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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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|--|---|-----------------------------|
| IN THE MATTER OF IDAHO POWER |) | |
| COMPANY'S APPLICATION FOR REVIEW OF |) | CASE NO. IPC-E-22-27 |
| THE COMPANY'S CURRENT WILDFIRE |) | |
| MITIGATION PLAN AND AUTHORIZATION |) | |
| TO DEFER NEWLY IDENTIFIED |) | COMMENTS OF THE |
| INCREMENTAL WILDFIRE MITIGATION |) | COMMISSION STAFF |
| COSTS |) | |
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Staff of the Idaho Public Utilities Commission ("Staff"), by and through its attorney of record, Riley Newton, Deputy Attorney General, submits the following comments.

BACKGROUND

On October 20, 2022, Idaho Power Company ("Company" or "Idaho Power") filed an Application for an order authorizing it "to defer through 2025—or until the Company's next general rate case goes into effect—newly identified costs associated with expanded wildfire mitigation efforts, as detailed in" the Company's updated Wildfire Mitigation Plan ("WMP" or "Wildfire Plan"). Application at 1. The Company filed its Application with Version 4.0 of the WMP, which updated the WMP filed in Case No. IPC-E-21-01, Version 1. As supplement to its Application, the Company filed Version 5.0 of its WMP with the Commission on January 4, 2023.

STAFF REVIEW

Staff reviewed the Company’s Application, the WMP, responses to Production Requests, the proposed accounting treatment and believes the Company’s request is reasonable. Staff’s review, analysis, and recommendations are specific to the Company Version 4.0 of WMP filed with its Application on October 20, 2022. Staff recommends the Commission approve the Company’s Application to allow the deferral of newly identified costs associated with expanded wildfire mitigation efforts, as detailed in the WMP. Staff recommends the Company be authorized to defer the expenses identified in its WMP through 2025 or until the Company’s next general rate case goes into effect, whichever occurs first.

Wildfire Mitigation Plan

Staff had extensively reviewed Version 4.0 of the Company’s WMP prior to the filing of Version 5.0. The key differences between the two versions are the plan changes and cost updates. Version 4.0 contains changes and updates from the previously filed Version 1 for the years 2022 through 2025. Version 5.0 does not contain the changes and cost updates to the year 2022, however it does include an executive summary of the 2022 wildfire season. The newly identified additional incremental costs beginning January 1, 2022, which the Company requests to defer, are best reflected in Version 4.0.

Plan Updates and Changes

Between 2022 and 2025, the Company estimates it will incur approximately \$16.2 million in additional incremental operation and maintenance (“O&M”) expenses. The Company grouped incremental expenses into these categories: (A) Quantifying Wildland Fire Risk; (B) Situational Awareness; (C) Mitigation – Field Personnel Practices; (D) Mitigation – Transmission and Distribution (“T&D”); (E) Enhanced Vegetation Management; and (F) Communications.

Quantifying Wildland Fire Risk

The Company’s existing risk-based modeling is being utilized to identify areas in its service territory that may have increased wildfire risk. The Company calculates Wildfire Risk

by multiplying Fire Probability and Consequence¹ together. The Company's Risk Map, which was developed with the aid of an external consultant, identifies service territory zones of increased risk, with yellow zones representing moderate risk, and red zones reflecting highest risk. Based on the Risk Map, the Company plans and prepares mitigation and management strategies and implements preventative programs, practices, and measures.

The Company created the Fire Potential Index ("FPI") tool to input weather, fuel, and topography data to project short-term wildfire potential across its service territory. The Company updates the FPI tool annually to advance wildfire preparedness. The FPI tool produces a score of 1-16, calculated daily during fire season, that represents a degree of expected fire threat over a seven-day forecast. The FPI score² provides Company personnel with information needed for operational decision making.

Situational Awareness

In the WMP,³ the Company further enhanced its Situational Awareness plans beginning in 2022. The Company estimates it will spend an additional \$1,351,000 on Situational Awareness from 2022-2025. The largest expense is due to not only starting the planned Camera Pilot program⁴ in 2022 instead of 2024 but enhancing it as well. The Company estimates an increase of approximately \$555,000 for the Camera Pilot program, which includes an annual subscription from the vendor for ongoing software upgrades and recurring services that would otherwise need to be purchased outside of the annual subscription. The Company intends to explore partnerships with other entities to try to decrease costs while maintaining the pilot's objectives. Staff encourages the Company to include in its WMP a section addressing the successes, failures, and lessons learned from the Camera Pilot program.

In addition to the Camera Pilot program, the Company estimates \$250,000 of additional cost for 2022 to 2025 for Pole Loading Assessment and Modeling, which assesses structural integrity of poles. The Company states it will utilize a contract service for Pole Loading

¹ "Fire Probability" is defined as Fire volume (i.e., spatial integral of fire area and flame length). "Consequence" is defined as number of structures that may be impacted by a wildfire. Wildfire Mitigation Plan at 10.

² 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".

³ Referencing Version 4.0 of the WMP due to the inclusion of the 2022 costs and changes.

⁴ The Company previously mentioned, in its 2021 WMP deferral request, that it would explore the use of cameras in 2024 and 2025, with a forecasted cost of \$100,000. *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, Application at 20 (January 22, 2021).

Assessment and Modeling, which with the contracted workers having more expertise and tools, would be a benefit to the Company's existing pole inspection program.

The Company plans to develop a new weather forecasting ensemble to its existing and planned additional weather stations. The Company claims that its weather ensemble would increase accuracy and precision of forecasts, which can aid in determining the probabilities of significant weather events. The Company estimates the development and support for its weather ensemble will be approximately \$195,000. The Company will hire a temporary full-time employee to aid with the weather forecasting ensemble development and support for 2022 through 2024. In 2025, the Company will then utilize contracted purchase services. The Company will monitor the contracted personnel through Professional Service Agreements and Statements of Work that contain expectations and milestones which can be reviewed. The estimated cost for the additional personnel for 2022 through 2025 is \$272,000.

Mitigation – Field Personnel Practices

To enhance development of its wildfire mitigation strategies, the Company will join the International Wildfire Risk Mitigation Consortium, a group where utilities share their expertise and existing programs with one another. Involvement in this group will cost approximately \$150,000 from 2022 through 2025. Additionally, the Company will provide mobile weather kits to Field Observers in remote locations to aid in the early detection of wildfires.⁵

Mitigation – Transmission and Distribution

To reduce wildfire risk, the Company is starting a covered wire evaluation pilot project in Public Safety Power Shutoff ("PSPS") zones. The Company will use covered conductors and covered wires in this pilot program, allowing for line crews to get experience with the two products and give feedback on which is preferred from an installation and maintenance perspective. The Company estimates this project will be approximately \$125,000 from 2022 through 2024.

Additionally, the Company intended to bring on a Wildfire Mitigation Program Manager starting in 2022; however, hiring was delayed, and the Company now plans to hire in 2023. Response to Staff Production Request No. 14. The Company believes that it is important to have

⁵ Mobile weather kits include a handheld wind meter, compass, and radio with satellite communication. Application at 12.

a program manager due to significant and continuing wildfire concern in all aspects of the Company's operations. The 2022 forecasted budget for a Wildfire Mitigation Program Manager remains in the additional costs and will be approximately \$679,000 through 2025.

Vegetation Management

As the largest component of the wildfire mitigation expenses, the vegetation management program had an additional \$11.7 million increase for the Transition to/Maintain a 3-year Vegetation Management Cycle program. The Company is working to achieve a shorter 3-year vegetation management cycle across the Company's entire service territory that would reduce overall costs and risks and minimize mid-cycle and special pruning cycles. The Company cited that costs of labor contract rates went up approximately 27% in 2022 and are forecasted to be an additional 5% year after year. Response to Production Request No. 16. Staff understands there are labor shortages and increased competition for skilled labor and is concerned that the Company's labor expenses may continue to increase into the future.

To support vegetation management, the Company added a Vegetation Management Satellite and Aerial Patrol pilot project. The Company is using this pilot to reduce ignition potential and confirm the accuracy of information received from vendors. Different from the already in use Unmanned Aerial Vehicles ("UAVs"), which are used for line inspections, this pilot will give enhanced information on vegetation encroachment and potential hazard trees. The Company states that UAVs have limited range and use due to the need for permits, whereas the satellite and aerial patrols use artificial intelligence specifically looking at vegetation and don't require permits. Response to Staff Production Request No. 15. Additionally, the satellites in this program are different than the satellites used for the FPI based on scale and context. The satellites for the pilot use a finer scale to examine the vegetation growth near Company lines and facilities and use a time scale of weeks compared to the FPI's time scale of hours. Response to Staff Production Request No. 20. The Company estimates the pilot project will be approximately \$900,000 from 2022 through 2025. Staff encourages the Company to utilize the pilot project to optimize and adjust its vegetation management cycles as needed.

In addition to its satellite and aerial patrol project and other ongoing vegetation management projects, the Company has joined the Fuel Reduction Program in partnership with different federal, state, and local agencies. The National Forest Foundation ("NFF") is the agency that will distribute funding to complete priority fuel reductions and forest health. The

Company is currently developing agreements with the NFF to outline requirements and expectations. Staff recommends that the Commission require the Company to include details of any partnerships or agreements benefitting the wildfire program, contributing to program costs, or providing cost sharing opportunities in the Company's next WMP filing.

Communications

The Company introduced its PSPS plan in 2022. The PSPS plan guides the Company's implementation and management of proactive de-energization events. A PSPS is a last-resort action taken by the Company in extreme conditions. The Company would use a PSPS to safeguard its customers, communities, employees, and equipment from wildfire. The Company worked with a wildfire consultant to identify specific areas in its service area that have the potential for extreme wildfire weather conditions that could require a PSPS event. The Company has not issued a PSPS but has tested and exercised the plan with partners and stakeholders. In some instances, the Company has shut off power lines independent of a PSPS to protect individuals working in a fire area. In areas with a high probability of a PSPS event, the Company reaches out to its partners and potentially affected customers.

In preparation for a PSPS event, there is a more targeted communication with customers to educate them on how to prepare for outages. The Company estimates \$71,000 yearly to communicate with customers by print, radio, connections, and direct mail. Staff notes that it is necessary for customers to know about PSPS; however, Staff believes that costs associated with communications should decrease over time as awareness increases.

Information Technology

In the WMP, the Company added an Information Technology section. In this section, the Company included the Enterprise Omni-Channel Notification System ("EONS") communication alert tool. This tool will send alerts to customers of outages, curtailments, and potential PSPS event notifications. The Company estimates the development of EONS will be approximately \$163,000 in 2022. The development of EONS requires creating a PSPS outage map, identifying potentially impacted customers and facilities, developing ways to integrate customer data into the system, tool configuration, and user training. The Company estimates \$528,000 from 2022 through 2025 will be spent in support of the EONS tool, which includes access to software and messaging allocations. Response to Production Request No. 2. The Company does not plan to

use EONS in conjunction with other emergency management platforms. Staff encourages the Company to pursue using the EONS in conjunction other emergency management platforms, something which the Company does not currently plan to do. Staff believes an EONS tool could benefit other areas outside of a WMP and encourages the Company to explore all cost saving opportunities.

Forecasted Cost Summary

In response to Staff Production Request No. 29, the Company provided an updated forecast of the overall cost of the WMP for the years 2021-2025, as shown in Table No. 1. All amounts are shown in system dollars.

Table No. 1 Cost Forecast

| 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 | 152 | 484 | 492 | 501 | 1,681 |
| C. Mitigation - Field Personnel Practices | 5 | 55 | 55 | 45 | 45 | 205 |
| D. Mitigation - Transmission & Distribution Programs | 580 | 700 | 838 | 759 | 714 | 3,591 |
| E. Enhanced Vegetation Management | 2,006 | 11,390 | 12,864 | 15,235 | 14,132 | 55,627 |
| F. Communications | 100 | 171 | 171 | 171 | 171 | 784 |
| G. Information Technology | - | 304 | 129 | 129 | 129 | 691 |
| Total Forecast Incremental O&M Expenditures Total | \$2,808 | \$12,772 | \$14,608 | \$16,831 | \$15,761 | \$62,780 |
| Insurance Expense | 4,561 | 6,934 | 8,034 | - | - | 19,529 |
| Depreciation Expense | - | 191 | 414 | 750 | 1,010 | 2,365 |
| Total Forecast for All Incremental Expenses | \$7,369 | \$19,897 | \$23,056 | \$17,581 | \$16,771 | \$ 84,674 |
| Capital Plant Closings | \$5,019 | \$ 7,283 | \$ 8,800 | \$11,085 | \$10,258 | \$ 42,444 |

The Company forecasted WMP capital expenditure costs to increase \$7.7 million, from \$34.7 million in the previous case to \$42.4 million. It also forecasted O&M expenditures, insurance costs, and depreciation expense to increase \$14.9 million, from \$69.8 million in the previous case to \$84.7 million in this case.

As evidenced by this filing, the actual costs have and will change as the program develops and the estimates to perform field activities are better understood. One item of note, discussed in greater detail below, is the change in the forecast for the increase in incremental insurance premiums. In the previous WMP case, the Company extended the insurance estimate through 2025, while in this case, the Company only included an insurance premium estimate for 2023.

In this case, the estimated costs of the WMP for 2021-2025 increased by \$16.2 million. The estimated incremental insurance costs decreased by \$2.3 million, and the estimated depreciation expense increased by \$1 million for the years 2021-2025. The depreciation expense increase corresponds to the increase in capital expenditure estimates.

Review of 2021 Actual Costs

In response to Staff Production Request No. 31, the Company provided the actual incremental costs for the WMP for 2021. Staff's review of these expenses is not intended to determine prudence; instead, it gives an overview of where costs may be headed.

Staff compared the estimated costs to the actual costs for 2021. The most significant dollar increase was \$1,073,491 for insurance expenses. Some WMP project costs were lower than estimated, and some projects were pushed to 2022.

The 2021 incremental estimate for the elements of the WMP, along with insurance and depreciation expense, was \$6.3 million. The actual incremental amount was \$6,386,508, an increase of \$91,508, or approximately a 1.5 percent increase from the estimated costs.

Insurance Premiums

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 that increasing fire insurance costs will continue. Staff continues to believe it is essential that the Company and customers are protected with a policy to recover costs from damages inflicted by wildfires. The Company's request in this Application is to continue to defer the Idaho jurisdictional share of actual incremental insurance costs over 2019 levels.

In the previous filing, the Company estimated the incremental insurance costs for 2021 to be \$3.5 million and the incremental insurance costs for 2022-2025 to be \$4.5 million per year. In

this filing, the Company has included estimates for 2021 through 2023, with the forecasts for 2024 and 2025 unknown.

As shown in response to Staff Production Request No. 30, there has been significant increases in the Company's insurance premiums from 2020 to 2021. On a calendar basis, total insurance costs were \$12.1 million in 2021 and are expected to be \$14.5 million in 2022 and \$15.6 million in 2023. The Company, in its response, converted the cost of each insurance policy from policy year to calendar year. Although the Company reported the insurance costs on a calendar year in this Application, its actual costs are based on distinct policy years. The Company's excess liability insurance, for example, renews every July.

The Company provided a letter from August 2021 from its third-party insurance broker, explaining the challenges utilities have faced in recent years when securing insurance based on wildfire risk. The letter stated, "In summary, there is reduced appetite amongst liability underwriters to offer coverage to all electric utilities in wildfire-prone regions of the US, including Idacorp, due to the perceived risk; in addition, the challenge is compounded by the fact that there has been a significant reduction in the supply of liability insurance available in the market in general." Response to Staff Production Request No. 30, Attachment 2.

Staff expects the Company to continue to pursue the necessary insurance coverage to reduce wildfire risk. Staff expects the Company to demonstrate that its insurance coverage costs are reasonable and that the Company's allocation to wildfire expenses is supported by sufficient evidence clearly identifying the costs associated with wildfire versus other insurance premiums, and showing that other factors causing the increase in insurance costs have not been deferred in the wildfire regulatory account.

Depreciation of Capital Investment

In Order No. 35077, the Commission found it reasonable for Idaho Power to defer actual depreciation expenses associated with incremental capital investments and record those investments in the appropriate plant accounts as the assets are placed in service. At that time, the Company focused on capital investments associated with system hardening. In this case, the Company identified the need for capital investment associated with the hardware and software to perform weather forecasting with the weather ensemble tool. The Company estimates it will invest \$1.1 million in hardware and software to enhance its forecasting capabilities. In this

filing, the Company requests the authority to defer the depreciation expense of newly identified incremental capital investments related to wildfire mitigation.

As stated above, the updated depreciation expense is estimated to be \$2.4 million for 2022 through 2025, an increase from the previous filing of approximately \$1 million. Staff supports deferring, for later recovery, the additional depreciation expense related to the newly identified capital investments.

Proposed Accounting Treatment

In the previous WMP case, the Company was authorized to defer, for future amortization, 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. The Company was also authorized to similarly defer the incremental insurance costs, as measured from the 2019 base levels presented in the Company's application in that case.

In this case, the Company seeks additional authorization from the Commission to defer, for future amortization, the Idaho jurisdictional share of actual incremental O&M expenses associated with newly identified costs pertaining to the Company's wildfire mitigation efforts.

Staff continues to support the Company's efforts to mitigate the risks of wildfires and therefore continues to support using a deferral mechanism for the O&M, Insurance, and Depreciation expenditures, as authorized in Commission Order No. 35077. The Company proposes to track actual expenses beginning January 1, 2022 and proposes to record the incremental O&M and depreciation expense amounts in Federal Energy Regulatory Commission ("FERC") Account 182.3 (Other Regulatory Assets). The recovery of prudently incurred costs and the recovery method would be addressed in a future regulatory proceeding.

Future Recovery of Deferred Costs

If the Company's requested deferral is approved by the Commission, Staff's right to audit, question or challenge the appropriateness and prudence of any costs deferred will not be limited. Staff believes that it is necessary for the Company to maintain sufficient and detailed records to support a determination of prudence when it seeks recovery of these costs in a subsequent filing.

Staff is concerned with the Company's failure to describe the criteria and selection processes used for projects or pilots. For example, it is unclear how locations for

undergrounding distribution lines detailed in the WMP were determined. Staff recommends that the Company develop criteria and a selection process for projects or pilots. Specifically, for undergrounding distribution lines, Staff recommends the Company develop project criteria, a selection process, and provide a cost-benefit analysis for completed and future projects prior to the Company's next general rate case.

Additionally, the Company did not include details of how it will evaluate each pilot project and the process to carry out pilot projects to implementation of a full program. Staff recommends that 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. Additionally, Staff recommends the Company provide an analysis and a comparison of alternatives it considered for each project or program when recovery of costs are requested.

The Company did not include any alternative funding sources for project or pilots. Given the current availability of federal infrastructure funds, Staff believes it would benefit the Company and ratepayers to pursue all potential sources of funds. Staff recommends that the Company describe all funding alternatives pursued for each project or pilot when it seeks recovery.

Engagement with Staff and Other Regulated Electric Utilities

As wildfire related activities continue to expand and utilities evolve their plans and activities, Staff recommends the Company conduct semi-annual (pre-fire season and post-fire season) wildfire updates with Staff and the Commission. Additionally, Staff encourages the Company to work with the regulated electric utilities in Idaho to help develop and refine its WMP. Also, Staff recommends that the Company file a copy of version changes to the WMP with the Commission as they occur.

CUSTOMER COMMENTS

As of February 8, 2023, no customer comments have been filed.

STAFF RECOMMENDATIONS

1. Staff recommends the Commission issue an order 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. Recovery

of prudently incurred expenses, along with the amortization period, should be determined in the next general rate case.

2. Staff recommends that the Commission issue an order requiring the Company to include details of any partnerships or agreements formed that may benefit the wildfire program, contribute to program costs, or provide cost sharing opportunities in the WMP.

3. Staff recommends that the Commission issue an order requiring the Company to conduct semi-annual (pre-fire season and post-fire season) wildfire updates with Staff and the Commission.

4. Staff recommends that the Commission issue an order requiring the Company to provide details of all funding alternatives and sources pursued within the WMP.

5. For undergrounding distribution line projects for wildfire mitigation, Staff recommends the Commission issue an order requiring the Company develop project criteria, a selection process, and provide a cost-benefit analysis for completed and future projects prior to the Company's next general rate case.

6. Staff recommends that the Commission order the Company to file a copy of version changes to the WMP with the Commission when they occur.

7. Staff recommends that 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.

8. Staff recommends the Company provide an analysis and a comparison of alternatives it considered for each project or program when recovery of costs are requested.

Respectfully submitted this 9th day of February 2023.



Riley Newton
Deputy Attorney General

Technical Staff: Kevin Keyt
Kimberly Loskot
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9TH DAY OF FEBRUARY 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-22-27, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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