BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO INCREASE ITS RATES FOR ELECTRIC SERVICE TO RECOVER COSTS ASSOCIATED WITH THE JIM BRIDGER POWER PLANT.	)	CASE NO. IPC-E-21-17

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MATTHEW T. LARKIN

Q. Please state your name, business address, and present position with Idaho Power Company ("Idaho Power" or "Company").

A. My name is Matthew T. Larkin. My business address is 1221 West Idaho Street, Boise, Idaho 83702. I am employed by Idaho Power as the Revenue Requirement Senior Manager in the Regulatory Affairs Department.

Q. Please describe your educational background.

A. I received a Bachelor of Business Administration degree in Finance from the University of Oregon in 2007. In 2008, I earned a Master of Business Administration degree from the University of Oregon. I have also attended electric utility ratemaking courses, including the *Electric Rates Advanced Course*, offered by the Edison Electric Institute, and *Estimation of Electricity Marginal Costs and Application to Pricing*, presented by National Economic Research Associates, Inc.

Q. Please describe your work experience with Idaho Power.

A. I began my employment with Idaho Power as a Regulatory Analyst in January 2009. As a Regulatory Analyst I, I provided support for the Company's regulatory activities, including compliance reporting, financial analysis, and the development of revenue forecasts for regulatory filings.

In January 2014, I was promoted to Senior Regulatory Analyst where my responsibilities expanded to include the development of complex cost-related studies and the analysis of strategic regulatory issues.

Since becoming the Revenue Requirement Senior Manager in March 2016, I have overseen the Company's regulatory activities related to revenue requirement, such as power supply expense modeling, jurisdictional separation studies, and Idaho Power's Open Access Transmission Tariff formula rate.

I. OVERVIEW

Q. What is the Company requesting in this case?

A. The Company is requesting the Idaho Public Utilities Commission ("Commission") authorize Idaho Power to (1) accelerate the depreciation schedule for the Jim Bridger Power Plant ("Bridger") to allow the plant to be fully depreciated and recovered by December 31, 2030, (2) establish a balancing account, and the necessary regulatory accounting, to track the incremental costs and benefits associated with Idaho Power's cessation of participation in coal-fired operations at Bridger, and (3) adjust customer rates to recover the associated incremental annual levelized revenue requirement of $30.83 million with an effective date of December 1, 2021, which equates to an overall increase of 2.53 percent.

Q. How is the Company's case organized?

A. My testimony begins with a discussion of why the depreciable date of 2030 for the Bridger plant is appropriate and describes why the Bridger depreciation schedule for ratemaking purposes should be accelerated at this time. My testimony then details the proposed balancing account intended to recover incremental costs and benefits associated with Idaho Power's assumed exit of participation of operations at Bridger in 2030 and concludes with a quantification of the proposed $30.83 million increase to rates with a requested effective date of December 1, 2021, and a summary of why the Company's request is in the public interest.

The direct testimony of Company witness Ryan N. Adelman presents the changes to Bridger's position in Idaho Power's generation portfolio from the Second Amended 2019 Integrated Resource Plan ("IRP") reflecting the Company's exit from operations in 2030 that determined the proposed depreciable life of Bridger. Mr. Adelman then discusses the necessary actual investments made at the Bridger plant that have added to the associated plant balances since December 31, 2011, and those necessary future investments to the plant that will ensure Bridger continues to be available for safe, reliable load service through the end of 2030.

Q. Do you have any exhibits?

A. Yes. Exhibit No. 1 to my testimony details the derivation of the levelized revenue requirement calculations by cost category to be tracked in the Bridger balancing account and the Idaho jurisdictional share of the revenue requirement that the Company is proposing to include in customer rates. Exhibit No. 2 details the derivation of the Idaho jurisdictional share of the Bridger revenue requirement currently included in customer rates as approved in Case Nos. IPC-E-11-08 and GNR-U-18-01.

II. BRIDGER ACCELERATED DEPRECIATION

Q. Why is the Company proposing to modify the depreciable life of Bridger at this time?

A. Pursuant to Commission Staff's recommendation in Case No. IPC-E-03-07, Idaho Power is to file an updated depreciation study within five years of the Company's previous depreciation study. Idaho Power's most recent update, filed October 21, 2016, in Case No. IPC-E-16-23 and approved with Order No. 33770, went into effect on June 1, 2017. Because nearly five years have passed since the last update, the Company began preparations in early 2021 to file a new depreciation study. Through these preparations, Idaho Power recognized that the Second Amended 2019 IRP identified significant changes with regard to the economic life of the Bridger plant, warranting the need for specific review separate from the Company's general depreciation

filing. Given the requirement to file an updated depreciation study this year, Idaho Power believes it is appropriate to consider Bridger-related issues concurrently with the comprehensive depreciation study filed in Case No. IPC-E-21-18.

Q. Why does Idaho Power believe it is appropriate to address the depreciation of Bridger in a separate proceeding rather than through the general depreciation study update filed in Case No. IPC-E-21-18?

A. As discussed in detail in Mr. Adelman's testimony, circumstances surrounding the Bridger plant have changed since the Company last updated its depreciation rates in 2017, resulting in the Company's request for the proposed accounting treatment detailed in my testimony. Similar to the circumstances surrounding the North Valmy power plant ("Valmy") in 2017, changing conditions have resulted in an expected exit from participation in operations of Bridger that is several years earlier than what is currently reflected in customer rates. Given the complexity associated with the acceleration of Bridger's depreciation schedule and the implementation of the proposed cost recovery mechanism, the Company felt that a separate proceeding was appropriate to allow for full review of the issues presented herein.

Q. What are the benefits of implementing a cost recovery mechanism for the Bridger plant at this time?

A. Unlike the majority of the Company's assets that depreciate over a lifecycle that corresponds with their respective technical useful lives, Idaho Power's coal plants have transitioned in recent years to having a lifespan largely dictated by economic and regulatory factors. Because the economic and regulatory factors that will determine the Bridger plant's actual operating life are likely to shift and change over the next several years, it is important to put in place now a cost recovery mechanism that can mitigate the rate volatility that could otherwise exist under a more traditional ratemaking approach. As I will describe later in my testimony, the proposed Bridger cost recovery mechanism will levelize or smooth recovery of Bridger-related revenue requirements over its remaining operating life and help to mitigate the rate impact of any unforeseen changes in economics or regulatory policy. Further, because Idaho Power is a joint minority owner in the plant, these same factors may lead to differing operating plans between the partners that must be resolved through future negotiations. The ultimate outcome of those negotiations and their impact on operating life and cost is not known today. Putting in place the proposed cost recovery mechanism now will establish a framework for

cost recovery that maintains a relatively stable level of annual recovery, even though the underlying cost drivers may change over time.

Q. What is Bridger's currently approved depreciable life for ratemaking purposes?

A. Currently approved depreciation rates reflect a plant life of 60 years, with a probable retirement year of 2034.

Q. What analysis led Idaho Power to determine that exit from participation in operations at Bridger should be accelerated to year-end 2030?

A. As detailed in the direct testimony of Mr. Adelman, Idaho Power's preferred portfolio from the Second Amended 2019 IRP included early Bridger unit exits in 2022, 2026, 2028 and 2030, concluding the earlier exit from Bridger would provide a more favorable economic outcome as compared to the previous depreciable life assumption of 2034. In addition, while they differ from Idaho Power's exit dates, the Company's co-owner in Bridger, PacifiCorp, identified exit dates beginning in 2023 in their 2019 IRP (Case No. PAC-E-19-16), providing additional indication that all units of the Bridger plant will not be operational through 2034.

Q. You indicated the Company is proposing a depreciable life date of year-end 2030. Did Idaho Power

consider utilizing a depreciable life date for each unit that corresponds to the exit date of the unit?

A. Yes. However, with exit dates approaching and decommissioning costs that will be incurred on the horizon, Idaho Power believes a depreciable life of year-end 2030 for all units is appropriate as it will help minimize revenue requirement impacts to customers. In addition, accelerating the depreciation schedule at this time will more appropriately match the cost recovery with Idaho Power's participation in operation of the plant, rather than a unit-by-unit approach. This method is similar to the Commission-approved cost recovery treatment for Valmy, whereby depreciation expense recovery for both of the two units goes through 2028, even though Idaho Power's participation in each unit will have ceased in different years (2019 and 2025).[1]

Q. Please explain how the acceleration of Bridger's depreciation schedule and associated adjustment to customer's rates minimizes revenue requirement impacts.

A. From a ratemaking perspective, depreciation expense represents the recovery of investment in plant and equipment over time. When the depreciable life of an asset is not adjusted timely to reflect an economic life, it results in a shorter time period over which costs can be

[1] Case No. IPC-E-16-24, Order No. 33771.

recovered, meaning more costs must be recovered in each year to provide for full recovery of the investment over its useful life. Therefore, the more time that passes before the depreciation schedule at Bridger is adjusted to reflect the 2030 exit date, the larger the revenue requirement increase will be to allow for full cost recovery.

Q. What are the components of this filing that result in changes to the Bridger-related revenue requirement?

A. As I will explain later in my testimony, the Company is proposing to include in the annual levelized revenue requirement, actual investments made at Bridger since Idaho Power filed its last general rate case, as well as forecasted investments through 2030, with an accelerated depreciable life. In addition, the Company is proposing to include operations and maintenance ("O&M") expense savings and the estimated decommissioning costs through 2030 resulting in an increase in customer rates of $30.83 million to reflect a new levelized revenue requirement. Delaying the acceleration of the depreciation of the Bridger investments made and forecasted through 2030, would require a shorter time frame over which Idaho Power would need to recover its costs, increasing the rate impact to customers.

Q. How does the Company's proposal result in the appropriate matching of costs and rate recovery?

A. Customers will continue to be served by the Bridger plant in some capacity until year-end 2030. By accelerating the depreciation schedule to reflect a 2030 exit date, the recovery of Bridger-related costs will more closely align with the remaining operating life of the plant, resulting in cost recovery from customers who are served by the plant. Without accelerating the depreciation schedule to reflect the 2030 exit date, cost recovery from customers could extend beyond the point at which the Company is participating in Bridger's operations, resulting in cost recovery from future customers for a plant that will no longer be providing service to them at that time.

Q. Idaho Power is the parent company of Idaho Energy Resources Co., a joint venture in Bridger Coal Company, which mines coal at the Bridger coal mine and processing facility. Does Idaho Power's request in this case include costs associated with the accelerated depreciation of the Bridger coal mine as well?

A. No. The Company is not proposing any changes to recovery of Bridger coal mine costs at this time as the existing depreciation schedule of the mine currently aligns with the expected closure date.

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III. REGULATORY ACCOUNTING AND RATEMAKING TREATMENT

Q. Please describe the need for the Bridger balancing account.

A. As discussed earlier, Idaho Power believes it will exit operations of Bridger by 2030, earlier than the current depreciable life of 2034. In addition to the earlier end-of-life date, Bridger will require incremental investments to maintain operations prior to the decommissioning of the plant. However, the specific timing and exact amounts of these future investments are not yet known. For these reasons, the Company proposes the establishment of a balancing account that would allow flexibility for the timing and recovery of the remaining Bridger revenue requirement.

Q. Has the Commission authorized Idaho Power to implement the requested recovery treatment in any other cases?

A. Yes. The Commission approved a cost recovery approach for incremental annual costs associated with an early retirement of the Boardman power plant ("Boardman") with Order No. 32457 and more recently in Order No. 33771 for Valmy. The Company's proposal in this case is consistent with the cost recovery approach most recently approved for Valmy in Case No. IPC-E-16-24. In Idaho Power's experience, these balancing accounts efficiently

facilitated investment review and timely rate changes when necessary to exit coal-fired generation units while smoothing customer rate impacts.

Q. Please provide an overview of Idaho Power's proposed cost recovery approach.

A. There are four types of costs the Company anticipates recording to the balancing account: (1) the accelerated depreciation associated with existing Bridger plant investments, (2) the return on the undepreciated capital investments at Bridger, (3) non-fuel operations and maintenance ("O&M") expense reductions, and (4) decommissioning costs related to the Bridger shutdown. Under the balancing account approach, the Company replaces the base rate revenue recovery associated with Idaho Power's existing investment in Bridger with a levelized revenue requirement and tracks it in the Bridger balancing account.

Q. What are the benefits associated with this approach?

A. Like the balancing account mechanisms approved for Boardman in Case No. IPC-E-11-18 and Valmy in Case No. IPC-E-16-24, the Bridger balancing account is designed to smooth revenue requirement impacts associated with the exit of Bridger operations and allow for full recovery of Bridger-related costs near the time Idaho Power exits plant

operations. As discussed earlier, this will effectively align the cost recovery period with the Company's remaining participation in Bridger operations, resulting in a better matching of cost recovery from customers who benefit from the plant's operations while mitigating the risk of future customers bearing the costs of a plant that will no longer be providing service to them. Additionally, through the proposed accounting treatment, customers will pay no more or no less than the actual O&M and capital-related costs of the Bridger plant beginning in 2021.

Q. Please describe the tracking of the accelerated depreciation associated with the Bridger plant investments.

A. The proposed accounting treatment will result in accelerated depreciation expense related to all Bridger plant investments as compared to current depreciation that is based on a retirement date of 2034. Idaho Power is proposing to track and recover the accelerated depreciation expense associated with the exit of Bridger operations at year-end 2030 through the Bridger balancing account as quantified later in my testimony.

Q. Please explain the return on undepreciated capital investments at Bridger that will be tracked in the balancing account.

A. As the capital investments depreciate at a

faster pace due to the accelerated depreciation, the balancing account captures the savings associated with the return on the declining undepreciated capital investment balance. Additionally, although Idaho Power's exit from Bridger operations is expected to occur by 2030, there will be required investments at the plant in addition to its normal maintenance in order to keep the plant operational until that time. The Company's proposal will result in accelerated depreciation to all Bridger investments. The return and associated depreciation expense will be tracked in the balancing account.

Q. What is the Company's proposal for the tracking of Bridger decommissioning costs?

A. As a co-owner in the plant, Idaho Power is responsible for and will incur decommissioning costs related to the Bridger plant as units are retired and the plant reaches its end-of-life. Currently, estimated decommissioning costs are accounted for as an Asset Retirement Obligation ("ARO"), which considers future obligations tied to legally required removal and remediation activities at the end of the plant's life. This may include costs to decommission and remove plant components, including the power plant, associated ponds and material handling facilities, including a partial offset of expected salvage proceeds. The Company's current base rates

do not include any recovery of AROs related to Bridger.

Q. How does Idaho Power account for Bridger ARO's?

A. The Company accounts for Bridger AROs in accordance with Order No. 29414, in which Idaho Power records: (1) a regulatory asset for the cumulative financial statement impact resulting from the Company's implementation of Accounting Standards Codification ("ASC") 410, and (2) the ongoing annual differences between the ASC 410 depreciation and accretion expenses and the annual depreciation expenses that are currently authorized by the Commission in depreciation rates and accruals.

Bridger-related ARO balances will continue to be accounted for using the deferral treatment required by Order No. 29414, such that the recorded Bridger-related ARO liabilities will be fully offset by the related regulatory assets at the time of decommissioning. Revenues collected from the Bridger levelized revenue requirement, including future adjustments resulting from changes in decommissioning estimates and actual costs, will cover the estimated asset retirement costs and decommissioning.

Q. Please describe Idaho Power's accounting order request necessary to establish the Bridger balancing account.

A. To accomplish a levelized revenue requirement

collection period beyond the operational life of some of the Bridger units, Idaho Power is requesting the Commission issue an accounting order that allows the Company to make the needed accounting entries, including a regulatory asset account, that would allow for the matching of Generally Accepted Accounting Principles ("GAAP") revenue recognition and related costs with the actual monthly pattern of the Bridger revenue requirement from 2021 through 2030 compared to the levelized collection method and for collection of decommissioning costs that occur beyond 2030. In addition, because GAAP and Internal Revenue Code ("IRC") rules will require the Company to make income tax filings and accounting entries consistent with the economics that actually occur (such as an exit from a unit earlier than 2030) rather than the levelized assumption, the regulatory account(s) are required to adjust the financial statement impacts resulting from the timing of Bridger-related GAAP accounting and income tax results as compared to the 2030 levelized ratemaking assumption.

Q. Does Idaho Power have any additional requests with respect to the accounting associated with the establishment of the Bridger balancing account?

A. Yes. If approved, the balancing account will allow the income tax calculations to reflect the new recovery period through 2030 but also will maintain

compliance with the IRC normalization rules for accelerated depreciation. Historically the Company did not track accumulated deferred income taxes ("ADIT") and reversing flow-through differences by specific plant, therefore Company used a tax accounting system generated estimated amount of ADIT for the numbers included in the 2011 test year for Bridger for this case. Because the same methodology was used with the establishment of the Boardman and Valmy balancing accounts, and as agreed to in the Settlement Stipulation approved with Order No. 33771 in Case No. IPC-E-16-24, Idaho Power's income tax calculations in this case include the remaining balance of flow-through differences and ADIT related to the thermal plant tax accounting group.

Q. Does the accounting order request have an impact on amounts proposed to be included in customer rates?

A. No. The proposed accounting order does not have any effect on customer rates for the existing Bridger capital investment but will allow the Company to match revenues with the costs that it is incurring. However, if approved, the Bridger levelized revenue requirement mechanism would, as discussed later in my testimony.

IV. THE BRIDGER LEVELIZED REVENUE REQUIREMENT MECHANISM

Q. How is the levelized revenue requirement

determined?

A. The levelized revenue requirement is determined by calculating the present value of the revenue requirement of each of the individual balancing account items and converting the values into a level payment stream from customers over the remaining recovery period. It includes the costs of accelerating the depreciation of the Bridger plant items, the return associated with capital investments net of accumulated depreciation forecasted through Idaho Power's participation in operations of Bridger, decommissioning costs associated with Bridger's end-of-life, and O&M savings associated with non-fuel O&M reductions.

Q. Has Idaho Power determined the levelized revenue requirement associated with the costs proposed to be tracked in the Bridger balancing account?

A. Yes. Exhibit No. 1 details the development of the levelized revenue requirement. Under the methodology described earlier in my testimony, the annual levelized revenue requirement associated with recovery of Bridger on an accelerated basis is $67.79 million on an Idaho jurisdictional basis. As can be seen in Exhibit No. 1, Idaho Power has separated the levelized revenue requirement into three components: (1) Component A - the revenue requirement on Bridger investments, (2) Component B - the

revenue requirement associated with interim future decommissioning costs, and (3) Component C - the revenue requirement associated with O&M savings including non-fuel O&M reductions.

Revenue Requirement on Bridger Investments (Component A)

Q. Please describe the quantification of Component A - the revenue requirement on Bridger investments.

A. Component A includes the declining revenue requirement on the existing Bridger investments as of December 31, 2020, as well as the forecasted incremental investments anticipated to be made between the January 1, 2021, through December 31, 2030. As previously mentioned, concurrent with this filing, Idaho Power has filed its updated depreciation study in Case No. IPC-E-21-18. In that filing, the Company is proposing to exclude the impacts of the accelerated depreciation for Bridger and instead track these incremental expenses in the Bridger balancing account proposed in this case. As of December 31, 2020, the Bridger net plant investment is approximately $369.58 million and the forecasted incremental investments expected through December 31, 2030, are approximately $95.05 million, resulting in a total levelized revenue requirement associated with Component A of $73.47 million on an Idaho jurisdictional basis.

Q. How were the total forecasted incremental investments of $95.05 million determined?

A. The starting point for quantification of the forecasted incremental investments was the Bridger capital forecast for plant investments through December 31, 2030. Applying Idaho Power's one-third ownership share, the Company then assumed that the cost responsibility of the incremental investments ceased at the point that participation of operations in a Bridger unit ended.

Q. What dates did Idaho Power assume for ceasing participation in operations at each of the Bridger units?

A. Idaho Power modeled the end of participation in each Bridger unit consistent with the Preferred Portfolio from the Second Amended 2019 IRP, acknowledged by the Commission in Order No. 34959, with the exception of the exit from the first unit. The Preferred Portfolio included exit dates of 2022, 2026, 2028, and 2030 for the four units at Bridger. However, due to issues associated with regional market access and other resource adequacy concerns as discussed in the Company's filing related to the appropriate shutdown date for Valmy Unit 2 in Case No. IPC-E-21-12, the Company's cost forecast is modeled based on exiting the first Bridger unit in 2025, consistent with the expected online date of the Boardman-to-Hemingway transmission line in the summer of 2026.

Q. Based on these assumed exit dates, how are common facility investments addressed in the forecast?

A. It is assumed that Idaho Power will continue to be responsible for its one-third share of common facility investments through 2030.

Q. Did Idaho Power make any additional adjustments to the capital forecast?

A. Yes. Idaho Power removed from the forecast large capital expenditures associated with the overhaul of Units 3 and 4 in 2028 and 2029, respectively. The direct testimony of Company witness Ryan N. Adelman will summarize the forecasted projects and why they are necessary for environmental compliance or the continued safe, reliable operations of Bridger.

Q. Why did the Company remove expected capital investments associated with Units 3 and 4?

A. Mr. Adelman's testimony describes in detail what an overhaul entails, but Idaho Power believes it is too early to determine if the overhaul will be required because the units will be approaching their end-of-life. As the Bridger capital forecast is updated annually and the plant nears its end-of-life, the Company will continually reevaluate inclusion of future forecasted investments.

Q. Do PacifiCorp and Idaho Power have an agreement for cost responsibility should one or both parties exit participation in operations of a Bridger unit?

A. No. Mr. Adelman will describe the existing Bridger contractual agreements between Idaho Power and PacifiCorp and planned coordination towards an agreement that allows for the early exit from Bridger units. While the Company has estimated the forecasted investments based on information known at this time, Idaho Power's proposed balancing account will track actual costs and benefits associated with the plant, ensuring customers pay no more or no less than actual Bridger-related costs once an exit agreement is finalized.

Q. What level of return on equity ("ROE") has the Company incorporated into the revenue requirement quantifications?

A. Consistent with the treatment of Boardman-related revenue requirement computations and current treatment of Valmy-related revenue requirement computations, Idaho Power proposes to use a 9.5 percent ROE in the quantification of the levelized revenue requirement for Bridger. In case No. IPC-E-11-18, the Commission agreed with Commission Staff's proposal to use a 9.5 percent ROE to calculate levelized payments for Boardman. Because the regulatory treatment request in this case

mirrors that applied for recovery of both Boardman and Valmy plant investments, the Company believes it is reasonable and appropriate to apply the same ROE to Bridger investments.

Revenue Requirement of Interim Future Decommissioning Costs (Component B)

Q. What is the Company's quantification of Component B - the revenue requirement associated with interim future decommissioning costs?

A. Idaho Power estimated its share of the decommissioning costs by applying the Company's one-third ownership percentage to the decommissioning and demolition study performed by Kiewit Engineering Group Inc. ("Kiewit"). In August 2019, PacifiCorp retained Kiewit to evaluate seven coal-fired power plants, including Bridger, and develop a Class 3 capital cost estimate for decommissioning and demolition. This estimate was the basis for the Bridger decommissioning costs included in the levelized revenue requirement computation.

Q. Has Idaho Power included any contingency estimates in the decommissioning costs?

A. No. Similar to decommissioning cost estimates recovered through the Boardman and Valmy levelized revenue requirement mechanisms, the Company has excluded any

contingency amounts from the Bridger decommissioning cost estimate.

Q. Did Idaho Power make any adjustments to the decommissioning and demolition cost estimate developed by Kiewit?

A. Yes. Due to the magnitude of the Company's share of the estimated decommissioning costs, $105.81 million on an Idaho jurisdictional basis, Idaho Power has only included in the levelized revenue requirement quantification amounts associated with the decommissioning costs expected to be incurred prior to year-end 2030. Based on both Idaho Power and PacifiCorp's Bridger unit early exit assumptions, it is anticipated that both parties will have exited two Bridger units at that time and that decommissioning of the two units has commenced. The Company has quantified an estimate of Idaho Power's share of the expenditures associated with decommissioning of the two units, approximately $660,000, and included that in the levelized revenue requirement computation.

Q. What is the Company's proposal for recovery of the remaining $105.14 million?

A. Idaho Power is proposing to begin collection of the remaining decommissioning costs beginning January 1, 2031, or when the Company has exited operations of the Bridger plant. This approach more closely aligns the

timing of amounts spent on decommissioning activities with the recovery of the decommissioning expenditures.

Q. When does Idaho Power anticipate recovery of decommissioning costs will cease?

A. Maintaining collections from customers at the proposed levelized Bridger revenue requirement levels beginning January 1, 2031, or approximately $67.79 million annually, would result in full recovery of decommissioning costs by mid-2032. The Company's proposal will help smooth the recovery of all Bridger-related costs, extending the collection period only one and a half years and minimizing the financial impact to both Idaho Power and its customers.

Q. What is the total levelized revenue requirement of Component B - the revenue requirement associated with interim future decommissioning costs?

A. The levelized revenue requirement associated with Component B – interim future decommissioning costs, is $59,318 on an Idaho jurisdictional basis.

Revenue Requirement of O&M Savings (Component C)

Q. Please describe the quantification of Component C - the revenue requirement associated with O&M savings including non-fuel O&M reductions.

A. In Case No. IPC-E-16-24, the Commission approved a levelized revenue requirement that included expected non-fuel O&M savings when compared to Valmy-

related non-fuel O&M amounts approved in the Company's last general rate case. Idaho Power committed to, as part of the Settlement Stipulation approved with Order No. 33771, make a forecast-to-actual adjustment of the non-fuel O&M savings in the next Valmy-related adjustment to rates, subsequently truing-up to actuals the Valmy non-fuel O&M included in customer rates with Order No. 34349. Idaho Power is proposing the same reduction to the Bridger levelized revenue requirement in this case.

Q. How did the Company compute the estimated Bridger O&M savings?

A. Idaho Power has included a comparison of estimated Bridger 2011 test year non-fuel O&M amounts to the forecast of non-fuel O&M expected at Bridger through 2030. Because the Company does not have a contractual agreement with PacifiCorp for cost responsibilities once a unit is exited, Idaho Power has assumed that variable O&M ceases upon exit but that the Company is responsible for fixed O&M as long as PacifiCorp is operating the unit. The levelized revenue requirement calculation assumes all O&M cost responsibilities cease in 2030.

Q. What is the total non-fuel O&M savings included in the levelized revenue requirement computation?

A. Idaho Power is proposing to include in the levelized revenue requirement non-fuel O&M savings of

approximately $5.74 million on an Idaho jurisdictional basis.

Q. What is the resulting total levelized revenue requirement?

A. The levelized revenue requirement associated with Bridger includes $73.47 million associated with plant investments, $0.06 million in decommissioning costs, and $5.74 million in non-fuel O&M savings, for a total annual levelized revenue requirement of $67,793,544 on an Idaho jurisdictional basis.

Q. What is the existing revenue requirement associated with Bridger that is currently included in the Company's base rates?

A. Exhibit No. 2 details the derivation of the Idaho jurisdictional share of the Bridger revenue requirement based on a 2011 test year, as approved in Case No. IPC-E-11-08 with Order No. 32481, the Company's last general rate case. In addition, Idaho Power has included an adjustment to reflect Bridger revenue requirement amounts returned to customers in Case No. GNR-U-18-01 with Order No. 34071 as a result of the Tax Cuts and Jobs Act of 2017. The existing revenue requirement associated with Bridger and currently included in the Company's base rates is $36,967,815. If Idaho Power's proposal is approved, this amount will be replaced with the levelized revenue

requirement amount detailed in Exhibit No. 1.

Q. How does the total levelized revenue requirement compare to the existing levelized revenue requirement currently in customer rates?

A. The total Idaho jurisdictional levelized revenue requirement of $67.79 million less the Idaho jurisdictional share of the existing revenue requirement of $36.97 million, results in an incremental annual levelized revenue requirement of approximately $30.83 million on an Idaho jurisdictional basis.

V. PROPOSED RATEMAKING TREATMENT

Q. Does the Company plan to administer the Bridger balancing account with an annual review - the same way it did the Boardman balancing account and does currently with the Valmy balancing account?

A. Yes. Idaho Power is proposing to administer the Bridger balancing account the same way it currently administers the Valmy balancing account. On an annual basis, the Company will recalculate the levelized revenue requirement for Bridger based upon actual O&M expenses and capital investments to date and an updated forecast of future investments and O&M savings at the plant. In addition, monthly deviations between forecasted revenue collection and actual revenue collection will be tracked and, along with the revised levelized revenue requirement

calculation, combined to determine whether a rate adjustment is needed. If the Company determines that a rate adjustment is needed, a request would be filed with the Commission with the revised levelized revenue requirement. Should Idaho Power choose not to recommend an adjustment to rates in a given year, amounts previously recorded in the balancing account would remain in the balancing account for future recovery or refund. Under this approach, customers will pay only actual Bridger-related costs, no more and no less.

Q. How does the Company propose to allocate the incremental annual levelized revenue requirement amount of approximately $30.83 million to each class of customers?

A. Idaho Power requests that the incremental revenue requirement of approximately $30.83 million be recovered from all customer classes through a uniform percentage increase to all base rate components except the service charge.

Q. Has the Company prepared a schedule that presents the revenue spread results for each customer class under Idaho Power's proposed allocation methodology?

A. Yes. Attachment No. 1 to the Application presents a summary of the proposed revenue impact for each customer class. In addition, Attachment No. 2 to the Application presents a summary of the combined revenue

impact for each customer class of the Company's request in this case and the request filed concurrently in Case No. IPC-E-21-18.

Q. Why does the Company believe the proposed December 1, 2021, effective date for the requested rate adjustments is reasonable and appropriate?

A. As explained earlier, through preparations of the updated depreciation study, Idaho Power identified that significant changes had occurred with regard to the economic life of the Bridger plant, warranting the need for specific review separate from the Company's general depreciation filing. Given the requirement to file an updated depreciation study, Idaho Power believes it is appropriate to consider Bridger-related issues concurrently with the comprehensive depreciation study. In addition, a Bridger balancing account mechanism smooths the revenue requirement impact over the time during which Idaho Power participates in operations, providing stability for customers. The proposed mechanism converts revenue requirement amounts into a level payment stream over the recovery period, ensuring customers pay no more or no less than actual Bridger-related costs. Under this approach, should any differences ultimately impact the allowed levels of recovery, a true-up could be made during the next update to Bridger-related base rates.

VI. CONCLUSION

Q. Please summarize your testimony.

A. Idaho Power is proposing to accelerate the depreciation schedule for the Bridger plant to reflect the Company's exit from participation in operations by year-end 2030. The proposal will smooth the revenue requirement impacts associated with the accelerated depreciation and result in the appropriate matching of cost recovery with Idaho Power's participation in plant operations. In addition, the Company's proposal mitigates future rate increases required if Bridger's depreciable life is not updated and minimizes the rate impact to customers at this time.

Additionally, Bridger will require incremental investments to maintain environmental compliance and safe, reliable operations prior to decommissioning the plant. However, the specific timing and exact amounts of these future investments are not yet known. For that reason, Idaho Power proposes the establishment of a balancing account that would allow flexibility for the timing and recovery of the remaining Bridger revenue requirement. The requested treatment is consistent with the currently approved methodology related to the early closure of Valmy, which has proven to be an effective method to provide for cost recovery while smoothing out rate impacts to

customers. Under the proposed methodology, Idaho Power seeks approval of an adjustment of $30,825,729 to the Company's Idaho jurisdictional revenue requirement to take place on December 1, 2021, which equates to an overall increase of 2.53 percent.

Q. Does this complete your testimony?

A. Yes, it does.

DECLARATION OF MATTHEW T. LARKIN

I, Matthew T. Larkin, declare under penalty of perjury under the laws of the state of Idaho:

1. My name is Matthew T. Larkin. I am employed by Idaho Power Company as the Revenue Requirement Senior Manager.

2. On behalf of Idaho Power, I present this pre-filed direct testimony and Exhibit Nos. 1-2 in this matter.

3. To the best of my knowledge, my pre-filed direct testimony and exhibit are true and accurate.

I hereby declare that the above statement is true to the best of my knowledge and belief, and that I understand it is made for use as evidence before the Idaho Public Utilities Commission and is subject to penalty for perjury.

SIGNED this 2nd day of June 2021, at Boise, Idaho.

Matthew T. Larkin

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-21-17

IDAHO POWER COMPANY

LARKIN TESTIMONY

EXHIBIT NO. 1

Levelized Revenue Requirement for the Bridger Plant

at December 31, 2020

	Component A	Component B	Component C	
Total System	**Plant Investments**	**Interim Decommissioning Costs**	**O&M Variance**	**Total System**
Levelized Annual Revenue Requirement Effective December 1, 2021	$ 77,270,023	$ 62,385	$ (6,035,475)	$ 71,296,932

	Component A	Component B	Component C	
Idaho Jurisdictional	**Plant Investments**	**Interim Decommissioning Costs**	**O&M Variance**	**Total Idaho Jurisdictional**
Levelized Annual Revenue Requirement Effective December 1, 2021	$ 73,470,945	$ 59,318	$ (5,736,719)	$ 67,793,544

Current Bridger Revenue Requirement included in Rates	36,967,815
Net Change in Bridger Levelized Revenue Requirement	**$ 30,825,729**

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-21-17

IDAHO POWER COMPANY

LARKIN TESTIMONY

EXHIBIT NO. 2

Idaho Power Company
Summary of Revenue Requirement - Idaho
Bridger: 2011 Test Year

RATE BASE		
Electric Plant in Service		
Intangible Plant	$	472,935
Production Plant		496,870,248
Transmission Plant		12,256,076
Distribution Plant		0
General Plant		2,285,921
Total Electric Plant in Service	$	511,885,180
Less: Accumulated Depreciation		264,093,186
Less: Amortization of Other Plant		0
Net Electric Plant in Service	$	247,791,994
Less: Accumulated Deferred Income Taxes		26,749,509
TOTAL COMBINED RATE BASE	**$**	**221,042,485**

NET INCOME		
Total Operating Revenues	$	-
Operating Expenses		
Operation and Maintenance Expenses		
Depreciation Expenses		12,289,001
Amortization of Limited Term Plant		
Taxes Other Than Income		1,562,026
Regulatory Debits/Credits		
Provision for Deferred Income Taxes		5,386,201
Investment Tax Credit Adjustment		
Current Income Taxes		(12,511,880)
Total Operating Expenses	$	6,725,349
Consolidated Operating Income	$	(6,725,349)
Proposed Rate of Return		7.86%
Earnings Deficiency	$	24,099,288
Net-to-Gross Tax Multiplier		1.642
Bridger Revenue Requirement (IPC-E-11-08)	**$**	**39,571,031**
Bridger Revenue Requirement Reduction (GNR-U-18-01)	**$**	**(2,603,216)**
Bridger Revenue Requirement Currently in Rates	**$**	**36,967,815**