice Chair
Senate Committee on Energy and Environment
State Capitol
900 Court Street NE
Salem, OR 97301

RE: Follow-Up Responses from February 4, 2025 Informational Hearing on the 2024 Biennial Energy Report

Dear Chair Sollman, Vice Chair Brock Smith, and members of the committee,

We appreciated the opportunity to provide an overview of the most recent Biennial Energy Report last week. Senator Golden asked about the portion of the recent PAC and PGE rate increases that were caused by wildfire response and risk and we promised to follow up.

From our research, it was harder to discern a rate impact from wildfires from PGE. However, there were significant impacts for Pacific Power. You can read much more below.

Sincerely,

Christy Splitt, Government Relations Coordinator
Stephanie Kruse, Facilities Engineer

Portland General Electric Background Information

Please note that any use of italics is ODOE analysis, while regular text indicates information from PUC dockets and documents.

In [PUC docket UE435 Order](#), PGE submitted the following:

On February 29, 2024, PGE filed this general rate case. In its filing, PGE stated that the primary drivers of its rate case are capital investments, which are intended "to provide system reliability and resiliency, safety, and security for our customers." These include two battery storage projects, Constable Battery Energy Storage Project, which is scheduled to go into service in December 2024, and Seaside Battery Energy Storage 1 PGE/100, Pope-Simms/17. ORDER NO. 24-454 Project, which is scheduled to come online in "the first half of 2025." PGE is proposing a tracking mechanism to include Constable in rates if it is put in service after December 31, 2024, and to include Seaside in rates once it is online. PGE stated that it has made other investments to its transmission and distribution system, operations, and services, all of which contribute to

this rate increase. In its initial filing, PGE proposed an overall cost of capital of 7.19 percent, which is comprised of a capital structure of 50 percent equity and 50 percent long-term debt, and an ROE of 9.75 percent. Subsequently, in testimony and briefs, it lowered its ROE request to 9.5 percent.

This docket indicates that the most recent rate increase for PGE is not directly related to costs associated with wildfires. However, the issue of wildfires was brought up to support the Company's requests related to Casualty Insurance expenses. PGE's insurance costs are structured in a way that makes it difficult to determine wildfire-specific changes in these costs. That said, insurance costs passed on to ratepayers increased by \$1.5 million due to wildfire and other factors, approximately 1.5 percent of the most recent rate revision.

SB 762, passed in June 2021 directs electric investor-owned utilities to have a wildfire mitigation plan and allow for the timely recovery of costs of plan implementation through an automatic adjustment clause. In response to that bill, the PUC approved PGE's Schedule 151, which recovers wildfire mitigation costs outside of base rates. PGE's most recent filing requests the recovery of \$29 million in incremental costs or a roughly 1.1% increase with a proposed effective date of March 1, 2025. See [PUC docket ADV 1698](#)

Pacific Power Background Information

Please note that any use of italics is ODOE analysis, while regular text indicates information from PUC dockets and documents.

[OPUC news release summarized](#) a few items:

- 2020 Wildfire Restoration Costs – Held back from rates 50 percent of the cost of restoring service across the state after the 2020 wildfires, recognizing customer value in restoration and climate change impacts on fire spread but holding PacifiCorp accountable to prove its actions were prudent.
- Increase in Wildfire Insurance Premiums – Recognized industry-wide increase in utility wildfire insurance premiums but adopted new requirement that shareholders cover 10 percent of premium costs.

Pacific Power proposed rate increases in docket UE 433, but they were ultimately reduced by the [final PUC order](#) 24-447:

The original proposal included the following:

[PUC docket UE 433 Summary](#) reads:

PacifiCorp is requesting an overall increase in rates of approximately \$322.3 million or 17.9 percent. This overall request is comprised of (1) a base rate increase of \$157.7 million; (2) an Insurance Cost Adjustment of \$66.0 million, which reflects both deferred and on-going insurance premiums; (3) \$77.7 million to fund the Company's proposed Catastrophic Fire Fund; (4) the estimated true-up of \$21.2 million for the Wildfire Mitigation Plan (WMP) automatic adjustment clause (AAC); and (5) the rebalancing of the Rate Mitigation Adjustment for a reduction of \$0.4 million

Calculating these numbers out, in the original request about 51 percent of the requested rate increase or approximately 9.2 percent increase on the overall rate is related to wildfire costs.

The [final PUC order](#) includes several reductions to the proposed rate increase:

Page 1 final rate increase:

Other rate changes from separate dockets, including a stipulation we approved for PacifiCorp's power costs forecasted for 2025, will also go into effect on January 1. These other changes will reduce the overall combined increase to PacifiCorp's Oregon revenue requirement on January 1, 2025, lowering it to an overall increase of approximately 7 percent.

Page 4 baseline:

As a result of various adjustments in later rounds of testimony, including removal of its proposal from the General Rate Case (GRC) to create and fund a catastrophic fire fund, *PacifiCorp reduced its overall request for a rate increase to approximately \$208.8 million, or 11.2 percent.*

Page 18-20 of [the final order](#) is relevant re the deferred 2020 wildfire costs:

Based on our review of the record, we conclude that Staff's proposal to amortize 50 percent of the deferred 2020 wildfire restoration costs over three years is reasonable. We authorize the recovery of 50 percent of the \$50.4 million in costs deferred through December 31, 2024, through a tariff rider. This conclusion rests on the long delay in investigation of the cause of these fires, the value of new equipment and prompt restoration, and the larger landscape level issues that are now understood to contribute to more extreme fire behavior and spread. In recognition of PacifiCorp's failure to come forward with a robust evidentiary showing when it had the opportunity in this docket, we apply the modified blended treasury (MBT) rate to the remaining deferral balance. This recognizes the extended period the deferral is accruing interest and the reduced risk to the company due to our amortization of 50 percent of the total amount of wildfire restoration costs.

This decision leaves a significant portion of the costs to be closely examined for prudence in future proceedings, given the serious allegations of mismanagement by PacifiCorp...

FN 34: 34 We approve PacifiCorp's requests to reauthorize the use of deferred accounting for the costs associated with damage restoration from the 2020 Labor Day wildfires, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful, for the 12-month periods beginning October 4, 2022, October 4, 2023, and October 4, 2024, consistent with our determination in Order No. 22-140. In the reauthorization request filed for the period beginning October 4, 2024 (UM 2116(4)), the company projects CY 2025 costs of \$700,000. Any costs deferred after December 31, 2025, will be subject to prudence review in a future filing.

And on page 24 re wildfire insurance:

We reject PacifiCorp's proposed Schedule 80, Insurance Cost Adjustment. ...

Going forward, we will set base rates to reflect the forecast excess liability insurance premium expenses PacifiCorp will incur during the test year, estimated to be approximately \$57.6 million, reduced by 10 percent to reflect our partial acceptance of Staff's arguments for a sharing percentage. Although liability insurance protects both customers and shareholders, it has historically been accepted as a reasonable cost of utility service that customers bear. Staff

persuades us that, within the rapidly evolving area of insurance covering wildfire liability, it is appropriate to create new incentives to ensure that utility shareholders play an active role in both mitigating risks and determining the best value coverage for the risks that remain. As the concept of sharing insurance costs is new, however, we adopt this result with a lower sharing percentage than Staff recommended, modifying the shareholder percentage from 20 percent to 10 percent. We also adopt this level of sharing explicitly as an interim measure, expecting that the appropriate shareholder contribution will be discussed again if and when the company renews its pursuit of a comprehensive insurance approach, potentially including self-insurance. Accordingly, we will set base rates to recover 90 percent of the \$57.6 million in forecast excess liability insurance premium expenses PacifiCorp proposed....

Re wildfire mitigation investments, on pages 27-29

PacifiCorp seeks to recover \$14.9 million, Oregon-allocated, in investments for wildfire mitigation in transmission lines....Without such evidence, we agree with Staff that PacifiCorp has failed to establish the prudence of its Utah investments to the exclusion of a proportionate level of investments in Oregon and adopt Staff’s proposed permanent rate base disallowance of \$9.988 million.

Pacific Power responded with [detailed breakdown of their rate increase in spreadsheet format](#)

PacifiCorp
State of Oregon
Filed and Anticipated Rate Changes 2024 and 2025

Rate Adjustment	Filing Date (anticipated or actual)	Rate Effective Date (anticipated or actual)	Rate Impact in \$	Rate Impact in %	Schedule #	Status
2024 filings by rate effective date						
Cancel Deer Creek Mine Deferral Adj.	2/26/2024	4/1/2024	(\$2,153,000)	-0.1%	198	Final
System Benefits Charge	2/28/2024	4/1/2024	\$36,421,000	1.9%	291	Final
Cancel Fly Ash portion of Deferred Accounting Adj.	3/15/2024	5/1/2024	\$1,813,000	0.1%	192	Final
Low Income Discount Cost Recovery Surcharge	3/20/2024	5/1/2024	\$30,891,000	1.7%	92	Final
Turn Off Property Sales Adjustment	5/1/2024	7/1/2024	(\$3,063,000)	-0.2%	96	Final
Wildfire Mitigation and Vegetation Management Adj.	5/5/2024	11/5/2024	(\$7,851,000)	-0.4%	94	Final
Wildfire Mitigation Plan Adj.	7/1/2024	12/1/2024	(\$18,975,000)	-1.0%	190	Final
Power Cost Adjustment Mechanism	5/15/2024	12/1/2024 + 4/1/2025	\$63,095,000	3.4%	206	Final
General Rate Case	2/14/2024	1/1/2025	\$139,608,000	7.5%	All	Final
Transition Adjustment Mechanism (power cost)	2/14/2024	1/1/2025	(\$49,884,000)	-2.8%	201	Final
Oregon Solar Incentive Program Surcharge	11/1/2024	1/1/2025	\$1,602,000	0.1%	204	Final
System Benefits Charge	11/15/2024	1/1/2025	\$24,177,000	1.2%	291	consent agenda 12/31/2024
2025 filings by rate effective date						
Regional Exchange Program (BPA) Credit	8/15/2025	10/1/2025	*	*	98	not yet filed
Wildfire Mitigation and Vegetation Management	5/5/2025	11/5/2025	*	*	94	not yet filed
Wildfire Mitigation Plan	7/1/2025	11/5/2025	*	*	190	not yet filed
Transition Adjustment Mechanism (power cost)	2/14/2025	1/1/2026	*	*	201	not yet filed
Power Cost Adjustment Mechanism	5/15/2025	*	*	*	206	not yet filed

Note: Rate impacts and effective dates for outstanding filings are estimates based on the most current available information. Final dates and impacts may be different.
* Not yet known

Ultimately, wildfire related costs contributed to the recent rate increase through PacifiCorp’s 2024 General Rate Case. Of the \$139.6 million total increase in rates from that rate case, \$51.8 million was due to increases in forecast excess liability insurance premiums, \$14.1 million was due to deferred excess liability insurance already incurred by PacifiCorp, and \$9.4 million was due to deferred wildfire restoration costs from the 2020 wildfire season. Altogether, that means approximately \$75.3 million of the increase in rates was related to wildfire costs, or 54% of the total increase from the General Rate Case. If you also include the rate changes associated with power costs and other dockets that had rate effective dates of January 1, 2025, the total increase in PacifiCorp rates was \$178.6 million, of which 42% was related to wildfire costs.