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May 18, 2022

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
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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 Response to All-Party 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,

Lisa D. Nordstrom

LDN:sg
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

Pursuant to Order No. 34053 Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Response to the All-Party Reply Comments filed by the City of Boise on May 12, 2022, and the Idaho Public Utilities Commission ("Commission") Staff, Idaho Conservation League ("ICL") and Sierra Club, and Micron Technology, Inc. ("Micron") on May 13, 2022. In the paragraphs that follow Idaho Power will respond to concerns raised by these parties in their Reply Comments, including the prudence of Jim Bridger Power Plant ("Bridger") investments, securitization of Bridger coal-related revenue requirement amounts, and implementation of a Bridger levelized revenue requirement mechanism.

I. BACKGROUND

1. The Bridger plant, 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”)³ 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; Bridger’s currently approved depreciable life is 2034. 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.

¹ Generator nameplate rating.

² *In the Matter of the Application of Idaho Power Company to Revise Its Depreciation Rates for Plant in Service*, Case No. IPC-E-03-07, Staff Comments at 4 (Aug 29, 2003).

³ *In the Matter of Idaho Power Company’s 2019 Integrated Resource Plan*, Case No. IPC-E-19-19.

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 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. IDAHO POWER'S RESPONSE

A. The Commission Should Accept Commission Staff's Prudence Recommendation for Bridger Investments Made from January 1, 2012, through December 31, 2020.

4. In their Joint Reply Comments, ICL and Sierra Club state the "Commission should carefully scrutinize Idaho Power's past expenditures, particularly its investment in [Selective Catalytic Reduction] SCRs at Jim Bridger."⁴ The Company agrees with this assertion. One role of the Commission is to carefully examine expenditures for which Idaho Power requests recovery to ensure the charges are just and reasonable.⁵ In the case of the SCR controls for Units 3 and 4, which were required for compliance with the Clean Air Act Regional Haze Rules and resulting Wyoming Regional Haze State Implementation Plan ("Wyoming SIP"), the Company filed a request for a Certificate of Public Convenience and Necessity ("CPCN") with the Commission because of the

⁴ ICL/Sierra Joint Reply Comments, pg. 4.

⁵ *Idaho Code* § 61-301.

magnitude of the investment.⁶ The request, filed in advance of the investment and construction of the SCR controls, 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.⁷

5. Despite the Commission's Order⁸ granting the CPCN, ICL and Sierra Club maintain in their Joint Reply Comments that Idaho Power's investments were imprudent at the time the decision was made to install the SCR controls.⁹ However, Commission Staff reiterated support of their "original recommendations and conclusions regarding the prudence of investments in Bridger during the period from January 1, 2012, through December 31, 2020" in their Reply Comments.¹⁰ Further, regarding the SCR controls, Commission Staff expanded upon the analysis conducted as well as a timeline of the events important to Idaho Power's request for, and the considerations made regarding the Commission's decision to grant, a CPCN. Commission Staff explained in their Reply Comments that the Commission provides:

two types of prudence determinations: decisional prudence and operational prudence. Decisional prudence of an investment is based on need, while operational prudence is based on whether the Company implemented the investment in a least cost manner... By authorizing a CPCN through Order No. 32929, the Commission provided the Company with decisional prudence and an authorization to proceed.¹¹

6. As a result, Commission Staff in this case, evaluated operational prudence and how cost effectively the project was implemented, noting that both SCR controls

⁶ *In the Matter of Idaho Power Company's Application for a Certificate of Public Convenience and Necessity for the Investment in Selective Catalytic Reduction Controls on Jim Bridger Units 3 and 4, Case No. IPC-E-13-16*

⁷ *Id.*, Harvey DI Testimony, Exhibit Nos. 5 and 6.

⁸ Case No. IPC-E-13-16, Order No. 32929 (Dec 2, 2013).

⁹ ICL/Sierra Joint Reply Comments, pg. 4.

¹⁰ Commission Staff Reply Comments, pg. 7.

¹¹ *Id.*, pg. 8.

came in under budget.¹² In addition to the thirteen Quarterly Reports filed with the Commission in Case No. IPC-E-13-16 between March 2013 and March 2017 providing project schedule and cost updates, Commission Staff noted the Commission required Idaho Power to continuously evaluate the investments within the scope of changing environmental impacts. In their Reply Comments, Commission Staff detailed the timeline of facts relevant to the evaluation and items Staff considered as part of their analysis to develop a recommendation, noting that, in their Order approving a CPCN, the Commission stated they “cannot speculate . . . upon the future availability of [a resource], but must confine its determinations to facts susceptible of demonstration within reasonable limits” concluding that “[s]hort-term reliability concerns make the issuance of a CPCN the prudent decision at this point in time.”¹³

7. As evidenced by the record in this case, Idaho Power’s investments in Bridger during the January 1, 2012, through December 31, 2020, time period, including the investments in SCR controls for Bridger Units 3 and 4, were prudently incurred and have been used and useful in the subsequent years for energy generation, economic sales, and system reliability.

B. The Commission Should Reject Various Parties’ Recommendation that Idaho Power Must Request Authorization for Securitization of Bridger Levelized Revenue Requirement Amounts.

8. All parties that submitted Reply Comments recommend the Company evaluate securitization of Bridger revenue requirement amounts in some manner. The City of Boise encourages the Company to consider the benefits of applying for

¹² *Id.*

¹³ *Id.*, pg. 8-9, citing Order No. 32929 at 11 that quotes *Applications of Intermountain Gas Co.*, 77 Idaho 188, 199 289, 933, 940 (1955).

securitization.¹⁴ The Joint Reply Comments of ICL and Sierra Club indicate Idaho Power should “fully evaluate securitization.”¹⁵ And while Micron “*does not* assert that it is necessarily the best approach for Bridger” it believes the “Commission should at least require Idaho Power to analyze and present all options.”¹⁶ The Commission does not need to order the Company to perform this evaluation; Idaho Power’s Reply Comments include a detailed assessment of securitization of Bridger revenue requirement amounts.¹⁷

9. Idaho Power believes the benefits of debt securitization would not occur without subsequent financial harm to the Company. 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. Consistent with the treatment of Boardman and Valmy-levelized revenue requirement computations, the Company voluntarily proposed to use a 9.5 percent Return on Equity¹⁹ (“ROE”), less than the authorized ROE included in base rates, in the quantification of the Bridger coal-related levelized revenue requirement.

¹⁴ City of Boise Reply Comments, pg. 4.

¹⁵ ICL/Sierra Club Joint Reply Comments, pg. 3.

¹⁶ Micron Reply Comments, pg. 3.

¹⁷ Idaho Power Reply Comments, pgs. 13-16 (May 13, 2022).

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

¹⁹ Larkin DI Testimony, pg. 22, ll. 17-22.

10. In their Reply Comments, Commission Staff incorrectly characterizes securitization as an “effective tool to keep the Company whole from the closure costs of Bridger.”²⁰ In reality, securitization of prudently incurred capital investments lowers revenue requirement amounts by not allowing the Company to earn a fair rate of return on its investment, an investment that has already been financed in a traditional manner. While the Commission has oversight to ensure the Company is prudently investing its capital, securitization of these costs after the investments were made would effectively prevent Idaho Power and its investors from earning a fair rate of return on prudently-incurred, used and useful investment at the Bridger plant that was financed with both debt and equity. This result would negatively impact the Company’s ability to attract capital, and effectively restructure the utility industry in the state of Idaho.

C. The Commission Should Authorize Idaho Power’s Proposed Bridger Levelized Revenue Requirement Mechanism and the Company’s Proposed Rate Mitigation Alternative.

Levelized Revenue Requirement Mechanism

11. While the Joint Reply Comments of ICL and Sierra Club and the Reply Comments of the City of Boise reiterate support for Idaho Power’s transition away from coal-fired generation, they, along with Micron, continue to express concern about implementing a levelized revenue requirement mechanism absent an agreement in place to cease coal-fired operations with Idaho Power’s operating partner, PacifiCorp, due to differing exit dates of each unit between the co-owners. Yet, ICL and Sierra Club were both parties to the Settlement Stipulation and Motion to Approve Settlement Stipulation in Case No. IPC-E-16-24 (“Valmy Settlement Stipulation”), the Company’s request to

²⁰ Commission Staff Reply Comments, pg. 7.

implement a levelized revenue requirement mechanism for the North Valmy power plant approved with Order No. 33771.²¹ Similar to the circumstances existing with Bridger, there was no contractual agreement that allowed for one party to exit operations of a Valmy unit prior to both partners exiting. To remedy any potential concerns about Idaho Power's efforts, the Valmy Settlement Stipulation included provisions that Idaho Power use prudent and commercially reasonable efforts to reach an agreement with co-owner NV Energy to amend the ownership and operating agreements to provide for an exit of participation in or cessation of coal-fired operations and report on the status of the negotiations to the Commission.²²

12. A balancing account, implemented as proposed by Idaho Power, in fact, addresses the concerns raised by parties because it allows for flexibility of the timing and recovery of Bridger coal-related revenue requirement amounts, smoothing customer rate impacts and ensures customers pay no more or no less than actual Bridger-related costs. Similar to the provision in the Valmy Settlement Stipulation that required the Company to continue to conduct ongoing analyses to evaluate the economics of a unit retirement as part of its IRP,²³ the economics of an earlier exit from participation in coal-fired operations at Bridger will continue to be evaluated through the IRP process, which allows for any costs and benefits associated with an earlier exit to be analyzed. Should a future IRP suggest differing exit dates for Bridger units, the mechanism allows for incorporation of

²¹ *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).

²² Case No. IPC-E-16-24, Settlement Stipulation and Motion to Approve Settlement Stipulation, ¶¶ 11 and 12 (May 3, 2017).

²³ *Id.*, ¶ 10.

the change and adjusts the levelized revenue requirement accordingly, reflecting any future changes as if they had been in place since establishment of the mechanism.

13. As explained in detail in the Company's Reply Comments, Commission Staff signaled support for Idaho Power's proposed balancing account to track any differences in the Bridger coal-related revenue requirements, however their proposal for computing the differences is flawed and would cause considerable financial harm to Idaho Power and ultimately its customers.²⁴ Simply put, the resulting effect of applying Staff's proposed method of computing balancing account differences would be to require the Company to track differences between a 2020 base amount that is \$34.9 million higher than the \$20.7 million currently included in customer rates associated with Bridger and authorized by the Commission in the last general rate case. Consequently, Idaho Power would have an obligation for future return to customers of \$95.4 million -- amounts Idaho Power never actually recovered from customers. In fact, a complete denial of the Company's proposed implementation of a Bridger balancing account would do less financial harm to Idaho Power than implementing Staff's proposed methodology for tracking Bridger coal-related revenue requirements.

Rate Mitigation Alternative

14. Idaho Power understands the concerns raised by parties throughout this proceeding about a rate increase, particularly coincident to the Company's proposed rate increase associated with the Power Cost Adjustment ("PCA").²⁵ In recognition of these concerns, the Company offers an alternative recommendation that would avoid an

²⁴ Idaho Power Reply Comments, pgs. 5-6.

²⁵ *In the Matter of the Idaho Power Company's Application for Authority to Implement Power Cost Adjustment (PCA) Rates for Electric Service from June 1, 2022 through May 31, 2023, Case No. IPC-E-21-22.*

immediate adjustment to customer rates and instead utilize previously deferred non-cash income tax benefits associated with Case No. GNR-U-18-01 to offset the incremental annual levelized revenue requirement of \$27.13 million. In Case No. GNR-U-18-01, the Commission approved²⁶ a Settlement Stipulation that provided for the annual deferral of approximately \$7.4 million of non-cash deferred tax benefits stemming from the federal Tax Cuts and Jobs Act of 2017 (“TCJA”).²⁷ These non-cash tax benefits were envisioned to accrue to offset other non-cash costs that customers would otherwise have to pay through rates. These deferred TCJA non-cash benefits have accumulated each year to a regulatory liability that Idaho Power estimates will be approximately \$27.7 million as of June 1, 2022.

15. The Company believes that now is an opportune time to utilize these deferred TCJA benefits to offset the annual incremental levelized revenue requirement proposed in this case, thereby avoiding an immediate impact to customer rates. Because these non-cash TCJA benefits will continue to accrue until the Company’s next general rate case, there will be sufficient benefits to offset the annual Bridger-related incremental levelized revenue requirement, a component of which is related to the non-cash acceleration of depreciation, until rates can be adjusted in the future. The Company believes an appropriate time to reevaluate an adjustment to customer rates related to recovery of the Bridger levelized revenue requirement could correspond with a future PCA decrease or a future general rate case. In any event, the Company would commit to only seeking a rate adjustment to recover the Bridger levelized revenue requirement if such

²⁶ *In the Matter of the Investigation Into the Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking*, Case No. GNR-U-18-01, Order No. 34071 (May 31, 2018).

²⁷ Pub. L. No. 115-97.

an adjustment could be implemented in a revenue neutral manner to customers (e.g., combined with a PCA decrease) or in a general rate case.

16. The Company proposes that any shortfall in coverage of the Bridger revenue requirement be tracked for future true-up in the proposed balancing account. By implementing the Company's proposed rate mitigation alternative in this case, the Commission would be able to establish a balancing account mechanism that has been a proven and successful regulatory mechanism that benefited customers in the early exit of the Boardman and North Valmy power plants,²⁸ without an immediate impact to customer rates. Further, implementation of the balancing account under the Company's proposed mitigation alternative would allow for known costs - costs that Staff has concluded were prudently incurred and the associated accelerated depreciation - to be paid for now with non-cash benefits rather than deferring recovery into the future which would result in a larger impact to customer rates, as the same revenue requirement would be recovered over a shorter time period. Idaho Power's proposed rate mitigation alternative addresses concerns raised by parties in this proceeding about a rate increase, particularly coincident with the proposed rate increase associated with the PCA.

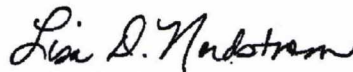
III. CONCLUSION

17. Idaho Power appreciates the opportunity to respond to Reply Comments filed in this case and for Commission Staff's continued support for a prudence determination of the Bridger investments. The Company respectfully requests the Commission (1) accept Commission Staff's recommendation to find all Bridger capital

²⁸ *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 (Feb 15, 2012); Case No. IPC-E-16-24, Order No. 33771.

investments through 2020 as prudent, (2) authorize Idaho Power to accelerate the depreciation schedule for all coal-related Bridger investments to allow for full depreciation and recovery by December 31, 2030, (3) allow for the establishment of 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 (4) approve the Company's rate mitigation proposal to utilize non-cash deferred tax benefits stemming from the 2017 TCJA to offset the incremental annual levelized revenue requirement of \$27.13 million until customer rates can be adjusted in a future revenue requirement proceeding.

DATED at Boise, Idaho, this 18th day of May, 2022.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 18th day of May 2022 I served a true and correct copy of IDAHO POWER COMPANY'S RESPONSE TO ALL-PARTY REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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Stacy Gust

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