

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

LISA A. GROW

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

4 A. My name is Lisa A. Grow. My business address  
5 is 1221 West Idaho Street, Boise, Idaho 83702. I am  
6 employed by Idaho Power as the President and Chief  
7 Executive Officer ("CEO").

8 Q. Please describe your educational background.

9 A. I received a Bachelor of Science in Electrical  
10 Engineering from the University of Idaho in 1987 and an  
11 Executive Master of Business Administration from Boise  
12 State University in 2008, in addition to numerous industry  
13 and leadership courses and trainings over the past 36  
14 years.

15 Q. Please describe your work experience with  
16 Idaho Power.

17 A. I have held 14 positions in my 36 years with  
18 Idaho Power. I became President & CEO in June 2020. Before  
19 that I held several officer positions: Senior Vice  
20 President & Chief Operating Officer, Senior Vice President  
21 of Power Supply, and Vice President of Engineering and  
22 Construction. I was also the General Manager, Grid  
23 Operations & Planning, and Senior Manager, Grid Operations,  
24 and Control Area Operations Leader. In the early part of my

1 career, I held many engineering positions throughout the  
2 Company.

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

5 A. The purpose of my testimony is to 1) provide a  
6 general overview of Idaho Power and its core business  
7 practices, 2) generally discuss Idaho Power's business  
8 management and other financial considerations, 3) present  
9 the Company's request in this case and inform the Idaho  
10 Public Utilities Commission ("Commission") of the financial  
11 and economic factors driving the need for the requested  
12 base revenue adjustment, and 4) detail proposed rate  
13 mitigation steps taken by the Company and the options  
14 available to customers seeking assistance in managing their  
15 energy costs.

16 Q. Are you the witness that can address overall  
17 Company policy?

18 A. Yes.

19 Q. Please summarize your testimony.

20 A. The Company's last general rate case ("GRC")  
21 was in 2011, and the number of Idaho Power customers has  
22 increased by about 23 percent over the past decade. To  
23 serve that growing customer base, the Company has made  
24 significant investments in its infrastructure to maintain,  
25 improve, and protect the electrical system. Idaho Power

1 will continue to have considerable ongoing investments in  
2 response to rapid customer and load growth, as well as  
3 aging infrastructure.

4 The Company has worked hard to keep Operations &  
5 Maintenance ("O&M") expenses low for the past decade, with  
6 an average annual growth rate of only 1 percent since 2012.  
7 This equates to a total increase of just over \$50 million  
8 to serve approximately 117,000 new customers, which  
9 represents an average annual growth rate of 2 percent since  
10 Idaho Power's last GRC. The request in this case is largely  
11 focused on the rate base additions needed to reliably serve  
12 our customers and, to a lesser extent, growth in O&M  
13 expenses.

14 Our case demonstrates a strong track record of  
15 managing expenses and presents the necessary investments to  
16 continue providing safe, reliable electric service to our  
17 growing customer base. In recognition that price increases  
18 can be difficult for customers to manage in today's  
19 economic environment, Idaho Power will present several ways  
20 it was able to mitigate the requested increase in this  
21 case.

## 22 I. COMPANY OVERVIEW

23 Q. Please provide an overview of Idaho Power.

24 A. Idaho Power Company is headquartered in Boise,  
25 Idaho, and has been a locally operated energy company since

1 1916. The Company has approximately 2,000 employees that  
2 proudly serve approximately 620,000 customers over a  
3 24,000-square-mile service area in Idaho and Oregon. With  
4 17 low-cost hydropower projects at the core of its diverse  
5 energy mix, Idaho Power's residential, business, and  
6 agricultural customers pay among the nation's lowest prices  
7 for electricity.

8 Q. What is Idaho Power's overall business focus?

9 A. Idaho Power endeavors to remain a financially  
10 strong, independent, vertically integrated utility  
11 supported by a safe and engaged work force dedicated to  
12 providing safe, reliable, and affordable electric service  
13 to our customers.

14 Q. What are the key elements that guide Idaho  
15 Power's company culture?

16 A. Idaho Power's culture is guided by our  
17 purpose, values, and our commitment to each other. We are  
18 passionate about powering lives with reliable, affordable,  
19 clean energy, while developing innovative solutions every  
20 day. Serving those who depend on us is at the center of  
21 everything we do. We prosper by committing to the needs,  
22 safety and success of our customers, communities,  
23 employees, and owners.

24 Our Company's three core values are Safety First,  
25 Integrity Always, and Respect for All. Safety First - We

1 are committed to the safety of our employees, our  
2 customers, and the communities we serve. Integrity Always -  
3 Customers, owners, and employees can count on us to be fair  
4 and ethical. Respect for All - We treat our customers,  
5 partners, employees, and the environment with care and  
6 dignity.

7 And finally, we are committed to an inclusive  
8 environment where we are all valued, respected, and given  
9 equal consideration for our contributions. We believe that  
10 to be successful as a company we must be able to innovate  
11 and adapt, which only happens when we seek out and value  
12 diverse backgrounds, opinions, and perspectives.

13 Q. What is Idaho Power's philosophy regarding  
14 safety?

15 A. Because safety is a core value at Idaho Power,  
16 the Company embraces and fosters a Safety First culture.  
17 The Safety First culture recognizes that Idaho Power's  
18 family of employees is the Company's greatest asset and  
19 emphasizes that each employee's most important  
20 responsibility in their daily work is safety and that no  
21 work is so critical that safety should be disregarded. The  
22 Company is committed to the safety of its employees,  
23 customers, and the public.

24 Q. How does Idaho Power measure the reliability  
25 of its distribution system?

1           A.       Idaho Power primarily uses four reliability  
2 indices to measure reliability of the system:

3           SAIFI: System Average Interruption Frequency Index

4           SAIDI: System Average Interruption Duration Index

5           CEMI: Customers Experiencing Multiple Interruptions

6           MAIFI: Momentary Average Interruption Frequency

7 Index.

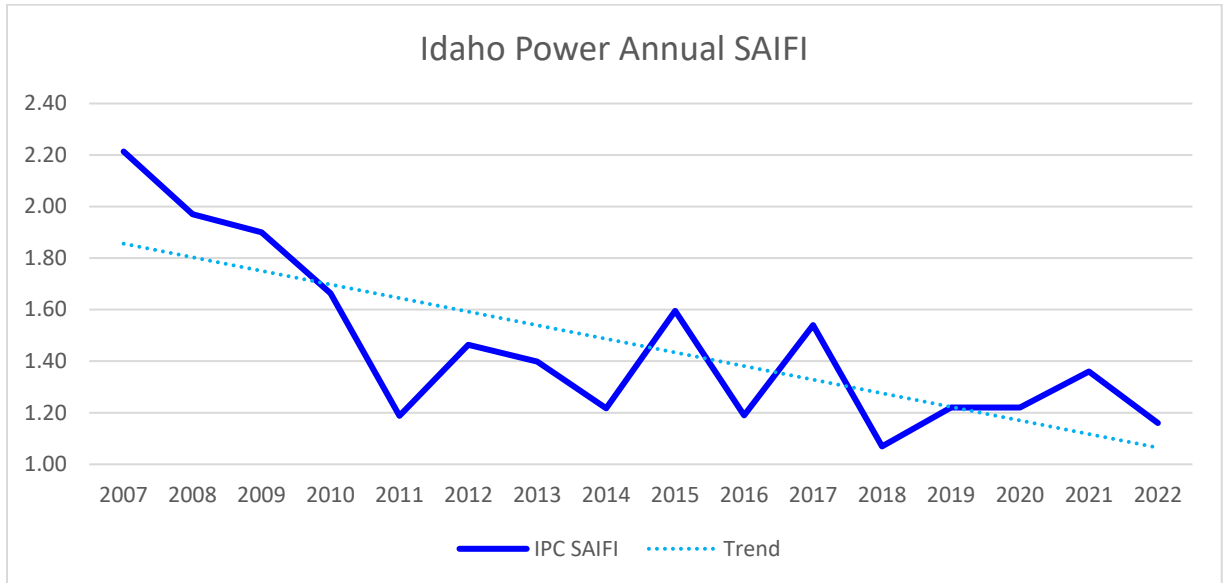
8           SAIFI, SAIDI, and CEMI are indices that measure  
9 sustained outages. A sustained outage is defined as  
10 customers out of power for five minutes or longer. MAIFI is  
11 an index that measures momentary interruptions. Momentary  
12 interruptions are when customers are out of power for fewer  
13 than five minutes.

14           Idaho Power tracks performance for all of the  
15 indices I just noted, but the primary focus of Idaho  
16 Power's distribution reliability programs over the years  
17 has been to reduce the number of customer outages as  
18 measured by SAIFI.

19           Q.       What are Idaho Power's reliability results?

20           A.       Figure 1 shows Idaho Power's improvement in  
21 annual SAIFI since 2007. In 2022, Idaho Power customers  
22 experienced an average of 1.16 sustained outages, which was  
23 about 47 percent lower than 2007 when SAIFI was about 2.20  
24 and 20 percent lower than in 2013 (10 years prior) when  
25 SAIFI was 1.40.

1 **FIGURE 1**  
2 IDAHO POWER ANNUAL SAIFI



3  
4 System reliability can be dependent on major weather  
5 events, specifically major wind or winter storms. Because  
6 of the variation in reliability results due to weather, it  
7 is helpful to look at five-year average SAIFI values to see  
8 trends in performance.

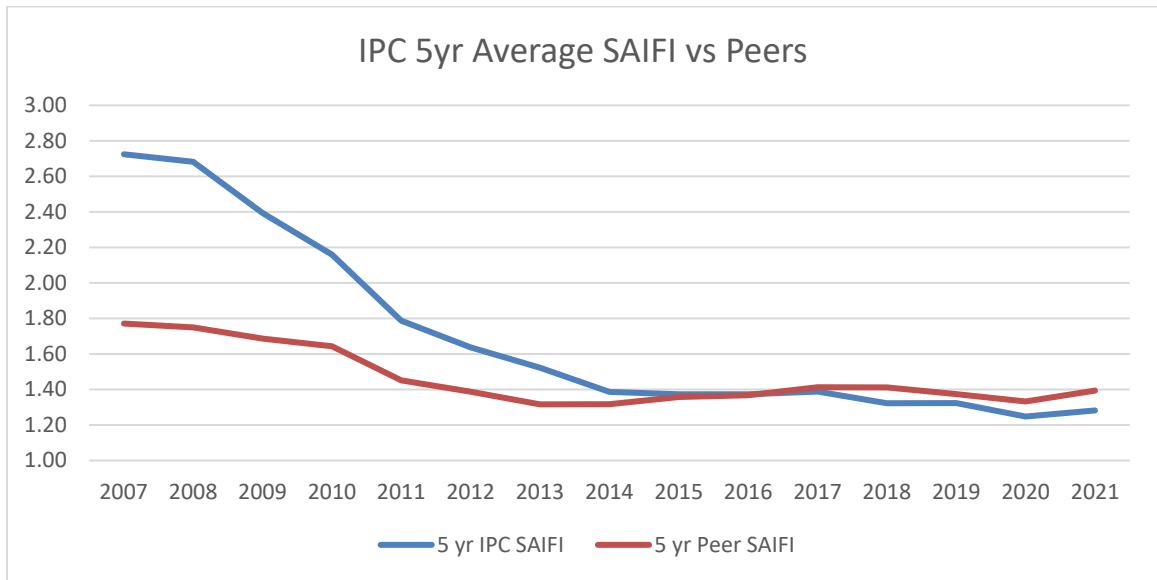
9 Idaho Power also performs annual reliability  
10 benchmarking with its northwest peer utilities. FIGURE 2  
11 shows the five-year average of Idaho Power's SAIFI compared  
12 to the five-year average SAIFI of our seven peer utilities:  
13 NorthWestern Energy, Pacific Power, Rocky Mountain Power,  
14 Avista, Sierra Pacific Power, Portland General Electric,  
15 and Puget Sound Energy. In the earlier years, shown on  
16 Figure 2, Idaho Power lagged behind its peer utilities by  
17 more than 50 percent and by about 15 percent in 2013. Over  
18 the past four years, Idaho Power leads the peer utility



1 group by an average of 11 percent.<sup>1</sup>

2 **FIGURE 2**

3 FIVE-YEAR AVERAGE SAIFI: IDAHO POWER VS PEERS



4

5 Q. Where does Idaho Power focus its efforts to  
6 maintain and improve reliability?

7 A. Idaho Power makes significant efforts toward,  
8 and investment in, improving and maintaining reliable  
9 service to its customers. The Company recognizes that  
10 providing safe, reliable service is among its highest  
11 operational priorities for our customers. Idaho Power has  
12 completed many projects in recent years to either maintain  
13 or improve reliability.

14 At the generation level, Idaho Power must ensure it  
15 has sufficient resources to fulfill its obligation to  
16 reliably and safely serve customers, especially in light of

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<sup>1</sup> The data is through 2021. Idaho Power does not have all peer data through 2022 at this point in time.

1 the unprecedented growth Idaho Power has experienced over  
2 the past decade. In their testimonies, Company Witnesses  
3 Mr. Eric Hackett and Ms. Lindsay Barretto provide detailed  
4 discussions of investments Idaho Power has made in new and  
5 existing generation resources to ensure sufficient,  
6 reliable generation capacity to serve customers.

7           With regard to the transmission and distribution  
8 ("T&D") systems, Idaho Power has made significant  
9 investments to maintain aging infrastructure while  
10 accommodating growth at the local level. These projects  
11 include work such as the replacement of distribution wood  
12 cross-arms and associated wood pins, the injection and  
13 replacement of certain underground distribution cables,  
14 vegetation management, and improvements to portions of the  
15 transmission system and substations. Company Witness Mr.  
16 Mitch Colburn describes in greater detail the Company's  
17 reliability-related investments and activities in his  
18 testimony.

19           Q.       What is the Company's overall approach to  
20 providing a positive customer experience?

21           A.       Idaho Power strives to be regarded as an  
22 exceptional utility by the customers it serves. To  
23 accomplish this, the Company must provide superior and  
24 satisfying customer service and experiences that meet or  
25 exceed its customers' needs and expectations.

1           The Company continually focuses on ways to cost-  
2 effectively improve its relationships with customers by  
3 assessing customer perception of the Company, identifying  
4 performance and experience gaps based on customer feedback,  
5 and reviewing industry best practices and trends.

6           Q.       What recent initiatives has Idaho Power  
7 undertaken to enhance customer satisfaction?

8           A.       The Company has recently implemented  
9 enhancements to its digital offerings and solutions to  
10 better align with industry trends and evolving customer  
11 preferences and expectations. Most notably, the Company's  
12 investment in modernizing its My Account platform stemmed  
13 from customers' desire to digitally self-serve and manage  
14 their accounts. By customers using their preferred method  
15 of self-service through My Account, the Company was able to  
16 manage customer service employee growth while our number of  
17 customers grew over the past decade. Further, in early  
18 2022, the Company released a Mobile Application ("App") on  
19 the Apple and Google Play stores in response to the  
20 increasing shift in customers' preferences toward accessing  
21 their account and service-related information on the go. The  
22 App provides enrolled customers with real-time alerts  
23 regarding important billing information and connection or  
24 outage status affecting one of their registered addresses.

25           The Direct Testimony of Company Witness Mr. Bo

1 Hanchey describes more fully the Company's efforts to  
2 enhance customers' experiences with our Company.

3 **II. IDAHO POWER'S BUSINESS MANAGEMENT OVERVIEW**  
4 **AND FINANCIAL STATUS**

5 Q. When was Idaho Power's last GRC in Idaho?

6 A. Idaho Power's last Idaho GRC, Case No. IPC-E-  
7 11-08, was filed on June 1, 2011, with rates becoming  
8 effective January 1, 2012.

9 Q. What are the primary factors that have  
10 contributed to the Company's ability to avoid filing a  
11 general rate case for the last 12 years?

12 A. There are a number of factors that have  
13 contributed to the Company's ability to avoid a GRC over  
14 the last 12 years. First, the Company has diligently  
15 managed its O&M expenses by creating a cost-conscious  
16 culture among employees. As I mentioned earlier in my  
17 testimony, O&M increased an average of 1 percent since  
18 2012, while inflation averaged approximately 2 percent a  
19 year and customers grew by approximately 2 percent a year-  
20 for a combined 4 percent increase.

21 Second, customer growth, and the associated growth  
22 in sales revenue, has helped reduce the financial impact of  
23 increasing costs over that period. Third, the Company's  
24 annual adjustment mechanisms, the Power Cost Adjustment  
25 ("PCA") and Fixed Cost Adjustment ("FCA"), have provided

1 timely revenue support addressing increases in power costs  
2 and decreases in residential use-per-customer,  
3 respectively. Finally, the Commission has approved several  
4 single-issue adjustments to rate recovery, including, but  
5 not limited to, the addition of the Langley Gulch natural  
6 gas-fired power plant, the establishment of rate mechanisms  
7 to recover the cost of early coal plant exits, recovery of  
8 Energy Imbalance Market costs, as well as deferred  
9 accounting treatment for certain incremental costs,  
10 including those related to wildfire mitigation.

11 Q. Beyond the benefit to customers of avoiding  
12 filing a GRC for the last 12 years, will the factors you  
13 listed impact this case?

14 A. Yes, customers benefit from each of the items  
15 that I listed in this case, as each of those benefits are  
16 built into our request.

17 Q. Please describe the Company's efforts to  
18 reduce expenses related to hiring employees.

19 A. All new, un-budgeted positions must be  
20 reviewed and approved by the vice president responsible for  
21 each business unit. Despite adding approximately 117,000  
22 customers between 2012 and 2022, employee headcount has  
23 actually decreased by a total of 17 people over the same  
24 time period.

1 Q. What is Idaho Power's general compensation  
2 philosophy?

3 A. As described more fully by Company Witness Ms.  
4 Sarah Griffin in her testimony, Idaho Power's compensation  
5 philosophy is to provide a balanced, competitive, and  
6 sustainable total compensation or "total rewards" package,  
7 ensuring it attracts and retains high quality employees and  
8 motivates them to achieve performance goals that benefit  
9 customers and shareholders. Maintaining a competitive total  
10 rewards package allows the Company to recruit and retain  
11 its highly skilled workforce. The competitiveness of Idaho  
12 Power's total rewards package also supports the Company's  
13 intent to maintain a flexible workforce that can easily  
14 adjust work duties and assignments to meet changing demands  
15 and operational needs, which in turn keep the Company's  
16 costs of service lower.

17 Q. Please describe the Company's efforts to  
18 control budgets.

19 A. Idaho Power employs a robust capital and O&M  
20 budgeting process. The capital budget process begins with  
21 maintenance personnel, planners, and others within the  
22 business identifying needs and submitting projects to  
23 business unit management. Business unit management reviews  
24 submitted projects and prioritizes them based on spending  
25 guidelines provided by senior management.

1 O&M budgets are established based on extensive  
2 discussions between the business units and senior  
3 management and represent a combination of prior year  
4 experience plus or minus identified changes and  
5 adjustments. As the Company prepared its O&M budgets for  
6 2023, the target was based on holding to a 2022 budget  
7 adjusted down for known items and with only identified  
8 unavoidable increases allowed as an adjustment.

9 Throughout the year, senior management reviews the  
10 status of spending for both O&M and capital against updated  
11 estimates as well as original budget. Variances are  
12 reviewed and analyzed in order to determine changes that  
13 may need to be made during the year to manage to budgeted  
14 levels of spend.

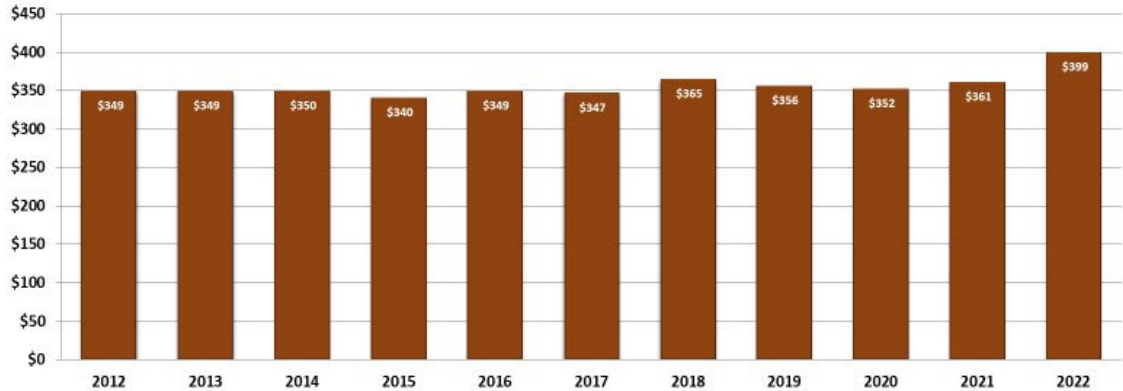
15 Q. Have the Company's cost-control measures  
16 applied over the last decade been successful?

17 A. Yes, very much so. As can be seen in Figure 3,  
18 the Company's overall O&M expenses, excluding power supply  
19 expenses and demand-side management expenses, have remained  
20 relatively flat between 2012 and 2021, with an uptick in  
21 2022 resulting from recent inflationary pressures. Even  
22 with those recent inflationary factors, the Company has  
23 held O&M expenses to an average annual growth rate of just  
24 1 percent over the last decade.

25

1 **FIGURE 3**  
2 2012-2022 OPERATING AND MAINTENANCE EXPENSES

Idaho Power  
2012-2022 Operating and Maintenance (O&M) Expenses (\$ Millions)  
Excludes Purchased Power, Fuel Expense, Power Cost Adjustment and DSM



3  
4 Q. Are there any other factors that have  
5 contributed to Idaho Power's ability to avoid a GRC over  
6 the last decade?

7 A. Yes. Since 2009, the Company has been subject  
8 to an Accumulated Deferred Investment Tax  
9 Credits ("ADITC")/Revenue Sharing Mechanism that includes  
10 provisions for the accelerated amortization of ADITC to  
11 help achieve a minimum specified percent Idaho-jurisdiction  
12 return on year-end equity ("Idaho ROE"), currently set at  
13 9.4 percent. The mechanism also provides for the potential  
14 sharing between Idaho Power and Idaho customers of Idaho-  
15 jurisdictional earnings in excess of a 10.0 percent Idaho  
16 ROE. Under the current mechanism, the ADITC and sharing  
17 thresholds are to be reset at a GRC to align the sharing



1 threshold with the then-authorized ROE and the use of  
2 accelerated amortization of ADITC at 95 percent of the  
3 authorized ROE.

4 In addition to sharing earnings with customers over  
5 the 10.0 percent Idaho ROE threshold, this mechanism has  
6 created an additional incentive to the Company to preserve  
7 ADITCs to be available to support earnings for as long as  
8 possible. While the Company endeavors to thoughtfully  
9 manage its costs as a standard practice, this additional  
10 financial incentive has been beneficial for customers,  
11 because the Company has continually looked for creative  
12 ways to maximize its Idaho ROE without filing a GRC.  
13 Because the Company has not used the full \$45 million of  
14 ADITC available, as of December 31, 2022, the credits can  
15 be utilized in future periods under the mechanism or the  
16 historical standard ITC amortization method.

17 Q. What is the amount of earnings Idaho Power has  
18 shared with its customers under the earnings sharing  
19 mechanism since its last general rate case?

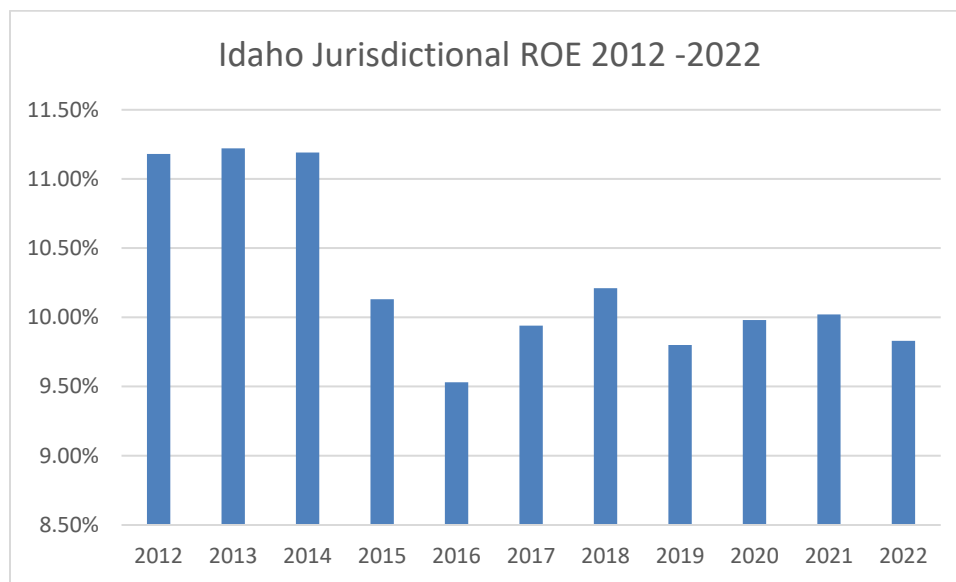
20 A. Since the Company's last general rate case the  
21 Company has shared \$126,752,809 of earnings with its  
22 customers under the ADITC/Revenue Sharing Mechanism.

23 Q. Have Idaho Power's cost management efforts,  
24 along with the other factors just described, resulted in

1 the Company earning a reasonable rate of return on equity  
2 between 2012 and 2022?

3 A. Generally, yes. As can be seen in Figure 4,  
4 the Company has earned between a 9.5 percent and 10 percent  
5 Idaho jurisdictional ROE on an actual basis over that time  
6 period.

7 **FIGURE 4**  
8 IDAHO JURISDICTIONAL ROE 2012-2022



9

10 Q. Considering the earnings performance presented  
11 on the above chart, why do you believe it is necessary to  
12 increase rates for customers now?

13 A. As I will detail later in my testimony, since  
14 2012, the Company has invested approximately \$1.7 billion  
15 dollars on new property, plant, and equipment to serve its  
16 customers safely and reliably. In addition, in 2023, the  
17 Company expects to invest up to \$700 million in additional  
18 capital projects with nearly \$400 million in O&M expense.

1 Considering the incremental depreciation and interest  
2 expense associated with this significant capital  
3 investment, Idaho Power will no longer be able to maintain  
4 a reasonable rate of return without the requested rate  
5 relief.

6 Q. Could Idaho Power utilize accelerated  
7 amortization of ADITC to avoid the need for a GRC for at  
8 least one more year?

9 A. Unfortunately, no. As noted in the Company's  
10 first quarter 2023 earnings release, Idaho Power plans to  
11 utilize at least \$15 million of accelerated amortization of  
12 ADITC to reach a 9.4 percent Idaho ROE. In 2024, the year  
13 rates would go into effect from this case, [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 **III. CASE OVERVIEW AND DRIVERS**

17 Q. What is Idaho Power's requested revenue  
18 increase in this case?

19 A. As discussed further in the Direct Testimonies  
20 of Company Witnesses Mr. Timothy Tatum and Ms. Kelley Noe,  
21 the Company is requesting rate relief of approximately  
22 \$111.3 million, which is net of a corresponding proposed  
23 PCA decrease of \$173.4 million and a reduction to annual  
24 Energy Efficiency Rider collection of \$3.5 million. If  
25 approved, this request would result in an overall increase

1 to adjusted base revenue of 8.61 percent effective January  
2 1, 2024.

3 Q. Why do you believe this increase is necessary?

4 A. This increase is important for Idaho Power to  
5 achieve fair and timely recovery of its prudently incurred  
6 expenses and a reasonable return on the Company's  
7 investment in its electrical system, which today's rates  
8 will not fully provide. High customer growth in demand for  
9 electricity, aging infrastructure, and higher compliance  
10 and reliability requirements are driving the need to invest  
11 large amounts of capital to expand and improve electricity  
12 supply, delivery, and reliability. This increases the  
13 Company's need to access both the debt and equity markets  
14 to fund large amounts of capital investment in the system.  
15 In this environment, timely and fair recovery of the  
16 Company's prudently incurred expenses and investments is  
17 critically important to helping it attract capital  
18 investment and manage financing costs.

19 Q. What is the Company's proposed cost of  
20 capital?

21 A. The Company's request is based on a proposed  
22 rate of return of 7.702 percent, with a capital structure  
23 comprised of 51 percent equity and 49 percent debt, a 4.895  
24 percent cost of debt, and a 10.4 percent return on equity  
25 ("ROE"). Company Witnesses Mr. Adrien McKenzie and Mr.

1 Brian Buckham provide support for this recommendation in  
2 their respective testimonies.

3 Q. What are the challenges facing the Company?

4 A. Rising prices and costs and constrained system  
5 capacity are challenges facing many utilities in the West,  
6 and Idaho Power is no different. Despite considerable  
7 investment and expansion in recent years, much of the  
8 Company's system today is fully utilized by our current  
9 customers and the Company continues to experience sustained  
10 customer growth. To provide safe, reliable service to all  
11 customers, the Company must continue to make major  
12 investments in both new and existing infrastructure.  
13 Supply chain constraints and worldwide demand for the  
14 materials and services required to build needed  
15 infrastructure has driven up prices dramatically in recent  
16 years.

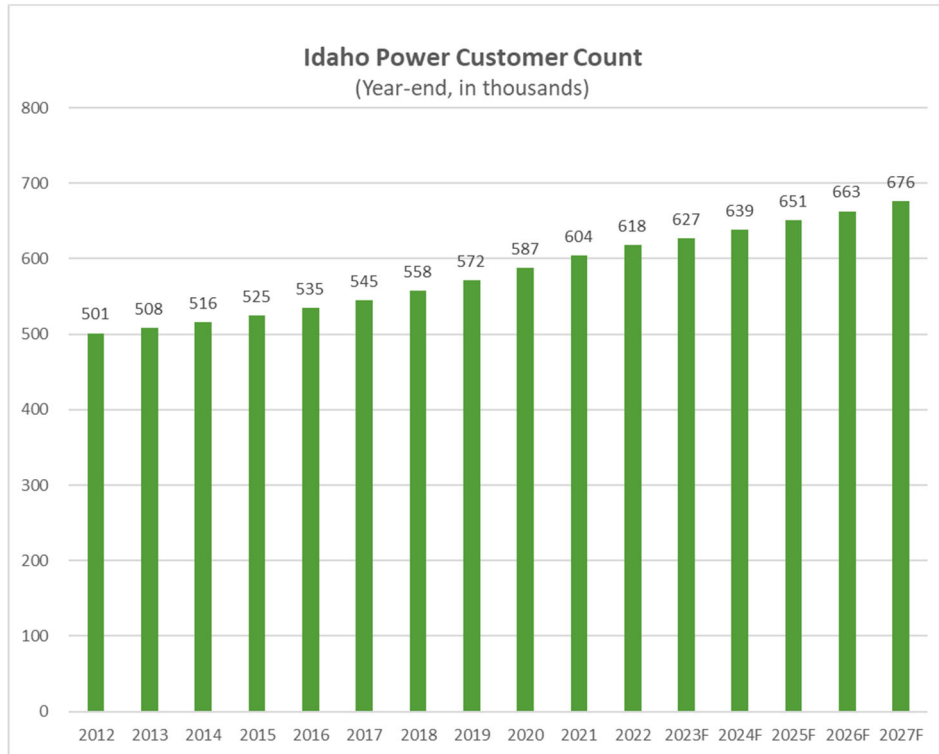
17 Idaho Power's credit quality, as measured by the  
18 national credit rating agencies, has recently been  
19 downgraded and is now at the lower end of investment grade.  
20 Rates in effect today will not provide the Company a  
21 sufficient opportunity to earn the rate of return necessary  
22 to assure access to the capital markets to finance needed  
23 investments in 2024 and beyond. Any delay in or lack of  
24 recovery of prudent operating or financing costs is seen as  
25 risk by the financial community, including the credit

1 rating agencies, during this period of plant expansion and  
2 difficult economic times. These pressures combine to  
3 present a formidable challenge to sustaining the financial  
4 health, operational excellence, and, ultimately, the  
5 independence of the Company.

6 Q. You mentioned growth in investment over the  
7 past few years. What is driving the growth in investment  
8 since rates went into effect following the Company's last  
9 general rate case?

10 A. As can be seen on Figure 5, Idaho Power has  
11 added approximately 117,000 customers between 2012 and 2022  
12 and forecasts it will experience customer growth of another  
13 58,000 customers over the next five-year period.

1 **FIGURE 5**  
2 IDAHO POWER CUSTOMER COUNT



3

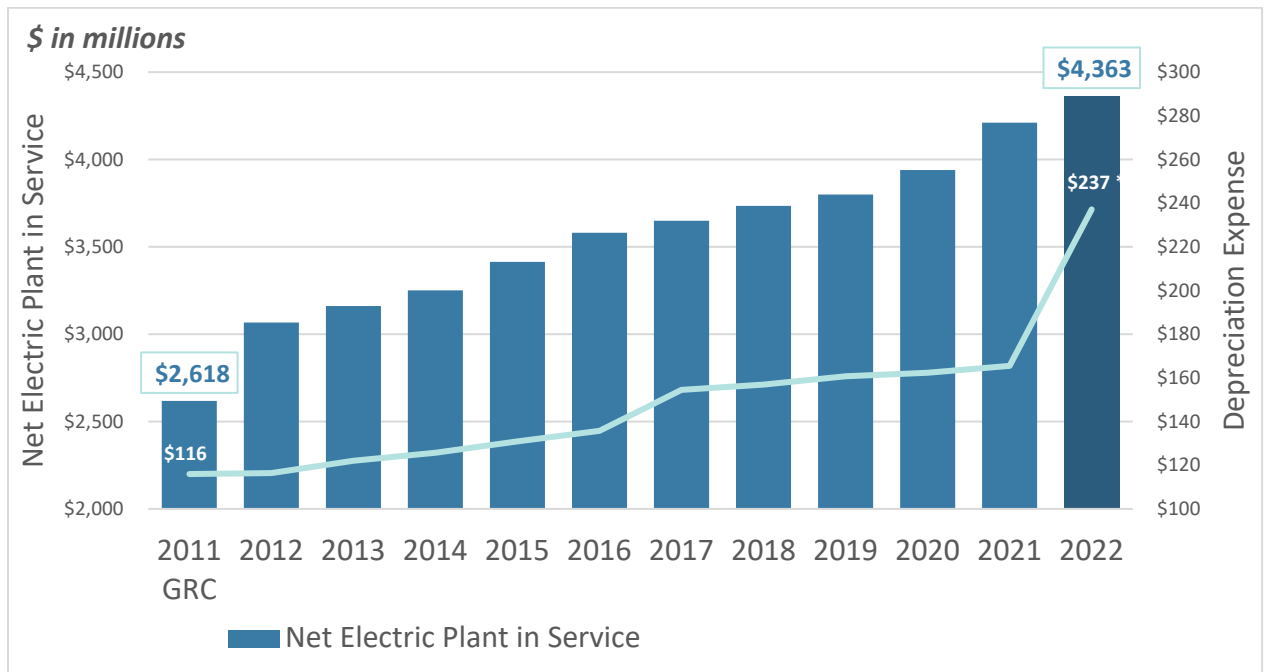
4 The Company must be financially prepared to serve  
5 that growth as it occurs. To provide safe, reliable service  
6 to all customers, the Company must make investments in both  
7 new and existing infrastructure. The Company is adding  
8 capacity to its generation fleet, transmission system, and  
9 distribution facilities to ensure an adequate supply of  
10 electricity to customers, to provide service to new  
11 customers, and to maintain system reliability.

12 Idaho Power's aging T&D infrastructure requires  
13 continued investment in upgrades and replacement to  
14 maintain their operational viability. The Company's aging  
15 hydroelectric and thermal generation facilities also

1 require continuing investment in upgrades and component  
 2 replacement. In addition, environmental mandates require  
 3 the replacement or retrofitting of aging equipment with  
 4 technology that is often more expensive. Further, the  
 5 Company is operating in an environment of ever-increasing  
 6 reliability and compliance standards that also require  
 7 increased levels of investment.

8 As can be seen in Figure 6, since the Company's last  
 9 GRC in 2011, Idaho Power's net plant in service has  
 10 increased by approximately \$1.7 billion reflecting new  
 11 infrastructure investment of around \$3.3 billion. During  
 12 the same time period, annual depreciation expense has grown  
 13 from \$116 million in 2012 to approximately \$237 million in  
 14 2022.

15 **FIGURE 6**  
 16 NET ELECTRIC PLANT IN SERVICE



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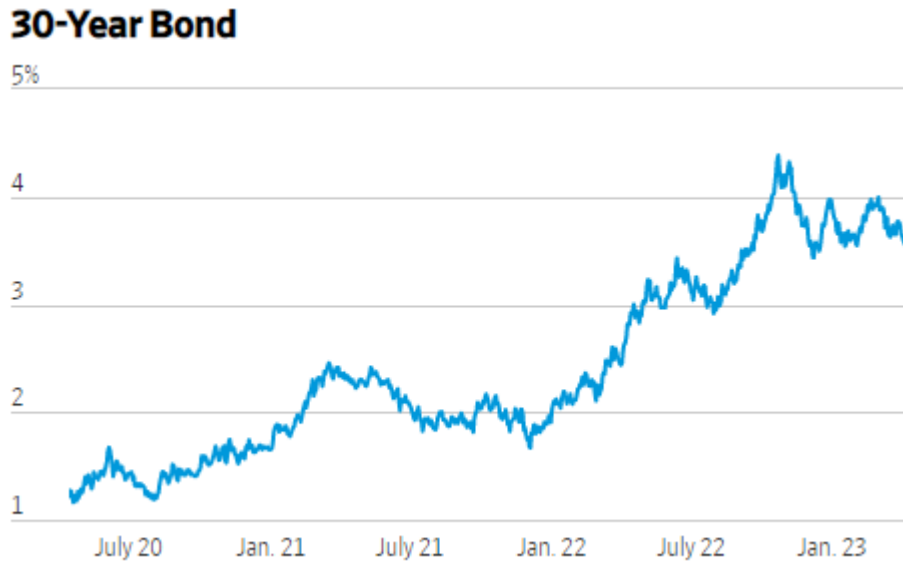


1           The Company can no longer absorb the depreciation  
2 and financing expense associated with the incremental plant  
3 investment without the requested rate relief in this case.

4           Q.     How have rising interest rates impacted Idaho  
5 Power's financing costs?

6           A.     Over the last decade, Idaho Power has taken  
7 advantage of historically low interest rates to lower its  
8 long-term debt interest rate by almost 100 basis points  
9 over that period. However, borrowing costs have risen  
10 dramatically since December 2021, as the Federal Reserve  
11 has taken action to address inflation in the United States  
12 ("US") economy. As seen in Figure 7 from the Wall Street  
13 Journal below, as of May 12, 2023, 30-year US Treasury  
14 bond yields have risen from around 1.8 percent near the  
15 start of 2022 to as high as 4.38 percent in late 2022 and  
16 have recently been between 3.6 to 3.8 percent, a 100  
17 percent increase over that period.

1 **FIGURE 7**  
2 30-YEAR BOND



3  
4 Rapidly rising interest rates during an environment  
5 of rapid economic growth not only increases the cost of  
6 financing but also challenges Idaho Power's ability to  
7 raise efficient capital in the public and private debt  
8 markets.

9 It should also be noted that when borrowing costs  
10 rise, the ripple effects make their way into all of Idaho  
11 Power's commodities, materials, purchased services, and  
12 other costs. This happens because all of the Company's  
13 vendors and counterparties need to price their rising  
14 borrowing costs into the prices they charge to Idaho  
15 Power. And while macro-economic inflation seems to be  
16 curbing from recent highs, higher borrowing costs are more  
17 likely to persist over the longer term.

1 Q. Can you cite examples that show how inflation  
2 has impacted the procurement of supplies?

3 A. A combination of supply and demand factors  
4 have resulted in persistent high inflation since early  
5 2020. Idaho Power is continuing to see escalated pricing  
6 across most commodities: Since 2020, core steel is up 203  
7 percent, aluminum pricing is up 78 percent, and high-grade  
8 copper has increased 47 percent.

9 These increases translate directly into price  
10 escalations for key pieces of equipment needed to serve  
11 our customers and maintain the reliability of our system.  
12 The average cost of transformers has increased by 47  
13 percent, wood poles by 31 percent, and electrical cable by  
14 58 percent.

15 Other factors driving procurement pricing  
16 escalations are the cost of labor and the cost of freight.  
17 In addition, capacity availability among manufacturers in  
18 our industry has not been able to meet demand, causing the  
19 Company to go to new suppliers that are charging higher  
20 prices.

21 Q. Can you cite examples of how supply chain  
22 disruptions have been a challenge?

23 A. Supply chain disruptions continue to affect  
24 business operations, creating an environment of scarcity  
25 where manufacturers are unable to manage costs or lead

1 times. For example, lead times for transformers have  
2 increased by almost five times since 2020—from 32 weeks to  
3 156 weeks. Meter packages have increased sixfold, from 12  
4 weeks to 72 weeks, and breaker lead times have grown from  
5 32 weeks to 72 weeks. These challenges are expected to  
6 continue for the next several years. They have caused  
7 delays in project execution, increased costs, and created  
8 additional workload as the Company works to find other  
9 vendors that can support its needs on a timely basis. All  
10 of these factors have combined to cause the Company to  
11 increase its inventory to levels necessary to support its  
12 obligation to serve at an escalating cost.

13 Q. Are the supply chain disruptions unique to  
14 Idaho Power?

15 A. No. Cost increases and longer lead times are  
16 not just being seen at Idaho Power. In June 2022, an Idaho  
17 Power supplier delivered a Utility Market Commodity  
18 Impacts and Outlook presentation to the Company,  
19 highlighting several key themes including those previously  
20 discussed. In addition, the presentation noted that  
21 utilities are likely to continue to see significant  
22 disruption from changing weather patterns. Further,  
23 sweeping energy policy changes—such as the US Department  
24 of Energy’s recent Notice of Proposed Rulemaking on  
25 transformer efficiency—could further add significant

1 disruption for all utilities.

2 Q. What is Idaho Power doing to actively manage  
3 supply chain disruptions?

4 A. Idaho Power monitors its inventory closely and  
5 takes action to mitigate the concerns regarding the  
6 tracking of more than 80,000 items and 30,000 unique  
7 catalog identifiers. In addition, the Company works with  
8 suppliers and others to ensure they are taking the proper  
9 actions, such as rationing inventory, providing  
10 alternative and substitute products, managing lead times,  
11 and investing in forward-looking buys.

12 Q. How have recent changes to Idaho Power's  
13 credit ratings impacted its cost of doing business?

14 A. While Idaho Power's credit ratings continue to  
15 be investment grade, a recent downgrade by Moody's from A3  
16 to Baa1 and a recent note from Standard and Poor's ("S&P")  
17 downgrading its liquidity assessment of the Company from  
18 "strong" to "adequate" provide a backdrop for Idaho  
19 Power's need to increase its cash collections from  
20 customers.

21 While credit rating changes impact both short-term  
22 and long-term borrowing costs, as lower ratings drive  
23 higher risk premiums, those changes also impact Idaho  
24 Power's wholesale commodity contracts, and the perception  
25 of suppliers, contractors, and other vendors on our

1 ability to pay for normal O&M costs, as well as  
2 construction contracts.

3 Q. Has Idaho Power taken any actions to improve  
4 its credit rating in recent years?

5 A. Yes. The Company began increasing the equity  
6 ratio immediately following the last GRC. In fact, the  
7 year-end 2012 equity ratio was 53 percent, and it grew  
8 from that level to 55 percent at year-end 2022. The  
9 increased equity ratio has had a significant positive  
10 impact to the Company's credit ratings, partially  
11 offsetting some of the lower ratios the rating agencies  
12 use for calculating applicable ratings.

13 Q. What rationale was given by the ratings  
14 agencies to support their recent actions regarding Idaho  
15 Power's credit downgrades?

16 A. Moody's stated, "without the benefit of more  
17 incremental and timelier rate relief through riders or  
18 cost tracking mechanisms, more frequent base rate  
19 increases and lower imputed debt from pension obligations,  
20 IPC's credit metrics will not improve materially, and the  
21 utility will have limited financial cushion at its current  
22 rating level to manage unforeseen events." And S&P cited  
23 our reliability and economic growth-driven capital  
24 spending needs as reflecting its liquidity downgrade, as  
25 it perceives "elevated capital spending that will result

1 in a modest weakening of the company['s] liquidity  
2 throughout the forecast period.”

3 Q. Do you believe the relief requested in this  
4 case will serve to stabilize or improve the Company's  
5 credit ratings going forward?

6 A. Yes, it should stabilize the credit ratings  
7 but likely will not improve the ratings. The credit rating  
8 agencies have built their models and assumptions, in part,  
9 based on forecasts Idaho Power has discussed with them over  
10 the past few years. Those forecasts have contemplated the  
11 rate relief requested in this case. In addition, this case  
12 requests additional return of and return on rate base that  
13 has been placed into service since the last GRC that have  
14 carried regulatory lag from a cash flow perspective over  
15 several years. Finally, the request in this case seeks to  
16 address cash collections related to regulatory deferrals  
17 such as those related to wildfire mitigation and pension  
18 expenses that, if approved by the Commission, will be  
19 viewed by the credit rating agencies as positive for their  
20 assumed liquidity and other credit metrics.

21 **IV. RATE MITIGATION AND CUSTOMER ASSISTANCE**

22 Q. Did you provide any specific instructions to  
23 the Regulatory Affairs Department in preparing this GRC  
24 filing?

25 A. Yes. In recognition of the broader economic

1 conditions and concern for the impact of any rate increase  
2 on Idaho Power's customers, I instructed Mr. Tatum, Vice  
3 President of Regulatory Affairs, to identify areas where  
4 the Company could forego requesting an increase at this  
5 time. Mr. Tatum and his department identified the following  
6 areas where the Company is not asking for incremental  
7 increases:

8                   • Reduce ROE from the recommended level of  
9 10.6 percent to 10.4 percent;

10                   • Hold test year non-labor O&M to the 2022  
11 level with the exception of a limited number of known and  
12 measurable adjustments;

13                   • Maintain Valmy and Bridger cost recovery  
14 at current levels with the exception of collection related  
15 to previously deferred revenue requirement amounts;

16                   • Minimize the current revenue increase  
17 related to wildfire mitigation and pension costs by  
18 leveraging existing cost recovery mechanisms; and

19                   • Delay recovery of the revenue requirement  
20 associated the 120 megawatts of battery storage resources  
21 to be online in 2023, with interim earnings support from  
22 the associated federal investment tax credit generated from  
23 the battery storage resources.

24                   Mr. Tatum describes the rationale and quantification  
25 of each of these adjustments in his testimony.



1 Q. What options are available to customers to  
2 help them manage their energy costs?

3 A. There are a number of options available to  
4 customers who need assistance in managing their energy  
5 costs. Project Share is a year-round bill pay assistance  
6 program started by Idaho Power in 1982 and administered by  
7 the Salvation Army. Funding is provided by Idaho Power's  
8 customers and shareholders, other utilities, and private  
9 donations, with 100 percent of Idaho Power customers'  
10 donations going to Project Share recipients.

11 The Company also offers several energy efficiency  
12 programs targeting low-income customers - Weatherization  
13 Assistance for Qualified Customers ("WAQC"), Weatherization  
14 Solutions for Eligible Customers ("Solutions"), and Easy  
15 Savings, a low-income energy efficiency educational  
16 program.

17 Idaho Power provides just over \$1,212,000 annually,  
18 funded by base rates, to the Idaho Weatherization  
19 Assistance Program to weatherize additional electrically  
20 heated customer homes under the WAQC program. Idaho Power  
21 also provides a "Near Low Income" weatherization program  
22 called Solutions. This program provides weatherization  
23 assistance to customers just under or just over the income  
24 limit for WAQC. Most of the Solutions customers are seniors  
25 who are barely over the federal cutoff, as well as Idaho

1 Power customers on the waiting list for the longest time to  
2 receive weatherization services. Finally, the Easy Savings  
3 program provides \$125,000 annually to five Community Action  
4 Partnership ("CAP") Agencies in the Idaho Power service  
5 area and develops and runs the program with a planning  
6 committee consisting of CAP Agency, Commission Staff, and  
7 Idaho Department of Health and Welfare representatives.

8 Q. How much do Idaho Power shareowners contribute  
9 to Project Share annually?

10 A. Idaho Power shareowners contribute 10 percent  
11 of monthly customer donations to support the Salvation  
12 Army's program administration costs. In addition,  
13 shareowners make an annual Project Share donation of  
14 approximately \$25,000 to directly fund customer bill  
15 assistance. In recognition of the current cost pressures on  
16 customers' bills, in 2023, Idaho Power shareowners elected  
17 to contribute an additional \$100,000 to support Project  
18 Share for a total of \$125,000 of shareowner-funded customer  
19 bill assistance.

20 **V. CONCLUSION**

21 Q. Can you summarize the Company's requested rate  
22 increase and explain why it is important not only to Idaho  
23 Power but in the best interest of customers?

24 A. This general rate request reflects a revenue  
25 requirement increase of approximately \$111.3 million, or an

1 8.61 percent increase and includes a requested ROE of 10.4  
2 percent. This increase is important for Idaho Power to  
3 achieve fair and timely recovery of its prudently incurred  
4 expenses and a reasonable return on the Company's  
5 investment in its electrical system, which today's rates  
6 will not fully provide. Continued growth in demand for  
7 electricity, aging infrastructure, and higher compliance  
8 and reliability requirements are driving the need to invest  
9 large amounts of capital to expand and improve electricity  
10 supply, delivery, and reliability.

11           Timely and fair recovery of the Company's prudently  
12 incurred expenses and investments is critically important  
13 to helping it attract capital investment and manage  
14 financing costs. A low cost of capital ultimately has a  
15 beneficial impact on customers' rates. By providing for  
16 fair and timely recovery of the Company's expenses it  
17 incurs on behalf of customers and investments in the  
18 systems and activities that serve its customers, this rate  
19 increase is in the best interests of the Company, its  
20 shareholders, and the people and communities it serves.

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

23           A.       Yes, it does.

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**DECLARATION OF LISA A. GROW**

I, Lisa A. Grow, declare under penalty of perjury under the laws of the state of Idaho:

1. My name is Lisa A. Grow. I am employed by Idaho Power Company as the President and Chief Executive Officer.

2. 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:   
\_\_\_\_\_  
Lisa A. Grow