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To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director
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Date: August 11, 2023

Subject: Docket 23-035-27

Rocky Mountain Power's 2023 Wildland Fire Cost and Compliance Report – Phase 1 Comments (Sections 1 thru 4 of Report)

INTRODUCTION

On June 1, 2023, Rocky Mountain Power (“RMP”) filed with the Utah Public Service Commission (“PSC”) its 2023 Wildland Fire Cost and Compliance Report (“Report”). On July 12, 2023, the PSC issued a Scheduling Order and Notice of Hearing. The PSC adopted the parties’ request from the July 10, 2023 scheduling conference to bifurcate the schedule into two phases – Phase I on 2022 accomplishments (Sections 1 thru 4 of the Report) and Phase II on RMP’s cost recovery and a requested rate increase (Section 5 of the Report). The Scheduling Order set a Phase I deadline of August 11, 2023 for parties to file initial comments and August 25, 2023 for reply comments on RMP’s 2023 Report. Pursuant to the PSC’s Scheduling Order, the Utah Office of Consumer Services (“OCS”) submits these Phase I initial comments in this docket.

OFFICE OF CONSUMER SERVICES COMMENTS

Background on Plan and Reporting Requirements

In 2020, H.B. 66 was signed into law requiring RMP to prepare and submit for approval a wildland fire protection plan and requiring the PSC to review and approve the wildland fire protection plan.¹ In addition, H.B. 66 allows RMP to recover, through rates, the capital investment and expenses prudently incurred to implement its wildland fire protection plan. H.B. 66 also requires RMP to annually report the prior year actual capital investments and expenses incurred for the implementation of a wildland fire protection plan to the PSC. This annual report should also include a forecast of

¹ See Utah Code Chapter 24 Wildland Fire Planning and Cost Recovery Act, § 54-24-101 to 203.

expenditures for the current year and an assessment showing that RMP is in compliance with its current approved wildland fire protection plan.

PSC Rule R746-315 governs the regulatory process for reviewing RMPs Wildland Fire Plan and RMP's annual Wildland Fire Cost and Compliance Report. R746-315 states:

R746-315-2 (3) - The Commission shall approve a qualified utility's wildland fire protection plan to the extent that the evidence in the record establishes that it:

- (i) is reasonable and in the public interest; and
- (ii) appropriately balances the costs of implementing the wildland fire protection plan with the risk of a potential wildland fire.

and

R746-315-3 (6) - ...the Commission will issue an order regarding the qualified utility's cost and compliance report, and, to the extent requested by the qualified utility, approving any deferral and collection of the incremental revenue requirement reasonably demonstrated by such report, provided the Commission finds the cost and compliance report satisfies statutory requirements and that the reported costs were prudently incurred.

OCS Phase I Review

The OCS has reviewed the 2023 Report in this Phase 1 part of the docket focusing on what RMP has accomplished and how the plan has changed as compared to the original Wildland Fire Protection Plan ("2020 Plan") filed on June 1, 2020 in Docket No. 20-035-28. The OCS notes that although the 2023 Report contains 45 pages of content, only pages 1 thru 16 contain information on what RMP has accomplished. The remaining pages address cost recovery and Wildland Fire Balancing Account calculations.

The OCS's initial conclusion is that RMP is doing much more than what was anticipated in the 2020 Plan. For example, in 2022 RMP incurred \$12.3 million in O&M expenses versus the original budget of \$4.8 million. For 2023 & 2024, O&M was originally budgeted for \$4.9 million each year, but RMP has updated the budgets to \$7.5 million and \$11.0 million respectively. For 2023, the Report is forecasting actual O&M to be \$11.7 million.² Again, O&M spending will be considerably higher, i.e. over 100% higher, than the original budget of \$4.9 million from the 2020 plan. See summary table on O&M expenses below.³

² See Tables 3 and 4 of the 2023 Report.

³ Ibid.

Utah Wildland Fire Protection Implementation Summary – O&M Budget 2020-2024

\$ Millions	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Budget	Total
Total Costs	\$3.80	\$6.00	\$12.30	\$11.70	\$11.00	\$44.80
Original 2020 Plan Estimate	\$4.30	\$5.00	\$4.80	\$4.90	\$4.90	\$23.90
Variance	(\$0.50)	\$1.00	\$7.50	\$6.80	\$6.10	\$20.90

Capital expenditures were initially significantly under budget in 2020 and 2021 due to the COVID pandemic and supply chain issues. It was expected that capital expenditures would “catch up” in 2022, which is what occurred. However, the total expected capital expenditures for the five years 2020 through 2024 are now expected to be \$257.7 million versus the original budget from the 2020 Plan of \$206.4 million. This is additional spending of \$51.3 million or an increase of 24.9%. See summary table on the capital budget below.⁴

Wildland Fire Protection Implementation Summary – Capital Budget 2020-2024

(\$ Millions)	2020 Actuals	2021 Actuals	2022 Actuals	2023 Budget	2024 Budget	Totals
Total Costs	\$25.90	\$23.50	\$78.30	\$65.00	\$65.00	\$257.70
Original 2020 Plan Estimate	\$37.40	\$50.70	\$50.10	\$40.50	\$27.70	\$206.40
Variance	(\$11.50)	(\$27.20)	\$28.20	\$24.50	\$37.30	\$51.30

In the Report, RMP explains that of the \$7.5 million of O&M that was spent over budget in 2022 (\$12.3 minus \$4.8), \$3.7 million more was spent on inspections and vegetation management and \$3.4 million more on weather modeling and risk forecasting software than originally planned in the 2020 Plan. According to Table 1 of the Report, it appears that the primary driver of increased capital spending are “System Hardening” activities. RMP explains that the capital spending increases are due to “updated project scopes, expanded mitigation efforts, additional condition corrections and general cost increases associated with inflation.”

The OCS appreciates RMP’s expanded efforts to mitigate wildfire risk in its service territory but is also concerned about the expanded costs of the program, additional costs that are not subjected to as rigorous a review as would be done in a general rate case to ensure that they have been prudently incurred. We are hopeful that if costs associated with mitigating wildfire risk continue to rise that RMP will provide more explanation in its annual Cost and Compliance Report to demonstrate that the investments it is making are carefully chosen and more cost effective than other options to ensure that cost recovery remains in the public interest.

⁴ See Table 2 of the 2023 Report.

Section 4 of the 2023 Report only briefly highlights some changes to the plan where RMP has needed to spend more funds or expects to spend more funds in the future. Increased expenditures are in progress for Advanced Weather Forecasting and an update to the Line Rebuild Program. RMP has also “identified the need for additional, dedicated resources...procuring the support of a Construction Management partner to meet future Line Rebuild targets.”

RMP’s 2023 Report contains substantial detail on accomplishments to-date in implementing its Wildland Fire Protection Plan. The OCS briefly highlights a few of RMP’s interesting accomplishments:

- Mobile cellular trailers – Cell on Wheels (COWs) – page 7
- 11,723 trees trimmed and 1,358 trees removed⁵ - page 8
- RMP now has an internal meteorology team – page 12
- The buildout of a very large weather station network which requires significant annual maintenance – page 12
- RMP purchased High Performance Computing Clusters (HPCCs) for weather modeling - page 13
- RMP conducted three Public Safety Power Shutoff (PSPS) tabletop exercises in 2022 to prepare local communities for possible PSPS events – page 15

Two areas of expenditures that have raised questions are donations of \$250,000 to Pheasants Forever and \$45,000 to Hawk Watch International (pages 9 – 10). The OCS will review these expenditures in Phase II of this docket where RMP is seeking recovery in rates primarily for Wildland Fire Protection O&M expenses that are in excess of what RMP included in its 2020 general rate case.

As stated earlier, HB. 66 requires the annual cost and compliance report to include a forecast of expenditures for the current year and an assessment showing that RMP is in compliance with its current approved wildland fire protection plan. The OCS believes that RMP’s 2023 Report has met these requirements, though RMP has conducted activities and spent funds that are in addition to what was contemplated in its 2020 Plan.

RECOMMENDATION

The OCS recommends that the PSC acknowledge RMP’s 2023 Report.

cc:

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⁵ Related content: *PG&E Pares Back Tree Trimming, Once Key to Fire-Prevention Plan* – WSJ, <https://www.capitaliq.spglobal.com/web/client?auth=inherit#news/article?Id=76851097>