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

ORDER NO. 35423

On June 3, 2021, Idaho Power Company ("Company" or "Idaho Power") applied to the Commission for authorization to: (1) accelerate the depreciation schedule for the Jim Bridger Power Plant ("Bridger") to allow it to be fully depreciated and recovered by December 31, 2030; (2) establish a balancing account, with necessary regulatory accounting, to track the incremental costs and benefits associated with Idaho Power ending its participation in coal-fired operations at Bridger; and (3) raising customer rates to recover the incremental, annual levelized revenue requirement of \$30.83 million or an overall increase of 2.53 percent.

Bridger is located near Rock Springs, Wyoming, and consists of four generating units. PacifiCorp owns two-thirds of the facility and is its operator, while Idaho Power owns the other one-third. The Company and PacifiCorp work jointly to make decisions regarding Bridger including required investments and the proposed retirement of Bridger. Bridger is connected to the Borah West transmission path west of the Borah Substation near American Falls, Idaho. The Company's one-third share of energy flows west over this path. The Idaho-Wyoming path consists of three 345 kV transmission lines. The Company owns 800 MW of the 2,400 MW east-to-west capacity which feeds into the Borah West path when power is moving east to west from Bridger.

PROCEDURAL HISTORY

Clean Energy Opportunities for Idaho ("CEO"); City of Boise City ("Boise City"); Industrial Customers of Idaho Power ("ICIP"); Idaho Conservation League ("ICL"); Micron Technology ("Micron"); and Sierra Club all intervened in this case. Order Nos. 35094, 35102, and 35119.

On November 17, 2021, the Commission suspended the procedural schedule and discovery until the Company filed an update or requested to set the procedural schedule once more information was known regarding PacifiCorp's proposal to convert Bridger Units 1 and 2 from burning coal to burning gas and the ongoing negotiation over the Wyoming State Implementation

ORDER NO. 35423

Plan ("Wyoming SIP"), but no later than December 31, 2021. Order No. 35222. The Commission also suspended the effective date for 30 days and 5 months, or until May 31, 2022, unless the Commission issued an earlier order accepting, rejecting, or modifying the Company's Application.

On December 30, 2021, the Company filed a letter with the Commission stating that it filed its 2021 Integrated Resource Plan ("IRP") with a preferred portfolio that also identified the cessation of coal-fired generation in Bridger Units 1 and 2 in 2023 with a natural gas conversion of those units in 2024. The Company also stated that the Environmental Protection Agency ("EPA") had not yet formally acted on PacifiCorp's proposed alternative regional haze compliance plan for Bridger Units 1 and 2. The current PacifiCorp plan would require emission controls by December 31, 2021, for Unit 2 and December 31, 2022, for Unit 1. The Company stated 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, to give more time for the EPA to act on the SIP. The EPA remains in discussions with PacifiCorp regarding this issue.

On February 16, 2022, the Company filed an Amended Application and Motion to Set Schedule ("Amended Application"), and requested almost identical Commission authorizations as it did in the Application. However, in the Amended Application the Company requested that the Commission issue an order authorizing it to adjust customer rates to recover the associated incremental annual levelized revenue requirement of \$27.13 million (rather than \$30.83 million as requested in the Application), which would result in an overall rate increase of 2.12 percent. The Company requested that its proposed rates take effect June 1, 2022.

On March 10, 2022, the Commission issued Notice of Amended Application, Order No. 35340, setting a public comment deadline of April 29, 2022, a simultaneous reply comment deadline of May 13, 2022, and a Company reply deadline of May 18, 2022.

THE AMENDED APPLICATION

The Company represented that it had made numerous investments into Bridger to ensure environmental compliance and routine maintenance and repair. The Company requested a prudence determination on the incremental Bridger coal-related investments since the last general rate case¹, from January 1, 2012, through December 31, 2020. The Company represented that its investments for environmental compliance make up nearly 50 percent of the total Bridger

¹ See Case No. IPC-E-11-08.

investments made since January 1, 2012. The Company also represented that it funded 15 investments greater than \$1 million for operational maintenance.

The Company represented that changing conditions have resulted in an earlier than expected exit from participation in Bridger operations. The Company's 2019 IRP proposed Bridger exits in 2022, 2026, 2028, and 2030.² The Company's 2021 IRP ³ included the conversion of Bridger 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. The Company claimed that the 2021 IRP indicated that an earlier exit from coal-fired generation at Bridger would be more economical. The Company stated that a depreciable life of year-end 2030 for all Bridger Units is appropriate as it would help minimize revenue requirement impacts to customers. The Company estimated that it would exit coal-fired operations of Bridger completely by 2028.

The Company estimated that Bridger would require incremental coal-related investments to maintain operations prior to the decommissioning of the facility. However, because the specific timing and exact amounts of future investments were unknown, the Company proposed that the Commission establish a balancing account to allow flexibility for the recovery of the remaining Bridger investment revenue requirement. The Company stated that under the balancing account approach:

the Company replaces the base rate revenue recovery associated with Idaho Power's existing coal-related investment in Bridger with a levelized revenue requirement and tracks it in the Bridger balancing account, smoothing revenue requirement impacts associated with the exit of Bridger coal-fired operations and allowing for full recovery of Bridger coal-related costs near the time [the Company] ceases participation in coal-fired operations.

Amended Application at 7. The Company represented that this approach aligned the cost recovery period with the Company's remaining participation in coal-fired operations more closely and ensured that Customers would "pay no more or no less than the actual coal-related O&M and capital coal-related costs of the Bridger plant beginning June 1, 2022." *Id.* The Company proposed that the Commission track the coal-related investment, return and associated depreciation expenses, as well as the decommissioning costs, through the balancing account.

The Company requested an accounting order that allowed the Company to make necessary accounting entries, including a regulatory asset account that would match Generally Accepted

² See Case No. IPC-E-19-19.

³ See Case No. IPC-E-21-43.

Accounting Principles ("GAAP") revenue recognition with actual monthly patterns of coal-related revenue requirement. The Company stated that regulatory accounts would be required to adjust the financial statement impacts resulting from Bridger-related GAAP accounting and income tax results.

The Company requested recovery of the coal-related levelized revenue requirement that included costs of accelerating the depreciation of coal-related assets at Bridger; the return associated with coal-related capital investments net of accumulated depreciation forecasted through the Company's participation in Bridger; interim decommissioning costs associated with Bridger; and O&M savings associated with non-fuel coal-related O&M reductions. The Company totaled those costs to \$47,794,440 annually. The Company submitted the following table to present the differences between each component as quantified in the Company's initial request and the amounts that reflected Bridger's investment levelized revenue requirement:

	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	(\$36,96,815)	(\$20,667,107)	(44.1)
Net Change	\$30,825,729	\$27,127,333	(12.0)

The Company proposed to allocate the increase related to Bridger's balancing account using the jurisdictional separating study method. The Company requested that the incremental revenue requirement increase of \$27.13 million be recovered from all customer classes through a uniform percentage increase to all base rate components except the service charge.

COMMENTS

Commission Staff ("Staff"); Idaho Power; CEO; Boise City; ICIP; Micron; ICL; and Sierra Club all filed comments in this case.

A. Staff Comments

Staff reviewed the Company's Amended Application and all discovery responses. Staff recommended the Commission: find that capital investments through 2020 were prudently

incurred; approve the accelerated depreciation rates and the establishment of a balancing account; and deny the requested change in rates.

With respect to the capital investments analysis, Staff performed: (1) an examination of all projects over \$1 million to ensure those projects were necessary and conducted in a least-cost manner; (2) a comparison of the total investment amount normalized by the capacity of each unit to ensure the overall amount of plant investment was reasonable; (3) a review of any project cost overruns; and (4) an examination of the Company's due diligence efforts with PacifiCorp.

While Staff ultimately recommended the Commission find the capital investments were prudently incurred, Staff was concerned that the Company may not have been adequately involved with the plant co-owner and operating partner, PacifiCorp, to assure those projects were implemented in a least-cost manner. Staff recommended that the Company establish a formalized process to document the circumstances, the Company's justifications, and the final decisions made for those types of investment decisions. Further, Staff believed that additional oversight by the Company was warranted, and such direct oversight should include more frequent onsite inspection of capital projects with field reports documenting project activity and progress, to ensure that capital investments made at the plant would be completed at a least-cost to customers.

With respect to the depreciation rates, Staff believed it was reasonable for the Company to identify December 31, 2030, as the end of the depreciable life of coal assets for Bridger. However, Staff recommended that the Company include costs identified in an exit agreement with PacifiCorp as soon as practical and include those costs in future IRPs to eliminate it as a source of error in its IRP analysis. Additionally, Staff recommended that the Company re-evaluate the depreciable life of Bridger and file changes with the Commission if warranted.

With respect to the balancing account, Staff believed that a balancing account was appropriate to track any difference in the annual revenue requirement for the coal-related assets at Bridger. Staff believed that the 2020 revenue requirement, which included operations costs, depreciation costs, and the return on net plant in service, should be used as the base, and any differences from the 2020 revenue requirement should be recorded in the balancing account year. However, Staff noted that the balance in the deferral, both positive and negative, should not be subject to any carrying charges or return. Staff believed it was appropriate for capital investments to be reviewed for prudency at regular intervals, and Staff recommended that the Commission

order the Company to submit reports to the Commission referencing projected expenses for Bridger after every IRP was acknowledged.

Staff did not recommend any changes to the Company's rates in this case. Staff noted several uncertainties surrounding the future of Bridger and Staff did not support including estimates in rates when the future was uncertain. Staff believed this would not significantly impact the Company's present financial position and Staff believed the balancing account would capture any differences in revenue requirement and ensure the Company recovered no more and no less than the actual costs associated with the closure of Bridger.

Staff recommended that the Commission: rule that the capital investments in Bridger through 2020 were prudently incurred; order the Company to establish a formalized process to document the circumstances, the Company's justifications, and the final decisions made for capital investments in its partner plants; establish the accelerated depreciation rates proposed in the Company's Amended Application that fully depreciate the coal assets of Bridger by December 31, 2030; authorize the use of a balancing account to record differences between the 2020 revenue requirement and actual revenue requirement for the coal related assets at Bridger; and reject the Company's request to change rates at this time.

1. Staff Reply Comments

With respect to the issue of securitization, Staff believed there were too many uncertainties involving the cost and date of the Bridger closure for securitization to be a viable option at this time. Staff believed that to conduct an analysis of the benefits of securitization, the date and costs of closure must be known. Staff believed that Bridger Units 1 and 2 could be shut down at the end of this year, or they could last until 2030 or beyond. Staff reasoned that without a confirmed closure date, future operating and capital costs remained uncertain, and all decommissioning costs would be estimates and have a potential error of up to 30%.

With respect to the prudence and recovery of Bridger Units 3 and 4, Staff continued to support its original recommendations and conclusions regarding the overall prudence of investments in Bridger during the period from January 1, 2012, through December 31, 2020. Staff provided an explanation of the two types of prudence determinations, decisional and operational, and Staff provided a list of items it considered as part of its analysis to develop its recommendation, as well as a timeline of the facts related to the evaluation of the Selective Catalytic Reduction ("SCR") investments prior to completion of the projects.

B. CEO Comments

CEO believed that the notice provided to customers in this case was inadequate. CEO believed that based on how contentious the original SCR Certificate of Public Convenience and Necessity ("CPCN") decision was, customers should have been given more notice that the Company was requesting recovery of those investments. Additionally, CEO believed that the record was inadequate to make a determination as to whether the proposed rate of return of 7.86% was fair, just, reasonable, and in the public interest. CEO believed that decisions regarding the prudency of prior expenditures on the Bridger units and what return the Company deserved on those investments was more appropriate for inclusion in a general rate case.

1. CEO Reply Comments

CEO did not submit any reply comments.

C. Boise City Comments

Boise City highlighted the importance of thoughtfully determining the prudence of the significant costs incurred by the Company in operating Bridger and urged the Company to consider the opportunity to ensure long-term affordability presented by Idaho Code Title 61, Chapter 16. Boise City noted that while the Company proposed to generally follow the same procedure for early retirement and financial treatment that was used for the Valmy Plant, the proposed accelerated depreciation schedule for Bridger resulted in an annual rate increase that was more than twenty times greater than resulted from the accelerated depreciation of the Valmy Plant. Boise City believed it would be prudent and consistent with treatment for the Valmy Plant for the Company to begin negotiations with PacifiCorp to establish "on or before" closure dates for each unit at Bridger.

1. Boise City Reply Comments

Boise City recommended that the Commission order the Company to negotiate exit dates ending the Company's participation in coal-fired generation at all 4 Bridger units and provide the Commission and parties regular status reports on negotiations. Additionally, Boise City encouraged the Company to consider the benefits of applying for a utility cost reduction order to the Commission to promote affordability and a cost recovery schedule that would be more favorable in the broader context of the on-going clean energy resource transition.

D. ICIP Comments

ICIP believed that the Company's filings asked for a large rate increase on top of other large increases such as the Company's annual PCA rate case in IPC-E-22-11. ICIP believed the Commission, the Company, and other stakeholders should seriously investigate whether a securitization of the Bridger accelerated depreciation amounts would be beneficial to both the utility and its ratepayers. ICIP requested that the Commission convene the parties with instructions to explore the securitization options available to the Company with the goal of implementing the same to the extent they are determined to provide rate shock mitigation consistent with prudent utility practices.

1. ICIP Reply Comments

ICIP did not submit any reply comments.

E. Micron Comments

Micron did not take a specific position on the Company's proposal to adjust customer rates to accelerate the depreciation schedule for all coal-related Bridger investments to allow for full depreciation and recovery by December 31, 2030. Micron reserved the right to respond to other comments. Micron encouraged the Company and the Commission to consider rate impacts of the early retirement of carbon emitting generation resource units in the broader context of the Company's resource decisions and resource planning process. Micron supported the Company's planned investments in renewable resources to replace retiring carbon-emitting units.

1. Micron Reply Comments

Micron agreed with the initial Staff comments that the Commission should not approve a rate increase and should direct Idaho Power to further analyze potential rate mitigation options.

F. ICL/Sierra Club Comments

ICL and Sierra Club filed joint comments. They believed that the Commission should not guarantee the Company cost recovery on its Bridger expenditures prior to a firm commitment to exit the plant. They believed that the Company's analysis of the SCR project on Units 3 and 4 was insufficient and resulted in the imprudent investment of over \$100 million into Bridger, and that the Company failed to robustly reevaluate the decision to install SCR updates at Units 3 and 4 at decision points that would have allowed the Company to avoid substantial project costs. ICL and Sierra Club believed that the plant owners made the decision to move forward with the SCRs long before the Company performed any analysis, and the Commission warned the Company that it was

ORDER NO. 35423

obligated to reevaluate alternatives as regulations changed and the Company was not guaranteed cost recovery.

ICL and Sierra Club believed that the Company relied on a simplistic screening analysis in 2013, and then a flawed updated analysis in 2015, to justify its decision to move forward with the SCR project, and that the limited analyses conducted by the Company Regarding the SCRs should not have been relied upon to make such a consequential decision as investing over \$100 million of ratepayer dollars into Bridger. ICL and Sierra Club believed the Commission should now protect customers from the Company's imprudence.

ICL and Sierra Club believed that the Company should consider securitizing prudently incurred coal debt on Bridger. They believed that securitization was an appropriate ratemaking tool to address the changing economic life of Bridger. They noted that Idaho's existing securitization legislation provided an optimal ratemaking treatment to recover Bridger costs. ICL and Sierra Club represented that RMI had modeled the benefits of recovering Idaho Power's Bridger costs through securitization and found that securitization would save ratepayers \$63.7 million. ICL and Sierra Club concluded that Idaho Power should explain why it was not considering securitization that could save ratepayers tens of millions of dollars.

1. ICL/Sierra Club Reply Comments

ICL and Sierra Club reaffirmed their position that the Commission should: deny any rate recovery until Idaho Power had secured a firm exit agreement with PacifiCorp allowing for Idaho Power's early exit from the Bridger; direct Idaho Power to explain why it was not pursuing securitization of past, prudently incurred expenditures at Bridger; carefully scrutinize Idaho Powers past investments in Bridger; and find that the SCR investment was imprudent.

G. Public Comments

The Commission received 112 public comments. One interested person commented that rate payers should not be paying for the Company's poor past business decisions. The Commission received 13 comments that supported the idea for using Utility Cost Reduction Bonds. One interested person commented that depreciation is a non-cash expense, and Idaho Power should not be allowed to make rate payers pay cash to offset a non-cash expense. Additionally, 103 of the comments stated that the Commission should choose customers over shareholders and save money while closing coal.

9

H. Idaho Power Reply Comments

With respect to the capital investments analysis, the Company agreed with Staff's recommendation that the Commission find that all of the capital investments were prudently incurred. However, the Company believed that it provided adequate oversight of capital investment decisions at Bridger. The Company also believed that it had met all of the Commission's customer communications requirements.

With respect to the balancing account, the Company represented that its proposed Bridger levelized revenue requirement mechanism achieved Staff's stated goal of ensuring customers pay no more or no less than actual costs associated with Bridger; but that Staff's proposed mechanism did not. The Company believed that if Staff's proposal was approved, Idaho Power would be recording the difference between a base 2020 revenue requirement, a revenue requirement amount the Company had not yet been authorized to collect, and a non-levelized declining revenue requirement annually from 2021 through 2030. The Company believed that the resulting effect of applying 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, which would result in an estimated cumulative negative financial impact to Idaho Power of \$95.4 million for 2021 through 2030. In the Company's own words:

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.

Idaho Power Company's Reply Comments p. 7 (emphasis added).

Simply put, the resulting effect of applying Staffs 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 Staffs proposed methodology for tracking Bridger coal-related revenue requirements.

Idaho Power Company's Response to All-Party Reply Comments p. 9.

With respect to the issue of securitization, the Company believed that securitization of Bridger levelized revenue requirement amounts would cause undue financial harm, and that securitization of those costs would effectively prevent the Company and its investors from earning a fair rate of return on prudently incurred, used and useful investment at Bridger.

1. Idaho Power Response Comments

The Company affirmed its position that the Commission should accept Staff's prudence recommendation for Bridger investments made from January 1, 2012, through December 31, 2020, and that the Commission should reject securitization of Bridger levelized revenue requirement amounts. The Company believed that the Commission should authorize Idaho Power's proposed Bridger levelized revenue requirement mechanism.

Additionally, the Company presented a proposed rate mitigation alternative. The Company proposed that it could 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. The Company explained that in Case No. GNR-U-18-01, the Commission approved 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 ("TCJA") of 2017. The Company believed that its proposed rate mitigation alternative addressed the issues raised by the parties concerning a rate increase that was particularly coincident with the proposed rate increase associated with the Company's PCA.

i. ICIP's Objection to the Mitigation Alternative

ICIP objected to the mitigation alternative. ICIP represented that by executing the Settlement Stipulation in GNR-U-18-01, Idaho Power agreed to consult with the parties to the stipulation regarding the appropriate use of the seven-million-dollar deferral; those parties included ICIP and Staff. ICIP stated that Idaho Power has not consulted with the ICIP, nor Staff, regarding the application of the tax deferral to offset accelerated Bridger depreciation costs.

The relevant provision of the Settlement Stipulation provided:

Beginning June 1, 2019, and each year thereafter, until the Company's next general rate case proceeding or until otherwise modified by the Commission, and non-cash customer benefits associated with Tax Reform are reflected in customer rates, the entire \$7,417,848 will accumulate in a regulatory liability account annually to serve as an offset to non-specific current or future deferrals deemed prudent and approved for recovery from customers by the Commission. Parties agree that deferred Tax Reform benefits used to offset future regulatory deferrals

should be applied in a manner consistent with applicable federal and state income tax law. <u>The Parties also agree this will be discussed further in future recovery cases as appropriate.</u> Amounts in this account will accrue a carrying charge at the authorized customer deposit rate.

Case No. GNR-U-18-01, Settlement Stipulation and Motion to Approve Settlement Stipulation p. 9, ¶ 14.b (emphasis added).

ii. Idaho Power's Response to the Objection

The Company represented that the terms of the Settlement Stipulation did not require the Company to consult with parties prior to suggesting how the deferred TCJA benefits would be used, rather the application of the benefits would be determined in a future case. The Company reasoned that this was a "future recovery case" and the Commission could make findings as to whether use of the tax credits was appropriate.

The Company believed that now was an opportune time to utilize those deferred TCJA benefits to offset the annual levelized revenue requirement proposed in this case. The Company requested that the Commission consider its proposed rate mitigation alternative and authorize the Company to utilize the non-cash deferred TCJA benefits to offset the incremental annual levelized revenue requirement of \$27.13 million associated with its prudent Bridger investments until customer rates could be adjusted in a future revenue requirement proceeding.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Amended Application and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Id*.

The Commission has reviewed the Company's Amended Application including all submitted evidence and argument, Staff's comments, all Intervenor and public comments, and all Company reply comments. Based on its review of the record, the Commission finds it fair, just, and reasonable to approve the Company's Amended Application with some modifications.

The Commission finds that the incremental Bridger coal-related capital investments from January 1, 2012, through December 31, 2020, were prudently incurred. The Commission acknowledges the objections to certain capital investments contained in the arguments of some Intervenors, specifically with regard to the SCR investments. We note that in 2013 the Commission

issued Order No. 32929, in case IPC-E-13-16, finding it fair, just, and reasonable to approve Idaho Power's application for a CPCN for the SCRs at Units 3 and 4. The Commission finds that the Company has complied with the reporting requirements as set forth in the Commission's previous order⁴ concerning the investments in SCRs for Units 3 and 4, and having considered all evidence submitted in this case, we find the Company's implementation of the investment was conducted in a least-cost manner and prudent. However, the Commission believes that the process by which the Company documents the decision-making aspect of its capital investments, both in this case and cases in the future, can be strengthened by working with Staff to develop a more comprehensive future documentation process.

Given the different exit dates included in IRP filings by the Bridger partners and the potential exit costs that have not been fully evaluated, the Commission finds additional filings to be required in the future. Idaho Power must provide additional exit cost information establishing payments between the Bridger partners if common exit dates are not established and included in proposed exit agreements between the Bridger partners for approval once negotiated.

The Commission finds it fair, just, and reasonable to approve the Company's Amended Application to establish accelerated depreciation rates that fully depreciate the coal assets of Bridger by December 31, 2030, and to establish a balancing account using the 2011 revenue requirement embedded in rates, with the necessary regulatory accounting, to track the incremental costs and benefits associated with the Company's cessation of coal-fired operations at Bridger. However, the Commission denies the Company's request to include a carrying charge on deferral balances that may accrue from the differences between the annual levelized revenue requirement and the annual revenue collected as tracked under the balancing account.

The Commission finds it fair, just, and reasonable to approve the Company's Amended Application for some adjustment of customer rates to recover the associated incremental annual levelized revenue requirement. However, the Commission is sensitive to the economic conditions affecting ratepayers throughout Idaho. It is always our responsibility to balance the ratepayer's access to affordable energy prices with the Company's right to recover its costs and earn a reasonable return on its investments. The Commission also notes the uncertainty that remains with respect to the Company's exit date from Bridger and the absence of any current plan to develop a firm exit date. With these things in mind, the Commission believes that a 1.5 percent adjustment

⁴ See Order No. 32929.

to customer rates strikes a balance between the Company's recovery of its costs and a reasonable return, with the economic conditions facing Idaho customers. Any unrecovered amounts shall be differed into the balancing account for future recovery.

The Commission acknowledges the requests from multiple Intervenors to consider securitization as an alternative to an increase in customer rates; however, as noted above, the Commission believes there are too many uncertainties involving the cost and date of the Bridger closure to allow securitization to be a viable option at this time. The Commission notes that establishing a balancing account to track the closure costs and accelerated depreciation of Bridger does not preclude a future filing where securitization may be considered once the necessary information is known.

Based upon the above findings, the Commission need not consider the Company's alternative rate mitigation proposal to utilize non-cash deferred tax benefits stemming from the 2017 TCJA. However, even if the Commission were to consider the Company's alternative proposal, the Commission notes that the Company did not present adequate analysis in its briefings with respect to the usage of such benefits in this case, nor adequate opportunity for Staff and other parties to reply to the alternative rate mitigation proposal. The Commission makes no finding as to the use of non-cash differed tax benefits stemming from the 2017 TCJA at a future time.

ORDER

IT IS HEREBY ORDERED that the Commission finds that the incremental Bridger coalrelated capital investments from January 1, 2012, through December 31, 2020, were prudently incurred.

IT IS FURTHER ORDERED that the Commission approves the Company's Amended Application to establish accelerated depreciation rates that fully depreciate the coal assets of Bridger by December 31, 2030, and to establish a balancing account using the 2011 revenue requirement embedded in rates, with the necessary regulatory accounting, to track the incremental costs and benefits associated with the Company's cessation of coal-fired operations at Bridger.

IT IS FURTHER ORDERED that the Company shall not be entitled to any carrying charge on deferral balances that may accrue from the differences between the annual levelized revenue requirement and the annual revenue collected as tracked under the balancing account.

IT IS FURTHER ORDERED that the Commission approves the adjustment of customer rates by 1.5 percent to recover the associated incremental annual levelized revenue requirement,

ORDER NO. 35423

with an effective date of June 1, 2022, and the Company shall file conforming tariffs reflecting the rate increase.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st day of June 2022.

ERIC ANDERSON, PRESIDENT

JOHN CHATBURN, COMMISSIONER

COMMISSIONER

ATTEST:

Jan Noriyuki Commission Secretary

I:\Legal\ELECTRIC\IPC-E-21-17 Jim Bridger\orders\IPCE2117_final_cb.docx