

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) CASE NO. IPC-E-21-42
APPROVAL OF SPECIAL CONTRACT AND)
TARIFF SCHEDULE 33 TO PROVIDE)
ELECTRIC SERVICE TO BRISBIE LLC'S)
DATA CENTER FACILITY.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

PAWEL P. GORALSKI

1 Q. Please state your name and business address.

2 A. My name is Pawel P. Goralski. My business
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as a Regulatory Consultant in the
7 Regulatory Affairs Department.

8 Q. Please describe your educational background.

9 A. In May of 2007, I received a Bachelor of
10 Business Administration degree in Finance from Boise State
11 University in Boise, Idaho. I have also attended "The
12 Basics: Practical Regulatory Training for the Electric
13 Industry," an electric utility ratemaking course offered
14 through the New Mexico State University's Center for Public
15 Utilities, "Electric Utility Fundamentals and Insights," an
16 electric utility course offered by Western Energy
17 Institute, and "Electric Rates Advanced Course," an
18 electric utility ratemaking course offered through Edison
19 Electric Institute.

20 Q. Please describe your work experience with
21 Idaho Power.

22 A. In 2017, I was hired as a Regulatory Analyst
23 in the Company's Regulatory Affairs Department, and in 2020
24 I was promoted to my current position of Regulatory
25 Consultant. My primary responsibilities include supporting

1 the Company's class cost-of-service activities, developing
2 pricing for special contract customers and other large load
3 pricing analysis, supporting the Company's annual Fixed
4 Cost Adjustment calculation and serving as the Company
5 witness, and I have been the Company's witness for the
6 Company's annual demand-side management prudence filing.

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to describe the
9 pricing structure of Brisbie, LLC's ("Brisbie") Energy
10 Services Agreement ("ESA"), detail the ESA provisions
11 applicable to the procurement of renewables to support the
12 customer's energy use, review the associated compensation
13 structure and necessary cost-recovery mechanisms under the
14 ESA, and, finally, present the no-harm analysis for the
15 Brisbie contract.

16 Q. Have you prepared any exhibits?

17 A. Yes. My testimony includes Confidential
18 Exhibit No. 3, which summarizes the present value revenue
19 requirement analysis demonstrating the Brisbie ESA will not
20 financially harm other retail customers.

21 **I. ESA PRICING STRUCTURE**

22 Q. What were your goals in developing the pricing
23 compensation structure for Brisbie's ESA?

24 A. I set several goals to guide the development
25 of the Brisbie ESA pricing and compensation structure:

1 1. Develop rates for Idaho Power supply of energy
2 that are cost-based and avoid any unreasonable cost shift
3 to existing Idaho Power customers;

4 2. Develop a rate structure that provides for
5 nondiscriminatory treatment of cost assignment for Brisbie
6 and other similar customers;

7 3. Develop rate and compensation structures for
8 dedicated renewables that properly assigns costs and
9 benefits between Brisbie and other retail customers;

10 4. And finally, scalable rates [REDACTED]

11 [REDACTED].

12 Q. What inputs did Brisbie provide to inform
13 derivation of pricing?

14 A. Brisbie provided a load ramp forecasting
15 monthly peak demand, average demand, and energy requirement
16 with an approximate start date of [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED] New, incremental renewable resources are added
23 in tranches approximately corresponding to the data center
24 facility build out, maintaining Brisbie's annual energy

1 requirement is supported by renewable resources during the
2 load ramp.

3 Q. Was an alternate load ramp evaluated?

4 A. Yes. As noted, [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 [REDACTED], informed the need to
15 evaluate this scenario in Idaho Power's planning analysis
16 to identify integration and Idaho Power system impacts.

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 Q. Please describe the pricing structure of the
2 ESA.

3 A. The proposed ESA provides for a two-block
4 pricing structure under which the first 20 MW of Brisbie
5 load is served at Schedule 19 retail rates under block 1,
6 and all load in excess of 20 MW is served under a hybrid
7 pricing structure consisting of embedded and marginal costs
8 under block 2.

9 Q. How is Brisbie's capacity requirement met and
10 priced under the two-block structure?

11 A. The entirety of Brisbie's capacity requirement
12 is served by Idaho Power for both block 1 and block 2.
13 Both pricing blocks are based on [REDACTED]
14 costs, block 1 priced at Schedule 19 - Large Power Service
15 Transmission Service retail rates, and block 2 rates
16 derived following cost-of-service allocation methodology
17 consistent with the Company's most recent general rate
18 case.¹

19 Q. Why is Brisbie allocated a load-ratio share of
20 Idaho Power's [REDACTED] if Brisbie is served
21 by renewable resources procured solely to serve them?

22 A. While new, incremental renewable resources
23 will meet Brisbie's annual energy requirements, Brisbie

¹ *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and Charges for Electric Service to its Customers in the State of Idaho*, Case No. IPC-E-11-08, filed June 1, 2011.

1 benefits from and pays their load-ratio share of Idaho
2 Power's generation and transmission system for two main
3 reasons. First, Idaho Power's generation and transmission
4 system will be required to meet Brisbie's load at any time
5 a renewable resource is not generating. And second, the
6 renewable resources are interconnected to Idaho Power's
7 system and utilize existing transmission lines to travel to
8 Brisbie's load, other load centers on Idaho Power's system,
9 or market hubs when renewable generation exceeds Brisbie's
10 load requirement.

11 Q. How are [REDACTED] allocated to
12 the second pricing block to properly assign system costs to
13 Brisbie?

14 A. At a high level, the cost-of-service study
15 utilized in the Company's 2011 general rate case was used
16 as the basis to allocate costs to the new Brisbie facility
17 according to projected loads which fall under block 2.
18 Once revenue requirement from the 2011 general rate case
19 was allocated to the Brisbie Special Contract, rates were
20 adjusted to reflect changes that have occurred since the
21 conclusion of the 2011 general rate case.

22 Q. What was the process to update Idaho Power's
23 [REDACTED] to reflect current Idaho Public
24 Utilities Commission ("Commission")-approved costs?

1 A. The Company adjusted the Special Contract to
2 capture base rate changes resulting from Commission orders
3 related to the Open Access Transmission Tariff ("OATT")
4 deferral adjustment,² the depreciation study adjustment,³
5 the Boardman balancing account adjustment,⁴ the Langley
6 Gulch power plant adjustment,⁵ the update to base net power
7 supply expenses,⁶ Valmy early retirement,⁷ tax reform,⁸ 2019
8 Valmy update,⁹ and two Boardman updates associated with the

² *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates Due to the Inclusion of Transmission Costs Associated with FERC Docket No. ER06-787, Case No. IPC-E-12-06, filed February 15, 2012.*

³ *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates Due to Revised Depreciation Rates for Electric Plant-in-Service, Case No. IPC-E-12-08, filed February 15, 2012.*

⁴ *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates for Electric Service to Recover the Boardman Balancing Account, Case No. IPC-E-12-09, filed February 15, 2012.*

⁵ *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and Charges for Electric Service Due to the Inclusion of the Langley Gulch Power Plant Investment in Rate Base, Case No. IPC-E-12-14, filed March 2, 2012.*

⁶ *In the Matter of the Application of Idaho Power Company for Authority to Establish a New Base Level of Net Power Supply Expense, Case No. IPC-E-13-20, filed November 1, 2013.*

(Because Brisbie's block 2 is priced at a marginal energy rate, while this adjustment is included in the model, it has no impact to Brisbie's block 2 energy rates.)

⁷ *In the Matter of Idaho Power Company's Application to Increase its Rates for Electric Service to Recover costs associated with the North Valmy Power Plant, Case No. IPC-E-16-24, filed October 21, 2016.*

⁸ *In the Matter of the Investigation into the Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking, Final Order No. 34071, Case No. GNR-U-18-01, May 31, 2018.*

⁹ *In the Matter of Idaho Power Company's Application for Authority to Increase its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant, Case No. IPC-E-19-08, filed March 8, 2019.*

1 cessation of operations at the plant in 2019¹⁰ and 2020.¹¹
2 To appropriately reflect the outcomes of these cases, Idaho
3 Power adjusted the Brisbie Special Contract rates in the
4 same manner as the final approved rate changes from those
5 cases.¹²

6 The rates resulting from the calculations described
7 above are reasonable, consistent with previous cost-of-
8 service determinations, and in the public interest.
9 Further, the use of the 2011 general rate case cost-of-
10 service study as the basis for this analysis is in
11 alignment with the Commission's direction provided in Case
12 No. IPC-E-13-23.¹³ The intent of this rate-setting
13 methodology was to develop the customer-specific cost of
14 providing electrical service to the new Brisbie facility
15 utilizing the most current cost-of-service information
16 available.

¹⁰ *In the Matter of Idaho Power Company's Application for Authority to Decrease its Rates for Electric Service for Costs Associated with the Boardman Power Plant*, Case No. IPC-E-19-32, filed October 17, 2019.

¹¹ *In the Matter of Idaho Power Company's Application for Authority to Decrease its Rates for Electric Service for Costs Associated with the Boardman Power Plant*, Case No. IPC-E-20-32, filed August 21, 2020.

¹² For example, the tax reform adjustment was applied to all classes on a uniform percentage change to all billing components; therefore, the classified and functionalized costs for the Brisbie Special Contract were adjusted using the same proportion approved in Case No. GNR-U-18-01.

¹³ Case No. IPC-E-13-23, Order No. 33038 at 12 (May 19, 2014), ". . . we find that a rate utilizing cost-of-service as a starting point for negotiation is consistent with prior Commission Orders and is fair, just and reasonable."

1 Q. Were there additional cost assignment
2 considerations in the development of Brisbie's rates?

3 A. Yes. Because Brisbie's load ramp begins in
4  .

5 For the "no-harm" analysis, future rates incorporate the
6 growth of Brisbie's load as outlined by the load ramp and
7 changes to Idaho jurisdiction load ratio share.

8 Q. Is there a difference in Brisbie rates used
9 for no-harm analysis and proposed Schedule 33?

10 A. Yes, the rates included on Schedule 33 reflect
11 Commission-approved costs as of the Company's most recent
12 change to Idaho base rate revenue requirement, effective
13 January 1, 2021,¹⁴ not future projected costs. Schedule 33
14 will be subject to future Commission-approved changes to
15 demand revenue requirement beginning at the time the
16 Commission approves Schedule 33, including the period when
17 the tariff is "on the shelf" before Brisbie begins taking
18 service from Idaho Power. This is similar to the special
19 contract for J.R. Simplot Company's Caldwell Facility,
20 Schedule 32, approved in 2015¹⁵ but for which Simplot-

¹⁴ *In the Matter of Idaho Power Company's Application for Authority to Decrease its Rates for Electric Service for Costs Associated with the Boardman Power Plant*, Case No. IPC-E-20-32, Final Order No. 34885.

¹⁵ *In the Matter of Idaho Power Company's Application for Approval of Special Contract and Tariff Schedule 32 to Provide Electric Service to J.R. Simplot Company's Caldwell Facility*, Final Order No. 33303, Case No. IPC-E-15-13, issued May 22, 2015.

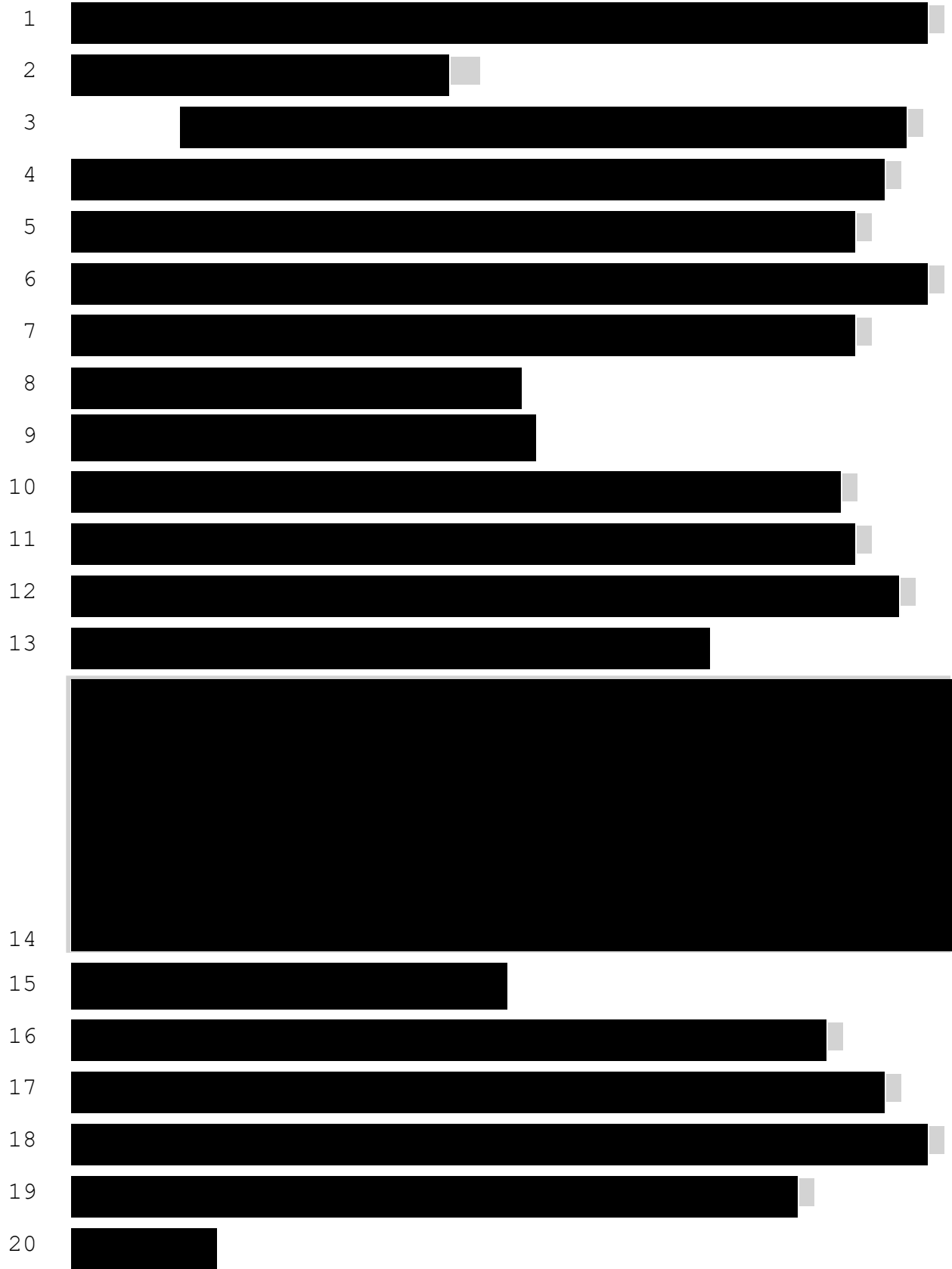
1 Caldwell has not yet met the 20 MW requirement to begin
2 taking service under.

3 Q. How is Brisbie's energy requirement met under
4 the proposed structure?

5 A. Consistent with the Schedule 62 Clean Your Way
6 - Construction option,¹⁶ Brisbie's energy requirement is
7 reconciled against the generation of their renewable
8 resources [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

¹⁶ *In the Matter of Idaho Power Company's Application to Expand Optional Customer Clean Energy Offerings Through the Clean Energy Your Way Program*, Case No. IPC-E-21-40, filed December 3, 2021.



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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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3 Q. Are billing components included to address
4 potential impacts to Idaho Power's system from variance
5 from Brisbie's estimated load forecast?

6 A. Yes, similar to several other Idaho Power
7 special contract customers, Brisbie's Special Contract
8 includes both a Contract Demand charge and Daily Excess
9 Demand charge. The Contract Demand charge, [REDACTED]
10 [REDACTED], applies to the block 2
11 portion of Brisbie's estimated load forecast for the
12 upcoming twelve months. [REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

1 [REDACTED]
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10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 Q. Which party is responsible for costs of the
18 output from the new, incremental renewable resources?

19 A. Aligning with Brisbie's goal to support annual
20 operating energy requirements with new, incremental
21 renewable resources, Idaho Power purchases the renewable
22 output from a third-party renewable developer and passes
23 the cost through to Brisbie. [REDACTED]

24 [REDACTED]
25 [REDACTED]

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- 12 Q. [REDACTED]
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- 15 [REDACTED]
- 16 [REDACTED]
- 17 [REDACTED]
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14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 **II. NO-HARM FINANCIAL ANALYSIS**

18 Q. Please describe how Idaho Power evaluated the
19 revenue to be collected from Brisbie under the ESA against
20 system costs and benefits, to determine no financial harm
21 to all other Idaho Power retail customers.

22 A. Idaho Power completed a present-value revenue
23 requirement analysis for two portfolios and evaluated the
24 difference in cost as compared to revenues collected
25 through Brisbie's pricing framework to ensure any

1 unreasonable cost shift to existing Idaho Power customers
2 is avoided.

3 Q. How was each portfolio developed?

4 A. Following the methodology used in the
5 Company's 2021 IRP analysis, Idaho Power first developed a
6 sales and load forecast for future demand for electricity
7 within the Company's service area for a 20-year period from
8 2021 through 2040. This "base case" sales and load forecast
9 includes Brisbie's data center facility [REDACTED]
10 [REDACTED]. The
11 sales and load forecast was then input into AURORA's Long-
12 Term Capacity Expansion model to determine resource
13 additions and costs necessary to serve the total projected
14 load inclusive of Brisbie. The new, incremental renewable
15 resources procured to meet Brisbie's annual energy
16 requirement are held static in the modeling like other
17 must-take resources, so that they are always included in
18 resource selection, and so that the system must balance
19 their integration. This base case portfolio identified the
20 resource additions, timing, and cost required to serve
21 customers and balance Idaho Power's system, for all load
22 forecast from 2021 through 2040 including Brisbie.

23 A similar process was used to develop a "base-low"
24 portfolio which excludes both Brisbie's data center

1 facility load and accompanying new, incremental renewable
2 resources.

3 Q. How were portfolio costs evaluated?

4 A. For both the base case, and base-low
5 portfolios, a model was developed to determine annual
6 revenue requirement for power supply costs, existing
7 resource revenue requirement, as well as new, incremental
8 resource additions' revenue requirement for that portfolio.
9 Because the model allows for the retail customer revenue
10 requirement to adjust each year, the model assumes costs
11 are included as if the Company had a general rate case each
12 year.

13 The base-low case customer revenue requirement
14 becomes the ceiling in the comparative analysis as it
15 represents the amount of retail revenue collected from all
16 Idaho Power's customers in a portfolio without Brisbie.

17 For the base case analysis, Brisbie's forecast
18 revenues from the pricing framework are included in the
19 base case revenue requirement, along with the static retail
20 customer revenue ceiling from the base-low portfolio. Each
21 year is compared to validate that the additional system
22 costs and benefits from the inclusion of Brisbie's load and
23 new, incremental resources, does not result in an increase
24 in the implied revenue requirement for all other retail
25 customers identified in the base-low portfolio.

1 Q. What are the results of the no-harm analysis?

2 A. Included on Confidential Exhibit No. 3, on a
3 10-year net present value revenue requirement basis, Idaho
4 Power found that including the collections from Brisbie's
5 pricing framework, resulted in a negative, or lower by
6 [REDACTED] revenue requirement, than the base-low case
7 when including the costs and benefits from Brisbie and
8 their renewable resources as part of Idaho Power's system.
9 The negative revenue requirement demonstrates that all
10 other Idaho Power retail customers benefit with the
11 proposed Brisbie pricing framework, and this benefit
12 continues when evaluated on a 20-year present value revenue
13 requirement basis through the 2040 resource planning
14 horizon.

15 Q. Does the no-harm analysis indicate an equal
16 benefit in each year?

17 A. No. Due to the forecast of resource additions
18 identified in the IRP analysis, [REDACTED]
19 [REDACTED]
20 [REDACTED], some of the annual
21 periods may show higher cost. These individual years of
22 higher costs are outweighed by the overall benefit as
23 demonstrated by a negative, or lower, net present value
24 revenue requirement for both 10- and 20-year periods.

1 Q. Did Idaho Power consider imputed debt as part
2 of its evaluation of the Brisbie contract?

3 A. Yes. The first tranche of renewables is
4 likely to be sourced from a third-party renewable
5 developer, and Idaho Power calculated the imputed debt
6 impact of a [REDACTED]. The
7 Company's analysis concluded that the cost of imputed debt
8 is less than the resulting net present value revenue
9 requirement benefit from Brisbie joining Idaho Power's
10 system. Thus, any ultimate imputed debt costs would not be
11 borne by other Idaho Power customers.

12 **III. CONCLUSION**

13 Q. Does the pricing framework developed for
14 Brisbie and described herein meet the goals identified for
15 the pricing structure, and result in rates that are fair,
16 just, and reasonable?

17 A. Yes. The rates developed for Brisbie are cost-
18 based and avoid any unreasonable shifting of costs to
19 existing Idaho Power customers. Further, the compensation
20 components of the Brisbie arrangement were developed to
21 properly assign costs and benefits to Brisbie and other
22 retail customers. Finally, the overall structure is
23 consistent with the Clean Energy Your Way - Construction
24 offering, as outlined in Mr. Tatum's testimony.

25 Q. Does this complete your testimony?

1 A. Yes, it does.

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DECLARATION OF PAWEL P. GORALSKI

I, Pawel P. Goralski, declare under penalty of perjury under the laws of the state of Idaho:

1. My name is Pawel P. Goralski. I am employed by Idaho Power Company as a Regulatory Consultant in the Regulatory Affairs Department and am competent to be a witness in this proceeding.

2. On behalf of Idaho Power, I present this pre-filed direct testimony and Confidential Exhibit No. 3 in this matter.

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

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

SIGNED this 22nd day of December 2021, at Boise, Idaho.

Signed: Pawel P. Goralski

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-21-42**

IDAHO POWER COMPANY

**GORALSKI, DI
TESTIMONY**

Confidential
EXHIBIT 3