

# Utility Wildfire Risks

House Committee on Judiciary

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# Summary of Presentation

- Background
  - PUC Overview
- Basics of Utility Ratemaking
  - Process Steps
  - PUC's Role in Setting Rates
- Wildfire Risks
  - Mitigating physical wildfire risks
  - Financial risks associated with wildfire

# PUC Overview

## Economic regulator of investor-owned utilities (IOUs)

- Electric – PGE, PacifiCorp, and Idaho Power
- Natural Gas – NW Natural, Cascade, and Avista
- Select telecom and small water companies

## Safety oversight for all utilities, including consumer-owned utilities

- Cooperatives
- Municipalities
- Peoples' Utility Districts

Our **mission** is to ensure Oregonians have access to **safe, reliable and fairly priced** utility services that advance **state policy** and promote the **public interest**.

We use an **inclusive process** to evaluate differing viewpoints and visions of the public interest and arrive at **balanced, well-reasoned, independent decisions** supported by fact and law.

# PUC Ratemaking – Background

- PUC has “the broadest authority—commensurate with that of the legislature itself—for the exercise of [its] regulatory function.” *Gearhart* 255 Or App 58 (2013)
  - Limited by the boundaries of the legislature's delegation and confines of state and federal constitutions
- The PUC sets reasonable rates to balance interests of the utility and its customers
  - For customers, rates must be sufficiently low to avoid unjust and unreasonable exactions
  - For the utility investor, rates must provide sufficient revenue for operating expenses and capital costs
- IOUs remain private enterprises with private rights
  - If rates “do not afford sufficient compensation, the State has taken the use of the utility property without paying just compensation \* \* \*.” *Duquesne Light* 488 US 299 (1989)

# PUC 101 – General Rate Case

- Year-long contested case to resolve disputed issues of fact, law, and policy
- Staff and other parties (customer/environmental) evaluate utility projected costs
  - ▶ Operations and Maintenance ▶ Administrative and General
  - ▶ Capital costs ▶ New investments
- PUC determines:
  - A revenue requirement and rate of return
  - How to allocate costs among customer classes
- Decisions must be based on evidentiary record
  - *Ex parte* restrictions apply
  - May be appealed to Court of Appeals

# PUC's Traditional Safety Role

Requires utilities to proactively manage all safety and reliability risks (e.g. wildfire, earthquake, cybersecurity, civil unrest)

Unique in the West - conduct field audits for compliance with:

- National Electric Safety Code and
- Minimum vegetation clearance requirements set out in rule

Review whether the IOUs have sufficient revenue and are spending to operate and maintain systems in a safe manner

# Heightened Wildfire Risk – Call to Action

## PUC Action:

- 2019 - Directed IOUs to report on wildfire mitigation plans and efforts to address risk
- West Coast Forum to share lessons learned, emerging best practices, and actions taken throughout the region
- Convened forum in Southern Oregon to bring utilities, emergency partners, utilities, and state agencies on wildfire risk

## Executive Order 20-04 and SB 762:

- PUC to hold workshops to assist all operators of electrical systems to develop and share best practices for mitigating wildfire risk
- Required all utilities operate under Wildfire Protection Plans:
  - IOUs submit plans for PUC approval
  - COUs file approved plans with PUC

# Wildfire Mitigation Planning Evolution

## EO 20-04 & SB 762

Establish  
OWEC

Create PSPS  
Expectations

Create WMP  
Rules

Update Safety  
Rules

## Formal WMP – 2022-23

Common plan  
structure

Community  
Engagement

Cost recovery  
mechanism

## WMP Improvement Phase 1 – 2024

Transition to  
3-year plans  
with interim  
updates

Develop  
consistent  
data  
expectations

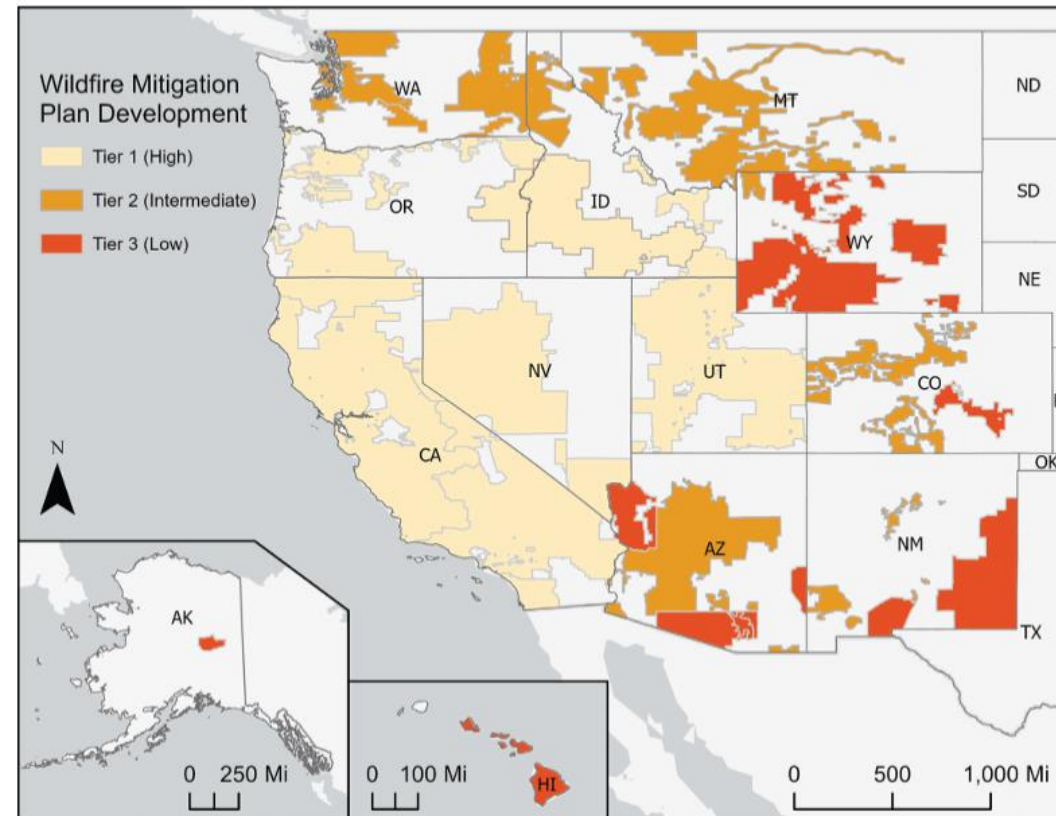
## WMP Improvement Phase 2 - 2025

Create  
common risk  
quantification,  
mitigation &  
valuation  
methods



# External Perspective on IOU Wildfire Maturity

Figure 3: Wildfire Mitigation Plan Development in Western Investor-Owned Electric Utilities Exposed to Wildfire Risk (Utility Service Territory)



# Current Forecasts for Multiyear Spend

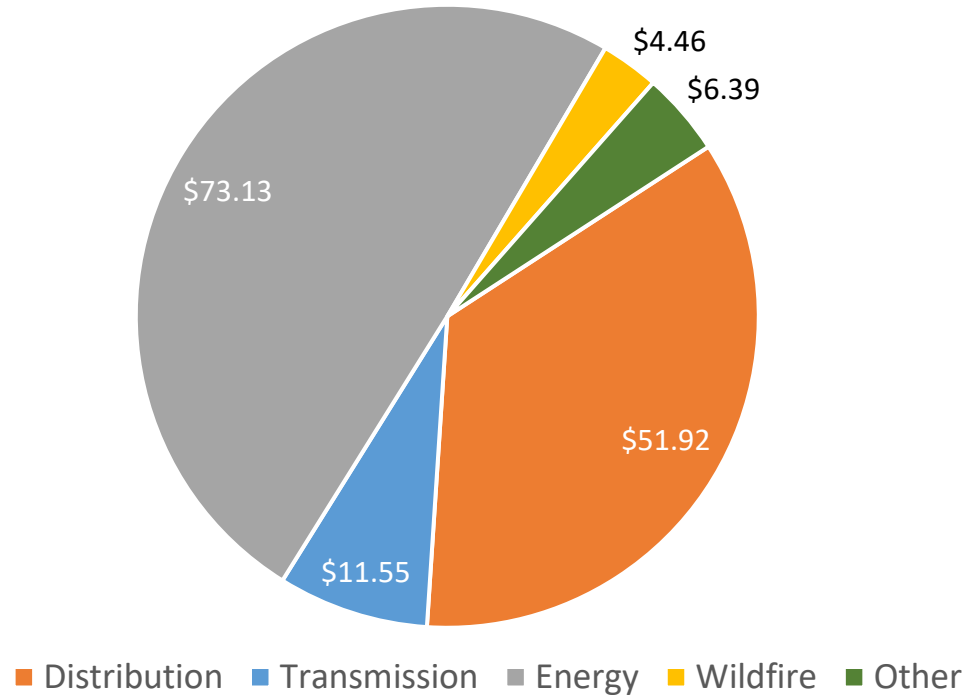
WMP Costs Actual & Planned \$Millions	PacifiCorp (thru 2028)*	PGE (thru 2027)	Idaho Power (thru 2027)	Total
O&M to date	60.2	97.2		157.4
Capital to date	60.3	58		118.3
O&M planned	195	163.9	1.8	360.7
Capital planned	780.8	235.3	4.9	1,021
Total	1,096.3	554.4	6.7	1,657.4
Cost Per High-Risk Line Mile	\$300,112	\$432,112	\$88,103	\$330,713
Cost per Customer	\$1,777	\$601	\$33	\$1,063

\*costs from 2024-2028 Plan

# PacifiCorp & PGE Bill Comparison

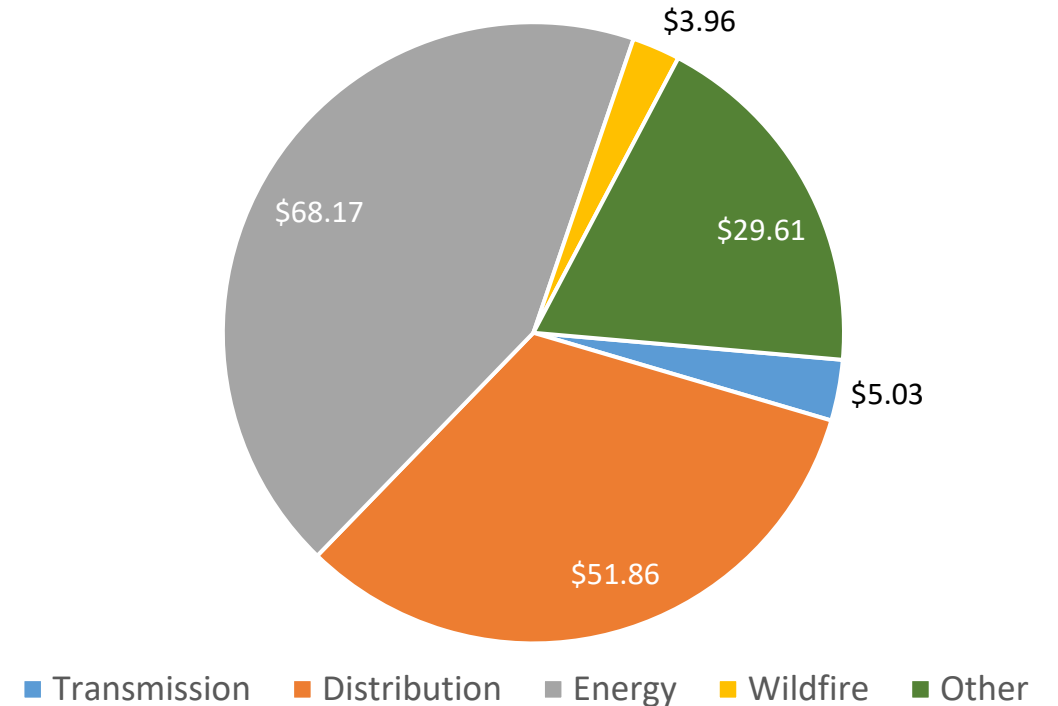
Note: Wildfire bill impact does NOT include cost of settlements or damages

PacifiCorp January 2024 Average Customer Bill Breakdown



Assumes residential average usage of 950 kWh per month

PGE January 2024 Average Customer Bill Breakdown



Assumes residential average usage of 795 kWh per month

# Limitations of Utility Risk Mitigation

## Full Utility Control

- Maintenance / Hardening
- Sensitive Settings / PSPS

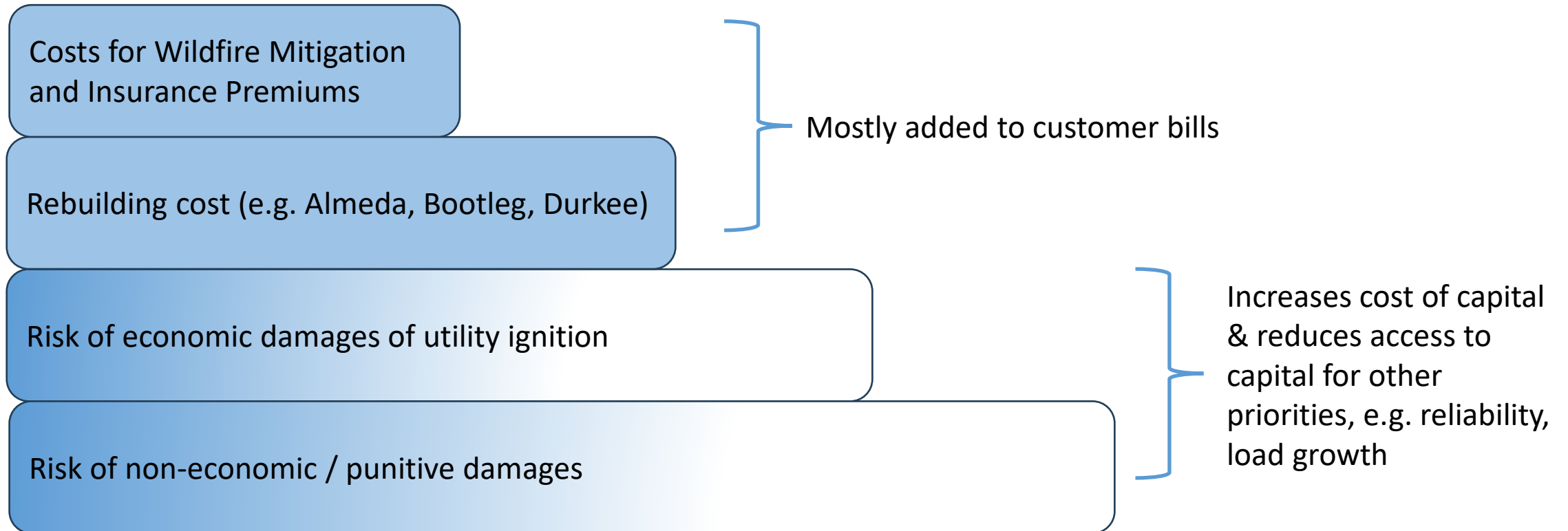
## Partial Utility Control

- Vegetation Management
- Wildfire Liability Insurance

## No Utility Control

- Drought impacts
- Extreme weather
- Building codes
- Response capabilities

# Customer Cost Impacts of Wildfire Risk



# Financial Risks – Key Takeaways

- Utilities have made significant progress to mitigate the risk of ignition, but that risk can never be eliminated
- Utilities can do very little to reduce the consequences of an ignition
- Any ignition near utility infrastructure can result in civil litigation that can produce financially destabilizing judgments
  - Severely impair the quality and cost of service to customers
  - Impair work on state energy policies
  - Limit wildfire victims' ability to receive compensation

# Questions?

For follow-up questions, please contact  
[Nolan.Moser@puc.oregon.gov](mailto:Nolan.Moser@puc.oregon.gov)

# Key Drivers of Recent Rate Increases

- Increased cost of purchasing wholesale electricity and natural gas
- Investments in grid infrastructure to maintain safety and improve reliability
- Extreme weather events and clean up
- Increased spending on wildfire mitigation/increased insurance costs
- Economy-wide inflation



# Wildfire Protection Plans (WPPs)

- IOUs:
  - File annual WPPs at end of year
  - PUC reviews and approves within 180 days
- COUs file copies of approved plans
- PUC currently reviewing 2025 plans
- [Link to Copies of Plans and PUC Dockets](#)



# WPP – Key Requirements

- Identify high-risk areas in service territory or rights-of-way
- Provide risk analysis and plans to prevent and mitigate wildfire risk
- Describe:
  - Plans for community engagement and strategies for collaborating with gov't agencies and local communities
  - Public Safety Power Shut-off (PSPS) protocols
  - Infrastructure inspection and vegetation management practices
- [PUC Rules - WPP Requirements](#)