DAYN HARDIE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 9917

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

RECEIVED
2021 APR -8 PM 4: 12
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AN ACCOUNTING ORDER AUTHORIZING THE DEFERRAL OF INCREMENTAL WILDFIRE MITIGATION AND INSURANCE COSTS	**CASE NO. IPC-E-21-02** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On January 22, 2021, Idaho Power Company ("Company") applied for an accounting order authorizing it to defer Idaho's jurisdictional share of incremental costs associated with its wildfire mitigation and insurance costs. The Application included a comprehensive overview of the Company's efforts to assess wildfire risk, discussion of necessary actions and measures to mitigate wildfire risk, and identification and examination of incremental operations and maintenance costs associated with implementing and completing wildfire mitigation efforts ("Wildfire Plan").[1]

[1] The Company's Application includes a copy of the 2021 Wildfire Mitigation Plan.

The Company has identified incremental operations and maintenance ("O&M") expenses related to mitigating wildfire risk as set forth in the Wildfire Plan, with expenses that are grouped into these categories: (A) quantifying Wildland Fire Risk; (B) Situational Awareness; (C) Mitigation—Field Personnel Practices; (D) Mitigation T&D; (E) Enhanced Vegetation Management; and (F) Communication. In the next five years, the Company estimates it will incur approximately $46.6 million in incremental O&M expenses to implement these measures. The Company seeks to defer Idaho's jurisdictional share of incremental expenses.[2]

STAFF REVIEW

Staff reviewed the Company's Wildfire Plan to reduce the risk posed by wildfires and the proposed accounting treatment and believes they are reasonable. Staff recommends the Commission approve the Company's Application to allow the deferral of prudently incurred incremental O&M costs and depreciation expenses associated with wildfire mitigation. Staff recommends the deferral period end the earlier of the Company's next general rate case or five years.

Wildfire Mitigation Plan

The Wildfire Plan was developed to ensure continued safe and reliable delivery of electricity. Objectives of the Wildfire Plan include the reduction of wildfire risk and improved resiliency of Company assets and associated operations. The Company's wildfire mitigation strategy includes internal procedural measures to prevent accidental ignition and spread of wildfires. The Wildfire Plan includes operational mitigation practices for deploying temporary operating procedures for transmission lines during fire season; developing operational strategies for management of distribution lines during periods of elevated fire risks and during fire season; and evaluating a Company-specific approach to Public Safety Power Shutoffs ("PSPS") to determine the appropriateness and operation of PSPS as a tool.[3] The Company's Wildfire Plan also includes management of certain conditions related to its transmission and distribution ("T&D") facilities. The Company proposes to implement and achieve a consistent three-year

[2] The Company proposes to continue to pay for baseline levels of O&M escalated annually for inflation out of its existing budget and does not seek deferral of those costs.

[3] PSPS is generally defined as the proactive and planned de-energization of lines when extreme risk conditions are forecasted.

vegetation management cycle across its entire service area. The Company will review and update its wildfire risk assessment biennially.

A consultant assisted the Company in assessing and quantifying wildfire risk within the Company's service area and transmission corridors. The Company used risk-based modeling that considers aspects including weather, wildfire spread, simulations, and additional inputs for the Fire Probability and Consequence formula.[4] Geographic risk tiers were calculated and represented in a Risk Map (Attachment B to the Application) using this modeling. The Risk Map identifies service territory zones of increased risk, with yellow zones representing moderate risk and red reflecting highest risk. Based on the Risk Map, the Company will plan and prepare mitigation and management strategies and implement preventative programs, practices, and measures. While the assessment of potential wildfire costs did not precisely quantify benefits specific to having a Wildfire Plan and implementing mitigation strategies, Staff supports the Company's conclusion that potential human and capital costs and damage caused by wildfires vastly exceed costs to implement the proposed Wildfire Plan.

Situational Awareness

The Wildfire Plan uses the Fire Potential Index ("FPI") to support operational decision making to reduce wildfire threats and risks.[5] Meteorological data and fuel condition forecasts are key aspects of the Company's wildfire mitigation strategy. The Company created the FPI tool to input weather, fuel, and topography data to project short-term wildfire potential across its service territory. The FPI produces a score, calculated daily during fire season, that represents a degree of expected fire threat over a seven-day forecast. The FPI score provides personnel with the information needed for operational decision making. The Company plans to update the FPI tool annually to advance wildfire preparedness.

Over the next five years the Company proposes to spend $385,000 on Situational Awareness, with primary expenses being the cost of additional personnel to manage the FPI and for the cost of cameras installed at strategic locations to inform wildfire mitigation efforts.

---

[4] The Fire Probability and Consequence formula is defined as: Wildfire Risk = Fire Probability x Consequence

[5] The FPI produces a score from 1-16. Scores of 1-11 are green "lower fire potential;" scores of 12-14 are yellow "elevated fire potential;" and scores of 15 or 16 are red "highest fire potential."

Wildfire Mitigation Strategies

A component of the mitigation strategy is to reduce wildfire risk while continuing safe and reliable operations. The Company assessed existing operations and developed best practices in operations for wildfire mitigation, which include: 1) temporary operating procedures for transmission and distribution lines during fire season and periods of elevated wildfire risk; 2) Wildland Fire Preparedness and Prevention and Field Personnel Practices; and 3) Development of a public safety power shutoff ("PSPS") strategy for planned de-energization during extreme wildfire risk conditions.

Wildland Fire Preparedness and Prevention Plan

Field Personnel Practices

As part of the wildfire mitigation strategy, the Company developed the Wildland Fire Preparedness and Prevention Plan (Appendix A to the Application) to provide personnel and contractors guidance for preventing the ignition and spread of wildfires as they perform work in locations where risk is high. Personnel practices include ensuring fire tools and equipment are available at job sites, daily situational awareness for locations of heightened fire risk and weather conditions, and wildfire ignition prevention actions and reporting in the event of fire.

T&D Operational Strategy and Hardening

To reduce wildfire risk from within Load Serving Operations, the Company updates and issues Fire Season Temporary Operating Procedures to serve as guidelines for operating transmission lines during fire season. For transmission lines that are scheduled to be replaced, the Company is considering converting wood poles to steel. In distribution operations, a daily FPI informs personnel how to operate lines located in Red Risk Zones and the Company intends to implement an overhead distribution hardening program in these zones of extreme risk. Further, after comparing options to protect poles the Company determined it is cost effective to install mesh pole wraps to fireproof wood poles in Red and Yellow Risk Zones.

Public Safety Power Shutoff Plan

The Company assessed the use of PSPS in California and will evaluate if a strategy for planned de-energization during extreme wildfire risk conditions is warranted in the Company's service territory.

T&D Asset Management Program

The Company's asset management programs include visual inspections, line protection, asset replacement, and system hardening. Under the Wildfire Plan, the Company will continue to visually inspect its transmission lines using helicopter (aerial), on-the-ground, wood pole inspection treatment, cathodic protection and inspection, and thermal imaging inspection methods. The Company will use unmanned aerial vehicles (drones) with high-definition cameras in certain situations. For distribution lines, the Company will use visual inspections, distribution wood pole inspection and treatment, and line equipment inspection.

Vegetation Management Program

The costs associated with enhanced vegetation management are the largest incremental wildfire mitigation expense. The Company estimates spending approximately $42.7 million on incremental vegetation management expenses over five years. The Company noted that its actual expenses for vegetation management have been increasing faster than authorized amounts in recent years.

The Company requests deferral authority for Idaho's jurisdictional share of incremental vegetation management costs above a base level using 2019 actual costs. They also provided actual expenses from 2010 to 2019. Table 3, Application at 22. In Table 3, the Company illustrated the current gap in authorized and actual costs, and also demonstrated a steady cost increase over time. With the pandemic and regional wildfire challenges in 2020 driving a shortage of qualified labor,[6] a high demand for vegetation management, and an increase in labor rates, Staff believes 2019 is more representative of normal fire mitigation efforts, expenses, and record of actual costs.

[6] The Company's Application cites two factors contributing to the shortages in labor: (1) special requirements to trim trees near power lines and equipment that require special certifications and training; and (2) increased demand for vegetation management services in the western US—including California where labor rates are higher.

The Company states enhanced vegetation management is the most critical aspect of their Wildfire Plan. The previous plan for vegetation management included a six-year pruning cycle for transmission circuits in mountain locations and a three-year cycle for transmission circuits in valley locations, with all vegetation being pruned to maintain a minimum line clearance envelope. Response to Staff Production Request No. 11. After the Company considered escalating costs associated with off cycle pruning and projects and weighed the costs, risks, and trends of vegetation and vegetation management across its entire system, it was determined that a shorter three-year vegetation management cycle across the Company's entire service territory would reduce overall costs and risks and minimize mid-cycle and special pruning projects. Response to Staff Production Request No. 4. Further, the Company proposes to implement mid-cycle pruning and enhanced vegetation management practices in Red and Yellow Risk Zones as an added component to the three-year pruning cycle. Response to Staff Production Request No. 10. Enhanced vegetation management practices include:

- Annual patrols to identify immediate pruning needs,
- Mid-cycle pruning during year two for fast growing species,
- Increased incentives for customers who own trees that regrow ahead of the three-year trimming cycle,
- Clearing and sterilizing the soil around certain distribution poles, and
- Post-trimming audits on all pruned trees in FPI yellow and red zones.

The Company proposes testing the three-year enhanced vegetation management cycle for four or five years to verify that the shorter cycle can be maintained, and expected benefits are realized.

Although proposed vegetation management enhancements represent a sizeable increase in program expense, Staff believes it is reasonable for the Company to shift their vegetation management approach to achieve both reliability and wildfire risk mitigation objectives. Staff supports the enhanced and expanded vegetation management program presented by the Company and the use of 2019 for base level costs.

Wildfire Response and Communications

The Company responds to active fire situations and takes steps to protect facilities from fire damage and restore electrical service. Field crews monitor wildfires and will extinguish small fires if they are capable, but in fire events they are instructed not to put themselves in harm's way. Company personnel will communicate with customers during wildfire caused outages. Using an Emergency Response and Communications Plan, the Company will provide both internal and external communications in outage and emergency situations. Over the next five years, the Company projects $500,000 in new communications expenses related to customers and community educational outreach. Recognizing the best time to communicate emergency plans and put procedures in place is when there is no emergency. Staff supports the Company's Emergency Response and Communications Plan outreach and expanded communications efforts for informing customers and communities.

Staff notes that in Order No. 34883, Case No. AVU-E-20-05 in reference to Avista's Wildfire Plan (WF Plan), the Commission stated, "the Commission anticipates that the Company will continue to work and communicate effectively with all relevant stakeholders and SMEs[7] (inside and outside of the Company), including, but not limited to, the Idaho Department of Lands, Idaho fire districts, Idaho tribes, and other Idaho entities, so the objectives of the WF Plan are realized. The Commission also encourages the Company to evaluate what benefits and efficiencies might be gained from joint fire safety training opportunities with these stakeholders." Order at 10.

In Section 9.2 "Idaho Power External Communications" if its Wildfire Mitigation Plan 2021 document, the Company describes its communication plans for both the Idaho and Oregon Public Utilities Commissions, as well as other government agencies including the Bureau of Land Management and U.S. Forest service and other stakeholders including customers. Staff recommends Idaho Power continue to work and communicate with all relevant stakeholders in its response to and communication about wildfires.

Forecasted Cost Summary

The Company provided a forecast of the overall cost of the Wildfire Plan for years 2021-2025, as shown in Table No. 1. The Wildfire Plan cost forecast consists of $34,746,000 for capital expenditures and $69,776,000 for O&M expenditures, insurance costs, and depreciation expense. The actual costs will change as the program develops and the estimates to perform field activities are better understood.

[7] SME – Subject-Matter-Experts

Table No. 1.

Expected Incremental Operating Expenses and Capital Costs of the Wildfire Mitigation Plan by Year (in thousands of dollars)						
	2021	2022	2023	2024	2025	2021-2025
A. Quantifying Wildland Fire Risk	$65	-	$67	-	$69	$201
B. Situational Awareness	52	55	57	109	112	385
C. Mitigation - Field Personnel Practices	5	5	5	5	5	25
D. Mitigation - Transmission & Distribution Programs	580	585	597	513	512	2,787
E. Enhanced Vegetation Management	2,006	9,465	10,239	11,060	9,957	42,727
F. Communications	100	100	100	100	100	500
Insurance Expense	3,487	4,567	4,567	4,567	4,567	21,755
Depreciation Expense	-	124	238	452	582	1,396
Forecast Incremental Operating Expense Totals	$6,295	$14,901	$15,870	$16,806	$15,904	$ 69,776
Capital Plant Closings	$5,570	$ 5,139	$ 9,017	$ 5,782	$ 9,238	$ 34,746

Notable changes in expenses include an increase in the Situational Awareness expenses in the years 2024 and 2025 due to the installation of cameras planned for those years, in addition to the ongoing Fire Potential Index Personnel expenses. Depreciation expense increases follow the increase in Capital Plant Closings. Distribution plant averages about $5.4 million per year, with transmission plant closing to plant, mainly in 2023 and 2025, $3.4 million and $4.2 million, respectively.

The costs of the Wildfire Plan elements for the years 2021-2025 are estimated to be $46.625 million. The incremental insurance costs for the years 2021-2025 are estimated to be $21.755 million. The depreciation expense for the years 2021-2025 are estimated to be $1.396 million.

Insurance Premiums

With heightened wildfire risk in the region, the Company has experienced significant increases in insurance premiums due to the magnitude, frequency, and costs associated with Western-state wildfires. It is reasonable to believe the trend of increasing fire insurance costs will continue, however it remains difficult to predict. Staff believes it is important that the Company and customers are protected with a policy to recover costs from damages inflicted by wildfires.

The Company is requesting the authority to defer the Idaho jurisdictional share of actual incremental insurance costs over 2019 levels. The Company is estimating 2021 costs based on current premiums through mid-year 2021 when renewals occur, and then applying an increase based on broker-provided high-level estimates. In addition, the Company is applying the new wildfire load[8] of $1 million also at mid-year 2021. For 2022, Idaho Power is estimating the cost based on a full year of these increased premiums. Due to the volatile nature of the insurance market, the Company didn't forecast estimates beyond 2021 but simply showed the flat annualized estimate for 2022 through 2025. The Company estimates the incremental insurance costs for 2021 to be $3,487,000, and the incremental insurance costs for the years 2022-2025 to be $4,567,000 per year.

Depreciation Expense

Based on the types of activities and property units anticipated for the Wildfire Plan related to capital expenditures and current project schedules, the Company estimated its depreciation expense by year for its distribution and transmission projects. Depreciation expense is estimated to be $1,396,000 for the years 2022 through 2025.

Proposed Accounting Treatment

The Company seeks authorization to defer, for future amortization and recovery, the Idaho jurisdictional share of actual incremental O&M expense and depreciation expense of certain capital investments necessary to implement the Company's wildfire mitigation measures,

---

[8] The National Wildfire Coordinating Group, of which both The Bureau of Land Management & USDA Forest Service are members, defines fire load as, "The number and size of fires historically experienced on a given unit over a given period (usually one day) at a given index of fire danger."

as well as the incremental insurance costs, as measured from the 2019 base levels presented in the Application. Because vegetation management is already included in the Company's current revenue requirement, the Company is requesting to defer the Idaho jurisdictional share of incremental vegetation management costs above the base level using 2019 actual costs that will be escalated annually for inflation.

The Company intends to track actual expenses and incremental wildfire-related capital incurred on or after the filing date of the Application and proposes to record the incremental O&M and related depreciation expense amounts to Federal Energy Regulatory Commission ("FERC") Account 182.3 – Other Regulatory Assets. The prudence of costs and options for recovery will be addressed in a future regulatory proceeding. The Company has not requested a carrying charge on the deferral balance.

Staff supports the Company's efforts to mitigate the effects of wildfires and therefore supports the use of a deferral mechanism for the O&M, insurance, and depreciation expenditures. The Commission should have the opportunity to review any Wildfire Plan costs prior to recovery. In Order No. 33706 (Case No. IPC-E-16-19), the Commission stated, "Our normal practice is to review actual costs to determine whether they were prudently incurred and thus recoverable in rates. Providing pre-approval for *estimated* costs would remove the incentive for the Company to implement the project in a prudent, least-cost manner." Staff believes that deferring incremental costs for future recovery allows the Commission to review the costs and determine that they are prudent and least-cost, consistent with past practices.

Staff is concerned about having an open-ended deferral into perpetuity when it is still unknown when the Company will file its next general rate case. The deferral balance is estimated to be approximately $70 million after five years. Limiting the deferral period to either five years or when rates go into effect following the Company's next general rate case (whichever happens first) will provide Staff the opportunity for timely review of the expenses while also providing protections to customers from a growing regulatory asset.

Customer Comments

As of April 7, 2021, six customer comments have been received. All have been in support of the Company's wildfire mitigation plan.

STAFF RECOMMENDATIONS

Staff recommends the Commission issue an order authorizing the deferral of the incremental O&M, insurance, and depreciation expenses associated with the Company's Wildfire Plan into FERC Account 182.3 – Other Regulatory Assets. Recovery of prudently incurred expenses, along with the amortization period, should be determined in a future rate proceeding. Staff further recommends that the deferral of the expenses cease after five years, or until the effective date of rates in the Company's next general rate case, whichever comes first.

Respectfully submitted this 8th day of April 2021.

Dayn Hardie
Deputy Attorney General

Technical Staff: Kathy Stockton
Rachelle Farnsworth

i:umisc/comments/ipce21.2dhklsrf comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8th DAY OF APRIL 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-21-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

DONOVAN E WALKER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: dwalker@idahopower.com
dockets@idahopower.com

ENERGY CONTRACTS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: energycontracts@idahopower.com

SECRETARY