

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION  
CASE NO. IPC-E-23-11**

**IDAHO POWER COMPANY**

**LARKIN, DI  
TESTIMONY**

**EXHIBIT NO. 25**

IDAHO POWER COMPANY  
Methodology Summary - Larkin Exhibit No. 25  
2023 Idaho Test Year

- 2022 Base
- Other Methodology
- Normalized
- Removed in its Entirety

LINE NO	Description	(1) FERC ACCOUNT NUMBER	(2) Methodology
<b>Cost of Service Components</b>			
<b>Other Operating Revenues</b>			
1	Miscellaneous Service Revenues	451	Other Methodology
	Rent from Electric Property		
2	Substation equipment	454	2022 Base
3	Transformer & distribution rentals	454	2022 Base
4	Station and line rentals	454	2022 Base
5	Cogeneration and small power production	454	Other Methodology
6	Real estate rents	454	2022 Base
7	Dark fiber rents	454	Removed in its entirety
8	Joint pole attachments	454	2022 Base
9	Facilities charges	454	Other Methodology
10	Overnight park rents	454	2022 Base
11	Water district payments	454	Other Methodology
12	Miscellaneous	454	2022 Base
<b>Other Electric Revenues</b>			
13	Network Service	456	Other Methodology
14	Point-to-Point and other services	456	Other Methodology
15	Photovoltaic	456	2022 Base
16	Antelope	456	2022 Base
17	Conservation recovery - Oregon	456	2022 Base
18	Sierra Pacific Power Company sales	456	2022 Base
19	Stand-by service	456	2022 Base
20	Energy Efficiency Rider	456	Removed in its entirety
21	Miscellaneous	456	2022 Base
<b>Other Revenues and Expenses</b>			
<b>Other Revenues</b>			
22	Power Solutions	415	Other Methodology
23	Hydro Services	415	2022 Base
24	Water Management Services	415	2022 Base
25	Qualified Reporting Entity Svcs	415	2022 Base
26	Operating Agreements	415	2022 Base
27	Joint Use (Pole) - Idaho	415	2022 Base
28	Joint Use (Pole) - Oregon	415	2022 Base
<b>Other Expenses</b>			
29	Power Solutions	416	2022 Base
30	Hydro Services	416	2022 Base
31	Water Management Services	416	2022 Base
32	Qualified Reporting Entity Svcs	416	2022 Base
33	Operating Agreements	416	2022 Base
34	Joint Use (Pole) - Idaho	416	2022 Base
35	Joint Use (Pole) - Oregon	416	2022 Base

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LINE NO	Description	(1) FERC ACCOUNT NUMBER	(2) Methodology
<b>Operations and Maintenance Expenses</b>			
	Power production expenses		
36	Steam power generation(excluding account 501)	500-514	Other Methodology
37	Fuel expense	501	Normalized
38	Hydraulic power generation	535-545	Other Methodology
39	Other power generation(excluding 547.1)	546-554	Other Methodology
40	Fuel expense	547	Normalized
	Other power supply expenses		
41	Purchased power (including 555.050)	555	Normalized
42	System control and load dispatch	556	2022 Base
43	Other expenses	557.000	Other Methodology
44	Other expenses	557.007	2022 Base
45	Other expenses - PCA, EPC and PCAM (excluding 557.050)	557	Removed in its entirety
46	Transmission expenses	560-575	Other Methodology
47	Distribution expenses	580-598	Other Methodology
48	Customer account, service and information expenses (excluding acct 908.1)	901-912	Other Methodology
49	Energy Efficiency Rider expenses	908.1	Removed in its entirety
50	Administrative & general expenses(excluding accts 920.1 and 930.1)	920-935	Other Methodology
51	Incentive	920.1	Removed in its entirety
52	General advertising expenses	930.1	Removed in its entirety
<b>Depreciation and Amortization Expense</b>			
53	Depreciation	403	Other Methodology
54	Amortization	404	Other Methodology
<b>Electric Plant/Regulatory Assets - Amort, Adj, Gains &amp; Losses</b>			
55	Amortization of electric plant acquisition adjustment-Asset Exchange	406	2022 Base
<b>Regulatory Debits and Credits</b>			
56	Siemens LTP amort - Idaho	407.3/407.4	2022 Base
57	Siemens LTP amort - Idaho deferred RB	407.3/407.4	2022 Base
58	Cloud computing	407.3/407.4	2022 Base
59	Wildfire Mitigation	407.3/407.4	Other Methodology
60	Deferred pension - Oregon	407.3/407.4	2022 Base
61	Siemens LTP amort - Oregon	407.3/407.4	2022 Base
62	Siemens LTP amort - Oregon deferred RB	407.3/407.4	2022 Base
<b>Taxes Other Than Income</b>			
63	Real and personal property	600, 601	Other Methodology
64	Kilowatt-hour tax - Idaho	601.3	Normalized
	Licenses		
65	Wyoming	601	2022 Base
66	Shoshone-Bannock	602	2022 Base
	Regulatory commission		
67	Idaho	601	2022 Base
68	Oregon	601, 602	Other Methodology
69	Franchise tax - Oregon	602	Other Methodology
70	<b>Idaho Energy Resources Statement of Income</b>	418.1/419	Other Methodology
71	<b>Allowance for Funds Used During Construction (AFUDC) Related to Hells Canyon Relicensing</b>	440-444	2022 Base

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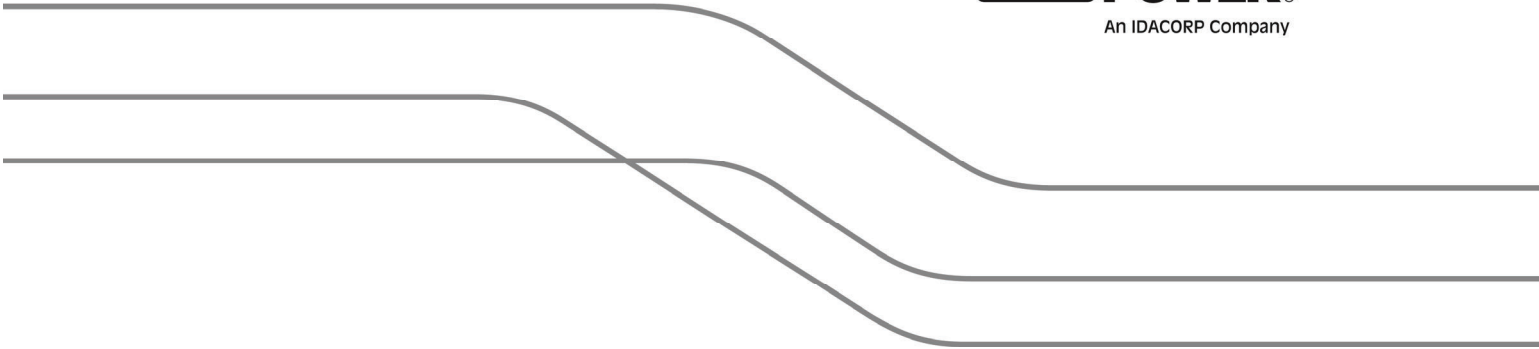
LINE NO	Description	(1) FERC ACCOUNT NUMBER	(2) Methodology
<b>Rate Base Components</b>			
<b>Electric Plant-In-Service</b>			
72	Projects > \$8 million	101	Other Methodology
73	Projects < \$8 million	101	Other Methodology
<b>Accumulated Reserve for Depreciation and Amortization</b>			
74	Depreciation reserve	108	Other Methodology
75	Amortization reserve	111	Other Methodology
<b>Materials and Supplies</b>			
76	Plant materials and operating supplies	154	Other Methodology
77	Stores expense undistributed	163	Other Methodology
<b>Other Deferred Programs (excluding accts 182.310 and 254)</b>			
78		182/186	Other Methodology
79	Wildfire Mitigation, OR Remote Meters, OR Bridger Depreciation	182.310/254	2022 Base
<b>Plant Held for Future Use(excluding Greenleaf and Northside Substations)</b>			
80		105	2022 Base
81	Greenleaf Substation	105	Other Methodology
82	Northside Substation	105	Other Methodology
<b>Deferred Income Taxes</b>			
83		190/282/283	Other Methodology
<b>Customer Advances For Construction</b>			
84		252	Other Methodology
<b>IERCO-Subsidiary Rate Base Components</b>			
85		123.1/186/145	Other Methodology

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**EXHIBIT NO. 26**



# Forecast Methodology Manual

Proprietary

**2023 Rate Case**



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## INTRODUCTION

The Forecast Methodology Manual is a reference document that provides supporting detail for the methodologies that have been used to set the values contained in Idaho Power Company's ("Idaho Power" or "Company") proposed 2023 test year. These values were provided to Idaho Power witness Ms. Kelley Noe for appropriate application to the Uniform System of Accounts for determination of revenue requirement in the 2023 test year. The manual is organized in three sections and includes:

- **Forecast Methods.** Forecast Methods includes a description of the forecast methodologies used to develop the 2023 unadjusted test year from the 2022 actual financial data.
- **Cost of Service Components.** Cost of Service Components includes a description of the three-digit account number specified in the Uniform System of Accounts adopted by the Idaho Public Utilities Commission ("IPUC" or "Commission") and the Federal Energy Regulatory Commission ("FERC") and the forecast method for each major account or account group.
- **Rate Base Components.** Rate Base Components includes a description of the three-digit account number specified in the Uniform System of Accounts adopted by the Commission and FERC and the forecast method applied for each major account or account group that comprises rate base.

## FORECAST METHODS

Updates to the 2022 actual financial data to Idaho Power's proposed 2023 unadjusted test year were developed using one of the following two forecast methods:

- (1) **2022 Base.** 2022 actual financial data was used when Idaho Power believed that certain amounts would continue to remain at 2022 levels or if account balances relatively very small.
- (2) **Other Adjustments.** Other Adjustments are based on known or probable factors for 2023 that relate to a particular account. Examples of these factors include but are not limited to new billing and volume contract terms, discontinued services, anticipated levels of economic activity, and existing regulatory commission orders.

## COST OF SERVICE COMPONENTS

### Forecast Adjustment A—Other Operating Revenues

Table 4—FERC Accounts 451–456

#### **Description**

Account 451 includes revenues for all miscellaneous services and charges billed to customers that are not specifically provided for in other accounts. Miscellaneous service revenues include continuous service reversion charges (Idaho only), field visit charges, return trip charges, returned check fees, service connection charges, service establishment charges, and application and processing fees collected for new permits, new leases, or requests for easement relinquishments. Account 454 includes rents received for the use by others of land, buildings, and other property devoted to electric operations by Idaho Power such as joint pole attachments, facilities charges, and line and substation rents. Account 456 includes revenues derived from electric operations not includable in other revenue accounts. For example, compensation for minor services provided for others, such as engineering and revenues from transmission of electricity of others over transmission facilities of Idaho Power, including network and point-to-point wheeling.

#### **Forecast Methodology**

Forecast Adjustment A increases Other Operating Revenue (Accounts 451–456) by \$49,713 above the 2022 Base. Accounts 451 through 456 used a combination of the methods for projecting 2023 amounts as described below.

**Account 451—Miscellaneous Service Revenues.** Miscellaneous Service Revenues were projected to increase by \$1,271,884 for 2023 due to proposed changes to Schedule 66 Service Establishment, Connection and Field Visit charges.

**Account 454—Rent from Electric Property.** Rent from Electric Property was projected based on either the 12 months actual ended December 2022 balance, 2017-2022 Period compound average growth rate (“CAGR”), five- year average or a specifically identified change depending on the type of 2022 rental income to be projected as described below:

Substation equipment, transformer and distribution rentals, real estate rents, joint pole attachments, and overnight park rents were forecasted at 12 months actual ended December 2022, as this was the most reasonable expectation for these revenues.

Cogeneration and small power production was determined by applying the 2017-2022 CAGR to 2022 Actual amounts resulting in an increase of 3.28%, as this was determined to be a reasonable expectation for these amounts. Revenues from Dark Fiber Rents will cease February 2023 and have not been included in the test year. Facilities charges were projected to decrease by \$189,692 due to proposed changes to Facilities Charge rates applied to January 2023 Facilities Investment Reports, which contain facilities on the Company’s system subject to the Facilities Charge. Payments from Water Districts were determined by using the five-year historical average based

on the 2018-2022 time period. These payments fluctuate based on demand for water and availability.

**Account 456—Other Electric Revenues.** Other Electric Revenues were projected based on using either the carry-forward of the 2022 Base or the Other Adjustment methodology depending on the type of 2023 revenue to be projected as described below:

Revenues related to the Sierra Pacific Power Company sales, stand-by service, and miscellaneous were projected for 2023 to be the same as the 2022 Base, as this was the most reasonable expectation for these revenues.

The 2023 point-to-point (“PTP”) wheeling revenues were calculated based on nine months of the 2023 equivalent kilowatt-hours (“kWh”) multiplied by the forecasted FERC formula-based transmission rate (effective 10/1/22-9/30/23), and three months of the 2023 equivalent kWh times the forecasted transmission rate (effective 10/1/23-9/30/24). The 2023 equivalent kWh used to calculate the 3rd party non-firm and short-term firm transmission wheeling revenue was based on the average of 2021 and 2022 equivalent kWh. The 3rd party long-term firm PTP wheeling revenue was based on 2022 actual megawatt (“MW”) demand.

The 2023 Network Transmission Customer revenues were calculated based on nine months of the network transmission customers’ average load ratio share times the forecasted FERC formula-based transmission revenue requirement and three months of the network transmission customers’ average load ratio share times the forecasted FERC transmission revenue requirement. The timing for the Transmission Revenue Requirement is the same as the point-to-point wheeling rate described above. The 2023 estimated network customer MW demand used to calculate the Network Transmission Customer revenue was calculated by taking 2022 MW demand and escalating it using a 1.1% annual growth factor.

## Forecast Adjustment B & C—Other Revenues and Other Expenses

Tables 4&5—FERC Accounts 415–416 (excluding 415.002 and 416.002)

### ***Description***

Accounts 415 through 416 include, respectively, all revenues derived from the sale of merchandise and jobbing or contract work and all expenses incurred in such activities. For Idaho Power, jobbing and contract work revenues and expenses include activities related to Idaho Power Solutions service agreements, hydro services, water management services, qualified reporting entity services, Joint Ownership and Operating Agreements with PacifiCorp and joint pole use.

### ***Forecast Methodology***

Forecast Adjustment B for Other Revenues (Account 415) reflects an increase of \$30,623 from 2022 Base. Forecast Adjustment C for Other Expenses (Account 416) is not adjusted; therefore 2023 forecast remains the same as the 2022 Base.

Account 415 (Other Revenues) and account 416 (Other Expenses) used a combination of the methods for projecting described below:

Account 415. Power Solutions was projected based on 2022 actual amounts, excluding disbursements made to Howard Industries that are not expected to repeat in future years.

Hydro services, water management services, qualified reporting entity services, operating agreements, joint use (pole) – Idaho, and joint use (pole) – Oregon were forecasted at 12 months actual ended December 2022, as this was the most reasonable expectation for these revenues.

Account 416. Power Solutions, hydro services, water management services, qualified reporting entity services, operating agreements, joint use (pole) – Idaho, and joint use (pole) – Oregon were forecasted at 12 months actual ended December 2022, as this was the most reasonable expectation for these revenues.

## Forecast Adjustment D—Operations and Maintenance Expenses (“O&M”)

Table 5—FERC Accounts 500–935

### Overview

Forecast Adjustment D increases Operations and Maintenance Expenses (“O&M”) (Accounts 500–935) by \$48,522,536 above the 2022 Base. Excluded from Adjustment D is any increase in normalized accounts 501-Fuel, 547-Fuel, 555-Purchased Power and 565-Transmission of Electricity by Others.

In developing the 2023 forecast, Idaho Power split O&M historical actuals into two elements (Labor and Non-Labor) and forecasted each element separately and then allocated each separately to the individual FERC accounts. Excluded from this process were the normalized accounts described above, 908.131, 908.132 (Idaho and Oregon Energy Efficiency Riders), 920.001 (Incentive), 926.203, 926.204, 926.303, 926.320 and 926.350 (Pension Expense), and 930.100 (Advertising Expense) as these were handled separately.

### Labor

Idaho Power calculated the projected 2023 O&M labor by first calculating the average three-year historical February year-to-date actual O&M labor costs as a percentage of the total year actual O&M labor costs which was determined to be 16.0%. This percentage was then applied to the actual February 2023 year-to-date O&M labor of \$30,154,755 to estimate the total 2023 O&M labor costs of \$188,779,193 (the February amount was first reduced by 920 incentive expense and 926 pension expense accounts). The 2023 labor projection was then allocated to FERC accounts based on 2022 actual labor charges to those same accounts.



The table below details the 2023 estimated labor amount:

<b>2023 O&amp;M Labor Expenses</b>	<b>Total</b>
February YTD O&M Labor Excluding Incentive & Pension	\$30,154,755
Divided by the Historical February YTD as a Percentage of Total Year Labor	16.0%
2023 O&M Labor Expense Excluding Incentive and Pension	<u>\$188,779,193</u>

### ***Demand-Side Management (“DSM”) Labor- Idaho Only***

Idaho Power calculated the projected 2023 Idaho DSM Rider funded labor to be included in O&M by first calculating the average three-year historical February year-to-date actual DSM labor costs as a percentage of the total year actual DSM labor costs which was determined to be 16.7%. This percentage was then applied to the actual February 2023 year-to-date O&M labor of \$578,654 to estimate the total 2023 DSM labor costs of \$3,474,555. The 2023 labor projection was then directly assigned to FERC account 908.

The table below details the 2023 estimated labor amount:

<b>2023 DSM Labor Expenses</b>	<b>Total</b>
February YTD DSM Labor Excluding Incentive & Pension	\$578,654
Divided by the Historical February YTD as a Percentage of Total Year Labor	16.7%
2023 DSM Labor Expense Excluding Incentive and Pension	<u>\$3,474,555</u>

### ***Non-Labor***

Idaho Power calculated the projected 2023 non-labor O&M expenses by utilizing 2022 non-payroll actual expenses with adjustments for relatively large known changes. Idaho Power reviewed the O&M expenses to identify and adjust those areas, based on specific knowledge, where expense levels are expected to be materially different than those included in the 2022 actuals.

The table below identifies significant specific increases or decreases to the 2022 nonlabor actual:

<b>2023 O&amp;M Non-Labor Expenses</b>	<b>Total</b>	<b>Allocated</b>	<b>Direct Assignment</b>
2022 O&M Non-Labor Actuals	\$157,617,663	\$0	\$157,617,663
2023 Identified Significant Known Adjustments			
Idaho Department of Fish and Game	471,796	—	471,796
Fleet Adjustment	831,379	831,379	—
Water for Power Adjustment	(307,335)	—	(307,335)
Langley and Bennett Mountain Plant Maintenance	(3,423,030)	—	(3,423,030)
Western Resource Adequacy Program	133,975	—	133,975
Uncollectible/Bad-Debt Expense	2,514,638	—	2,514,638
Solar Payback Calculator	118,000	—	118,000
Subtotal 2023 Identified Significant Known Adjustments	339,424	831,379	(491,955)
Total 2023 O&M Non-Payroll Expenses	\$157,957,087	\$831,379	\$157,125,708

The following adjustment to the 2022 Base included in the table above have been allocated to FERC account balances rather than directly assigned:

**Fleet Adjustment**—The 2023 forecast adjustment for O&M accounts associated with fleet expense was developed by adjusting the 2022 fleet expense base for known cost increases. Fleet clearing expense notably increased in 2022 mostly due to significant increases in fuel costs. To estimate the 2023 fleet expense, Idaho Power used January 2023 through March 2023 actual expenses and annualized these costs based on a 3-year average of the proportional cost incurred in January through March. Subsequently, these costs were allocated to individual O&M accounts proportionately based upon actual 2022 O&M fleet expenses.

The following adjustments to the 2022 Base included in the table above have been directly assigned to one or more FERC accounts:

- **Idaho Fish & Game Adjustment**—Account 537 was increased by \$471,796 above 2022 Base due to a 9.9% increase from the Idaho Department of Fish and Game for the cost of hatchery operations. The increase is primarily related to the increase in employee compensation and related labor costs.
- **Water for Power Adjustment**—Account 536 was decreased from the 2022 Base by \$307,335 to reflect the 3-year average. For this non-labor component, this account was projected to be equal to the 3-year average to smooth variations from year to year.
- **Langley and Bennett Mountain Plant Maintenance**—Account 554 was decreased from the 2022 Base by \$3,423,030. For this non-labor component, this account was projected to be equal to the 5-year average. The 2022 base included cyclical plant

maintenance related to Langley and Bennett Mountain major overhaul and inspections that do not occur on an annual basis.

- **Western Resource Adequacy Program**—Account 561 was projected to be equal to the 2022 Base with an increase of \$133,975 related to increased Western Resource Adequacy Program (“WRAP”) participation.
- **Uncollectible/Bad-Debt Expense**—Bad debt expense as a percentage of revenues was evaluated over a 10-year period (2013 – 2022). The 10-year average percentage of bad debt expense compared to revenues was 0.351%. Applying this percentage to 2023 forecasted sales of \$1,641,862,697 results in forecasted 2023 bad debt expense of \$5,770,879. Comparing this amount to actual 2022 bad debt expense of \$3,256,241 results in an adjustment of \$2,514,638 over the 2022 Base.
- **Solar Payback Calculator**—Account 908 was projected to be equal to the 2022 Base with an increase of \$118,000 related to development and maintenance of a Solar Payback Calculator to aid in Idaho Power customers’ decision-making when considering the benefits of a solar installation.

Once O&M labor and non-labor increases or decreases were determined for each FERC account, the results were combined to reflect the total forecast adjustment.

### ***FERC Account Development***

Because Idaho Power does not forecast by individual FERC accounts, the following two methods (Direct Assignment and Allocation) were used to assign both labor and non-labor to the appropriate FERC accounts.

**Direct Assignment Method**—The forecast adjustments listed in the direct assignment column in the non-labor expenses above are charges that would occur in specific accounts and therefore were directly assigned to those accounts listed below.

- Account 536—Water for Power Adjustment
- Account 537—Idaho Fish & Game Adjustment
- Account 554—Langley and Bennett Mountain Plant Maintenance
- Account 561—Western Resource Adequacy Program Adjustment
- Account 904—Uncollectible/Bad Debt Expense
- Account 908—Solar Payback Calculator

**Allocation Method**—This method was used to allocate the forecast amounts when the identification of specific accounts was impossible or when the impact would be to all accounts. The O&M labor forecast was allocated to individual FERC accounts based on the percentage of 2022 actual O&M labor charges incurred within each account to total O&M labor charges

incurred in 2022. The DSM labor forecast was directly assigned to account 908. The O&M non-labor forecast (not directly assigned) was allocated based on 2022 actual non-labor charges included in each FERC account to total O&M non-labor charges incurred in 2022.

### ***Exceptions to the O&M Methodology Described Above***

#### **FERC Accounts 501, 547, 555, 555.050, 557, 565, 908.131, 908.132, 920.001, 926.204, 928.203**

As stated earlier, the following were forecasted separately from the labor and non-labor O&M forecast described above and directly assigned to the FERC accounts they impact:

- **Account 501—Fuel Expense.** This account is forecasted using the AURORAxmp<sup>®</sup> Model.
- **Account 547—Fuel Expense (Excluding 547.000—Salmon Diesel).** This account is forecasted for the test year using the AURORAxmp<sup>®</sup> Model.
- **Account 555—Purchased Power (Including 555.050).** This account is forecasted for the test year using the AURORAxmp<sup>®</sup> Model.
- **Account 557—Other Expense (Excluding 557.000).** The amounts in these accounts have been removed in their entirety from the test year.
- **Account 565—Transmission of Electricity by Others.** This account is forecasted for the test year using the AURORAxmp<sup>®</sup> Model
- **Account 908.131 and 908.132—Idaho and Oregon Energy Efficiency Rider Expenses.** The amounts in these accounts have been removed from the 2022 Base in their entirety per IPUC Order No. 30189. The DSM labor forecast was added back and directly assigned to account 908.
- **Account 920.001—Incentive Expense.** The entire actual 2022 incentive expense of \$26,598,671 was removed from the 2022 Base and replaced with the projected 2023 incentive of \$10,040,205 that includes only elements related to Customer Satisfaction and Reliability. This resulted in a net reduction for incentive expense of \$16,558,466.
- **Accounts 926.204—Pension Expense.** In the Idaho jurisdiction, per IPUC Order No. 32426, Idaho Power is currently recovering \$17,153,713 of its cash contributions to its defined benefit pension plan. Idaho Power's actual 2022 Base pension expense (SFAS 87) was \$30,182,378 (Idaho portion) Therefore, Idaho Power has included in its forecast adjustment an additional \$18,028,665 in pension expense for 2023 to cover its SFAS 87 pension expense and provide \$5,000,000 per year in pension balancing account amortization.

- **Accounts 928.203—Regulatory Commission Expense.** Intervenor Funding was estimated to increase \$296,576 by assuming a one-year amortization period, per the following Orders:
  - IPUC Order No. 32788—CAPAI for \$3,574.
  - IPUC Order No. 33872—Sierra Club for \$16,267.
  - IPUC Order No. 33908—CAP for \$1,089.
  - IPUC Order No. 32697—ICL for \$6,583.
  - IPUC Order Nos. 32245—CAPAI for \$2,428, ICL for \$4,901.
  - IPUC Order No. 32505—NW Energy for \$809.
  - IPUC Order Nos. 32846—ICEA for \$11,191, ICL for \$13,287.
  - IPUC Order No. 32505\_32537—ICL for \$7,742.
  - IPUC Order Nos. 32426—ICL for \$16,482, CAPAI for \$14,944, IIPA for \$14,944.
  - IPUC Order No. 32956—SRA for \$18,709.
  - IPUC Order Nos. 33357—IIPA for \$14,152, SRA for \$4,190, REC for \$6,616, ICL for \$6,871.
  - IPUC Order Nos. 34046—ICEA for \$11,969, Sierra Club for \$11,969, SRA for \$7,617, IIPA for \$11,969.
  - IPUC Order Nos. 34546—ICL for \$11,631, ICEA for \$19,032, IIPA for \$5,287, Idaho Sierra Club for \$6,344.
  - IPUC Order Nos. 34608—ICL for \$6,745, ICEA for \$8,431, Idaho Sierra Club for \$7,248, IIPA for \$19,730.
  - IPUC Order No. 34892—Idaho Sierra Club for \$3,825.

The following O&M discussion has been organized by functional account groups. Within each account group, a general description of the accounts has been provided.

## **Steam Power Generation**

### **FERC Accounts 500–514**

#### **Description**

Accounts 500 through 514 include the labor, materials, and expenses incurred to operate and maintain prime movers, generators, and their auxiliary apparatus, switch gear, and other electric equipment used in steam power generation. Additionally, the labor and expenses incurred in the general supervision and direction of maintenance of steam generation facilities are included in these accounts.

#### **Forecast Methodology**

##### **Accounts 500–514—Excluding Account 501, Fuel Expense.**

*Bridger Power Plant* - Coal-related capital investment, O&M and property taxes associated with the Bridger Power Plant were removed from Idaho Power's 2022 Actuals as these costs are separately captured in the Bridger balancing account mechanism established and approved by IPUC Order No. 35423.

The Bridger annual levelized revenue requirement with a proposed effective date of January 1, 2024, is a \$19,784,734 increase from the annual levelized revenue requirement included in Idaho Power-E-21-17 due to the following factors:

- Change in methodology effective January 1, 2024, to remove Bridger O&M from Idaho Power base rates and incorporate the full O&M amount into the balancing account mechanism as opposed to tracking only the O&M variance from previous base rates in the mechanism.
- Add into the mechanism the difference between the levelized payment calculated and the levelized payment authorized to be collected from customers from June 2022 through December 2023 per Idaho Power-E-21-17, resulting in a forecasted Idaho-level uncollected regulatory asset balance of \$12,553,081 as of Dec 31, 2023, amortized over the life of the mechanism through 2030.

*Valmy Power Plant* - Coal-related capital investment, O&M and property taxes associated with the Valmy Power Plant were removed from Idaho Power's 2022 Actuals as these costs are separately captured in the Valmy balancing account mechanism established and approved and updated through IPUC Order Nos. 34349 and 35494.

The Valmy annual levelized revenue requirement with a proposed effective date of January 1, 2024, is a \$7,059,079 increase from the annual levelized revenue requirement included in Idaho Power-E-22-05 due to the change in methodology effective January 1, 2024, to remove Valmy O&M from Idaho Power base rates and incorporate the full O&M amount into the balancing

account mechanism as opposed to tracking only the O&M variance from previous base rates in the mechanism.

**Account 501—Fuel Expense.** Fuel expense is forecasted for the test year using the AURORAxmp<sup>®</sup> Model.

## ***Hydraulic Power Generation***

### **FERC Accounts 535–545**

#### **Description**

Accounts 535 through 545 include the labor, materials used, and expenses incurred to operate and maintain hydraulic works including structures, reservoirs, dams, waterways, generators, roads and bridges, and expenses directly related to the hydroelectric development outside the generating station, including fish and wildlife and recreational facilities. These accounts also include the labor and expenses incurred in the general supervision and direction of maintenance of hydraulic power generating stations, rents of property of others used, occupied, or operated in connection with hydraulic power generation, including amounts payable to the United States for the occupancy of public lands and reservations for reservoirs, dams, flumes, forebays, penstocks, and power houses.

#### **Forecast Methodology**

**Accounts 535–545**—The projection of accounts 535–545 was developed using both methods described under FERC Account Development above. For labor, these accounts received their allocated portion of the total 2023 O&M labor projection based on actual 2022 labor. For non-labor, these accounts were projected to be equal to the 2022 Base adjusted by a decrease in account 536 of \$307,335 to reflect the 3-year average to smooth variations from year to year, an increase in account 537 for Idaho Fish & Game’s projected increases of \$471,796, and by each account’s allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.

## ***Other Power Generation***

### **FERC Accounts 546–557**

#### **Description**

Accounts 546 through 554 include the operation labor, materials used, and expenses incurred in operating and maintaining prime movers, generators, and electric equipment in other power generating stations. Labor and expenses incurred in the general supervision and direction of maintenance of other power generating stations are also included in these accounts. Account 556 includes labor and expenses incurred in load dispatching activities for system control. System control activities include the production and dispatching of electricity. Account 557 includes production expenses incurred directly in connection with the purchase of electricity which is not specifically provided for in other production expense accounts.

## Forecast Methodology

**Accounts 546–557—Excluding Account 547, Fuel Expense; Account 555, Purchased Power; and Account 557, Other Expense.** The projection of accounts 546–557 was developed using both methods described under FERC Account Development above. For labor, these accounts received their allocated portion of the total 2023 O&M labor projection based on actual 2022 labor. For non-labor, these accounts were projected to be equal to the 2022 Base and adjusted by a \$3,423,030 decrease (in account 554) for the 2023 Langley and Bennett Mountain Plant Maintenance adjustment and by each account’s allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.

**Account 547—Fuel Expense and Account 555—Purchased Power.** Fuel and purchased power were forecasted for the test year using the AURORAxmp<sup>®</sup> Model.

**Account 557, Other Expense (Excluding 557.000—Other Power Production Expense).** These expenses are removed entirely from the test year.

## Transmission Expenses

### FERC Accounts 560–573

#### Description

Accounts 560 through 573 include the operation labor, materials used, and expenses incurred in the system planning, operation, executing the reliability coordination function, monitoring, assessing, and operating the power system and individual transmission facilities in real-time to maintain safe and reliable operation of the transmission system specified. Additional activities include: processing the hourly, daily, weekly, and monthly transmission service requests using an automated system such as an Open Access Same-Time Information System (“OASIS”); billing to transmission owners for system control and dispatching service; and conducting transmission services studies for proposed transmission interconnections and generation interconnection with the transmission system. These accounts include the labor, materials used, and expenses incurred in the operation of transmission substations, switching stations, and transmission lines. The use of transmission facilities owned by others and rents of property used, occupied, or operated in connection with the transmission system are also part of this account. The accounts also include the labor, materials used, and expenses incurred in the maintenance of structures, computer hardware and software, communication equipment, miscellaneous transmission plant, station equipment, and transmission plant serving the transmission function.

#### Forecast Methodology

**Accounts 560–573—Excluding Account 565.000, Transmission of Electricity by Others (3<sup>rd</sup>-Party Transmission).** The projection of accounts 560–573 was developed using both methods described under FERC Account Development above. For labor, these accounts received their allocated portion of the total 2023 O&M labor projection based on actual 2022 labor. For non-labor, these accounts were projected to be equal to the 2022 Base and adjusted by \$133,975 increase (in account 561) for costs associated with participation in the Western Resource Adequacy Program, and by each account’s allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.



- **Account 565—Transmission of Electricity by Others.** This account was projected using the AURORAxmp<sup>®</sup> Model.

## ***Distribution Expenses***

### **FERC Accounts 580–598**

#### **Description**

Accounts 580 through 598 include labor, materials used, and expenses incurred in the general supervision and direction of the operation of the distribution system such as station operation, overhead and underground line operation, meter department operation of customer meters and associated equipment, load dispatching operations, work on customer installations, and inspecting premises. Also included in these accounts are the labor, materials used, and expenses incurred in the general supervision and direction of the maintenance of the distribution system, including maintenance of structures, distribution plant, overhead distribution line facilities, underground distribution line facilities, distribution line transformers, meters, and meter testing equipment.

#### **Forecast Methodology**

**Accounts 580–598.** The projection of accounts 580–598 was developed using both methods described under FERC Account Development above. Each of the accounts received their allocated portion of the total 2023 O&M labor projection based on actual 2022 labor. For non-labor, these accounts were projected to be equal to the 2022 Base adjusted by each account's allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.

## ***Customer Accounting and Customer Services and Information Expenses***

### **FERC Accounts 901–905 and 907–912**

#### **Description**

Accounts 901 through 905 include the labor, materials used, and expenses incurred in the general direction and supervision of customer accounting and collecting activities, including reading customer meters, work on customer applications, contracts, orders, credit investigations, billing and accounting, collections, and complaints. These accounts also include the accounting for losses from uncollectible utility revenues. Accounts 907 through 912 include the labor and expenses incurred in customer service and informational activities to encourage safe and efficient use of the utility's service, to encourage conservation of the utility's service, and answer specific inquiries as to proper use of the service and equipment utilizing the service.

#### **Forecast Methodology**

**Accounts 901–905 and 907–912—Excluding Account 908.131 and 908.132, Idaho and Oregon Energy Efficiency Rider.** The projection of accounts 901–905 and 907–912, excluding the Idaho and Oregon Energy Efficiency Rider (energy efficiency expenses), was developed using both methods described under FERC Account Development above. For labor,

these accounts received their allocated portion of the total 2023 O&M labor projection based on actual 2022 labor. The DSM labor projection was directly assigned to account 908. For non-labor, these accounts were projected to be equal to the 2022 Base and adjusted for an increase in Uncollectible/Bad Debt Expense of \$2,514,638 (in account 904), an increase of \$118,000 for implementation of a Solar Payback Calculator for customers (in account 908), and by each account's allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.

**Account 908.131 and 908.132—Idaho and Oregon Energy Efficiency Rider.** The expenses associated with the Idaho and Oregon Energy Efficiency Riders have been excluded from the 2023 test year in their entirety (IPUC Order No. 30189). The DSM labor projection was added back and directly assigned to account 908.

## ***Administration and General Expenses (“A&G”)***

### **FERC Accounts 920–935**

#### **Description**

Accounts 920 through 935 include activities undertaken in connection with the utility's general and administrative operations that are assignable to specific administrative or general departments and are not specifically provided for in other accounts. A&G accounts include: (1) compensation of officers, executives, and other employees of the utility which are properly chargeable to utility operations but not chargeable directly to a particular operating function, (2) office supplies and expenses, (3) fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function, (4) insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations, (5) payments for employee accident, sickness, hospital, and death benefits or insurance, (6) payments to municipal or other governmental authorities, (7) the cost of materials, supplies, and services furnished to such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements, (8) expenses incurred by the utility in connection with formal cases before regulatory commissions or other regulatory bodies, (9) regulatory fees assessed against the utility, (10) commission expenses, (11) payments made to the United States for the administration of the Federal Power Act, (12) materials used and expenses incurred in advertising and related activities, (13) rents properly includable in operating expenses for the property of others used, occupied, or operated in connection with customer accounts, customer service, and informational sales and general and administrative functions of the utility, and (14) operation and maintenance of transportation equipment and the maintenance of utility property which is not chargeable directly to a particular operating function.

#### **Forecast Methodology**

**Accounts 920–935—Excluding Account 920.001, Incentive Expense, 926.203, 926.204, 926.303, 926320 and 926350, Pension Expense and part of 928.203, Regulatory Commission Expenses.** The projection of accounts 920–935, excluding incentive, was developed using both methods described under FERC Account Development above. For labor, these accounts received their allocated portion of the total 2023 O&M labor projection based on actual 2022 labor. For non-labor, these accounts were projected to be equal to the 2022 Base. These accounts also

received each account's allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.

**Account 920.001—Incentive Expense.** In the 2008 Idaho General Rate case order (IPUC Order No. 30722) the Commission directed Idaho Power to only include a normalized incentive that “is directly related to improving service or reducing costs to customers.” Idaho Power, therefore, included in its projection only the normalized level of incentive attributable to Customer Satisfaction and Reliability. As a result, for the 2023 test year, Idaho Power removed its entire 2022 actual incentive expense of \$26,598,671 from its 2022 Base and replaced that amount with its projected 2023 normalized incentive of \$10,040,205 that includes only those elements related to Customer Satisfaction and Reliability. This resulted in a net reduction for incentive expense of \$16,558,466.

**Accounts 926.203, 926.204, and 926.303—Pension Expense.** For the Oregon jurisdiction the accounts were projected to be equal to 2022 Base of \$880,053.

In the Idaho jurisdiction, per IPUC Order No. 32426, Idaho Power is currently recovering \$17,153,713 of its cash contributions to its defined benefit pension plan. Idaho Power has included in its forecast adjustment an additional \$18,028,665 in expense for 2023.

**Account 928—Regulatory Commission Expenses.** This account was increased for intervenor funding by \$296,576 that was directed in IPUC Order Nos. 32788, 33872, 33908, 32697, 32245, 32505, 32846, 32537, 32426, 32956, 33357, 34046, 34546, 34608, and 34892. Idaho Power has assumed a one-year amortization for intervenor funding. Account 928 also received its allocated portion of the \$831,379 non-direct adjustment to non-labor O&M.

## Forecast Adjustment E—Depreciation and Amortization Expense

Table 6—FERC Accounts 403 and 404

### *Description*

Account 403 includes depreciation expense for all classes of depreciable electric plant in service except such depreciation expense as is chargeable to clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work. Account 404 includes amortization charges applicable to amounts included in the electric plant accounts for limited-term franchises, licenses, patent rights, limited-term interest in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account are such as to distribute the book cost of each investment as evenly as may be over the period of its benefit to the utility.

### *Forecast Methodology*

Forecast Adjustment E increases Depreciation and Amortization Expense (accounts 403 and 404) by \$10,463,837 above the 2022 Base.

Depreciation and amortization rates were applied to the monthly estimated plant balances (see the Electric Plant in Service discussion in the Rate Base Components section). The depreciation rates updated by IPUC Order No. 35272 were used for the entire 2023 test year. Several FERC plant accounts have sub-accounts, for which the individual sub-account data was used to calculate a composite rate and applied at the major account level.

For plant accounts 392, Transportation Equipment; 396, Power Operated Equipment; and 312, Boiler Plant Equipment, either all or part of the depreciation expense is recorded to other accounts and not account 403.

## **Forecast Adjustment F—Electric Plant/Regulatory Assets—Amortization, Adjustments, Gains and Losses**

Table 6—FERC Accounts 406, 411.6, and 411.7

### ***Description***

Account 406 is debited or credited with amounts includable in operating expenses, pursuant to approval or order of the Commission, for the purpose of providing for the extinguishment of the amount in account 114, Electric Plant Acquisition Adjustments. Accounts 411.6 and 411.7 include, as approved by the Commission, amounts relating to gains and losses from the disposition of future use utility plant, including amounts which were previously recorded in and transferred from account 105, Electric Plant Held for Future Use.

### ***Forecast Methodology***

Forecast Adjustment F is \$0, resulting in the Amortization of Electric Plant Acquisition Adjustments (account 406) and Gains and Losses from Disposition of Utility Plant (account 411.6 and 411.7) remaining the same as the 2022 Base.

Account 406 is projected for 2023 to remain the same as the 2022 Base. Included in this account is the amortization of the Exchange of Certain Transmission Assets with PacifiCorp (approved by IPUC Order No. 33313, OPUC Order No. 15-184 and FERC Order No. 20150617-3060) acquisition adjustment of account 114 over 50 years at \$15,018 per year. The amount in account 114 will be fully amortized in October 2065.

Accounts 411.6 and 411.7 do not have a forecast since there is no plan to sell utility plant in 2023.

## **Forecast Adjustment G—Regulatory Debits and Credits**

Table 8—FERC Account 407.3

### ***Description***

Account 407.3 is debited, when appropriate, with the amounts credited to account 254, Other Regulatory Liabilities, to record regulatory liabilities imposed on the utility by the

ratemaking actions of regulatory agencies. This account is also debited, when appropriate, with the amounts credited to account 182.3, Other Regulatory Assets, concurrent with the recovery of such amounts in rates.

### ***Forecast Methodology***

Forecast Adjustment G increases Regulatory Debits (account 407.3) by \$1,865,167 above the 2022 Base.

Idaho Power has recorded a regulatory asset in account 182.310 for deferred incremental wildfire mitigation expenses as authorized by IPUC Order No. 35077. Idaho Power is forecasting amortization of \$13,056,171 of expenses deferred as of December 31, 2022, over 7 years.

## **Forecast Adjustment H—Taxes Other than Income Taxes**

Table 7—FERC Account 600-602

### ***Description***

Accounts 600, 601 and 602 includes those taxes other than income taxes which relate to utility operating income. This account is maintained to allow ready identification of the various classes of taxes relating to utility operation, plant leased to others, and other operating income.

### ***Forecast Methodology***

Forecast Adjustment H increases Taxes Other Than Income (Accounts 600-602) by \$4,559,257 above the 2022 Base.

The 2023 forecast methodology for Taxes Other Than Income Taxes was based on a combination of known adjustments arising from specifics of the particular account activity and a carry forward of the 2022 Base amounts.

### **Real and Personal Property Taxes**

The methodology used to project Idaho property taxes for the 2023 test year is estimating Idaho Power's 2023 ad valorem value and levy. For the ad valorem value methodology, tax is based on the assessed value of the property. For the tax levy methodology, the state's historical levy data and local government budget policy is used to estimate levies. For all other states the 3-year CAGR was used.

### **Idaho kWh Taxes**

Test year 2023 kWh taxes were projected based on normalized hydro conditions and normalized consumption.

### **Regulatory Commission Fees**

The 2023 Idaho regulatory fee was forecast by using the 2022 actual payment as an estimate. The Oregon regulatory fee consists of two fees, Oregon PUC fee and Oregon Department of

Energy fee. For the 2023 test year, the Oregon PUC fee was the actual 2023 fee and for the Oregon Department of Energy fee, the 2023 estimate was based upon the prior year's tax rate applied to the actual Oregon gross operating revenue.

### **Licenses**

The 2023 Wyoming and Shoshone–Bannock licenses fee was estimated using the prior year's actual amount.

### **Franchises**

The Oregon franchise tax is based upon a rate (established by each city) multiplied by the electric revenue within the city. The test year taxes were established using forecasted Oregon revenue compared to 2022. That percent of change was applied to each city's gross revenue and the appropriate tax rate was applied.

## **Forecast Adjustment I—Idaho Energy Resources Co. (“IERCO”) Cost of Service Components**

Net Income Summary—FERC Accounts 418.1 and 419

### ***Description***

Account 418.1 includes the utility's equity in the earnings or losses of subsidiary companies for the year. Account 419 includes interest revenues on securities, loans, notes, advances, special deposits, tax refunds, all other interest-bearing assets, and dividends on stocks of other companies, whether the securities on which the interest and dividends are received are carried as investments or included in sinking or other special fund accounts.

### ***Forecast Methodology***

Forecast Adjustment I decreases Idaho Energy Resources Co. (“IERCO”) Cost of Service Components (Accounts 418.1 and 419) by \$6,489,979 below the 2022 actual amount of \$8,859,979 for a projected 2023 net income of \$2,370,000. The estimate incorporates PacificCorp's projected activity for the Bridger Coal Company (“BCC”) mine and a \$3,000,000 earnings margin calculated utilizing the most recent long-term forecast to estimate IERCO rate base and the Weighted Average Cost of Capital as approved in the 2011 Idaho General Rate Case.

Idaho Power owns 100% of IERCO, which has a one-third joint venture interest in BCC, a mine that supplies coal to the Jim Bridger plant. PacificCorp, Inc. owns the remaining two-thirds interest and is the mine's operating partner. As a one-third owner in BCC, IERCO is entitled to 33% of the BCC net income and cash flows.

IERCO overriding royalties are determined by the location and lease under which BCC is mining. The three leases are with BLM, Union Pacific Railroad, and State of Wyoming, and each lease pays at a different rate. The overriding royalty was granted to BCC from IERCO, who in turn received them from Idaho Power as advance royalties in the past. Coal royalty payments

have no impact on IERCO's net income as revenue is recognized when paid by BCC, and expense recognized when remitted to Idaho Power.

Income taxes are calculated at the federal tax rate of 21% as Wyoming has no state income tax. Taxes are accrued and paid during the calendar year.

As discussed in the Rate Base Components section that follows, IERCO maintains an intercompany note with Idaho Power that accrues interest monthly at Idaho Power's short-term borrowing rate, which is projected to be 0.45% per month (Annual Rate 5.39%) in 2023. For purposes of the Cost of Service Component of IERCO, the intercompany interest expense net of income tax is added back to increase IERCO's net income.

## **Forecast Adjustment J—Allowance for Funds Used During Construction (“AFUDC”) Related to Hells Canyon Relicensing**

Revenue Requirement Summary—FERC Accounts 107

### ***Description***

Account 107 (Construction Work in Progress) includes the total of the balances of work orders for electric plant in process of construction. Work orders shall be cleared from this account as soon as practicable after completion of the job. Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Also included in this account is an Allowance for Funds Used During Construction (“AFUDC”). AFUDC includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of the Commission. The rates shall be determined annually.

### ***Forecast Methodology***

Forecast Adjustment J is \$0, resulting in the AFUDC related to Hells Canyon Relicensing (Account 107) remaining the same as the 2022 Base.

Idaho Power began incurring Hells Canyon relicensing costs in 1999. These relicensing efforts are financed from internally generated funds and from outside sources including short-term debt, long-term debt and new equity. Idaho Power accrues and capitalizes these financing costs to account 107 as AFUDC during the construction phase of the project. AFUDC is calculated monthly using a rate determined by a FERC formula. In the 2011, Idaho General Rate Case Order (IPUC Order No. 32426), Idaho Power requested and was granted the inclusion of the AFUDC related to Hells Canyon Relicensing in the revenue requirement.

While AFUDC continues to increase relating to the Hells Canyon Relicensing efforts, Idaho Power is requesting recovery of the same amount (\$6,815,472) previously included the 2011 General Rate Case and subsequently approved in IPUC Order No. 32426.

## RATE BASE COMPONENTS

### Forecast Adjustment K—Electric Plant in Service

Table 1—FERC Account 101

#### **Description**

This account includes the original cost of electric plant that is included in accounts 301 to 399 (referred to herein as plant accounts). It is described as being owned and used by the utility in its electric utility operations and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. The cost of additions to and improvements of property leased from others, which are includable in this account, are recorded in subdivisions separate and distinct from those relating to owned property.

#### **Forecast Methodology**

Forecast Adjustment K increases Electric Plant In Service (Account 101) by \$370,824,182 above the 2022 Base. Electric Plant In Service has been presented using a thirteen-month average.

The methodologies used for plant additions and retirements are described below.

#### **Plant Additions to Electric Plant In Service**

Projected 2023 plant additions to Electric Plant In Service were developed based on actual project closings as a percentage of Construction Work in Process (“CWIP”) projects as of year-end 2022 plus the expected 2023 capital expenditures. These capital projects were segregated into pools of greater than and less than \$8 million. Capital projects greater than \$8 million were considered to be known and measurable. For capital projects less than \$8 million, an historical methodology was developed. Once both pools were determined, the results were then combined and allocated to FERC plant accounts 301 through 399 using a five-year historical average.

#### **Projected 2023 Plant Additions**

**Capital Projects Greater than \$8 Million.** Large capital projects with total costs in excess of \$8 million were determined to be known and measurable adjustments for the 2023 unadjusted test year. Actual capital expenditures in CWIP as of year-end 2022, plus expected 2023 capital expenditures were used in determining the amount that would close to plant by year-end 2023. Allowance for Funds Used During Construction (“AFUDC”) was accrued on the CWIP balances prior to their projected close. In addition, these projects’ capital account balances, projected expenditures, and the timing of closes to plant were reviewed by business unit managers familiar with the projects.

The total amounts for the plant additions in the pool of over \$8 million in capital expenditures were assigned CWIP project types based on the nature of each individual project.



**Capital Projects Less Than \$8 Million.** Anticipated 2023 plant closings were set equal to the five-year historical average of the percent of similar-sized projects to the previous year's CWIP balance times the 2022-year end CWIP balance.

The total amounts for the plant additions in the pool of under \$8 million in capital expenditures were then allocated to the CWIP project types based on a five-year historical average.

### **Allocation to FERC Plant Account**

The above CWIP project type pools were combined for final allocation to FERC plant accounts. For this allocation, actual final closings from CWIP account 107 into Electric Plant In Service, account 101 were analyzed for the five-year period 2018 through 2022. Final closing amounts were used to allocate closings to plant accounts rather than preclose amounts. Final closings represent the "as built" property units after construction and individual work orders have been completed and reconciled, whereas pre-closes are based on work order estimates and may not be reflective of the final closing plant account distribution. For each CWIP project type, the percentage allocation to FERC plant accounts 301 through 399 was determined using the ratio from the five-year historical plant account closings for that CWIP project type.

### ***Retirements from Electric Plant In Service***

Retirements were analyzed for the previous five-year period 2018 through 2022. Retirements by FERC plant account were determined and compared to the final closings by FERC plant account for the same period. Retirements by FERC plant account were estimated by calculating the historical percentage of retirements to additions for the five-year period.

The following FERC plant accounts have known retirement dates based on vintage layers and were not estimated:

- Account 302— Franchises and consents
- Account 303— Miscellaneous intangible plant
- Account 391— Office furniture and equipment
- Account 393—Stores equipment
- Account 394— Tools, shop, and garage equipment
- Account 395—Laboratory equipment
- Account 397—Communication equipment
- Account 398—Miscellaneous equipment

## Forecast Adjustments L & M—Accumulated Provision for Depreciation and Amortization

Table 2—FERC Accounts 108 and 111

### *Description*

Account 108 is credited for amounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for electric plant in service. At the time of retirement of depreciable electric utility plant, this account is charged with the book cost of the property retired and cost of removal and then credited with the salvage value and any other amounts recovered such as insurance. When retired, costs of removal and salvage are originally entered in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made for general ledger and balance sheet purposes as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the functional classification of electric plant in service. Account 111 is credited with amounts charged to account 404, Amortization of Limited-Term Electric Plant, for the current amortization of limited-term electric plant investments.

### *Forecast Methodology*

Forecast Adjustments L & M increase Accumulated Provision for Depreciation and Amortization (Accounts 108 and 111) by \$59,406,156 and \$1,641,727 respectively, above the 2022 Base. The accumulated provision for depreciation and amortization has been presented using a thirteen-month average. The 2023 forecast was developed by first determining the 2022 monthly balances and then building upon that to determine the 2023 thirteen-month account balances.

The process began with the year-end 2022 accumulated depreciation and amortization account balances which were rolled forward monthly using the estimated 2023 depreciation and amortization expense accruals, retirements, salvage, and removal costs. See account 403 and 404 in the Cost of Service Components section for discussion with respect to the depreciation and amortization accrual calculation and Electric Plant In Service, account 101 in the Rate Base Components section for discussion of the method of determining retirements. The previous five-year (2018–2022) average salvage, removal costs, and retirements were then calculated by functional area (Steam Production, Hydraulic Production, Other Production, Transmission Plant, Distribution Plant and General Plant). The salvage and removal averages as a percentage of the retirement average were used to estimate monthly salvage and removal costs, allocated to FERC plant accounts utilizing the respective ratio to estimated retirements.

## Forecast Adjustment N—Materials and Supplies

Table 3—FERC Accounts 154 and 163

### *Description*

Account 154 includes the cost of materials purchased primarily for use in the utility business for construction, operation, and maintenance purposes. Materials and supplies issued are credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the method of inventory accounting. Account 163 includes the cost of supervision, labor, and expenses incurred in the operation of general storerooms, including purchasing, storage, handling, and distribution of materials and supplies. This account is cleared by adding to the cost of materials and supplies issued a suitable loading charge which distributes the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies.

### *Forecast Methodology*

Forecast Adjustment N reflects a \$10,145,311 increase in Materials and Supplies (accounts 154 and 163) above the 2022 Base after removing Boardman inventory balances of (\$967,717).

Idaho Power continues to see increases in inventory values. Therefore, a Compound Annual Growth Rate (CAGR) forecast methodology was used. A three-year CAGR of 12.78% and 6.83% was calculated on the thirteen-month average balances of accounts 154 and 163, respectively, excluding Boardman inventory balances. The CAGRs were applied to the thirteen months ending December 2022 to develop the 2023 forecast adjustment.

## Forecast Adjustment O—Other Deferred Programs

Table 3—FERC Accounts 182.3 and 186

### *Description*

This account includes the amounts of regulatory assets not includable in other accounts resulting from the ratemaking actions of regulatory agencies.

### *Forecast Methodology*

Forecast Adjustment O decreases Other Deferred Programs (Accounts 182.3 and 186) by \$1,679,383 below the 2022 Base.

**Accounts 186.722 and 186.770—American Falls Bond Refinancing, IPUC Order No. 25880.** These deferred costs are financing costs related to American Falls Bond issuances. The total monthly amortization of these two bonds is \$5,212 per month or \$62,551 per year. Idaho Power has reduced the 2022 Base for one year of additional amortization for \$62,551, resulting in a total deferral of \$72,977.

**Account 182.310—Wildfire Mitigation, IPUC Order No. 35077.** This account includes the unamortized balance of the Idaho-only portion of incremental wildfire mitigation costs associated with Idaho Power’s Wildfire Mitigation Plan. Included in the 2022 Base and test year deferral is \$13,056,171 associated with the Idaho-only portion of deferred costs for incremental insurance and other wildfire mitigation costs.

**Account 182.315—Cloud Computing, IPUC Order No. 34707.** This account includes the unamortized balance of the Idaho-only portion of prepaid licensing costs associated with cloud computing arrangements meeting the requirements of IPUC Order No. 34707. Included in the 2022 Base is \$1,207,592 associated with the Idaho-only portion of prepaid licensing costs for the Zycus procurement tool cloud computing agreement. Idaho Power has included a reduction to its 2022 Base of \$201,265 for one year of additional amortization, bringing the test year deferral balance associated with Zycus to \$1,006,327.

**Accounts 182.410 and 182.411— Siemens Long-Term Program Contract, IPUC Order Nos. 33391 and 33420.** Idaho Power entered into a long-term program contract under which Siemens Energy agrees to maintain the Company’s three gas plants. A deferral was set up to account for the sale of the spare parts inventory, initialization fees and associated deferred income taxes. The spare parts inventory currently owned by the Company included two components: 1) assets that were included in the prior test year and are earning a return and 2) assets that have not been included in a test year and are not earning a return. Two regulatory asset accounts were established, one labeled “Rate Based” that includes the initial spare parts currently included in rate base and one labeled “Deferred Rate Base” that includes the initial spare parts that are not currently included in rate base, plus the initialization fees and associated tax expense. The deferral will be amortized over the remaining life of each asset in accordance with IPUC Order Nos. 33391 and 33420. The 2022 Base was reduced by \$1,075,354 for one year of additional amortization, resulting in a total deferral of \$20,388,711.

**Account 182.385—Citizens Utility Board (“CUB”) 2022 Funding Grant, OPUC Order No. 22-015, 22-192.** Idaho Power was ordered in Docket UM 2126 to fund \$33,000 annually to CUB pursuant to the terms of the Intervenor Funding Agreement by and among Idaho Power and CUB and approved by the OPUC in Order no. 20-493. Idaho Power has assumed a one-year amortization period for recovery of these costs through the Power Cost Adjustment Mechanism (“PCAM”, Oregon Tariff Schedule 56). This reduced the deferral by the 2022 Base of \$37,154 including accrued interest, resulting in a total deferral balance of \$0.

**Account 182.339—SFAS 87 Capitalized Pension Costs, OPUC Order No. 10-064.** The 2022 Base was reduced by \$219,697 for one year of additional amortization, resulting in a total deferral of \$6,781,181.

**Accounts 182.412 and 182.413— Siemens Long-term Program Contract, OPUC Order Nos. 15-387 and 15-388.** As part of the long-term program contract with Siemens discussed above, the Company established two Oregon jurisdictional regulatory assets, one labeled “Rate Based” that includes the initial spare parts currently included in rate base and one labeled “Deferred Rate Base” that includes the initial spare parts that were not currently included in rate base, the initialization fees and associated tax expense. The deferral will be amortized over the remaining life of each asset in accordance with OPUC Order Nos. 15-387 and 15-388. The 2022 Base was

reduced by \$83,362 for one additional year of amortization, resulting in a total deferral of \$566,293.

## Forecast Adjustment P—Plant Held for Future Use

Table 3—FERC Account 105

### *Description*

This account includes the original cost of electric plant owned and held for future use in electric service under a definite plan for such use and includes property acquired but never used by the utility in electric service but held for such service in the future under a definite plan, and property previously used by the utility in service, but retired from such service and held pending its reuse in the future, under a definite plan, in electric service.

### *Forecast Methodology*

Forecast Adjustment P increases Plant Held for Future Use (Account 105) by \$1,622,140 above the 2022 Base

Idaho Power developed its 2022 Base by removing from the 2022 actual Plant Held for Future Use those properties that it either plans to sell, will be possibly split and partially sold, structures or improvements that will be removed prior to construction and properties for which the use is uncertain.

In addition, Idaho Power included in its forecast adjustment \$1,622,140 for the acquisition of two additional parcels of land that will be acquired by year-end 2023. These include land purchases for the Greenleaf and Northside substations.

## Forecast Adjustment Q—Customer Advances for Construction (“CAC”)

Table 3—FERC Account 252

### *Description*

Account 252 includes advances by customers for construction which are to be partially or wholly refunded. When a customer is refunded the entire amount to which he or she is entitled according to the agreement or rule under which the advance was made, any remaining balance is credited to the appropriate plant account.

### *Forecast Methodology*

Forecast Adjustment Q decreases the Customer Advances for Construction (Account 252) 2022 Base by \$5,697,395, based on an estimated thirteen-month average balance.

Idaho Power forecast Account 252 using a 5-year (2018-2022) average methodology to determine the estimated balances for unusual conditions, substation allowances, and transmission network upgrades. The tax gross-up portion was excluded from the substation allowances' estimate. For unusual conditions the balance was estimated based on average refund amounts. Please see the analysis in the table below:

<b>2023 Forecast of Customer Advances</b>	<b>Total</b>
2018-2022 5-year Average Unusual Conditions Refunds	\$4,765,091
2018-2022 5-year Average Substation Allowances (Excluding Tax Gross-up)	1,877,865
2018-2022 5-year Average Transmission Network Upgrades	1,380,649
<b>12/31/23 Forecast for Unusual Conditions Refunds, Substation Allowances, &amp; Network Upgrades (Excluding Tax Gross-up)</b>	<b>\$8,023,605<sup>1</sup></b>

<sup>1</sup> This amount represents the estimated year-end balance. Idaho Power has estimated the thirteen-month balance of \$7,441,965 based on the shape of the 2022 actual thirteen-month average balance.

## Forecast Adjustment R—Idaho Energy Resources Co. (“IERCO”) Rate Base

Table 3—FERC Accounts 123.1, 186, and 145

### *Description*

Account 123.1 includes the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account is credited with any dividends declared by such subsidiaries. This account is maintained in such a manner as to show separately for each subsidiary: (1) the cost of such investments in the securities of the subsidiary at the time of acquisition, (2) the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition, and (3) advances or loans to such subsidiary. Account 145 represents notes receivable from associated companies. Account 186 includes all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, which are in process or amortization and items the proper final disposition of which is uncertain.

### *Forecast Methodology*

Forecast Adjustment R increases Idaho Energy Resources Co. (“IERCO”) projected 2023 Rate Base (Accounts 123.1, 186 and 145) by \$1,769,938 above the 2022 actual thirteen-month average balance of \$29,600,820 to \$ 31,370,758.

Idaho Power's projected 2023 investment in IERCO is based on actual activity for 2022 at the BCC mine that supplies coal to the Jim Bridger thermal plant. As a one-third owner in BCC, IERCO is entitled to 33% of the BCC net income and cash flows.

- **Account 123.1—Investment in IERCO.** The 2023 thirteen-month average investment in IERCO balance is projected to decrease \$8,086,296 from the 2022 actual thirteen-month average balance of \$23,664,134. IERCO's investment in BCC is accounted for using the equity method. BCC income, IERCO income, and IERCO capital contributions to BCC increase the investment balance, while BCC dividend distributions to IERCO reduce the investment balance. The \$8.1 million decrease is primarily due to dividends being paid in 2022. No dividend assumptions are made during the forecast test year. Instead, any extra cash remaining after paying operating expenses and capital investment are returned to Idaho Power via the intercompany note (see below for discussion of Account 145 – IERCo Intercompany Note).
- **Account 145—Notes Payable To/Receivable from Subsidiary.** The 2023 thirteen-month average balance is projected to increase \$10,093,286 from the 2022 actual thirteen-month average balance of \$5,101,864. The IERCO intercompany note is the funding mechanism whereby IERCO not only receives distributions from and makes capital contributions to BBC, but also pays income taxes and dividends to Idaho Power. The intercompany note activity is based on the projected 2023 BCC operating and capital budgets. In 2022, the note payable increased due to funding the dividend payment. Interest on the intercompany note is based on Idaho Power's short-term borrowing rates and accrues monthly. The average interest rate used is 0.45% per month (Annual Rate 5.39%).
- **Account 186—Prepaid Coal Royalties.** The 2023 thirteen-month average balance is projected to decrease \$237,052 from the 2022 actual thirteen-month average balance of \$834,822. BCC overriding coal royalties are determined by the location and lease under which BCC is mining. The overriding royalty was granted to BCC from IERCO, who in turn received them from Idaho Power as advance royalties in the past. Although coal royalty payments have no impact on IERCO's net income because revenue is recognized when paid by BCC and expense recognized when remitted back to Idaho Power, the payment flow serves to reduce the account 186 balance.