

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	CASE NO. IPC-E-22-27
COMPANY’S APPLICATION FOR REVIEW)	
OF THE COMPANY’S CURRENT)	
WILDFIRE MITIGATION PLAN AND)	
AUTHORIZATION TO DEFER NEWLY)	ORDER NO. 35717
IDENTIFIED INCREMENTAL WILDFIRE)	
MITIGATION COSTS)	

On October 20, 2022, Idaho Power Company (“Company”) applied for an order authorizing it “to defer through 2025”, or until the terms of the Company’s next general rate case go into effect as set forth by Commission final order, newly identified costs associated with expanded wildfire mitigation efforts, as detailed in the Company’s 2022 Wildfire Mitigation Plan attached to the Company’s Application. Application at 1. The Company requested that its Application be processed by Modified Procedure.

On November 9, 2022, the Idaho Public Utilities Commission (“Commission”) issued a Notice of Application and a Notice of Intervention Deadline. Order No. 35591. There were no intervenors in this case.

On December 13, 2022, the Commission issued a Notice of Modified Procedure establishing public and Staff comment, and Company reply comment deadlines. Order No. 35624. The Company filed Version 5.0 of its WMP on January 4, 2023 (collectively with the 2022 Wildfire Mitigation Plan “WMP”). Staff filed comments to which the Company replied. The Commission received no other comments.

Having reviewed the record, including the Company and Staff’s comments, we issue this Order authorizing the Company to continue to defer its Idaho jurisdictional incremental expenses associated with its wildfire mitigation and insurance costs.

BACKGROUND

In early 2021, in Case No. IPC-E-21-02, the Company applied to the Commission for approval of its initial WMP—Version 1.0—and “a request to defer incremental wildfire-related costs.” Application at 4. In its initial WMP the Company estimated the operation and maintenance (“O&M”) costs associated with mitigating wildfire mitigation efforts between 2021 to 2025. *Id.*

The Company sorted the estimated incremental wildfire mitigation-related O&M expenditures into the following six categories: (A) Quantifying Wildland Fire Risk; (B) Situational Awareness; (C) Mitigation—Field Personnel Practices; (D) Mitigation—Transmission and Distribution (“T&D”) programs; (E) Enhanced Vegetation Management; and (F) Communications. *Id.* The Company “estimated \$46.6 million in incremental O&M to implement wildfire mitigation measures” in these categories of programs. *Id.* The Company requested authority “to defer the Idaho jurisdictional share of incremental wildfire costs above a base of 2019 actual costs, escalated annually at 1.81% for inflation.” *Id.* at 4-5.

In addition to O&M expenditures, the Company noted that in 2021, it incurred a significant increase in insurance costs. However, while the Company expected insurance costs to increase, due to the volatility of predicting them, the Company “did not provide out-year estimates of insurance but requested the authority to defer the Idaho jurisdictional share of annual insurance costs above 2019 levels.” *Id.* at 5. Likewise, the Company did not seek deferral of capital investments it made to “harden” its system but rather “requested the authority to defer actual depreciation expenses associated with incremental capital investments made under the WMP.” *Id.* On June 17, 2021, the Commission issued Order No. 35077 approving the Company’s initial WMP and deferral requests as outlined in its application in that case.

THE APPLICATION

The Company’s Application seeks to provide a “review of its current and planned wildfire mitigation efforts and associated costs[,]” and includes a discussion on the needs for specific new and expanded wildfire mitigation efforts and an update of its actual insurance costs. *Id.* at 7-8. The Company stated that a significant addition to its WMP for the 2022 wildfire season was the Public Safety Power Shutoff (“PSPS”) plan which controls how the Company deenergizes power lines in extreme conditions. *Id.* at 6-7.

The Company stated that it updated or included the following topics in its WMP: the regulatory background of the WMP relative to Oregon and Idaho, a wildfire risk assessment of its service areas, a discussion of the costs and benefits of wildfire mitigation, and an operational mitigation practices section which discussed the Company’s PSPS plan. *Id.* at 8-9.

The Company provided a forecast of additional incremental O&M costs for wildfire mitigation in its WMP accruing from five of the approved categories of O&M costs first approved by Order No. 35077 and a new O&M category: Information Technology. *Id.* at 10. The Company

estimated that it would incur an additional \$16.2 million above the \$46.6 million initially approved in 2021 “in incremental O&M expenses associated with new or expanded wildfire mitigation efforts.” *Id.* at 10. The Company further explained that, for each category, it would “continue to pay for baseline levels of O&M (based on 2019 levels and escalated annually for inflation at the Commission-authorized level of 1.81%) out of its existing budgets, as authorized by the Commission in Order No. 35077.” *Id.* at 8.

The Company sought an additional \$1.35 million through 2025 for expansions in five areas under its “**Situational Awareness**” program. *Id.* at 11-13. These areas, the Company explained, included investments in a new weather forecasting system, a temporary full-time position in 2023 to implement the weather forecasting system, additional weather stations, a contractor to evaluate the integrity of wood distribution poles, and a camera pilot program “to enhance situational awareness in high-risk, remote locations.” *Id.*

The Company sought an additional \$180,000 over the next four years under the “**Mitigation—Field Personnel Practices**” category for costs stemming from acquiring wildfire risk mitigating equipment and four years of membership fees in an organization whose mission is to “share lessons learned, best practices, and innovation in the area of wildfire mitigation.” *Id.* at 14.

The Company sought an additional \$804,000 to operate its “**Mitigation—T&D programs**” category through 2025. This sum, the Company represented, was needed for hiring additional personnel and testing a new T&D risk mitigation measure—using covered wires—via a pilot project. *Id.* at 15-18.

The Company sought an additional \$12.9 million through 2025 under the “**Enhanced Vegetation Management**” category in addition to the \$42.7 million for incremental vegetation management expenses presented to the Commission in 2021. *Id.* at 21. The Company stated it “detailed an enhanced vegetation management plan to work toward a three-year vegetation management cycle across its entire service area, with one-third of the service area managed each year[.]” in its application in 2021. *Id.* at 18. The Company noted that its actual expenses for vegetation management to achieve a consistent three-year cycle across its service area have been increasing faster than authorized amounts in recent years. The Company further noted that a major factor pushing vegetation management costs upward was the lack of availability of qualified labor due to high demand driving up the costs to hire a limited number of specialized workers. *Id.* at 19.

In addition to increased costs for maintaining its three-year vegetation management cycle, the Company requested additional funding for costs associated with participating in a fuel reduction program with the relevant government agencies and deploying satellite and aerial patrols to identify areas of high risk. The Company “reaffirm[ed] its intention to update the Commission no later than 2025 on vegetation management efforts and whether movement to a three-year cycle is producing expected benefits relative to costs.” *Id.* at 22.

The Company requested an additional \$71,000 annually under its “**Communications**” category for spending associated with new customer communication, education, and awareness all focusing on the addition of PSPS as a tool for the Company to use to mitigate wildfire risk. *Id.* at 22. The Company requested an additional \$691,000 in expenses through 2025 for “**Information Technology**.” The Company stated this new category was needed to effectively notify customers leading up to and during PSPS events. *Id.* at 23-24.

In addition to its O&M costs, the Company sought Commission approval to continue to defer the Idaho jurisdictional share of insurance costs. *Id.* at 24-25. The Company stated it “would present actual deferred incremental insurance premiums for the Commission’s review in a future ratemaking proceeding.” *Id.* at 26.

The Company further noted the Commission’s previous authorization to the Company to defer capital costs associated with “system hardening.” The Company stated it would need to make additional capital investments of “\$1.1 million on hardware and software to enhance its forecasting capabilities.” *Id.* at 27. The Company maintained its request to the Commission for authority to defer for later recovery “the depreciation expense of newly identified incremental capital investments related to wildfire mitigation[,]” and stated it would seek recovery of these capital investments in a “future ratemaking proceeding.” *Id.* at 27.

The Company sought further Commission authorization “to defer, for future amortization, the Idaho jurisdictional share of actual incremental O&M expenses associated with newly identified costs that are vital to the Company’s wildfire mitigation efforts.” *Id.* The Company stated it would address the costs and recovery of its wildfire mitigation efforts in a “future regulatory proceeding.” *Id.* at 28.

STAFF COMMENTS

Staff reviewed the Company’s 2022 WMP as attached to the Company’s Application and recommended the Commission approve the Company’s Application and allow the deferral of

newly identified costs associated in the Company's 2022 WMP through 2025 or until the terms of the Company's next general rate case go into effect, whichever occurred first. Staff Comments at 2. Staff noted the Company's 2022 WMP forecasted a \$7.7 million increase in capital expenditures and a combined \$14.9 million increase in O&M expenditures, insurance costs, and depreciation expenses. *Id.* at 7.

That said, Staff encouraged "the Company to include . . . a section [under the Situational Awareness category] addressing the successes, failures, and lessons learned from the Camera Pilot program." Staff Comments at 3. Staff had concerns that the Company's labor expenses for carrying out its Vegetation Management program would continue to increase. *Id.* at 5. Staff also encouraged the Company to effectively use the Vegetation Management Satellite and Aerial Patrol pilot project to support its Vegetation Management program.

Staff believed that costs associated with notifying customers about the PSPS program under the Communication category should decrease over time as customers become more aware of the PSPS program. *Id.* Staff further believed that the Enterprise Omni-Channel Notification System ("EONS") under the Information Technology category could benefit Company programs outside the WMP and therefore encouraged the Company to use it with other emergency management platforms. *Id.* at 7.

Staff compared the Company's actual costs incurred in 2021 under its 2022 WMP to the Company's 2021 estimated costs. *Id.* at 8. Staff noted the biggest increase in costs based on actual costs versus projections was \$1,073,491 for insurance expenses and that, in total, the 2021 actual costs for insurance, depreciation, and the elements under the WMP were 1.5 % higher than the 2021 estimated costs. *Id.* at 8.

Staff noted the significant increase in the Company's insurance costs was attributable to heightened wildfire risks. Although Staff expected the Company to be adequately insured against wildfire risk, Staff stated the Company still needed to demonstrate insurance coverage costs for wildfire are reasonable and supported by sufficient evidence. *Id.* at 9.

Staff supported the Company's deferral of additional depreciation expenses associated with the Company's additional capital costs from investments in hardware and software forecasting technology. Staff also supported the Company's use of a deferral mechanism for O&M, insurance, and depreciation expenditures consistent with Order No. 35077.

STAFF RECOMMENDATIONS

Staff recommended the Commission issue an order:

- (1) “authorizing the deferral of the Company’s additional incremental wildfire mitigation costs into a regulatory asset account through 2025 or the effective date of the next general rate case, whichever occurs first”;
- (2) requiring the Company to detail relationships “that may benefit the wildfire program, contribute to program costs, or provide cost sharing opportunities in the WMP”;
- (3) “requiring the Company to conduct semi-annual (pre-fire season and post-fire season) wildfire updates with Staff and the Commission”;
- (4) “requiring the Company to provide details of all funding alternatives and sources pursued within the WMP”;
- (5) “requiring the Company to develop project criteria, a selection process, and provide a cost-benefit analysis” for completed and future undergrounding distribution line projects for wildfire mitigation before its next general rate case; and,
- (6) directing the “Company to file a copy of version changes to the WMP with the Commission when they occur.”

Staff Comments at 12.

In addition, Staff recommended “the Company develop process guidelines, including a least-cost least-risk analysis, for evaluation of pilot projects and for converting pilot projects to full programs by the end of 2023[,]” and “provide an analysis and a comparison of alternatives it considered for each project or program when recovery of costs are requested.” *Id.*

COMPANY REPLY

The Company supported and appreciated Staff’s comments. Company Reply Comments at 2. However, the Company did not agree with Staff’s observation that costs associated with notifying customers about the PSPS program should decrease over time as “[e]ach fire season presents different conditions and challenges, and the Company will adapt its communication strategy” as the situation dictates. *Id.* at 3. The Company also mentioned that Staff’s encouragement to the Company to use the EONS with other emergency management platforms, while a “logical and laudable objective”, would come with extra cost because the EONS is “a vendor-provided platform.” *Id.* at 4.

The Company generally supported all of Staff's enumerated recommendations. Specifically, the Company supported recommendation one, "provided that the recommendation is not intended to limit the Company's ability to request authority to establish a new deferral mechanism for similar costs, should circumstances warrant such treatment in a future general rate case or other proceeding." *Id.*

The Company supported recommendation number three but requested clarification on what constituted an "update." *Id.* at 5. The Company stated its willingness to provide two briefings a year to the Commission or submit an updated WMP "at year-end that includes assessment of the prior fire season," similar to what it does in Oregon. *Id.* The Company similarly supported recommendation number six but sought "guidance on the Commission's preferred process for filing WMP updates with the Commission." *Id.* at 6.

In response to recommendations numbers five and seven, the Company explained that, although reasonable for Staff to require evidence, justification, and frameworks for the Company's pilot programs, general principles of cost benefit, least-cost/least risk determinations were not as easily applicable in the "wildfire mitigation space." *Id.* Nonetheless, the Company reiterated that it would continue working "to determine methods and best practices for quantifying wildfire risk reduction benefits" and that it "will document and provide financial justification to support its programmatic decisions related to wildfire mitigation." *Id.*

In response to recommendation number eight, the Company replied that "it already provide[d] the requested analysis within Section 4 (Costs and Benefits) of the WMP, where . . . [it] . . . discusse[d] what alternatives (if any) are available for a given mitigation activity and why such an alternative was not pursued or considered viable." *Id.* However, if necessary, the Company stated its willingness to "bolster these sections of the WMP to further discuss available alternatives." *Id.* at 7.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, 61-502, and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503.

The Company asserts that due to increased development in wildland areas, climate change, changes in historic land management practices and wildland and forest health, the threat of catastrophic and damaging wildfires across the West continues to increase and its effects have become more devastating. The loss of life and property, including damage or destruction to energy infrastructure and the resulting disruption of power service, from wildfires, can be catastrophic.

We have reviewed the Company's Application and believe its proposals described in its WMP, including the implementation of the PSPS plan, are reasonable and grant the Company's request for a deferred accounting of the associated costs. Although we have allowed the Company to defer costs associated with its WMP, we do not make any determination on the prudence of these costs or a right of recovery at this time. The Company has asserted that the benefits the Company's wildfire mitigation program provide may be hard to quantify; however, traditional cost benefit frameworks, including least-cost least-risk analyses, should always inform the Company's analyses and decisions in its wildfire mitigation program. We direct the Company to develop project criteria, a selection process, and cost-benefit analysis for completed and future undergrounding distribution line projects related to wildfire mitigation prior to the Company's next general rate case. Similarly, we direct the Company to develop process guidelines, including a least-cost least-risk analysis, to evaluate pilot projects and to convert them to full programs by the end of 2023.

We note the Company's plan to work with relevant state and federal agencies in fuel reduction and resiliency programs. We direct the Company to detail, in its next update to its WMP, *all* relationships it has that may benefit the wildfire mitigation program, contribute to program costs, or provide for cost sharing opportunities. Likewise, we direct the Company to detail all funding alternatives and sources it pursued in its WMP and provide an analysis and a comparison of alternatives it considered for each pilot, project, or program when it requests recovery for these costs, including, among other sources, any available funding from current or future federal infrastructure funds.

We appreciate the Company's willingness to update the Commission on important developments in the wildfire space. We believe that it would be informative and beneficial to the Commission if the Company updated the Commission and Staff regarding wildfire developments on a biannual basis (pre-fire season and post-fire season). We therefore direct the Company and

Staff to work together to develop a schedule and process for the Company's updates to the Commission and Staff in this regard.

It appears from the record that the Company filed Version 1.0 of its WMP in Case No. IPC-E-21-02, filed Version 4.0 of its WMP with its Application in this case, then subsequently filed Version 5.0. It is unclear from the record whether a Version 2.0 or 3.0 were ever created or filed. Thus, like our immediately preceding directive regarding biannual updates, we direct the Company and Staff to work together to develop a process for filing a copy of version changes to the WMP when these occur.

We previously granted the Company authority to defer depreciation expenses for incremental capital investments related to wildfire mitigation. The Company now seeks authority for additional deferral for new capital investments for the hardware and software associated with the Company's ensemble weather tool. We agree these capital investments are a crucial part of the Company's WMP. Without these capital investments the other components of the WMP standing alone are less likely to provide the intended benefits to customers. We find it reasonable to allow the Company to defer its actual depreciation expense associated with incremental capital expenditures. The Company should record the capital investments in appropriate plant accounts as assets are placed in service.

In conclusion, the Company may defer actual incremental O&M expenses, incremental insurance expenses, and depreciation expenses for its capital expenditures related to the WMP as discussed above. The Company shall record these deferrals in accordance with Code of Federal Regulation to Federal Energy Regulatory Commission (FERC) Account 182.3—Other Regulatory Assets.

ORDER


IT IS HEREBY ORDERED that the Company's Application is approved. The Company may defer its Idaho jurisdictional incremental O&M expenses, incremental insurance expenses, and depreciation expenses for its capital expenditures related to the WMP through 2025, or the effective date of rates from the Company's next general rate case, whichever occurs first. The Company shall defer these expenses into FERC Account 182.3—Other Regulatory Assets.

IT IS FURTHER ORDERED that the Company shall comply with the Commission directives outlined above in its "Findings and Decision" section consistent with Staff's enumerated comments above.

IT IS FURTHER ORDERED that the deferral period authorized by this Order shall last until 2025, or until rates go into effect after its next general rate case, whichever is first.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd day of March 2023.



ERIC ANDERSON, PRESIDENT

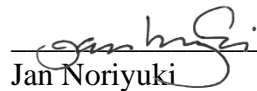


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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