BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE IN THE STATE OF IDAHO AND FOR ASSOCIATED REGULATORY ACCOUNTING TREATMENT.	)	CASE NO. IPC-E-23-11

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

CONNIE G. ASCHENBRENNER

Q. Please state your name, business address, and present position with Idaho Power Company ("Idaho Power" or "Company").

A. My name is Connie G. Aschenbrenner. My business address is 1221 West Idaho Street, Boise, Idaho 83702. I am employed by Idaho Power as the Rate Design Senior Manager in the Regulatory Affairs Department.

Q. Please describe your educational background.

A. In May of 2006, I received a Bachelor of Business Administration degree in Finance from Boise State University in Boise, Idaho. In December of 2011, I earned a Master of Business Administration degree from Boise State University. In addition, I have attended the electric utility ratemaking course The Basics: Practical Regulatory Training for the Electric Industry, a course offered through New Mexico State University's Center for Public Utilities.

Q. Please describe your work experience with Idaho Power.

A. In 2012, I was hired as a Regulatory Analyst in the Company's Regulatory Affairs Department. My primary responsibilities included support of the Company's Commercial and Industrial customer class's rate design and general support of tariff rules and regulations. In my time as a Regulatory Analyst, I also provided support for

Residential and Small General Service rate design, as well as regulatory support associated with demand-side management ("DSM") activities. In 2017, I was promoted to Rate Design Manager for Idaho Power, and in 2019 I was promoted to my current role as Rate Design Senior Manager. I am currently responsible for the management of the rate design strategies of the Company, as well as oversight of all tariff administration. In my current role, I am also one of the Company representatives at its Energy Efficiency Advisory Group ("EEAG") meetings.

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

A. In my testimony, I will describe generally how customer rates are developed and the Company's approach to rate design strategy as well as the policy basis for the rate design proposals being made in this case. I will also describe the overall objectives I provided to the Regulatory Consultants and Analysts for the development of the Company's proposed rate designs and general tariff updates. I will also present an overview of the Company's approach to developing pricing for its on-site generation customers, specifically considering interdependencies between this case and Case No. IPC-E-23-14, which is currently pending before the Idaho Public Utilities Commission ("Commission"). Finally, I will describe the

approach the Company took to updating its tariff schedules and rules to ensure the language in the tariff reflects current business practices.

Q. Please provide a witness overview for the Company's CCOS, rate design, and general tariff revision proposals.

A. Company Witness Mr. Paul Goralski will present the Company's recommendation as it relates to class cost-of-service ("CCOS") in this case and will also present rate design recommendations for the Company's existing Special Contract customers (Micron, Simplot – Pocatello, and INL) as well as pending and prospective Special Contract customers (Brisbie, Lamb Weston, and Simplot – Caldwell). Mr. Goralski will also present the rate design proposal for Schedule 20, Speculative High-Density Load as well as the proposed Fixed Cost Adjustment rates and the corresponding modifications to Schedule 54.

Company Witness Mr. Grant Anderson will explain the proposed rate design and resulting prices for the residential classes, including standard service (Schedule 1), time-of-use ("TOU") (Schedule 5), and residential on-site generation (Schedule 6) and will explain the Company's Residential Price Modernization Plan. Mr. Anderson will also present the rate design proposals for Small General Service On-Site Generation (Schedule 8), Large General

Service – Primary and Transmission (Schedule 9P/T) and Large Power customers (Schedule 19).

Company Witness Mr. Zack Thompson will present the rate design proposals for Small General Service (Schedule 7), Large General Service – Secondary (Schedule 9S), Agricultural Irrigation Service (Schedule 24), Dusk to Dawn Customer Lighting (Schedule 15), Street Lighting Service (Schedule 41), Traffic Control Signal Lighting Service (Schedule 42), and Non-Metered General Service (Schedule 40).

Finally, Company Witness Mr. Riley Maloney will present the recommendation for the Company's Standby Service schedules (Schedules 31 and 45) and Alternate Distribution Service schedule (Schedule 46). Mr. Maloney will also present several proposed modifications to the Company's tariff.

I. RATE DESIGN OVERVIEW AND OBJECTIVES

Q. How are customer rates developed?

A. After the Idaho jurisdictional revenue requirement is determined, the Company develops a class cost-of-service study ("CCOS Study") whereby it allocates the revenue requirement to each customer class based on their specific utilization of the system. The methodology for separating costs among classes consists of a three-step process generally referred to as classification,

functionalization, and allocation. In all three steps, recognition is given to the way in which the costs are incurred by relating these costs to the way in which the utility is operated to provide electrical service. Once individual costs have been allocated to the various classes of service, it is possible to total these costs as allocated and arrive at a breakdown of functionalized and classified unit costs which can be relied on to inform rate design.

Q. Please describe the objectives underlying the Company's rate design strategy.

A. The Company's primary rate design objective is to establish rate structures and prices that will recover the revenue requirement targets for each customer class. Additionally, the Company seeks to design rates that assign costs to those customers that cause the Company to incur the costs, a principle known as "cost causation," and to incorporate price signals to encourage wise and efficient use of energy.

Q. How can rate design influence customer behavior?

A. The rate design itself – or structure – and the prices set by these designs can impact the amount of electricity customers consume and either encourage or discourage usage at certain times. The Company believes

that rates should be designed in a manner such that changes in a customer's consumption (both the timing or quantity of usage) will result in decreases or increases to the customer's bill that track with overall decreases or increases in costs incurred by the utility to provide service.

Q. How effective are the Company's current rate structures in achieving its rate design objectives?

A. Current rate structures fall short of achieving the Company's long-term objectives in a number of key areas. A large portion of the fixed costs to serve customers is collected through volumetric energy charges. In other words, the rate structure does not align well with how costs are incurred, and as a result, the price signals sent to these customers are inconsistent with the nature of the costs of providing electricity. Further, the rates offer little incentive for customers to use electricity cost-effectively.

Q. Why does the Company believe it is important to align prices with the underlying cost structure?

A. Customers respond to price signals. If the Company's rate structures are not aligned with the underlying cost drivers, customers do not have access to information that will allow them to make decisions based on the economics from their perspective or for the broader

utility system. This dynamic is increasingly important to Idaho Power's system. Over the last several years, advancements in technology have influenced customer adoption of several behind-the-meter energy solutions, including energy efficiency, smart appliances, on-site generation, and energy storage systems. The Company believes that structuring rates in a manner that will more equitably collect fixed costs, while also sending price signals to promote efficiencies, is important to the long-term management of system costs.

In addition to sending the right price signal to influence behavior, cost-informed rates help to limit cross subsidies within a given class.

Q. Are there any other policy objectives to consider regarding rate design?

A. Yes. There are several other important ratemaking objectives the Commission has historically relied upon when ultimately establishing rates. These include evaluating customers' ability to pay, understandability of the rate structure and rates themselves, and to what extent the rates provide some stability for customers. While the Company believes each of these objectives is important and should factor into an ultimate decision, it also believes that the best starting point for Commission deliberations is an economic one.

II. RATE DESIGN RECOMMENDATIONS

Q. Has the Company identified opportunities for improving the current rate design applicable to its major customer classes?

A. Yes. Generally, the Company is proposing to adjust each of the billing components within its existing structures to move incrementally closer to their cost-of-service, while targeting collection of the revenue assigned to each class. Accordingly, I have directed each of the Company witnesses who have prepared rate design recommendations to prioritize movements in collection towards cost-of-service, which includes moving away from tiered rate designs and shifting fixed cost collection into the appropriate charges, while balancing the magnitude of those changes with the resulting customer impacts. Table 1 shows a summary of the requested rate design changes for the Company's existing service schedules and identifies the Company witness who developed the proposed rates.

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Table 1

Summary of Existing Rate Designs & Proposed Modifications

	Current Structure	Proposed Modifications	Witness
Residential (Schedules 1 & 6)	• Service Charge • 3 Inclining Block Tiers	• Increase fixed cost collection through the Service Charge • Flatten the tiers	Anderson
Residential Time-of-Use ("TOU") (Schedule 5)	• Service Charge • Summer On & Off-Peak • Non-Summer Mid & Off-Peak	• Shorten on-peak hours to align with IRP-informed hours of highest risk • Introduce larger differentials	Anderson
Small Commercial (Schedules 7 & 8)	• Service Charge • 2 Inclining Block Tiers	• Increase fixed cost collection through the Service Charge and flatten tiers	Thompson; Anderson
Large Commercial Secondary (Schedule 9S)	• Service Charge • Two-Block Demand/BLC • 2 Declining Block Tiers	• Increase fixed cost collection through the Service Charge • Replace Two-Block Demand/BLC and Declining Tiers with a seasonal, flat rate • Introduce an optional TOU offering	Thompson
Irrigation (Schedule 24)	• Service Charge • In-Season Demand • Load-Factor Pricing	• Increase fixed cost collection through the Service Charge • Replace Load-Factor Pricing with a flat energy rate	Thompson
Large Commercial Primary & Transmission (Schedules 9P/T)	• Service Charge • Demand, BLC, and On-Peak Demand • TOU Energy Rates	• Better align existing elements with underlying cost drivers as informed by CCOS	Anderson
Large Power (Schedule 19)	• Service Charge • Demand, BLC, and On-Peak Demand • TOU Energy Rates	• Better align existing elements with underlying cost drivers as informed by CCOS	Anderson
Special Contracts (Schedules 26, 29, 30, & 32)	• Varied	• Better align existing elements with underlying cost drivers as informed by CCOS	Goralski

Q. Please describe the Company's general goals/strategies for addressing the weaknesses in existing rate designs in this case.

A. In this case, the Company intends to establish rate structures that are more in line with cost causation, while balancing customer understandability and bill impact. Overall, the Company is seeking to implement changes that will take a step towards correcting a long-standing inequity within the residential class by implementing a plan to establish better price signals within that class. Further, the Company's proposal will continue to better align the commercial and irrigation rate designs with cost-causation, providing for more economic price signals to those customer classes.

A. Eliminate Tiered Rate Design

Q. What rate classes currently rely on some form of tiered rates?

A. Schedules 1, 6, 7, 8, 9S and 24 all rely on a form of tiered rates. Currently, Idaho Power's tiered rates include inclining block rates, whereby the prices associated with each defined block of energy usage is higher than the proceeding block, and declining block rates, whereby the prices associated with each block of energy usage is lower than the proceeding block.

Inclining Block Rates

Q. What rate classes currently have an inclining-block tiered rate design?

A. Schedules 1, 6, 7, and 8. Schedules 1 and 6 rely on a three-tiered inclining block structure while Schedules 7 and 8 rely on a two-tiered inclining block structure.

Q. What is the purpose of an inclining-block rate?

A. A primary goal of an inclining tiered structure is to encourage conservation by charging a higher rate as energy consumption increases over a billing period. Once a threshold of energy consumption is exceeded within a billing period, the rate becomes higher to send a price signal intended to encourage efficiency and/or conservation. Historically, the inclining block rate structure has been used as a tool for encouraging customers to use less energy. The theory underlying this concept is that the first block covers some basic level of usage at a lower rate to help keep the overall bill affordable for customers and sequential blocks with higher rates make incremental energy usage more expensive to encourage energy efficiency.

Q. Are there downsides to this type of a rate design?

A. Yes. The tiered rate structure has potential to unfavorably impact bills of customers who reside in older, less efficient homes, or those homes with all-electric heat. These customers may be unable to safely reduce their energy beyond a certain threshold or may not be able to efficiently reduce their energy usage in response to the established price signals. The most significant downside is that the tiered rate structure does not reflect how costs are incurred throughout the billing period and therefore does not send a price signal related to the differing costs to produce or procure energy throughout the billing period.

Proponents of inclining block rates believe they provide customers with greater control over their electric charges. However, it is important to note that high-end energy use is often electric heating and cooling, and while customers can elect to turn off or lower their heating requirements to lower their bill, this could compromise basic health and safety. The Company does not believe an inclining block structure is the right way to promote energy efficiency for residential customers over the long-term, and, as explained more fully below, proposes to transition to a rate design that will better enable efficiencies on its system.

In short, tiered rates are not cost-based and serve to penalize higher usage customers.

Q. Why are tiered rates not cost-based?

A. There is no cost-based reason why after using 800 kilowatt hours ("kWh") or 2,000 kWh in a billing period the next kWh consumed by a customer should cost more. Conversely, the timing of energy consumption, both seasonally and during different hours, can affect the utility's cost of providing service to the customer. The load factor or the effective utilization of kWh consumption relative to peak kilowatt ("kW") demand can also change the average cost of providing energy. However, additional overall usage in a customer's billing period does not make it incrementally more expensive for the utility to produce the next kWh of electricity when both fixed and variable costs are considered.

Q. Why do tiered rates unduly penalize customers?

A. Charging higher prices for greater usage in each billing period generally causes large users to subsidize smaller users. Under a tiered rate structure, customers who heat their homes with natural gas benefit and those who use electric heat are penalized. A household with several people living under one roof will be more likely to have usage in the higher second and third block rate than a person living alone. Effectively, inclining block rates

unfairly reward some customers and penalize others, often for reasons outside the customer's control. For those reasons, the Company is proposing to eliminate this type of rate structure for its residential customers over time.

Q. Are there any other reasons why the Company believes that eliminating tiers from Schedule 1 is advantageous?

A. Yes. Eliminating tiers for Schedule 1 makes the comparison to Schedule 5, which does not have tiers, easier for customers to assess regarding the potential benefits of time-variant pricing.

Additionally, moving away from an inclining block tiered structure to a seasonally flat structure would better position residential customers for future pricing structure changes. For example, a change from a seasonal flat rate to an introductory or mandatory TOU rate would cause less customer confusion – whereas a change from the existing inclining block structure to TOU rates may be more volatile and cause a varying degree of bill impacts to individual customers.

Declining Block Rates

Q. What rate classes currently have a declining - block tiered rate design?

A. Schedules 9S and 24.

Q. Please describe the details of the declining block tiered rate that applies to Schedule 9S.

A. The Schedule 9S rate design includes a two-tier declining block energy charge and a two-block demand and basic load capacity ("BLC") charge. In this rate design, the first block of kWh consumption is billed at a higher rate than all other consumption.

Q. Is the Company proposing changes to the Schedule 9S rate design?

A. Yes. Under the Schedule 9S rate design, the higher first block energy charge is intended to collect costs that are classified as demand and would otherwise be collected through a demand charge. As described by Mr. Thompson in this case, the Company is proposing to "unwind" the declining block Schedule 9S rate design and replace it with a rate structure more in line with other large general service customers, containing a billing demand and BLC applied to all kW and seasonal energy charges.

Q. Please explain the considerations in evaluating the change to Schedule 9S.

A. The Schedule 9S rate design was initially implemented in the 2005 general rate case[1] primarily to ease impacts on customer bills as a customer's usage made them

[1] *In the Matter of the Application of Idaho Power Company for Authority to Increase its Base Rates and Charges for Electric Service in the State of Idaho,* Case No. IPC-E-05-28, Order No. 30035 (May 12, 2006).

ineligible for Schedule 7 service and where they instead qualified for service under Schedule 9S. At that time, customers were experiencing a "pain point" when they transitioned back and forth between Schedule 7 and Schedule 9 due to the differences in the rate designs. Several changes were made to the address that pain point, including modifying the eligibility criteria so that once a customer qualifies for Schedule 9 service, they will continue to take service under that schedule. At the time, the Company signaled that combining the Schedule 7 and Schedule 9S class may be most appropriate in the long term.

Q. Did the Company consider providing additional customer options to help improve understandability or provide a price signal to promote system efficiency?

A. Yes. As more fully described below, the Company is proposing to implement an optional TOU rate structure where time-differentiated volumetric energy rates would give a better price signal to prioritize the more critical times when customers could shift load. It costs more to serve load during summer and non-summer peak times and an on-peak summer rate encourages more efficient use of the system as well as fairly charging customers based on their load profiles.

Q. Is the Company proposing to combine the small and large general secondary rate classes in this case?

A. No. In this case, the Company is proposing to slightly modify the Schedule 7 design, as more fully described in the Direct Testimony of Mr. Thompson, to collect more fixed costs through the Service Charge and commensurately reduce the reliance on volumetric rates for fixed cost collection. The Schedule 7 class has a disproportionate number of small users (nearly 60 percent of the class uses less than 300 kWh per month), and the Company determined that, at this point, it would not propose combining the classes.

However, in evaluating its proposed rates, the Company did consider how Schedule 7 customers transitioning onto Schedule 9 would be impacted, which in part influenced the proposed level of collection through the Service Charge for both Schedules 7 and 9S.

Q. What rate design currently applies to Schedule 24?

A. Schedule 24 relies on "load factor pricing" which is like a declining block, where the price of the first tier is higher than that of the second tier. The first block charges irrigation customers a monthly rate per kWh for the first 164 kWh per kW of demand, where the second block charges customers a lower monthly energy rate per kWh of all other energy use.

Q. Is this rate design cost based?

A. No. Like the Schedule 9S rate design, this rate design collects costs otherwise classified as demand through the first block; however, unlike the Schedule 9S design, customers are charged for all units of billing demand during the in-season time period. The Company has found this rate design tends to be complex to explain to customers. As a result, and as described in the Direct Testimony of Mr. Thompson, the Company is proposing to move the demand-classified costs out of the first tier and collect those costs through the demand charge, which the Company believes would be a more straightforward rate design for Schedule 24 customers to understand.

B. Expanded Summer Season & TOU Rates

Q. Do the Company's current rate structures reflect the time-variant nature of electricity?

A. Only to an extent. The rate designs applicable to most of the Company's service schedules include a seasonal component. Additionally, the large users, Schedules 9 P/T and 19, have mandatory time-differentiated energy charges.

Q. What is the Company's view on seasonal rates?

A. The cost to provide service to customers varies throughout different times of the year. For Idaho Power's system, it is generally more expensive to meet customer energy requirements in the summer and seasonal

rates are an effective tool to promote reduced consumption during those higher cost months. Acknowledging this, the Company implemented seasonal rates for Schedules 1, 7, 9, and 19 in its 2003 General Rate Case ("GRC"). Since that time, the summer season for purposes of ratemaking has remained unchanged – that is, for most customers, the summer season is defined as June 1 through August 31.

Q. What is the Company's proposed summer season in this case and how did it develop that recommendation?

A. The Company is proposing to expand the summer season by one month to include September. Over the last several years, the Company's Integrated Resource Plan ("IRP") has identified high-risk hours are more frequently occurring later in the summer, often showing up in September. Shifting to a four-month summer season better aligns with current and future high-risk hours.

Q. What is the Company's view on TOU rates?

A. TOU rates can be an effective way to send a price signal to customers to encourage them to shift energy usage to specific hours in the day that are less costly to serve. This price signal can be effective to promote energy efficiency and system efficiency rather than strictly a conservation signal, as the tiered rates do. As more fully described by Mr. Anderson and Mr. Thompson, the Company is proposing to expand its TOU offerings for both residential

and commercial customers and to establish a basis for potential opt-out or mandatory TOU rates for those classes.

Residential TOU

Q. Is the Company proposing to expand its TOU offering for residential customers as part of this GRC?

A. Yes. The Company has had an optional TOU offering in place for its residential customers since 2005; however, only a small number of customers (currently less than 1,000) opt to take that service from Idaho Power. The Company is proposing to redesign its optional residential TOU offering in a few ways: (1) modify and shorten the on-peak windows to align with the Company's highest risk hours as informed by the 2023 IRP and (2) introduce a larger differential between on- and off-peak times.

Q. Please generally describe how the TOU offering was designed.

A. First, the Company relied on the analysis performed by the power supply planning team in preparation of the 2023 IRP to determine which hours are currently considered highest risk. These hours were used to inform the summer and non-summer on- and off-peak price periods utilized in the Schedule 5 rate design. I then directed Mr. Anderson to rely on the results of that analysis to inform his rate proposal.

Q. How is the Company proposing to set the differentials between on-, mid-, and off-peak?

A. The Company's approach varied slightly by customer class. For Schedule 5 customers, I directed Mr. Anderson to develop the offering in a manner that would be most effective at promoting a response to the price signal.

Q. Please describe how system efficiencies may be gained under this type of a rate structure.

A. TOU pricing (including Critical Peak Pricing) was identified as having the potential to manage customer demand in a recently completed Demand Response Potential Study, which will be relied on in the 2023 IRP. For the residential class, the total potential from TOU pricing programs amounted to approximately 8 MW. To the extent customers respond to this type of a rate design, the Company may be able to delay building traditional supply-side resources.

Q. Did the Company consider making TOU a default or mandatory rate offering for residential customers?

A. Yes, however, while the Company believes TOU is a more efficient and effective way to send energy and system efficiency price signals, it is aware that a change in a single year — from the current tiered rate structure to a mandatory or even a default TOU program — would be a significant impact to many of its residential customers

that may be unfamiliar with this type of rate design, or who are otherwise unable to respond to the price signal.

Based on these considerations, in this case, the Company is proposing a three-year transition whereby it will gradually increase the Service Charge while eliminating the inclining block tier rates, which, at the end of the transition period, will better position the Company to consider proposing mandatory or default TOU for all customers in the future. This will also provide the Company an opportunity to evaluate the impacts and effectiveness of the on-peak to off-peak price ratio of 4.0x proposed in this case.

Commercial and Industrial TOU

Q. Is the Company proposing to modify or expand TOU for its commercial and industrial customers?

A. Yes. Schedules 19 and 9P/T already have TOU rates in place. The Company is aware that many of its Schedule 9S customers would like to take service under a time-differentiated rate design as this type of a design will better enable customers with discretionary load to manage their energy bills.

Q. Why is the Company proposing only an optional TOU service offering for Schedule 9S customers as opposed to making it a mandatory service?

A. The Company is proposing the optional Schedule 9S TOU offering at this time to incentivize customers, who have the ability, to shift load to off-peak periods by sending cost-based price signals informed by the Company's high-risk hours identified in preparation of the 2023 IRP. This encourages customers to use the system more efficiently and economically based on both how the Company incurs cost and the high-risk time periods.

For example, if a customer with electric vehicle charging stations selected the TOU offering, they would be encouraged to charge their vehicles during off-peak hours. This would lessen the burden on the system during on-peak time periods as well as save the customer money compared to if they were on the standard service offering.

Q. How is the Company proposing to set the differentials between on- and off-peak?

A. I directed both Mr. Anderson and Mr. Thompson to develop a proposal to isolate both the variable and fixed cost components of the volumetric charge and only apply a differential to the energy classified portion of the rate. By developing the rates this way and having the fixed cost component of the volumetric rate remain constant for all kWh within a given season, the principles of cost-causation are maintained. That is, when a customer shifts

usage to another time period, the underlying costs are expected to increase or decrease commensurately.

C. Residential Price Modernization Plan

Q. Please explain the Company's Residential Price Modernization Plan.

A. As more fully described in the Direct Testimony of Mr. Anderson, the Company is proposing a three-year transition period to modify the structure of its residential rates whereby it will increase the Service Charge and lower the energy charges commensurately over that period.

Q. Why is Idaho Power requesting to implement the Residential Price Modernization Plan?

A. The current residential rate structure does not align with Idaho Power's embedded cost structure. Providing electric service requires a significant amount of capital infrastructure, which is largely a fixed cost once infrastructure goes into service. The current residential rate structure is comprised of the Service Charge, which is a monthly fixed charge, and Energy Charges, which are usage-based or volumetric charges.

The Service Charge does not cover the fixed costs incurred by residential customers and those fixed costs are instead recovered through the volumetric Energy Charges. As I explained above, the Energy Charges in Schedule 1 are

also tiered, so that usage over a specific threshold in a billing period are priced at a higher rate.

Q. What is the downside to this rate structure?

A. The Company's current rate structure for residential customers recovers a high proportion of fixed costs through the volumetric Energy Charges instead of through fixed charges. This relationship results in higher energy use customers subsidizing lower energy use customers and generally leads to customers believing the value of a kWh of energy is much higher than it is.

Q. What costs does the Company propose are reasonably recovered through the Service Charge?

A. The Company proposes to recover all costs related to the distribution system and customer-related costs like metering, billing, and customer service through the Service Charge. It is appropriate to include these costs in the fixed monthly charges that residential customers pay because they represent the fixed costs to deliver power over the distribution system and provide customer service and billing functions. These costs are fixed in nature and do not vary with changes in volumetric energy usage. If a residential customer uses less energy, the fixed costs of distribution facilities that have been installed to serve that customer do not decrease. These costs are therefore appropriately recovered through the

fixed Service Charge. The Company proposes to continue to recover all other costs – fixed generation and transmission costs as well as variable energy costs – through Energy Charges.

Q. Will this structure remove the energy efficiency price signal?

A. No. As I mentioned, the Company is proposing to continue to collect fixed charges associated with generation and transmission through seasonal energy charges, which will continue to promote energy efficiency. As shown in Tables 6 and 7 of the Direct Testimony of Mr. Anderson, in the first year of the change, the energy rates are higher than they currently are – by the end of the transition plan, the energy charges remain seasonally differentiated, ensuring an efficiency signal remains.

Q. Did the Company consider the impact this rate design would have on low-income customers?

A. Yes. As discussed in greater detail in the Direct Testimony of Mr. Anderson, the Company evaluated the impact of this rate design on those customers in its service area known to be eligible for income-qualified energy assistance and found the proposed rate design would not disproportionally impact those customers in a negative way. In fact, at the end of the transition period, these

customers are more likely to see a *savings* when compared to the residential customer class in total.

Q. Why is the Company proposing that these changes occur over a three-year transition?

A. Essentially, the Company is mindful of the impacts this type of a rate design will have on lower-usage customers and with gradualism in mind, has proposed a multi-year timeframe to moderate bill impacts on individual customers. The three-year transition provides a mechanism to make changes that better align rates with cost-of-service while also balancing how these changes affect some customers. Mr. Anderson presents a bill impact analysis to show the bill impact for customers once the plan is implemented.

III. ON-SITE GENERATION

Q. Please summarize the Company's request presented in Case No. IPC-E-23-14.

A. On May 1, 2023, Idaho Power filed Case No. IPC-E-23-14 ("ECR Case").[2] The Company filed the case in response to Commission Order No. 35631 directing the Company to file a new case to implement changes to its on-

[2] *In the Matter of Idaho Power's Application for Authority to Implement Changes to the Compensation Structure Applicable to Customer On-Site Generation Under Schedules 6, 8, and 84 and to Establish an Export Credit Rate Methodology*, Case No. IPC-E-23-14 (filed May 1, 2023).

site generation offering. Specifically, the Company requested the Commission implement: (1) real-time net billing with an avoided cost-based financial credit rate for exported energy, (2) a methodology for determining annual updates to the ECR, (3) a modified project eligibility cap for commercial, industrial, and irrigation ("CI&I") customers, (4) related changes to the accounting for and transferability of excess net energy financial credits, and (5) updated tariff schedules necessary to administer the modified on-site generation offering.

Q. Are there any interdependencies between the General Rate Case and Case No. IPC-E-23-14?

A. Yes. The Company is addressing a variety of issues related to Idaho Power's on-site generation offering in the ECR Case. However, because a GRC is an appropriate venue to address CCOS and rate design, the Company did not present any recommendations related to those items in Case No. IPC-E-23-14. Rather, those topics have been addressed within this case. Further, the Company believes it is appropriate to address transitional considerations in the context of rates and rate design within this docket as this GRC is the first opportunity to evaluate how closely revenue collection for the on-site generation customers aligns with the allocation of costs to those classes.

Q. How did the Company approach CCOS cost-allocation for on-site generation customers?

A. I requested load research statistics be developed based on on-site generation customers' utilization of the system. I then directed Mr. Goralski to rely on those statistics to complete cost-allocation to the on-site generation customers. This required relying on only a "delivered channel" of meter data for allocating generation, transmission, and energy related costs and looking at the maximum of both the "delivered channel" and "received channel" in determining the allocation of distribution plant. This is consistent with the real-time measurement interval presented in the ECR Case.

Q. Did legacy status[3] impact cost allocation?

A. No; the Company evaluated the cost to serve all customers with on-site generation in the same manner, regardless of legacy status. The type of compensation structure applied to the billings for customers has no bearing on measuring those customer's utilization of the system. In all cases, for all classes, the Company assessed the classes' energy and demand requirements in determining cost allocation. The approach I described ensures on-site

[3] The Company uses the term legacy to refer to those systems that the Commission has previously determined would continue to take NEM, under certain conditions, for a period of 25 years (also known as "grandfathered" systems).

generation customers are not treated any different than standard service customers.

Q. Are there any other areas related to on-site generation that are being addressed in this docket rather than in the ECR Case?

A. Yes. In Order No. 34046, the Commission directed Idaho Power to evaluate rate design and specifically "transitional rates." In the ECR Case, the Company proposed that any transitional considerations be better addressed when evaluating the reasonableness of pricing proposals in the GRC versus the ECR Case, which is focused on the modification of the measurement interval applied to excess net energy and the valuation of that excess energy.

Q. What were the results of the CCOS for Schedules 6 and 8?

A. The study, prior to the cap and spread process described by Mr. Goralski, showed that the Schedule 6 and 8 classes should receive a 52 percent and 111 percent increase, respectively, in their class revenue requirement. These results demonstrate a large revenue deficiency for Schedules 6 and 8 under current rates, relative to other classes.

Q. Is the Company proposing rates for those classes to target the CCOS revenue requirement?

A. No. The Company believes it is reasonable to consider transitioning Schedule 6 and 8 customers to cost of service over a period of time. If the Company were to rely on the underlying CCOS as a basis for revenue allocation, those customers would experience relatively large increases in this case.

Q. How did the Company establish revenue targets for Schedules 6 and 8 for rate design purposes?

A. As a mitigation measure, the Company combined the Schedule 6 class with all residential customers (and Schedule 8 with all small general service customers) to complete both the cap and spread and the rate design process. That is, in this case Idaho Power proposes that on-site generation customers take service from Idaho Power under the same rates that all standard service customers pay.

Q. Will this result in a subsidy?

A. Yes. Any class whose assigned revenue requirement is more than the amount authorized will be subsidized by other customer classes.

Q. Does the Company believe its proposal results provides a reasonable and fair transition period for Schedule 6 and 8 customers?

A. Yes. The Company believes this approach results in a reasonable transition period for on-site

generation customers and aligns with prior Commission orders where the Commission has directed the Company to evaluate transitional considerations as it proposes changes that will impact on-site generation customers.

Q. How will Schedule 6 customers be impacted by the Residential Price Modernization Plan?

A. Schedule 6 customers were included in the determination of the revenue neutral rates developed as part of the Residential Price Modernization Plan. It is important to note that even at the end of the three-year plan, Schedule 6 customers will still be contributing well below their cost to serve. Idaho Power is not recommending future changes be approved as part of this case, rather, the Company will evaluate further rate design considerations for on-site generation customers, as may be necessary, in future rate proceedings.

IV. TARIFF ADMINISTRATION

Q. Is the Company proposing changes to its tariff as part of this case?

A. Yes. The Company is requesting several administrative and housekeeping edits to many of the rules and schedules contained within its tariff. Additionally, I directed Mr. Maloney to work with field and customer-facing representatives to develop recommendations for updates and additions necessary to administer the tariff in a manner

that ensures equitable treatment and is transparent to customers.

Attachment Nos. 1 and 2 to the application contains the legislative and clean versions of the requested tariff.

V. CONCLUSION

Q. Does this conclude your direct testimony in this case?

A. Yes, it does.

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DECLARATION OF CONNIE G. ASCHENBRENNER

I, Connie G. Aschenbrenner, declare under penalty of perjury under the laws of the state of Idaho:

1. My name is Connie G. Aschenbrenner. I am employed by Idaho Power Company as the Senior Manager of Rate Design in the Regulatory Affairs Department.

2. On behalf of Idaho Power, I present this pre-filed direct testimony in this matter.

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

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

SIGNED this 1st day of June 2023, at Boise, Idaho.

Signed: _____
CONNIE G. ASCHENBRENNER