

CHRIS BURDIN
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 9917

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UTILITIES COMMISSION

Street Address for Express Mail:
11331 W. CHINDEN BLVD., BLDG. 8, SUITE 201-A
BOISE, IDAHO 83714

Attorney for the Commission Staff

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 RATES)	
AND CHARGES FOR ELECTRIC SERVICE)	STAFF REPORT ON CAPITAL
IN THE STATE OF IDAHO AND FOR)	PROJECT PRUDENCE
ASSOCIATED REGULATORY ACCOUNT)	
TREATMENT)	
_____)	

BACKGROUND

On June 1, 2023, Idaho Power Company (“Company”) filed an application (“Application”) with the Idaho Public Utilities Commission (“Commission”) requesting authority to increase its rates and charges for electric service to the Company’s customers in the State of Idaho, and for associated regulatory accounting treatment.

On September 18, October 4, and October 5, 2023, Commission Staff (“Staff”), the Company, and all Intervenors participated in settlement conferences. On October 27, 2023, the Company filed a Stipulation and Settlement (“Proposed Settlement”) and a Motion for Approval of Stipulation and Settlement (“Motion”). The Proposed Settlement was signed by Staff, the Company, and all Intervenors (collectively “the Parties”)

As part of the Proposed Settlement, the Parties agreed to allow Staff to complete its review of plant investments with the understanding that, with exceptions for the prudence concerns specifically noted in the Proposed Settlement, “all capital projects included in the Company’s test year are presumed to be prudently incurred” and “[t]o the extent Staff identifies potential prudence

concerns, it will identify specific plant investments to be the subject of further prudence review in the Company's next general rate case." The Parties agreed to allow Staff until December 1, 2023, to complete its review. This report is the result of Staff's review.

STAFF REPORT

In its Application, the Company requested recovery of approximately \$3.3 billion in new infrastructure investments made since the last general rate case, IPC-E-11-08, in 2011. These investments are attributed to approximately forty-three hundred (4,300) unique projects or Budget IDs encompassing over a hundred thousand individual work orders. Staff must determine whether (1) the Company's decision towards these capital investments is based on needs required to provide adequate service to its customers, and (2) that the Company has executed each project at a reasonable cost to customers.

Based on Staff's completed review and analysis, Staff believes the Company's capital investments within the framework and exceptions noted in the Proposed Settlement are prudent, and Staff does not believe that further prudence review in the next general rate case is necessary.

Description of Review

The Company provided documentation to support its decisions to make capital investments and Staff reviewed the information provided by the Company to ensure that the projects were realized at a reasonable cost. There were several contributing factors that delayed the completion of this review process for settlement purposes.

To mitigate some of these challenges and roadblocks in support of the Proposed Settlement, Staff relied on reviewing a sample or subset of all projects, which were not previously reviewed prior to the settlement conferences. The documentation requested was consistent with Staff's approach to assess the prudence of a project for the Company to obtain recovery for its capital investments. Staff relied heavily on an audit of the Company's processes and consistency of its adherence to those processes.

Results of Review

Based on the review described above, Staff did not find any evidence that would cause it to withhold a determination of prudence from any of the projects reviewed, and Staff has an acceptable level of confidence that the Company's capital investments represented for recovery in the Proposed Settlement are prudent.

However, Staff emphasizes the importance of the Company's commitment "to discuss capital project review options and documentation generally, and specifically for the Company's partnered plants, to establish a framework for future prudence reviews." Proposed Settlement at 12, 13. In addition, Staff did identify one issue regarding the timing and treatment of one of the Company's investments as discussed below.

Staff determined that the Company performs necessary pre-scoping in identifying a project. Once it is identified, an estimated budget is established, and a unique Budget ID is assigned through the Company's CLRIS database. After a project is assigned and prioritized, the Company initiates the design and construction phases of the project. At this stage, the Company can gain a proper understanding of the detailed budgeted cost for the projects. As the project progresses, budgets are reviewed, and updates are made on a quarterly basis based on need and time-sensitivity.

Staff had onsite meetings with the Company to inquire into specific issues identified from its review of information supplied by the Company. The Company explained and supported its approach to managing these individual projects. Following this review, Staff gained a better understanding of the legacy software's limitations, and how the Company currently monitors, tracks, and manages its capital projects through its updated and more complex software platforms. Staff learned that throughout the lifecycle of a project, the Company incorporates tools such as Microsoft Project, Azure DevOps, Microsoft Excel Spreadsheets, etc., to track the overall timeline, progress, and budget. The use of such tools is not universal across the Company, and it is solely dependent on the practices within the individual departments. In general, the Company also substantiated how it procures necessary equipment and services, which is consistent with Company guidelines and policies.

Through the detailed review, Staff discovered a timing issue with the project: Budget ID T731210001 - T731 Reconstruct the BOMT-HBRD 138kV line. The project is part of the Boardman to Hemingway project, but the Company is seeking recovery for a part of the project. In a teleconference meeting with the Company, it explained that this portion of the project is associated with an easement purchase that has been arguably in service since January 2023. Staff understands that this easement purchase is needed for the double circuit conversion (230/138 kV) of the existing transmission line. Although Staff believes this portion of the investment is prudent, Staff needs to ensure that such easements are similarly treated from an accounting perspective. As a result, Staff will continue to evaluate the proper accounting treatment of easements in Plant in

Service prior to projects being completed and whether such easements should be deemed used and useful.

CONCLUSION

Staff believes the Company's capital investments within the framework and exceptions noted in the Proposed Settlement are prudent, and Staff does not believe that further prudence review in the next general rate case is necessary.

Respectfully submitted this 1st day of December 2023.



CHRIS BURDIN
DEPUTY ATTORNEY GENERAL

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 1st DAY OF DECEMBER 2023, SERVED THE FOREGOING **REPORT REQUEST OF THE COMMISSION STAFF TO IDAHO POWER COMPANY**, IN CASE NO. IPC-E-23-11, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

LISA D NORDSTROM
DONOVAN E WALKER
MEGAN GOICOECHEA ALLEN
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: lnordstrom@idahopower.com
dwalker@idahopower.com
mgoicoecheaallen@idahopower.com
dockets@idahopower.com

TIMOTHY TATUM
CONNIE ASCHENBRENNER
MATT LARKIN
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: ttatum@idahopower.com
caschenbrenner@idahopower.com
mlarkin@idahopower.com

KELSEY JAE
LAW FOR CONSCIOUS LEADERSHIP
920 N CLOVER DR
BOISE ID 83703
E-MAIL: kelsey@kelseyjae.com

MICHAEL HECKLER
COURTNEY WHITE
CLEAN ENERGY OPPORTUNITIES
3778 PLANTATION RIVER DR
STE 102
BOISE ID 83703
E-MAIL: mike@cleanenergyopportunities.com
courtney@cleanenergyopportunities.com

ERIC L OLSEN
ECHO HAWK & OLSEN PLLC
PO BOX 6119
POCATELLO ID 83205
E-MAIL: elo@echohawk.com

LANCE KAUFMAN PhD
2623 NW BLUEBELL PLACE
CORVALLIS OR 97330
E-MAIL: lance@aegisinsight.com

PETER J RICHARDSON
RICHARDSON ADAMS PLLC
515 N 27TH ST
BOISE ID 83702
E-MAIL: peter@richardsonadams.com

DR DON READING
280 SILVERWOOD WAY
EAGLE ID 83616
E-MAIL: dreading@mindspring.com

JIM SWIER
MICRON TECHNOLOGY INC
8000 S FEDERAL WAY
BOISE ID 83707
E-MAIL: jswier@micron.com

AUSTIN RUESCHHOFF
THORVALD A NELSON
AUSTIN W JENSEN
HOLLAND & HART LLP
555 17TH ST STE 3200
DENVER CO 80202
E-MAIL: darueschhoff@hollandhart.com
tnelson@hollandhart.com
awjensen@hollandhart.com
aclee@hollandhart.com
clmoser@hollandhart.com

TOM ARKOOSH
ARKOOSH LAW OFFICES
PO BOX 2900
BOISE ID 83701
E-MAIL tom.arkoosh@arkoosh.com
erin.cecil@arkoosh.com

ED JEWELL
DARRELL EARLY
DEPUTY CITY ATTORNEY
BOISE CITY ATTORNEY'S OFFICE
PO BOX 500
BOISE ID 83701-0500
E-MAIL: BoiseCityAttorney@cityofboise.org
ejewell@cityofboise.org
dearly@cityofboise.org

WIL GEHL
ENERGY PROGRAM MANAGER
BOISE CITY DEPT OF PUBLIC WORKS
PO BOX 500
BOISE ID 82701-0500
E-MAIL: wgehl@cityofboise.org

MATTHEW NYKIEL
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL: mathew.nykiel@gmail.com

BRAD HEUSINKVELD
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL:
bheusinkveld@idahoconservation.org

PETER MEIER
US DEPT OF ENERGY
1000 INDEPENDENCE AVE SW
WASHINGTON DC 20585
E-MAIL: peter.meier@hq.doe.gov

DWIGHT ETHERIDGE
EXETER ASSOCIATES
5565 STERRETT PLACE
STE 310
COLUMBIA MD 21044
E-MAIL: detheridge@exeterassociates.com

F. DIEGO RIVAS
NW ENERGY COALITION
1101 8TH AVE
HELENA MT 59601
E-MAIL: diego@nwenergy.org

NORMAN M SEMANKO
PARSONS BEHLE & LATIMER
800 W MAIN ST STE 1300
BOISE ID 83702
E-MAIL: nsemanko@parsonsbehle.com

STEVE W CHRISS
DIR ENERGY SERVICES
WALMART INC
2608 SOUTHEAST J ST
BENTONVILLE AR 72716
E-MAIL: stephen.chriss@walmart.com

BENJAMIN J OTTO
1407 W COTTONWOOD CT
BOISE ID 83702
E-MAIL: ben@nwenergy.org

JUSTINA A CAVIGLIA
PARSONS BEHLE & LATIMER
50 W LIBERTY ST STE 750
RENO NV 89502
E-MAIL: jcaviglia@parsonsbehle.com



Ida Elmasian