

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

IDAHO POWER COMPANY
TESTIMONY IN SUPPORT OF SETTLEMENT STIPULATION
OF
TIMOTHY E. TATUM

1 Q. Please state your name and business address.

2 A. My name is Timothy E. Tatum and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

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

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as Vice President of Regulatory Affairs.

7 Q. Are you the same Timothy E. Tatum that
8 previously submitted testimony in this proceeding?

9 A. Yes, I submitted direct testimony on behalf of
10 Idaho Power providing an overview of the Company's overall
11 rate request in this proceeding.

12 Q. What is the purpose of your testimony?

13 A. My testimony describes the Stipulation that was
14 signed by Idaho Power, the Staff of the Idaho Public Utilities
15 Commission ("Staff"), and all intervenors in this docket:
16 Clean Energy Opportunities for Idaho ("CEO"), Industrial
17 Customers of Idaho Power ("ICIP"), City of Boise, Idaho
18 Irrigation Pumpers Association, Inc. ("IIPA"), Micron
19 Technology, Inc. ("Micron"), Federal Executive Agencies
20 ("FEA"), Idaho Conservation League ("ICL"), NW Energy
21 Coalition ("NWECC"), IdaHydro, and Walmart, Inc. These
22 entities are referred to individually as a "Party" or

1 collectively referred to as the "Parties." The Stipulation
2 filed in this docket on October 27, 2023, settles all issues
3 that arose in this case ("Proposed Settlement"). My testimony
4 also expresses Idaho Power's support for the Stipulation and
5 urges the Commission to adopt the Proposed Settlement without
6 material change or condition.

7 Q. Do you believe that the Proposed Settlement is
8 in the public interest?

9 A. Yes. The Parties have agreed to settle the
10 issues identified in the Stipulation, thus indicating their
11 satisfaction with the outcome. From the Company's
12 perspective, the Proposed Settlement provides the Company with
13 the ability to update its rates to better reflect current
14 costs and the ability to economically finance new investments
15 in infrastructure for its system. The Company also believes
16 that the rates that result from the Stipulation are just and
17 reasonable for its customers.

18 Q. How did the Parties arrive at the Stipulation?

19 A. On September 18, 2023, a settlement conference
20 was held at the Commission's offices. All parties to the case
21 were represented and discussed the issues presented in the
22 Company's case. The Parties continued their discussions on

1 October 4 and 5, 2023 and ultimately those discussions led to
2 agreements which resulted in the Stipulation.

3 Q. Have all Parties in this case joined in the
4 Stipulation?

5 A. Yes.

6 **Background**

7 Q. Please describe Idaho Power's original revenue
8 requirement increase request.

9 A. On June 1, 2023, Idaho Power filed an
10 Application in this case seeking authority to increase the
11 Company's Idaho jurisdictional retail revenue an average of
12 8.61 percent. If the Company's initial proposal had been
13 approved, the Company's revenues would have increased by
14 approximately \$111 million annually. Idaho Power proposed
15 spreading the rate increase to varying degrees among all
16 customer classes and special contract customers. The Company
17 requested that new rates become effective on January 1, 2024,
18 which is the end of the statutory period set forth in Idaho
19 Code § 61-622(4) and Commission Rule of Procedure ("RP" or
20 "Procedural Rule") 123. Pursuant to Procedural Rule 125,
21 Idaho Power notified customers of the requested rate increase
22 via press release, customer notices mailed to individual

1 customers, and personal contact with some customers.

2 Q. Did Staff and other Parties conduct a thorough
3 examination of the Company's filing?

4 A. Yes. The Parties conducted extensive discovery
5 on Idaho Power's filing. Over the course of this proceeding,
6 the Company provided responses to approximately 400 data
7 requests, the vast majority of which were from Staff. In
8 addition, Staff auditors and engineers have made numerous
9 visits to Idaho Power's Corporate Headquarters to review the
10 underlying accounting data and capital project documentation
11 that was the basis for the Company's filed revenue
12 requirement. Additionally, Staff conducted on-site visits of
13 certain hydro and gas plants, as well as transmission,
14 distribution, battery, security, and communication projects.

15 **Proposed Settlement Overview**

16 Q. What is the Idaho jurisdictional revenue
17 increase to which the Parties agree?

18 A. The Parties agree to an Idaho jurisdictional
19 revenue increase of \$54.7 million, which represents a
20 settlement of all issues in this case.

21 Q. What is the overall percentage increase to
22 rates resulting from the Stipulation?

1 requirement by \$8,294,557. In addition, the Parties agreed to
2 reduce the filed request by \$2,273,749 to remove the revenue
3 requirement related to battery augmentation. To offset the
4 revenue impact of removing the battery-related revenue
5 requirement, Idaho Power will be provided the opportunity to
6 accelerate the amortization of additional accumulated deferred
7 investment tax credits ("ADITC"). The combined impact of the
8 stipulated rate base adjustments reduced the Company's rate
9 request by \$10,568,306.

10 Q. Did Staff have any reservations regarding a
11 prudence determination of any capital projects presented in
12 the Company's filed case?

13 A. Yes. At the time of the Stipulation, Staff had
14 yet to complete its review of capital projects included in the
15 test year rate base. Except as otherwise noted in the
16 Stipulation, all capital projects included in the Company's
17 test year are presumed to be prudently incurred as Staff
18 continues its plant investment review. Staff agreed to update
19 the Company on its progress toward completing its review by
20 November 15, 2023, and commits to fully complete its plant
21 investment review by December 1, 2023. To the extent Staff
22 identifies potential prudence concerns, it will identify

1 specific plant investments to be the subject of further
2 prudence review in the Company's next general rate case.
3 Also, Idaho Power and Staff commit to discuss capital project
4 review options and documentation generally, and specifically
5 for the Company's partnered plants, to establish a framework
6 for future prudence reviews.

7 Q. What are the details related to the agreement
8 reached by Parties regarding the Company's authority to
9 accelerate amortization of ADITC?

10 A. Since 2009, the Company has been subject to an
11 ADITC / Revenue Sharing Mechanism, that includes provisions
12 for the accelerated amortization of ADITC to help achieve a
13 minimum specified percent Idaho-jurisdiction return on year-
14 end equity ("Idaho ROE"), currently set at 9.4 percent. The
15 mechanism also provides for the potential sharing between
16 Idaho Power and Idaho customers of Idaho jurisdictional
17 earnings in excess of a 10.0 percent Idaho ROE. Under the
18 current mechanism, the ADITC and sharing thresholds are to be
19 reset at a general rate case to align the sharing threshold
20 with the newly authorized ROE and the threshold for use of
21 accelerated amortization of ADITC if the Company's Idaho
22 jurisdictional ROE falls below 95 percent of the authorized

1 ROE.

2 Under the Stipulation, the ADITC Revenue Sharing
3 Mechanism is modified to include an additional amount of
4 Investment Tax Credits ("ITC") equal to the incremental ITC
5 generated from the Company's investment in the 2023 battery
6 storage projects, including augmentation costs. Further, the
7 Parties agreed that the maximum allowed annual accelerated
8 amortization of ADITC, currently set at a \$25 million cap, is
9 removed. Effective January 1, 2024, potential revenue sharing
10 between Idaho Power and Idaho customers of Idaho-
11 jurisdictional earnings will occur if earnings are in excess
12 of a 9.6 percent Idaho ROE. Under the Stipulation, all
13 revenue sharing will be implemented through the Power Cost
14 Adjustment ("PCA") rather than a portion offsetting customer-
15 funded pension obligations, which is what occurs under the
16 current mechanism structure. The new minimum-specified Idaho
17 ROE is set at 95 percent of the stipulated 9.6 percent, or
18 9.12 percent.

19 Q. What are the Stipulation's terms related to
20 expenses?

21 A. The Parties agreed to six categories of expense
22 adjustments that when combined totaled a \$21,736,202 reduction

1 to the Company's rate request. The categories of expense
2 adjustments are as follows: 1) Employee Housing, 2) Long-Term
3 Pay at Risk, 3) General Labor, 4) Uncollectible Expenses, 5)
4 Miscellaneous Administrative and General Expenses, and 6) Non-
5 Specific Adjustment. The rationale for each of these
6 adjustments is detailed in the Stipulation.

7 Q. What are the Stipulation's terms regarding
8 deferrals and other rate mechanisms?

9 A. The Parties agreed to five separate revenue
10 requirement adjustments that either adjust the timing of cost
11 recovery or move recovery to other rate mechanisms. The total
12 net impact of these adjustments is a reduction to the
13 Company's rate request of \$819,583. The revenue requirement
14 adjustments in this category are as follows: 1) Energy
15 Efficiency Rider Funded Activities, 2) Western Resource
16 Adequacy Program, 3) Intervenor Funding Amortization, 4)
17 Wildfire Expense Removal, Deferral and Amortization, and 5)
18 Net Power Supply Expense. The rationale for each of these
19 adjustments is detailed in the Stipulation.

20 Q. What are the Stipulation's terms regarding the
21 appropriate class cost of service to be used to inform class-
22 specific cost allocation and rate design?

1 provisions included in Attachment No. 2 to the Motion for
2 Approval of Stipulation ("Motion") filed contemporaneously
3 herewith. The Parties note the following terms as included in
4 Attachment No. 2 and Stipulation Exhibit No. 2, which detail
5 the rate calculations for the various schedules, that differ
6 from the Company's Application.

7 First, in determining the individual rates for
8 residential Schedules 1, Residential Service Standard Plan,
9 and 6, Residential Service On-Site Generation, the Parties
10 agree to use the customer billing determinants as proposed by
11 the Company in this case but maintain the current percentage
12 differential between each block.

13 Second, the Parties agree the residential Service
14 Charge will increase from \$5 per month to \$10 per month on
15 January 1, 2024, and to \$15 per month on January 1, 2025.

16 Third, the small general Service Charge will increase
17 from \$5 to \$25 per month on January 1, 2024.

18 Fourth, a summer mid-peak period from 3 p.m. to 7 p.m.
19 is added to residential time-of-use ("TOU") offerings
20 contained in Schedules 5, Residential Service Time-of-Use
21 Plan, and 6, Residential Service On-Site Generation, to
22 generally align with Schedules 9, Large General Service, and

1 19, Large Power Service as defined in the respective tariff
2 schedules included in Attachment No. 2 to the Motion.

3 Fifth, the revenue requirement allocated to Schedule
4 30, U.S. Department of Energy Special Contract, will be
5 effectuated by setting the demand charge at \$9.75/kW and the
6 energy charge at \$0.040951/kWh.

7 Sixth, the Schedule 8 tariff sheet will be updated to
8 reflect the inclusion of September as part of the summer
9 season as reflected in Attachment No. 2 to the Motion.

10 Q. Are there any other non-revenue items to which
11 the Parties agreed in the Stipulation?

12 A. Yes. There are four other non-revenue
13 stipulated agreements made by the Parties. First, Parties
14 agreed that Idaho Power's share of all capital expenditures at
15 the jointly owned Jim Bridger Power Plant ("Bridger") and the
16 North Valmy Power Plant ("Valmy") through year-end 2022 were
17 prudently incurred. Idaho Power's rate increase resulting from
18 this case reflects the full level of collection related to
19 previously authorized coal-related cost recovery for the
20 Bridger plant.

21 Second, Parties agreed that the Idaho jurisdictional
22 amount of \$46,361,643 in third-party point-to-point wheeling

1 revenues will serve as the baseline for discussions in a
2 subsequent separate proceeding regarding the potential annual
3 tracking of these revenues.

4 Third, the Parties agreed that wildfire expenses
5 included into base rates will be \$26,080,688. Incremental
6 vegetation management costs above the 2022 actuals amount of
7 \$24,848,875 will continue to be deferred through the earlier
8 of the Company's next general rate case or 2025. Expenses for
9 the Covered Wire Evaluation pilot and the Vegetation
10 Management Satellite and Aerial Patrols pilot are to be
11 deferred through 2025. Incremental insurance above the 2022
12 actuals amount of \$14,489,412 will continue to be deferred
13 through the earlier of Idaho Power's next general rate case or
14 2025.

15 Fourth, Parties agreed that Idaho Power should be
16 authorized to defer and amortize annual differences between
17 certain periodic maintenance costs at the Company's natural
18 gas-fired power plants. This deferral will not include a
19 carrying charge.

20 **Acceptance of the Proposed Adjustments**

21 Q. Why was the Company willing to accept in
22 settlement a lower general rate increase than it initially

1 filed?

2 A. In her direct testimony, Ms. Lisa Grow
3 explained that in the preparation of its initial request the
4 Company looked for areas where it could forego requesting an
5 increase at this time in recognition of the impact the rate
6 increase would have on customers at a time when they are
7 facing other inflationary pressures. Idaho Power participated
8 in the settlement negotiations with those same concerns in
9 mind and believes that the Proposed Settlement strikes the
10 right balance between the Company's need for timely cost
11 recovery and its recognition of the state of the current
12 economic pressures its customers are facing. The \$54.7 million
13 net revenue increase will provide additional cash flow to help
14 support current credit ratings, and the additional ADITC
15 provisions and other deferral authorizations (i.e., vegetation
16 management, insurance, and gas plant maintenance) will provide
17 some positive support to the Company's earnings until the next
18 general rate case.

19 Although the Proposed Settlement is a reasonable
20 resolution of a broad range of contested rate issues, the
21 agreement will require the Company to continue to look for
22 ways to manage ongoing inflationary pressures on its expenses

1 and be thoughtful in its capital markets transactions as well
2 as with its credit ratings.

3 Q. Were there other reasons why the Company was
4 willing to accept a lower revenue requirement?

5 A. Yes. In consideration of the settlement terms
6 the Company recognized that the adjustments related to income-
7 qualified weatherization, WRAP expenses, intervenor funding
8 amortization, wildfire mitigation costs and net power supply
9 expenses will have no material impact to the Company's
10 earnings, as these adjustments serve to either adjust the
11 timing of cost recovery or move recovery to other rate
12 mechanisms.

13 Q. Please explain the Company's acceptance of an
14 overall rate of return that was less than originally
15 requested.

16 A. For purposes of the Proposed Settlement, Idaho
17 Power is willing to accept an overall rate of return that is
18 lower than originally requested because Idaho Power believes
19 that the agreed-upon rate of return will allow the Company to
20 finance its electric utility operations in the near-term.

21 Q. Do you have any observations regarding the
22 revenue spread provided for in the Stipulation?

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DECLARATION OF TIMOTHY E. TATUM

I, Timothy E. Tatum, declare under penalty of perjury under the laws of the state of Idaho:


1. My name is Timothy E. Tatum. I am employed by Idaho Power Company as the Vice President of Regulatory Affairs.

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

3. To the best of my knowledge, my pre-filed direct testimony is 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 27th day of October 2023, at Boise, Idaho.

Signed: 

Timothy E. Tatum