



Natural Disaster Protection Program

Wildfire Self-Insurance Policy

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Wildfire Risk



Increase in Wildfires:

- Over the past 20 years frequency and scope of wildfires have grown significantly. There are more fires causing more damage

Factors:

- Dryer and hotter weather conditions
- Prolonged droughts
- High wind events
- Forest management challenges
- Population growth into the high-risk wildland urban interface (WUI)

Risk in Nevada:

- From 2000 to 2018, wildfires in Nevada burned 9.5 million acres, more than twice the 4.5 million acres burned between 1980 and 1999

The risk electric utilities face is an imminent threat



Wildfire Self-Insurance Policy



What is the proposed policy?

- \$500 million self-insurance policy to supplement current wildfire liability coverage
- Collected over a ten-year period to provide balanced and predictable rates
- Premiums will be kept within the utility and invested over the 10-year collection period
- The policy will be used to directly support customers, not back to the company for emergency repairs or equipment.

Why is NV Energy proposing this policy?

- Increased wildfire risk
- Increased cost and limited availability of traditional insurance
- Lack of current coverage
- Provide financial stability
- Provide a balanced approach

What are the risks to customers if NV Energy is not properly insured?

- Emergency rate increases
- Higher long-term rates
- Reduced service reliability
- Limited investments in essential projects

What are the benefits of the self-insurance model?

- Cost effective
- Limited market for commercial insurance
- Direct control of the policy
- Investment benefits
- Regulatory precedent

Impact on customers



Funding the Policy:

- The policy will be paid for through customer rates, just like traditional insurance. Shareholders will also pay a co-payment if the policy is accessed.

Jurisdictional Funding:

- Sierra customers in Northern Nevada, who face a higher risk of wildfires, will cover a larger portion of the costs compared to Nevada Power customers in Southern Nevada.

Rate Impact:

- **Sierra customers: \$0.00316 per kWh**
 - An average residential customer at Sierra Pacific Power using 765 kWh per month, can expect to see their bill increase by approximately \$2.40 per month.
- **Nevada Power customers: \$0.00045 per kWh**
 - An average residential customer at Nevada Power using 1,165 kWh per month, can expect to see their bill increase by approximately \$0.50 per month.



Commercial Customers:

- A per kWh charge will be applied equally to all customer classes, including large commercial customers. Major customers contribute proportionally to their energy usage, supporting utility stability.

Wildfire Self-Insurance Policy



- NV Energy is first and foremost focused on taking action to reduce the risk of a catastrophic wildfire ever occurring in the communities we serve.
- It is important to put advanced plans in place to ensure there is also financial planning completed in the event of a catastrophic wildfire to protect our customers and the ability to continue to provide electric service to the communities we serve.



Natural Disaster Protection Program



- Nevada Senate Bill 329 (2019) requires NV Energy to address wildfires and natural disasters through the Natural Disaster Protection Plan (NDPP).



This is what **we do**
 **NVEnergy**

- NV Energy invested \$248 million in wildfire mitigation from 2019 through 2023, and has received an approval from the Public Utilities Commission of Nevada (PUCN) to spend an additional \$373 million in 2024-2026 for natural disaster risk mitigation
 - Costs are deferred into a regulatory asset with prudence review and cost recovery the following year
 - One statewide rate for program costs except capital expenditures which are recovered in the service territory in which the asset is placed in service

Aspects of the NDPP



Prevention



Vegetation Management

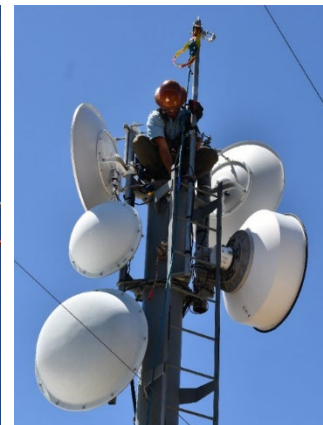
- Fuels treated in all wildland areas
- Resiliency Corridors established with collaborative treatments, grant matching, and fuel mapping
- Over 5,000 poles have been cleared
- Over 75k unhealthy trees trimmed/removed since 2020

Inspections and Patrols:

- Perform annual patrols and detailed inspections every year.
- 52,522 inspections and patrols during 2024.
- On track with patrols and inspections- resolving high priority 0 corrections immediately and resolving priority 1 corrections 10-12 weeks

Grid Resiliency

- Rebuilding overhead lines with covered conductors or selectively undergrounding lines
- Replacing conventional fuses with non-expulsion fuses
- Replacing traditional poles with a ductile iron alternative or wrapping in a fire mesh material.



Detection

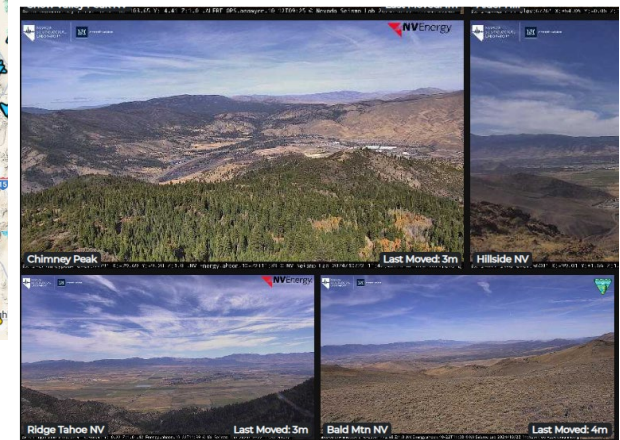
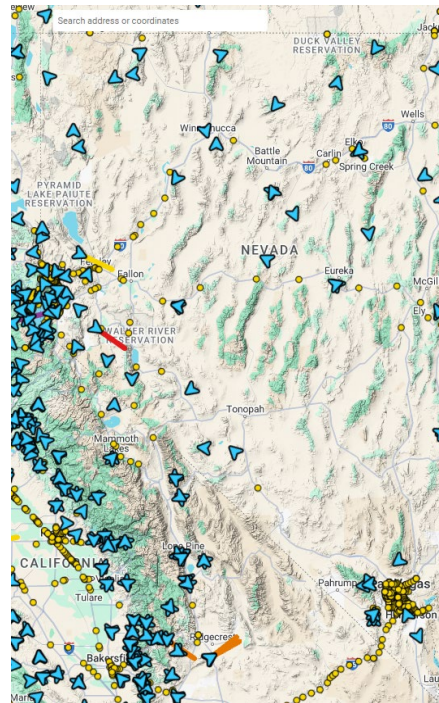


Situational Awareness

- NV Energy has access to a vast network of weather stations and wildfire cameras
- 24/7 A.I. monitoring and alerts for fire starts on fire cameras
- Industry-leading fire modeling technology

Industry Experts

- Two full-time meteorologists with expertise in fire weather and behavior, dedicated to continuous weather forecasting.
- Two full-time fire management officers with extensive experience in fire mitigation and control activities.



Protection



Proactive de-energization is the best form of protection electric utilities have against causing or worsening wildfires.

Fast Trip Fire Mode:

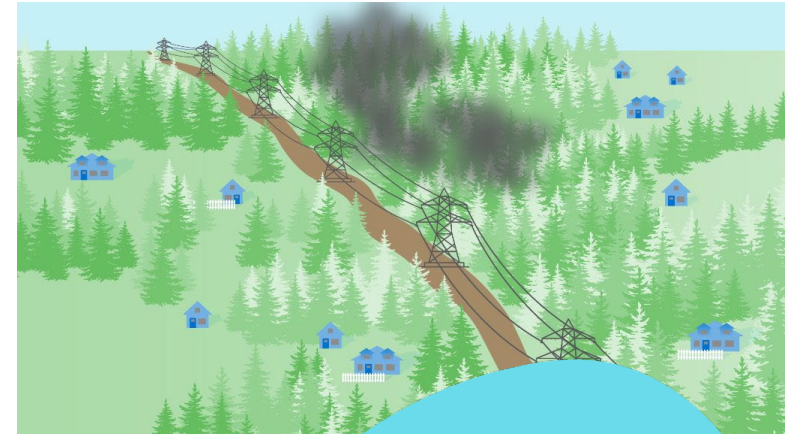
- Sensitive settings on equipment that detect faults and reduce ignitions.

Public Safety Outage Management:

- Proactive de-energization ahead of extreme weather events that pose ignition risks.

Emergency De-Energization:

- De-energization in reaction to a wildfire that has already begun and gets too close to NV Energy facilities.



Fast Trip Fire Mode



Fast Trip Fire Mode (FTFM)

- Use more sensitive equipment settings during high fire risk to reduce ignitions.
- Lines de-energize in a fraction of a second if a fault is detected (e.g., debris, vegetation, animals).
- More frequent outages occur but reduce ignitions from lines.
- 100% of overhead circuits in high-fire risk areas have FTFM capability.
- FTFM settings enabled well in advance of weather conditions historically linked to catastrophic fires.



Fast Trip Fire Mode



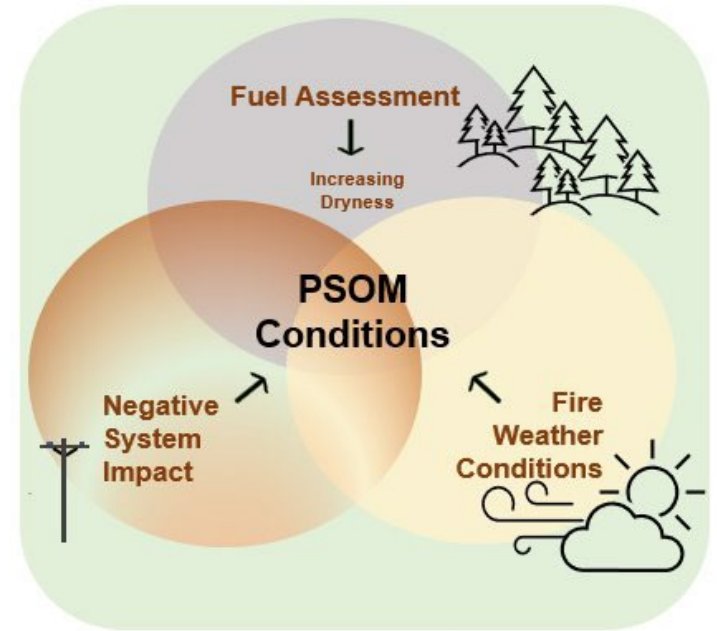
FTFM ENABLED

FTFM DISABLED



Public Safety Outage Management (PSOM)

- NV Energy may de-energize power lines during high wildfire risk periods.
- PSOM decisions are based on extreme weather and area conditions (high winds, low humidity, dry fuels).
- Damaged or debris-contacted energized equipment can create sparks, leading to fires that spread quickly in high winds.
- PSOM is a common practice for Western electric utilities and is becoming more widespread.



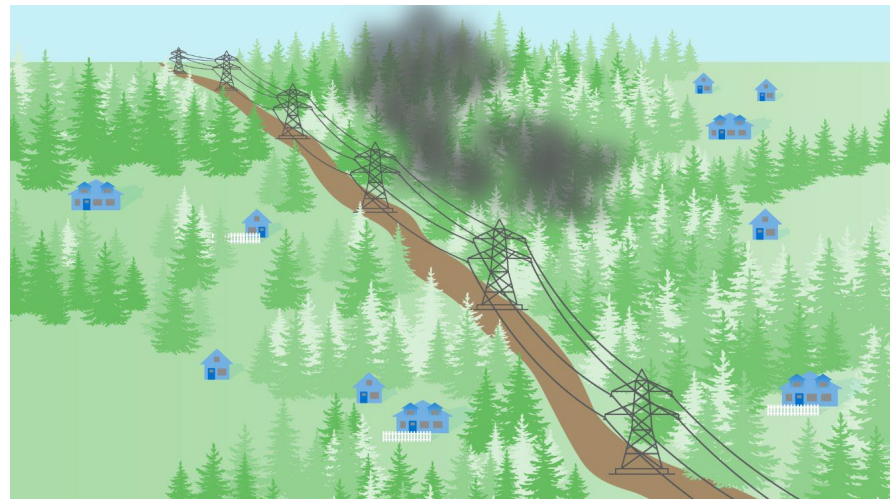
2020	2021	2022	2023	2024
1 PSOM	2 PSOM	5 PSOM	1 PSOM	4 PSOM

Emergency De-Energization



Emergency De-Energization

- NV Energy will de-energize equipment when an **unpredictable** and **uncontrolled** wildfire gets too close to NV Energy equipment. This applies to all NV Energy generation, transmission, and distribution facilities
- To quickly respond to threats, NV Energy may turn off power at the substation instead of individual circuits. This impacts more customers initially but allows for a swift response.
- Goal is to **safely** restore power as soon as possible



NDPP Limitations



No wildfire mitigation plan, including the NDPP, can completely eliminate the risk of catastrophic wildfires caused by utility equipment.

Geographic Limits & External Threats:

- NDPP targets high-risk areas but can't cover the entire state. External factors can still compromise facilities.

Balancing Priorities:

- NDPP balances wildfire risk reduction with reliable electricity and cost management.

Gradual Implementation:

- NDPP projects are rolled out over time, so immediate total risk elimination isn't possible.

Uncontrollable Factors:

- Climate, wind, drought, and fire suppression activities can influence wildfire outcomes.



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