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

SUPPLEMENTAL 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. Have you previously submitted direct testimony before the Idaho Public Utilities Commission ("Commission") in this proceeding?

A. Yes, I submitted direct testimony on June 2, 2021, discussing why the depreciable date of 2030 for the Jim Bridger Power Plant ("Bridger") is appropriate and why the Bridger depreciation schedule for ratemaking purposes should be accelerated at this time. In addition, my direct testimony detailed the proposed balancing account intended to recover incremental costs and benefits associated with Idaho Power's assumed exit in participation of operations at Bridger including a quantification of a proposed increase to base rate revenue of approximately $30.83 million, or 2.53 percent, to become effective December 1, 2021. Finally, my testimony concluded with a summary of why the Company's request is in the public interest.

Q. What is the purpose of your supplemental testimony in this matter?

A. The purpose of my supplemental testimony is to address changes in the Company's initial request made in response to events that occurred after my direct testimony was filed in June 2021. I present an amended quantification of the Bridger levelized revenue requirement that includes only coal-related assets, and removes from the original request all natural gas-related assets and associated costs according to the planned natural gas conversion of Bridger Units 1 and 2 presented in the Company's 2021 Integrated Resource Plan ("IRP"). My supplemental testimony also presents the Company's proposed amended base rate revenue increase of $27.13 million, or 2.12 percent, to become effective June 1, 2022.

Q. How is your supplemental testimony organized?

A. My supplemental direct testimony will describe recent actions that affect future Bridger operations and support a restart of the procedural schedule in this proceeding. I will provide an update on the status of ongoing Bridger Regional Haze compliance discussions and the potential option of converting Units 1 and 2 to natural gas generation. I will also detail the Company's revised quantification of the proposed increase to customer rates resulting from improved clarity around future Bridger operations.

Q. When did the Commission suspend the procedural schedule in this case?

A. On October 1, 2021, Idaho Power and Commission Staff filed a Joint Motion to Suspend Procedural Schedule due to lack of clarity concerning Bridger emission limits and possible coal-to-gas unit conversions. At the time, the U.S. Environmental Protection Agency ("EPA") had not taken formal action responding to Wyoming's proposed State Implementation Plan ("SIP") Revision, which would ensure Regional Haze compliance of Units 1 and 2 effective January 1, 2022.

In addition, in September 2021, PacifiCorp submitted to the Commission their 2021 IRP in Case No. IPC-E-21-19. That IRP included an Action Plan envisioning the cessation of coal-fired generation at Units 1 and 2 in 2023 with a natural gas conversion of those units in 2024. On November 17, 2021, the Commission issued Order No. 35222, suspending the procedural schedule until the Company filed an update or requested to set the procedural schedule no later than December 31, 2021.

Q. Did Idaho Power file a Bridger status update with the Commission?

A. Yes. On December 30, 2021, the Company filed an update with the Commission, notifying the parties that the EPA had not yet formally acted on Wyoming's SIP

Revision which otherwise would require emission controls to be in place for Unit 2 by December 31, 2021, and for Unit 1 by December 31, 2022. In the status update, Idaho Power explained that on December 27, 2021, Wyoming Governor Mark Gordon issued a temporary emergency suspension, extending the compliance date of Unit 2 through April 30, 2022, while PacifiCorp awaits approval of the Wyoming SIP Revision.

Q. Did the Company address resuming the procedural schedule in this proceeding in the status update?

A. Yes. At the time, the EPA, Wyoming Department of Environmental Quality, and PacifiCorp were actively engaged in discussions and felt a potential near-term resolution of the issues existed. Idaho Power requested the Commission continue the current schedule suspension and committed to convene a conference with parties to discuss the reopening of the procedural schedule no later than April 30, 2022.

Q. Was a conference held with parties to discuss the reopening of the procedural schedule?

A. Yes. On February 7, 2022, the Company met with parties, providing an update on EPA actions regarding Bridger Regional Haze compliance and the results of Idaho Power’s 2021 IRP regarding the potential conversion of Units 1 and 2 to natural gas generation. My testimony will explain in detail both updates and the impact they have on Idaho Power’s request in this proceeding.

Q. Do the actions and findings impact the Company’s initial request?

A. Yes, the Bridger coal-related investment levelized revenue requirement is approximately $3.70 million less than the initial Bridger levelized revenue requirement quantification.

Q. What is Idaho Power’s amended request regarding costs associated with Bridger?

A. In accordance with the planned natural gas conversion of Units 1 and 2, the Company has removed from the original request all investments and the related deferred taxes that will remain in service for natural gas operations and associated natural-gas related costs. Therefore, Idaho Power is requesting that the Commission authorize Idaho Power to: (1) accelerate the depreciation schedule for all coal-related Bridger investments to allow for full depreciation and recovery 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 $27.13 million with an effective date of June 1, 2022, which equates to an overall increase of 2.12 percent.

Q. Do you have any exhibits to your supplemental direct testimony?

A. Yes. Exhibit No. 1 to my supplemental direct testimony details the revised derivation of the levelized revenue requirement calculations for coal-related Bridger investments by cost category to be tracked in the 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 revised derivation of the Idaho jurisdictional share of the Bridger coal-related investments revenue requirement currently included in customer rates as approved in Case Nos. IPC-E-11-08 and GNR-U-18-01.

I. <u>BRIDGER ENVIRONMENTAL COMPLIANCE UPDATE</u>

Q. What was the status of Bridger's compliance with Regional Haze at the time the Company filed its request in this proceeding?

A. As detailed in the direct testimony of Company witness Ryan N. Adelman, under current environmental regulations, Units 1 and 2 require Selective Catalytic Reduction ("SCR") controls to be installed and operational by year-end 2022 and 2021, respectively. However, the State of Wyoming had approved a revision to the Wyoming SIP that established emission limitations as a whole in lieu of installing SCR controls on Units 1 and 2. This revision had been proposed to the EPA and submitted to the Office of the Federal Register. At the time of the initial filing in June 2021, Idaho Power and PacifiCorp, Bridger's co-owners (collectively, the "Co-Owners") were awaiting action from the EPA.

Q. Has the EPA acted upon the proposed revision to the SIP?

A. Yes. On January 12, 2022, the EPA issued a proposed rule that, if adopted, would disapprove the proposed SIP Revision. The proposed rule was published in the Federal Register on January 18, 2022. Comments on the proposed disapproval are due by February 17, 2022.

Q. Have any additional actions been taken pertaining to environmental compliance of Units 1 and 2?

A. Yes. On February 14, 2022, the State of Wyoming filed a complaint against PacifiCorp as well as a negotiated consent decree with PacifiCorp in Wyoming state court for the threat of non-compliant operation of Bridger Units 1 and 2. With respect to the natural gas conversion, the consent decree requires that PacifiCorp submit a revised permit application and request a SIP Revision that would reflect a natural gas conversion of both Units 1 and

2, further supporting natural gas operations as a feasible alternative for environmental compliance of Units 1 and 2.

Q. Has the Company taken any actions to evaluate alternative solutions to operations of Units 1 and 2 in lieu of emission limitations as a whole?

A. Yes. Similar to PacifiCorp, as part of Idaho Power's 2021 IRP, the Company used AURORA's Long-Term Capacity Expansion model to determine the best Bridger operating options specific to Idaho Power's system for all Bridger units, including the cessation of coal-fired generation in Units 1 and 2 in 2023 and conversion to natural gas generation, running them through 2034.

II. BRIDGER IN IDAHO POWER'S GENERATION PORTFOLIO

Q. Did the position of any of Bridger's units in Idaho Power's generation portfolio in the 2021 IRP change as compared to the Second Amended 2019 IRP?

A. Yes. As detailed in Mr. Adelman's direct testimony filed June 2, 2021, the Second Amended 2019 IRP identified a Preferred Portfolio that included early Bridger unit exits in 2022, 2026, 2028, and 2030. The 2021 IRP Preferred Portfolio includes the conversion of Units 1 and 2 from coal to natural gas by the summer of 2024 with a 2034 exit date, and the exit of coal-fired operations in Units 3 and 4 by year-end 2025 and 2028, respectively. With a current depreciable life of 2034, the 2021 IRP continues to indicate that an earlier exit from coal-fired generation at Bridger would provide a more favorable economic outcome as compared to the current end-of-life assumption of 2034.

Q. Do the Bridger unit exit dates align with the exit dates identified for PacifiCorp in their 2021 IRP?

A. No, not currently. Although the Action Plans of the Co-Owners both include the cessation of coal-fired generation of Units 1 and 2 in 2023 and the conversion to natural gas generation in 2024, PacifiCorp's 2021 IRP continues to identify differing exit dates for each Bridger unit. In addition, the Co-Owners have not yet developed contractual terms that would be necessary to allow for the potential earlier exit of a Bridger unit by one Co-Owner, and not both Co-Owners. Idaho Power's 2021 IRP has identified the exit date of each Bridger unit that is the least cost, least risk alternative for the Company's customers. The differing exit dates of the Co-Owners in their respective 2021 IRPs further emphasizes the importance of putting in place the proposed cost recovery mechanism now to maintain a relatively stable level of annual recovery, even as the underlying cost drivers may change over time.

Q. How do the results of the 2021 IRP impact the Company's request in this proceeding?

A. The identification of cessation of coal-fired operations in the Bridger units in 2023, 2025, and 2028, continues to support the impact economic and regulatory factors have on determining Bridger’s actual operating life and the importance of establishing a cost recovery mechanism that can mitigate the rate volatility that could otherwise exist under a more traditional ratemaking approach. With the identification in the 2021 IRP of a conversion of Units 1 and 2 to natural gas in 2024 and operations of those units through year-end 2034— the current depreciable life of the Bridger plant for ratemaking purposes— Idaho Power is proposing to remove from its request in this proceeding the accelerated depreciation associated with any investments that will remain in service after 2028, or once coal-fired generation ceases. Therefore, the Company’s revised request includes the quantification of the levelized revenue requirement of Bridger *coal-related investments* only.

III. REGULATORY ACCOUNTING AND RATEMAKING TREATMENT

Q. Is the Company proposing to modify the depreciable life assumptions used in the Bridger levelized revenue requirement calculations?

A. No, not from the original request. Idaho Power is proposing to maintain the acceleration of coal-related investment depreciation to year-end 2030 for ratemaking purposes, as initially proposed.

Q. Why is the Company maintaining a depreciable life of 2030 for all Bridger coal-related investments when cessation of coal-fired operations of all units is expected to occur by 2028?

A. As I will describe later in my testimony, the suspension of the procedural schedule in this case and the revision of the requested effective date to June 1, 2022, reduces the collection period for which recovery of Bridger coal-related revenue requirement occurs. In an attempt to minimize revenue requirement impacts to customers, Idaho Power is proposing to maintain an accelerated depreciation schedule for all Bridger coal-related investments by year-end 2030 as initially proposed. This schedule is similar to the cost recovery treatment of Valmy, whereby depreciation expense recovery goes through 2028, even though Idaho Power's participation in coal-fired operations will have ceased by 2025.[1]

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

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

coal-related investments, (2) the return on the undepreciated coal-related investments at Bridger, (3) non-fuel operations and maintenance ("O&M") expense reductions, and (4) interim decommissioning costs related to the Bridger shutdown.

Q. What components will change as a result of the Bridger coal-related investments only revenue requirement?

A. All the components have been updated to reflect Bridger *coal-related costs and benefits only*, with the exception of the decommissioning costs, as the Company's initial proposal included a cost estimate based on the decommissioning of only coal-related investments through 2030. The Company is proposing to include in the annual levelized revenue requirement all actual coal-related investments made at Bridger, as well as forecasted coal-related investments, with an accelerated depreciable life. Idaho Power has reduced the net book value of actual investments made at Bridger through December 31, 2020, to reflect an estimate of only coal-related investments. In addition, the Company has revised the O&M expense savings to reflect O&M expenses associated with coal-related operations only. These updates along with the inclusion of estimated interim decommissioning costs through 2030 result in an increase in customer rates of $27,127,333.

Q. How did Idaho Power compute the existing plant investment value of only Bridger coal-related investments?

A. The Company's Bridger-related property accounting records are not granular at a unit-specific level. However, the plant operator, PacifiCorp, has more detailed accounting records and identified, by unit and by plant account, which portion of the investments will be retired when coal operations cease, and which investments will remain in service with natural gas operations. The same methodology was used to determine the portion of Bridger common facility and general plant investments that would be retired when coal-operations cease. Idaho Power used the percentage of coal-related investments derived by PacifiCorp and applied those percentages to the Company's existing investment values at December 31, 2020, to compute an estimated Bridger coal-related investment net book value.

Q. Does the update to include only Bridger coal-related investments require revisions to Mr. Adelman's Exhibit No. 3, which presented the investments made at Bridger since the last general rate case?

A. No. Mr. Adelman's direct testimony discusses all necessary actual investments made at the Bridger plant that have added to the associated plant balances since December 31, 2011, and are presented in Exhibit No. 3 at the project level. Because the estimate of Bridger coal-related investments was performed at the plant account level, Idaho Power cannot precisely determine the portion of the additions presented in Exhibit No. 3 that are included in the December 31, 2020, Bridger coal-related investment estimate. This does not, however, impact the intent of the exhibit which is to support a prudence review by providing detailed project descriptions and justification for the investments necessary to operate the Bridger plant in a safe, efficient, and reliable manner, including investments to ensure environmental compliance.

Q. Do the proposed changes based on a Bridger coal-related investment levelized revenue requirement mechanism change Idaho Power's accounting order request necessary to establish the Bridger balancing account?

A. No. Because the proposed levelized revenue requirement collection period still remains beyond the expected operational life of the Bridger units, Idaho Power will still need an accounting order that allows the Company to make the needed accounting entries to appropriately match revenue collected with the timing of the non-levelized revenue requirements.

IV. THE BRIDGER LEVELIZED REVENUE REQUIREMENT MECHANISM

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

A. Yes. Exhibit No. 1 to my supplemental direct testimony details the development of the Bridger coal-related investment levelized revenue requirement. The annual levelized revenue requirement associated with recovery of Bridger coal-related investments on an accelerated basis is $47.79 million on an Idaho jurisdictional basis, a reduction of approximately $20.00 million from the original request. Exhibit No. 1, the levelized revenue requirement, is presented in three separate components: (1) Component A – the revenue requirement on Bridger coal-related investments, (2) Component B - the revenue requirement associated with interim future decommissioning costs, and (3) Component C - the revenue requirement associated with coal-related O&M savings including non-fuel O&M reductions.

Q. Please summarize the changes to each of the components of the annual levelized revenue requirement.

A. The following table presents the differences between each component as quantified in the Company's initial request and the amounts that reflect a Bridger coal-related investment levelized revenue requirement only:

Table 1. Bridger Levelized Revenue Requirement Changes

	June 2021 Request	February 2022 Amended Request	% Change
Plant Investment	$73,470,945	$52,121,340	(29.1)
Interim Decomm Costs	$59,318	$64,449	8.6
O&M Savings	($5,736,719)	($4,391,349)	(23.5)
Levelized Rev Req	$67,793,544	$47,794,440	(29.5)
Rev Req in Rates	($36,967,815)	($20,667,107)	(44.1)
Net Change	**$30,825,729**	**$27,127,333**	**(12.0)**

While the majority of the components have decreased from the Company's initial request, it is important to note that collection of the Bridger coal-related investment levelized revenue requirement will occur over a shorter period thereby minimizing the overall revenue requirement decrease. I will now discuss in more detail the changes to the individual components.

Revenue Requirement on Bridger Coal-Related Investments (Component A)

Q. Please describe any updates to the quantification of Component A – the revenue requirement on Bridger coal-related investments.

A. Component A has been revised to include the revenue requirement on the existing Bridger coal-related investments only as of December 31, 2020, the quantification of which was described earlier in my supplemental direct testimony, as well as the revenue requirement associated with forecasted incremental coal-related investments anticipated beginning January 1, 2021. As of December 31, 2020, the Bridger coal-related net plant investment is approximately $236.33 million as compared to the $369.58 million included in the Company's original request. The forecasted incremental coal-related investments are approximately $45.65 million, down from $95.05 million. The result is a total levelized revenue requirement associated with Component A of $52.12 million on an Idaho jurisdictional basis down from the $73.47 million included in the Company's original request.

Q. How were the total forecasted incremental investments of $45.65 million determined?

A. Idaho Power first removed from PacifiCorp's revised Bridger forecast any plant investments after December 31, 2023, for Units 1 and 2, when coal operations cease, after December 31, 2025, for Unit 3, and after December 31, 2028, for Unit 4 and common facilities, the Company's expected exit from coal-fired operations of those units. The Company assumed that the cost responsibility of the incremental investments ceased at the point that participation of coal-fired operations in a Bridger unit ended. Next, Idaho Power applied the estimated percentage of coal-related investments, the quantification of which was described earlier in my testimony, to these values for a coal-specific investment forecast. Finally, the Company's one-third ownership share was applied to the remaining balance.

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

A. Idaho Power revised the end of participation in each Bridger unit consistent with the date participation in coal-fired operations cease as identified in the Preferred Portfolio from its 2021 IRP. Therefore, the Company excluded any forecasted investments in Units 1 and 2 after December 31, 2023, as those investments would be associated with natural gas operations and excluded forecasted investments in Units 3 and 4 in 2025 and 2028, respectively.

Q. Based on these assumed exit dates, was the forecast of common facility investments revised?

A. Yes. In addition to the removal of those common facility investments that will continue to remain in service during gas operations, Idaho Power has assumed responsibility for its one-third share of common facility investments will cease on December 31, 2028.

Revenue Requirement of Interim Future Decommissioning Costs (Component B)

Q. Did the Company make changes to Component B - the revenue requirement associated with interim future decommissioning costs?

A. No. Idaho Power has continued to only include in the levelized revenue requirement quantification amounts associated with the decommissioning costs expected to be incurred prior to year-end 2030, approximately $660,000. However, because commencement of the inclusion of levelized revenue requirement amounts in customer rates has shifted to June 1, 2022, collection of the interim future decommissioning costs will occur over a shorter time period. Therefore, Component B has increased slightly from $59,318 to $64,449 on an Idaho jurisdictional basis.

Q. Does the Company expect the annual collection of $64,449 to fully-fund all plant decommissioning costs?

A. No. The annual collection of $64,449 is intended to cover the current forecast of interim decommissioning costs that are expected to be incurred until 2030 as coal units are retired. Full decommissioning of the plant is not expected to occur until well after 2030. The Company anticipates making a separate filing when more information is known regarding decommissioning plans, but no later than 2030 to address further collection of future decommissioning costs once more information regarding timing and better cost estimates is available.

Revenue Requirement of O&M Savings (Component C)

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

A. In the initial request, the Company computed the estimated Bridger O&M savings by comparing estimated Bridger 2011 test year non-fuel O&M amounts to the forecast of non-fuel O&M expected at Bridger through 2030, when the last coal unit was expected to cease operations. Idaho Power assumed variable O&M ceases upon exit of a unit, but that the Company would still be responsible for its share of fixed O&M as long as PacifiCorp is operating the unit. Idaho Power assumed fixed O&M ceased when the Company had exited operations of all four Bridger units, or 2030. Idaho Power received a revised non-fuel O&M forecast from PacifiCorp that reflects an estimate of only those costs associated with coal operations. The Company has applied the same methodology to this forecast and now assumes that all O&M cost responsibilities cease at the end of 2028, when Idaho Power has ceased participation in coal-fired operations.

Q. If PacifiCorp plans to operate Bridger Units 3 and 4 beyond 2028, why does the Company believe its O&M cost responsibilities will go to zero at the end of 2028?

A. Idaho Power and PacifiCorp have yet to come to agreement on the terms and conditions for each partner's exit of Bridger units. It is not known at this time whether, and to what extent, there may be exit fees or other costs that continue after Idaho Power ceases participation in a unit. Further, unit exit plans of each partner may better align over time reducing or eliminating the need for exit fees or other similar contractual provisions. As was the case with the Valmy cost recovery mechanism, the Company proposes to update the Bridger levelized revenue requirement once an exit agreement between partners is reached or when more relevant information is known.

Q. Was an adjustment made to the Bridger 2011 test year non-fuel O&M amounts?

A. Yes. To estimate the portion of Bridger 2011 test year non-fuel O&M amounts, which is used as the basis for calculating O&M savings, Idaho Power reduced non-fuel O&M amounts by an amount equivalent to the reduction between the Bridger non-fuel O&M forecast and the Bridger coal-related non-fuel O&M forecast, or approximately 42 percent.

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 Bridger coal-related non-fuel O&M savings of approximately $4.39 million on an Idaho jurisdictional basis. The removal of non-fuel O&M amounts that will exist during gas operations results in a smaller reduction in O&M costs, reducing the O&M savings anticipated from coal operations only.

Q. What is the resulting total Bridger coal-related levelized revenue requirement?

A. The levelized revenue requirement associated with Bridger coal-related investments includes $52.12 million associated with coal-related investments, $0.06 million in interim decommissioning costs, and $4.39 million in non-fuel O&M savings, for a total annual Bridger coal-related levelized revenue requirement of $47,794,440 on an Idaho jurisdictional basis, a decrease of $19,999,104 from the $67,793,544 quantified in the Company's original request.

Q. Did Idaho Power compute an existing revenue requirement associated with Bridger coal-related investments that is currently included in the Company's base rates?

A. Yes. Exhibit No. 2 to my supplemental direct testimony details the derivation of the Idaho jurisdictional share of the Bridger coal-related investments 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 coal-related investments only and currently included in the Company's base rates is $20,667,107. If Idaho Power's proposal is approved, this amount will be replaced with the levelized revenue requirement amount detailed in Exhibit No. 1 to my supplemental direct testimony.

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

A. The total Idaho jurisdictional levelized revenue requirement of $47.79 million less the Idaho jurisdictional share of the existing revenue requirement of $20.67 million, results in an incremental annual levelized revenue requirement of approximately $27.13 million on an Idaho jurisdictional basis.

Q. How does this compare to the Company's quantification of the levelized revenue requirement of all Bridger investments?

A. The Bridger coal-related investment levelized revenue requirement is approximately $3.70 million less than the initial Bridger levelized revenue requirement quantification.

Q. You indicated the difference between total Bridger investments and Bridger coal-related investments was approximately $133.25 million and the capital forecast decreased approximately 50 percent. Why wasn't there a greater decrease in the levelized revenue requirement?

A. While there were significant decreases in plant values when reflecting only coal-related investments, the revised plant-related current and deferred income taxes resulted in an increase to net flow-through income tax expense.

Q. What is driving the net increase in income taxes?

A. Because cessation of all operations at the Bridger plant is no longer occurring, the tax-plant accounting system allocations will only reverse the accumulated deferred income taxes associated with the retired coal-related assets as opposed to a complete reversal of the balance caused by the retirement of the entire Bridger tax asset class. This system-generated revision of deferred taxes is driven by book cost allocations to the coal-related assets, timing of unit retirements, and vintage tax basis and depreciation differences in the Bridger tax asset class.

The decrease in current income tax expense is directly related to the proposed reduction in the amount of plant cost retired. Thus, overall, the lower current income tax combined with the re-allocated deferred income tax increased the net flow-through expense when compared to the Company’s original request. Finally, the remaining accumulated deferred income tax balance, which serves to offset rate base and reduces cost of service as it reverses, continues in Idaho Power’s tax-plant accounting system and attaches to the Bridger Unit 1 and 2 plant balances when the units are converted to natural gas operations. This remaining Bridger deferred income tax balance will reverse over time as the natural gas plant balances depreciate and would be a component of the Company’s income taxes in a future general rate case or other rate proceeding specific to the plant.

V. PROPOSED RATEMAKING TREATMENT

Q. Is the Company proposing any changes to the allocation of the incremental annual Bridger coal-related levelized revenue requirement amount of approximately $27.13 million to each class of customers?

A. No. Idaho Power requests that the incremental revenue requirement of approximately $27.13 million be recovered from all customer classes through a uniform percentage increase to all base rate components except the service charge as initially contemplated. Attachment No. 1

to the Amended Application presents a summary of the proposed revenue impact for each customer class.

Q. Why does the Company believe the proposed June 1, 2022, effective date for the requested rate adjustment is reasonable and appropriate?

A. As demonstrated even before a mechanism has been established, unforeseen changes in economics or regulatory policy associated with the Bridger plant can occur. A balancing account will smooth recovery of Bridger-related revenue requirements over its remaining operating life and help to mitigate the rate impact over the time during which Idaho Power participates in coal-fired operations, providing stability for customers. In addition, an effective date of June 1, 2022, will coincide with a change in rates associated with the Power Cost Adjustment mechanism, minimizing rate changes for customers.

VI. CONCLUSION

Q. Please summarize your testimony.

A. Actions by the EPA regarding environmental compliance of Units 1 and 2, as well as the identification in the Preferred Portfolio of the Company's 2021 IRP of the conversion to natural gas generation, necessitate an update to the proposed levelized revenue requirement to reflect a Bridger coal-related levelized revenue requirement only.

Idaho Power has updated the quantification of the levelized revenue requirement, removing all amounts associated with investments that will remain in service while natural gas generation is occurring. The establishment of a balancing account will allow flexibility for the timing and recovery of the remaining Bridger coal-related investment revenue requirement. Under the proposed methodology, Idaho Power seeks approval of an adjustment of $27,127,333 to the Company’s Idaho jurisdictional revenue requirement to take place on June 1, 2022, which equates to an overall increase of 2.12 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 supplemental direct testimony and supplemental Exhibit Nos. 1-2 in this matter.

3. To the best of my knowledge, my pre-filed supplemental direct testimony and exhibits 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 16th day of February 2022, at Boise, Idaho.

Signed:

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-21-17

IDAHO POWER COMPANY

LARKIN, SUPP DI TESTIMONY

EXHIBIT NO. 1

Levelized Revenue Requirement for Bridger Coal-Related Investments

at December 31, 2020

Filed February 16, 2022

	Component A	Component B	Component C	
	Plant Investments	Interim Decommissioning Costs	O&M Variance	
Total System				Total System
Levelized Annual Revenue Requirement Effective June 1, 2022	$ 54,816,460	$ 67,781	$ (4,620,041)	$ 50,264,200

	Component A	Component B	Component C	
	Plant Investments	Interim Decommissioning Costs	O&M Variance	
Idaho Jurisdictional				Total Idaho Jurisdictional
Levelized Annual Revenue Requirement Effective June 1, 2022	$ 52,121,340	$ 64,449	$ (4,391,349)	$ 47,794,440
Current Bridger Coal-Related Revenue Requirement included in Rates				20,667,107
Net Change in Bridger Coal-Related Levelized Revenue Requirement				**$ 27,127,333**

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-21-17

IDAHO POWER COMPANY

LARKIN, SUPP DI TESTIMONY

EXHIBIT NO. 2

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

RATE BASE		
Electric Plant in Service		
Intangible Plant	$	302,533
Production Plant		317,844,293
Transmission Plant		3,902,308
Distribution Plant		0
General Plant		1,233,930
Total Electric Plant in Service	$	323,283,064
Less: Accumulated Depreciation		168,084,102
Less: Amortization of Other Plant		0
Net Electric Plant in Service	$	155,198,962
Less: Accumulated Deferred Income Taxes		17,111,466
TOTAL COMBINED RATE BASE	**$**	**138,087,496**
NET INCOME		
Total Operating Revenues	$	-
Operating Expenses		
Operation and Maintenance Expenses		
Depreciation Expenses		7,775,078
Amortization of Limited Term Plant		
Taxes Other Than Income		999,217
Regulatory Debits/Credits		
Provision for Deferred Income Taxes		3,445,514
Investment Tax Credit Adjustment		
Current Income Taxes		(9,496,530)
Total Operating Expenses	$	2,723,279
Consolidated Operating Income	$	(2,723,279)
Proposed Rate of Return		7.86%
Earnings Deficiency	$	13,576,957
Net-to-Gross Tax Multiplier		1.642
Bridger Revenue Requirement (IPC-E-11-08)	**$**	**22,293,363**
Bridger Revenue Requirement Reduction (GNR-U-18-01)	**$**	**(1,626,256)**
Bridger Revenue Requirement Currently in Rates	**$**	**20,667,107**