



1407 W. North Temple, Suite 330
Salt Lake City, UT 84116

August 21, 2023

VIA ELECTRONIC FILING

Jan Noriyuki
Commission Secretary
Idaho Public Utilities Commission
11331 W Chinden Blvd.
Building 8 Suite 201A
Boise, ID 83714

**Re: CASE NO. PAC-E-23-18
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
FOR A DEFERRED ACCOUNTING ORDER RELATED TO INSURANCE
COSTS**

Dear Ms. Noriyuki:

Please find Rocky Mountain Power's electronic filing of this Application in the above referenced matter.

Informal inquiries may be directed to Mark Alder, Idaho Regulatory Affairs Manager at (801) 220-2313.

Sincerely,

A handwritten signature in black ink that reads "Joelle Steward". The signature is written in a cursive, flowing style.

Joelle Steward
Senior Vice President, Regulation and Customer & Community Solutions

Enclosures

CC: Terri Carlock

Joseph Dallas (ISB#10330)
825 NE Multnomah St., Suite 2000
Portland, OR 97232
Telephone: (360) 560-1937
Email: joseph.dallas@pacificorp.com

Attorney for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE)	
APPLICATION OF ROCKY)	CASE NO. PAC-E-23-18
MOUNTAIN POWER FOR A)	
DEFERRED ACCOUNTING ORDER)	APPLICATION FOR ACCOUNTING
RELATED TO INSURANCE COSTS)	ORDER
)	

Pursuant to I.C. § 61-524 and IDAPA 31.01.01.052, Rocky Mountain Power, a division of PacifiCorp, (“Rocky Mountain Power” or the “Company”), applies to the Idaho Public Utilities Commission (“Commission”) for an accounting order authorizing the Company to record a regulatory asset associated with the costs associated with increased insurance premiums (“Deferred Amount”). Wildfire liability risk is impacting the commercial insurance markets with an increase in the premiums for available insurance coverage.

In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a public utility in the state of Idaho and is subject to the jurisdiction of the Commission with regard to its rates and service. Rocky Mountain Power also provides retail electric service in the states of Utah and Wyoming.
2. Communications regarding this Application should be addressed to:

By e-mail (preferred): datarequest@pacificorp.com
mark.alder@pacificorp.com

joseph.dallas@pacificorp.com
carla.scarsella@pacificorp.com

By mail: Data Request Response Center
Rocky Mountain Power
825 NE Multnomah St., Suite 2000
Portland, OR 97232

Mark Alder
Rocky Mountain Power
1407 W. North Temple, Suite 330
Salt Lake City, UT 84116
Telephone: (801) 220-2313

3. Wildfires across the western United States have resulted in significantly increasing wildfire costs and inability to acquire insurance at rates that have been consistent with past premiums. Liability insurance, including wildfire liability insurance, is a prudent business expense that protects the Company and customers against financial losses from third-party claims.

4. PacifiCorp's currently approved rates include premiums for commercial insurance covering third-party liability for claims in excess of \$10 million (the Company self-insurances for small claims under \$10 million), and a self-insurance reserve for property damage in each state. However, because the wildfire risk for utilities in the western United States has radically changed in the past few years, the premiums for available commercial insurance coverage have significantly increased. As was noted in the Insurance Journal, insurers have taken note of the fact that, "[l]iability on the scale imposed by the Oregon jury presents an existential threat to an industry that faces increasing wildfire risk from more extreme weather fueled by climate change."¹

5. As discussed above, PacifiCorp requests authorization to defer the incremental costs associated with Company's insurance coverage. Based on the best available information known in its last rate case, PacifiCorp's rates were approved to reflect a reasonable level of self-

¹ Joel Rosenblatt, *Utility Investors Wary of Exposures After Buffet's PacifiCorp Held Liable for Wildfires*, INSURANCE JOURNAL (July 19, 2023), <https://www.insurancejournal.com/news/national/2023/07/19/731224.htm>.

insurance and commercial insurance related to third-party claims, which is a normal part of providing electric service to customers. The costs identified in this application would account for the incremental cost of acquiring coverage for the policy periods commencing August 15, 2023 or later. As such, all costs are related to claims against PacifiCorp resulting from providing service to its customers.

6. The combined amount of these insurance premiums, and continued ability to maintain coverage may represent a material impact to the financial stability of the Company that resulted from unique and unforeseen circumstances outside the Company's reasonable control. Additionally, this deferral covers insurance costs for the third-party claims on PacifiCorp for events that may occur under both Federal and State emergency declarations. The potential magnitude of the insurance costs exceeds normal costs anticipated by PacifiCorp and included in its retail rates and could also far exceed the reasonable business risk associated with these claims.

7. If this application is approved, the Company will record deferred amounts by debiting Federal Energy Regulatory Commission ("FERC") Account 182.3-Other Regulatory Assets and crediting FERC Account 925-Injuries and damages. If this application is denied, the costs will remain in FERC Account 925.

8. PacifiCorp estimates that the commercial insurance costs are approximately \$125 million (total company) for the policy period beginning August 15, 2023 or later. Current rates reflect \$32.7 million (total company), which would result in a deferral for Idaho's allocated share of approximately \$92.3 million (total company) for the difference between the new costs and the amount in rates.

9. The Company acknowledges that the Commission's approval of deferred accounting treatment for these increased insurance costs will not, in itself, constitute approval of

ultimate recovery of those costs. Recovery of the costs would be subject to a prudence review and a final decision on rate recovery in a future regulatory filing.

10. Rocky Mountain Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing, in accordance with RP 201 et seq.

WHEREFORE, Rocky Mountain Power respectfully requests an accounting order authorizing it to record a regulatory asset to FERC Account 182.3 (Other Regulatory Assets). Recovery of the deferred insurance costs will only be authorized through a subsequent regulatory filing.

DATED: August 21, 2023

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. Dallas", is written over a horizontal line.

Joseph Dallas (ISB#10330)
825 NE Multnomah St., Suite 2000
Portland, OR 97232
Telephone: (360) 560-1937
Email: joseph.dallas@pacificorp.com

Attorney for Rocky Mountain Power