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May 13, 2022

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg 8,
Suite 201-A (83714)
PO Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-21-17
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

Dear Ms. Noriyuki:

Enclosed for electronic filing please find Idaho Power Company's Reply Comments in the above-referenced matter.

If you have any questions about the attached document, please do not hesitate to contact me.

Very truly yours,

Julia A. Hilton

JAH:sg
Enclosure

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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'S REPLY COMMENTS

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments pursuant to Order No. 34053 in response to Comments filed by Clean Energy Opportunities for Idaho ("CEO") on April 14, 2022, and the Idaho Public Utilities Commission ("Commission") Staff, City of Boise, Industrial Customers of Idaho Power ("ICIP"), Idaho Conservation League ("ICL") and Sierra Club, and Micron Technology, Inc. ("Micron"), on April 27, 2022. In the paragraphs that follow, Idaho Power will respond to a number of issues raised by these parties in their Comments.

I. BACKGROUND

1. The Jim Bridger Power Plant ("Bridger") located near Rock Springs, Wyoming consists of four generating units. PacifiCorp has two-thirds ownership and is the operator of the facility. Idaho Power owns one-third, or 771 megawatts ("MW")[1] of Bridger. Idaho Power's one-third share of the units' nominal net (or "net reliable") generation capacities are 177 MW, 180 MW, 174 MW and 175 MW, respectively. The Company and PacifiCorp (collectively, the "Co-Owners") work jointly to make decisions regarding the plant, including required investments and the retirement of the plant.

2. Idaho Power is required to file an updated depreciation study within five years of the Company's previous depreciation study.[2] Because nearly five years had 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 Integrated Resource Plan ("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. 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.

3. In its Application filed on June 2, 2021, and its Amended Application on February 16, 2022, Idaho Power requested authorization to (1) accelerate the

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[1] Generator nameplate rating.

[2] Pursuant to Commission Staff's recommendation in Case No. IPC-E-03-07.

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.

II. <u>IDAHO POWER'S REPLY</u>

A. Idaho Power's Investments through Year-End 2020 were Prudently Incurred.

4. There have been a number of investments required to operate Bridger in a safe, efficient, and reliable manner, including investments to ensure environmental compliance as well as a number of investments for routine maintenance and repair. Idaho Power's share of the investments made at Bridger since 2011, a total of 841 different projects, totaled $266.3 million. The Company appreciates Commission Staff's extensive review of the capital investment documentation, finding that the "capital investments through 2020 for the Jim Bridger power plant were prudently incurred."[3]

5. ICL and Sierra Club however were critical of Idaho Power's investments in the Selective Catalytic Reduction ("SCR") controls for Units 3 and 4, suggesting the $109.9 million spent for compliance with the Clean Air Act Regional Haze Rules and resulting Wyoming Regional Haze State Implementation Plan ("Wyoming SIP") was imprudent. In their Joint Comments, ICL and Sierra Club state that the Company failed to "monitor rapidly changing economic conditions and change course when the SCRs

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[3] Staff Comments, p. 5.

were no longer economically viable"[4] and therefore Idaho Power should not be allowed a return on the investments. ICL and Sierra Club however neglected to indicate that the SCR controls on Bridger Units 3 and 4 were required to comply with the Wyoming SIP.

6. The Company has an obligation to operate its facilities in compliance with its permit requirements and the applicable laws and regulations, as well as satisfy other Idaho Power statutory requirements. In June 2013, the Company filed a request for a Certificate of Public Convenience and Necessity ("CPCN") with the Commission which included an analysis supporting the upgrade of Units 3 and 4 to allow for the ongoing coal-fueled energy production as the least-cost, least risk outcome for customers. With Order No. 32929 issued in Case No. IPC-E-13-16, the Commission confirmed that circumstances at the time required upgrades to meet environmental regulations and to continue providing reliable energy to customers. Idaho Power then acted in accordance with the conclusions of its detailed analysis and the issuance of the CPCN by the Commission with Order No. 32929 by installing SCR controls on Bridger Units 3 and 4. Idaho Power also filed thirteen Quarterly Reports with the Commission in Case No. IPC-E-13-16 between March 2013 to March 2017 providing project schedule and cost updates to ensure that the Commission and other interested parties had visibility into ongoing environmental policies and regulations driving the project, as well as the project activities that led to regulatory compliance and the provision of safe, reliable service. Therefore, Idaho Power's $58.29 million and $51.65 million investments in SCR controls for Bridger Units 3 and 4, respectively, were prudently incurred and have been used and useful in the subsequent years for energy generation, economic sales, and system reliability.

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[4] ICL/Sierra Joint Comments, pg. 8.

B. Idaho Power's Proposed Bridger Levelized Revenue Requirement Mechanism Achieves Staff's Stated Goal of Ensuring Customer Pay No More or No Less than Actual Costs Associated with Bridger; Staff's Proposed Mechanism Does Not.

7. In their Comments, Commission Staff signals support for Idaho Power's proposed balancing account to track any differences in the Bridger coal-related revenue requirements, agreeing that the mechanism will "ensure the Company recovers no more and no less than the actual costs associated with the closure of Bridger."[5] However, Commission Staff's proposal for computing the differences is flawed and does not achieve their stated goal. In fact, due to certain modifications to the Company's proposal, Commission Staff's recommendation would cause considerable financial harm to Idaho Power and ultimately its customers.

8. Commission Staff proposes to implement a balancing account mechanism, but with several key differences that result in financial harm to Idaho Power. First, Staff is proposing to use 2020 Bridger-related revenue requirement as the basis for comparison when calculating variances to include in the balancing account, and to accelerate the depreciable life of Bridger coal-related assets to year-end 2030. However, Staff is proposing no rate adjustment to align customer rates with these changes, which would result in the Company calculating a cumulative balancing account amount that is disconnected from revenue requirement amounts the Company has been authorized to collect. If Staff's proposal is approved, Idaho Power would be recording the difference between a base 2020 revenue requirement – a revenue requirement amount the Company has not yet been authorized to collect – and a non-levelized declining revenue requirement annually from 2021 through 2030. Simply put, the resulting effect of applying

[5] Staff Comments, p. 11.

Staff's proposed method would be to require the Company to track for future return to customers, amounts Idaho Power never actually recovered from customers. Implementing Staff's proposed modifications would result in an estimated cumulative negative financial impact to Idaho Power of $95.4 million for the 2021 through 2030 time period.

9. As explained earlier, following their extensive review of investments made at Bridger during the January 1, 2012, through December 31, 2020, time period, Commission Staff concluded the investments were reasonably prudent. Yet, Commission Staff is recommending the 2020 revenue requirement should be used as the base for the tracking of revenue requirement differences to be recorded in the balancing account, negating the ability for the Company to recover the return on, or return of, the investments Commission Staff has deemed necessary for the continued safe, reliable operation of Bridger.

10. Commission Staff has previously supported Idaho Power's glide path away from coal resources as a method for stabilizing rates for customers as the plants' end-of-life neared, recommending approval of the establishment of a levelized revenue requirement mechanism for the early closure of both the Boardman power plant[6] and the North Valmy power plant, as well as supporting the continued evaluation of Valmy Unit 2 for a potentially earlier exit.[7] However, with respect to Bridger, Commission Staff believes Idaho Power's revenue collected during 2020 was adequate to cover Bridger revenue requirement amounts, and therefore should not be recoverable. This recommendation was based on a review of IdaCorp's 2021 Annual Report, which indicated Idaho Power

[6] Case No. IPC-E-11-18, Staff Comments, dated January 13, 2012.
[7] Case No. IPC-E-16-24, Staff Comments, dated May 18, 2017.

earned a 9.2 percent return on equity ("ROE"). But, in their analysis, Commission Staff failed to reflect that the 9.2 percent ROE for which they based their recommendation is earnings on an actual basis, not a rate case view in which normalizing and rate-making adjustments are made to actual earnings to more appropriately reflect a normalized level of earnings. For example, in 2021 Idaho Power set a new peak demand in June and July as the northwest region experienced a record-setting heat wave, which was listed in the 2021 Annual Report as a driver of increased sales over that time period. Due to these types of events, using actual earnings as a basis for an earnings test is inappropriate.

11. In addition, Commission Staff incorrectly points to the Company's Confidential Response to Staff's Production Request No. 3 as support for their proposal indicating it would "have a very small impact" to Idaho Power's ROE and "… will not significantly impact the Company's current financial position."[8] Staff's Production Request No. 3 requested a comparison of the impact to Idaho Power's ROE if recovery of the Bridger levelized revenue requirement was approved and the ROE if recovery of the Bridger levelized revenue requirement was not approved. Commission Staff misapplies the Company's response to its own modified proposal, failing to note that the Company's calculation of the estimated ROE if Idaho Power's request in this case is not approved, assumes that the request is not approved in its *entirety*, and therefore does not include the impacts associated with the accelerated depreciation of Bridger coal-related investments, significantly understating the estimated impact to the Company's financial position.

[8] Staff Comments, p. 11.

12. The recommendation by Commission Staff to use the 2020 revenue requirement as the base for the tracking of revenue requirement differences in the Bridger balancing account would cause significant financial harm to Idaho Power, resulting in the immediate need for Idaho Power to file a general rate case. The Company believes there is an alternative to accomplishing Commission Staff's objectives without unwarranted financial harm.

C. The Company Provides Adequate Oversight of Capital Investment Decisions at Bridger.

13. As a one-third owner in the plant, Idaho Power is actively involved in the decision-making process related to capital investments at Bridger. As the plant operator, PacifiCorp analyzes and proposes the need for capital projects necessary to ensure continued safe, reliable operations of the plant. In accordance with Section 4.2 of the Agreement for the Operation of the Jim Bridger Project between Idaho Power Company and Pacific Power & Light Company, as the plant operator, PacifiCorp:

> "covenants that it will operate and maintain the Project at the lowest reasonable cost and in a prudent and skillful manner in accord both with the standards prevailing in the utility industry for projects of a similar size and nature and with applicable laws and final orders or regulations of regulatory or other agencies having jurisdictions. It is recognized that the Operator must have the latitude necessary to operate and maintain the Project accordingly."

14. Although the initial decision making for necessary capital investments at Bridger is performed by the plant operator, Idaho Power regularly participates in developing and discussing the capital investment forecast, influencing the investments ultimately made. The Company's evaluation begins well in advance of the mid-year budget review meetings that occur annually. Prior to the budget presentations, Idaho

Power personnel met with plant personnel to perform a detailed review of the capital projects for the upcoming three years, including the scope of the project, need for the project, and any consequences that would occur if the parties chose not to complete the project, as evidenced by the workpapers prepared for Commission Staff's April 20, 2022, on-site review. During this review, the Company asks questions of specific projects for clarification and understanding, if needed, allowing time for revisions to the capital forecast prior to finalizing for the mid-year budget review meeting in which PacifiCorp presents a detailed 3-year forecast with a high-level 10-year forecast.

15. Next, during each quarterly Ownership Meeting, the entire capital budget spend-to-date is reviewed and discussed, along with any necessary or proposed adjustments to the remaining project work. During the September quarterly Ownership Meetings, the final proposed capital budget is provided. Plant personnel and subject matter experts on the various capital projects are available during both the mid-year and September presentations to answer any questions that Idaho Power may have for the operating partner. The Ownership Meeting Minutes provided for Commission Staff's on-site review on April 20, 2022, document the Company's questioning of various actual and forecasted expenditures. On a monthly basis, Idaho Power reviews forecasts for capital and operations and maintenance expense. The Company remains in contact with the plant via phone calls and multiple yearly on-site visits, where the open dialog of the capital projects occurs. Idaho Power representatives also visit the Bridger plant, to review and observe the capital projects in progress.

16. Idaho Power recognizes that a prudence review of investments made at a jointly-owned power plant spanning nearly a decade, such as the one conducted by Staff

in this case, is both a time and data intensive exercise. The Company acknowledges and appreciates Staff's extensive review of the capital investment documentation, finding that the investments made at Bridger since 2011 were prudent. In their comments, Staff acknowledges the documentation provided by Idaho Power "shows that the Company is involved in the decision-making process for project need and budget tracking…".[9] However, Idaho Power would like to clarify an issue raised in Staff's Comments and emphasize the Company's involvement regarding capital investments as the partners diverge on unit exit dates.

17. Staff was critical of Idaho Power's documentation "showing how it was involved in these meetings and how its needs differ from the managing partner"[10] further indicating concerns "that the Company's interest may not be adequately represented while making investment decisions."[11] It is worth noting that at the time of the initial filing of the Company's request in this case, both Idaho Power and PacifiCorp were operating Bridger under the end-of-life assumptions from each utility's most recent Integrated Resource Plan ("IRP"), the Company's Second Amended 2019 IRP and PacifiCorp's 2019 IRP. Previously, Idaho Power was operating under an assumed 2034 Bridger end-of-life. It was the preferred portfolio of Idaho Power's Second Amended 2019 IRP that first identified a more favorable economic outcome associated with an earlier end-of-life of Bridger, and varying exit dates by unit, driving the Company's request to accelerate the end-of-life of Bridger in this case. Idaho Power's preferred portfolio in the Second Amended 2019 IRP identified early Bridger unit exits in 2022, 2026, 2028, and 2030, while

[9] *Id.*, p. 8.
[10] *Id.*, p. 8.
[11] *Id.*, p. 8.

PacifiCorp's 2019 preferred portfolio identified early Bridger unit exits in 2023 and 2028 but maintained 2037 for the remaining two units. Therefore, it was not until late 2019 that the Company added to its focus of ensuring only investments for the continued safe, efficient, and reliable operations of Bridger are made, the complexity of the differing end-of-life dates for each unit and by each co-owner.

18. As such, Idaho Power agrees with Staff's assessment that the Company should "be actively involved in reflecting its differing view of project investment need given the different exit/retirement dates between the two Companies."[12] However, Idaho Power believes Staff's criticism that the Company has "provided little documentation to date showing how it was involved in these meetings and how its needs differ from the managing partner"[13] is premature because the discussions have just begun. With both utilities identifying early and different exit dates for the units, Idaho Power committed in the Action Plan of the Second Amended 2019 IRP to begin discussions with PacifiCorp about early exits from Bridger units because current contractual terms do not contemplate one partner ending participation in a unit during the time the other co-owner wishes to continue operations. Since then, the procedural schedule in the current case was suspended due to unresolved guidance on environmental compliance of Units 1 and 2 and the completion of PacifiCorp's 2021 IRP which included an Action Plan envisioning the cessation of coal-fired generation in Units 1 and 2 in 2023 with a natural gas conversion of those units in 2024. The economic benefit of ceasing participation in coal-fired operations of Bridger changed yet again with Idaho Power's 2021 IRP, also supporting a natural gas conversion of Units 1 and 2 in 2024 and indicating an exit of

[12] *Id.*, p. 8.
[13] *Id.*, p. 8.

Units 3 and 4 in 2025 and 2028, respectively. The needs of the partners have changed significantly in only the last 18 months.

19. Therefore, the Company agrees with Commission Staff's opinion that governance of the investments made by PacifiCorp as the operating partner, "ensuring that projects are implemented at least-cost to customers"[14] is appropriate. In addition to involvement in various partner meetings described earlier and in light of the recent development in the differing exit dates of the Bridger units by each party, as explained in the Direct Testimony of Matthew T. Larkin, in the quantification of the Bridger levelized revenue requirement, Idaho Power adjusted the capital forecast. Given that the units will be approaching their end-of-life, the Company removed large capital expenditures associated with the overhaul of Units 3 and 4 in 2028 and 2029, respectively, because the Company believed it was too early to determine if the overhaul will be required. Idaho Power continually reevaluates the capital forecast and communicates the Company's need with the plant, ensuring only those investments necessary for the safe and reliable operations of each unit are made.

20. Idaho Power would also like to clarify that the Company is contractually obligated to rely "heavily on its operating partner and co-owner PacifiCorp for project management, project implementation and project construction."[15] However, Idaho Power is and always has been actively involved in the decision-making process in all matters associated with Bridger capital investments as a co-owner. In their comments, Commission Staff indicated additional oversight is warranted, including more frequent on-site inspection of capital projects with field reports documenting project activity and

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[14] *Id.*, p. 8.
[15] *Id.*, p. 8.

progress. It is important to note that the additional direct oversight and on-site project management of Bridger investments recommended by Commission Staff would require the addition of a full-time Idaho Power employee, and Idaho Power believes Staff's concerns can be addressed without the additional cost that would likely be required by this specific proposal. Idaho Power looks forward to working with Commission Staff to address Commission Staff's recommendation that the "Company establish a formalized process to document the circumstances, the Company's justifications, and the final decisions made for these types of investment decisions"[16]. Once aligned on any process changes, these new practices would be in place for future investments, or those investments made in late 2022 and beyond, and included as part of the Company's request in future prudence filings. Similarly, Idaho Power supports Staff's recommendation that the Company "submit reports to the Commission referencing projected expenditures for Bridger after every Integrated Resource Plan is acknowledged."[17]

D. Securitization of Bridger Levelized Revenue Requirement Amounts Would Cause Undue Financial Harm.

21. Both ICIP and the joint comments of ICL and Sierra Club suggest Idaho Power should request authorization from the Commission to issue bonds for recovery of costs associated with the early exit from coal-fired operations at Bridger, or securitization to finance Bridger coal-fired assets. Securitization can be a ratemaking alternative to self-financing by a utility by issuing debt in the form of bonds. Title 61 – Public Utility Regulation of the Idaho Statutes affords the Commission two options for approving

[16] *Id.*, p. 8.
[17] *Id.*, p. 11.

securitization requests by a utility: (1) Chapter 15 is specific to the issuance of bonds for recovery of energy costs, and (2) Chapter 16 is somewhat broader allowing for the issuance of bonds for cost reductions, or Utility Cost Reduction Bonds. Because the Company's request in this case is specific to Bridger investments, and not Bridger-related power supply costs, Chapter 15 is not an option to pursue for potential securitization approval.

22. As envisioned in the Joint Comments of ICL and Sierra Club, debt securitization of Bridger coal-related investments would be used to lower the revenue requirement in this case by eliminating the return component from the revenue requirement calculation, lowering the overall cost of capital. In practice, however, Idaho Power believes the benefits of debt securitization would not occur without subsequent financial harm. Under Idaho's regulatory mandate and model, the Company has an obligation to provide adequate, efficient, just, and reasonable service on a nondiscriminatory basis to all those that request it within its certificated service area.[18] As part of the regulatory compact, the Company must serve all customers in the service area, in exchange for its exclusive right to provide retail electric service within the service area. In return, the compact provides Idaho Power the opportunity to earn a reasonable return by investing capital into the resources and systems necessary to perform its service obligation.

23. Securitization of prudently incurred capital investments lowers revenue requirement amounts by effectively not allowing the Company to earn a fair rate of return on its investment. While the Commission has oversight to ensure the Company is

[18] Idaho Code §§ 61-302, 61- 315, 61-507.

prudently investing its capital, Idaho Power and its shareowners should not be penalized after the fact for not seeking to securitize costs associated with Bridger investments solely with debt. In fact, Chapter 16 of Title 61 – Public Utility Regulation of the Idaho Statutes, states "[n]o public utility shall be treated as having acted unreasonably or imprudently by reason of its failure to apply for a cost reduction order . . ."[19] Further, Chapter 16 specifies that the legislative intent of authorization by the Commission of Utility Cost Reduction Bonds is not intended to take away from the utility model, indicating "this type of securities legislation is in the public interest but should not be considered as endorsement of, or intended to provide, a mechanism for restructuring of the utility industry in the state of Idaho."[20]

24. Since rates related to Bridger were last set in the Company's 2011 General Rate Case, the Company has invested hundreds of millions of dollars in the plant to ensure safe, reliable, fair-priced service for its customers. Securitization of these costs would effectively prevent the Company and its investors from earning a fair rate of return on prudently-incurred, used and useful investment at the Bridger plant. Applying this treatment to prudent investment in a used and useful facility would result in financial harm related to the Company's ability to attract capital, and undermine the regulatory compact by contradicting the intent of Chapter 16 and effectively restructuring the utility industry in the state of Idaho.

25. The incremental costs of debt securitization should be considered as well. In addition to the interest cost of a securitized debt financing, there would be sizable transaction costs. The transaction costs for Idaho Power's regular long-term bond

[19] Idaho Code §16-1603(5).
[20] Idaho Code §16-1601.

financing are estimated to be approximately $1.24 for every $100 financed[21] and includes underwriting commissions, fees to rate the bonds from S&P and Moody's, legal and other miscellaneous fees. The legal fees associated with a securitized debt financing would most likely be higher as the securitization structure adds another level of complexity to the bond documents. In fact, when developing a proposal for debt securitization for the Power Cost Adjustment increase stemming from the Western Energy Crisis in 2002, Idaho Power estimated several million dollars in additional fees associated with the securitization process.

26. It should also be noted that, consistent with the treatment of Boardman and Valmy-levelized revenue requirement computations, the Company voluntarily proposed to use a 9.5 percent ROE, less than the authorized ROE included in base rates, in the quantification of the Bridger coal-related levelized revenue requirement to reflect the balancing account methodology that provides for full recovery of the ROE for Bridger. The Commission ultimately approved[22] this reduced return, which was an agreed upon method applied to both the Boardman and Valmy mechanisms, in recognition of the establishment of a mechanism that provides the Company with the opportunity to recover its full costs associated with the Bridger plant.

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[21] As noted on pgs. 7-8 of the securities application filed May 2, 2022, in Case No. IPC-E-22-14.

[22] *In the Matter of Idaho Power Company's Request for Acceptance of Its Regulatory Plan Regarding the Early Shutdown of the Boardman Power Plant*, Case No IPC-E-11-18, Order No. 32457 at 4 (Feb 15, 2012) ("The Commission finds it reasonable to offset the Company's resulting, reduced recovery risk with a 9.5% ROE for purposes of calculating the initial, levelized Boardman recovery amount, and to subsequently adjust the ROE using the ADITC trigger calculation."); *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Plant*, Case No. IPC-E-16-24, Order No. 33771 at 5 (May 31,2017) (approving Settlement Stipulation where "Staff supported the 9.5% return on equity (ROE) used to calculate Valmy's levelized revenue requirement, as it is the same ROE approved in Order No. 32424 (for the Accumulated Deferred investment Tax Credit trigger), and used in the Boardman coal plant amortization and deferral account.")

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E. The Application of the Carrying Charge in the Balancing Account is Necessary with a Levelized Revenue Requirement Mechanism.

27. Idaho Power's request in this case is to implement a levelized revenue requirement mechanism that would allow for recovery of Bridger coal-related investments through 2030 for ratemaking purposes, though the Company's exit from coal-fired operations of each unit varies, occurring at different years throughout that time period. Because GAAP and Internal Revenue Code rules will require Idaho Power to make income tax filings and accounting entries consistent with the economics that actually occur rather than the 2030 assumption the proposed revenue requirement is based on, regulatory accounts are required to adjust the financial statement impacts resulting from the timing differences between GAAP results and the 2030 ratemaking assumption.

28. Commission Staff agrees that a balancing account approach is appropriate for tracking differences in the Bridger coal-related revenue requirements, but suggests "the balance in the deferral, both positive and negative, should not be subject to any carrying charges or return."[23] However, the application of a carrying charge on the balancing account is necessary to accurately reflect the time value of money associated with the difference in a ratemaking assumption that differs from the economic life of the unit. The request for approval of a carrying charge on the balancing account is not a request for recovery of amounts above those authorized under a more traditional ratemaking approach but rather a reflection of the timing differences between the two. Based on this understanding, the Company believes that Staff's discussion of a carrying charge may be directed at deferral balances that may accrue as differences that exist

[23] Staff Comments, p.10.

between the annual levelized revenue requirement and annual revenue collected as tracked under the balancing account mechanism. The Company is not opposed to the absence of a carrying charge for such amounts.

F. Idaho Power's Customer Communications Met the Commission's Requirements.

29. In their initial comments, CEO states the notice Idaho Power provided to customers regarding the Company's proposed change in rates "misleads through material omissions."[24] CEO claims the notice is deficient because it does not specifically identify the SCR controls as investments included in Idaho Power's proposed accelerated recovery of depreciation expense. Rule 125 of the Rules of Procedure ("RP") of the Idaho Administrative Code identifies the requirements of customer notices when a change in rates is proposed. RP 125(01)(a) states that when "… a utility requests a rate increase, the customer notice must *briefly* explain the utility's need for additional revenue and the dollar amount requested . . . [Emphasis added]".

30. Both the news release sent to media outlets and the bill stuffer sent to all customers included a brief description of the driver of the Company's need for additional revenue, as required by RP 125: the change in the economic life of Bridger and the resulting request for accelerated recovery of depreciation expense by year-end 2030. CEO contends the notices should have identified two specific investments made by Idaho Power, the SCR controls installed on Units 3 and 4.

31. Idaho Power's request in this case includes the revenue requirement associated with all Bridger coal-related investments as of December 31, 2020, including coal-related investments made since the last general rate case, which comprises 841

[24] CEO Comments, p.3.

different completed projects. While the depreciation expense associated with these projects is a component of the need for a rate increase, a news release and bill stuffer that contains the level of detail suggested by CEO is not practical. Even if it were, because most customers do not have reason to know what "selective catalytic reduction" investments are or entail, such detail would not have made a practical difference. Rather, the Company provided a *brief* explanation of the need for additional revenue, as required by RP 125, and described that customers have the opportunity to review Idaho Power's proposal and how they can participate in that review. Further, as part of the Company's request in this case, the Direct Testimony of Ryan N. Adelman devotes a section specifically to the investments made at Bridger since 2011, with an exhibit detailing all 841 projects and 11 pages of discussion concerning the investments necessary for environmental compliance, including the SCR control investments.

32. Idaho Power adequately informed customers of the proposed rate increase, included a brief explanation of the driver of the need for additional revenue, and advised customers the proposal was open for public review and how one may participate in the review of the request, as required by RP 125. The Commission's Notice of Application and Amended Notice of Application also provided notice to customers of the plant investments made to ensure environmental compliance and routine maintenance and repair.[25]

III. CONCLUSION

33. Idaho Power appreciates the opportunity to respond to Comments filed in this case, for Staff's review of the voluminous amount of documentation of Bridger-related

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[25] Order Nos. 35088 and 35340.

costs, and its support for a prudence determination of the investments. The Company respectfully requests the Commission (1) accept Commission Staff's recommendation to find all Bridger capital investments through 2020 as prudent, (2) reject Commission Staff's proposal to use the 2020 revenue requirement as the base for the tracking of revenue requirement differences in the Bridger balancing account, and (3) reject ICIP, ICL and Sierra Club's recommendation that Idaho Power should request authorization from the Commission for securitization of Bridger coal-fired investments.

DATED at Boise, Idaho, this 13th day of May, 2022.

for

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 13th day of May 2022, I served a true and correct copy of Idaho Power Company's Reply Comments upon the following named parties by the method indicated below, and addressed to the following:

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