

Analysis

Background

The Commission adopted rules related to utility risk-based wildfire plans and wildfire mitigation activities in Oregon Administrative Rules (“OAR”) within Division 24 and Division 300. These rules implement Senate Bill (“SB”) 762 from 2021, which directed Oregon utilities to file inaugural wildfire mitigation plans (“WMP”) with specified elements by December 31, 2021.

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer including, reason for the deferral and the estimated amount of the deferral.

Estimated 2023 Costs.

In 2023, Idaho Power estimates incremental wildfire O&M expenses in Oregon of \$714,000.

Description of expenses

Idaho Power has identified new and incremental wildfire-related O&M expenditures in the following categories:

- a) quantifying wildland fire risk;
- b) situational awareness;
- c) field personnel practices;
- d) transmission and distribution (“T&D”) mitigation programs;
- e) enhanced vegetation management;
- f) communications; and,
- g) information technology.

Reason for Deferral

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers.

Proposed Accounting

Idaho Power will record Deferred Amounts at Federal Energy Regulatory Commission (FERC) Account 182.3 – Other Regulatory Assets.

Information Related to Future Amortization

- Earnings review – Staff proposes that the Commission will not apply an earnings test consistent with Order 23-173, that was issued for Portland General Electric and Pacific Power.¹
- Prudence Review – Will be conducted prior to amortization and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Staff is not recommending an overall sharing mechanism consistent with Order 23-173.
- Rate Spread/Design – The deferred amortization amount will be spread based on distribution and transmission revenues in proportion to the components for which costs are incurred.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because Pacific Power is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Conclusion

Staff reviewed the Company's application and identified no concerns at this time. Accordingly, Staff recommends the application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

¹ Staff recognizes that Order No. 23-173 did not make decisions related to Idaho Power, but believes it is appropriate to treat the earnings review and cost sharing mechanisms for wildfire expense deferrals the same across electric utilities unless otherwise directed by the Commission.

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PROPOSED COMMISSION MOTION:

Approve Idaho Power's application to defer costs associated with Wildfire Risk Mitigation for the 12-month period beginning December 29, 2022 and ending December 28, 2023.