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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR A) CASE NO. IPC-E-23-20
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO ACQUIRE)
RESOURCES TO BE ONLINE IN BOTH)
2024 AND 2025 AND FOR APPROVAL OF)
AN ENERGY STORAGE AGREEMENT WITH)
KUNA BESS LLC.)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

TIMOTHY E. TATUM

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

4 A. My name is Timothy E. Tatum. My business
5 address is 1221 West Idaho Street, Boise, Idaho 83702. I
6 am employed by Idaho Power as the Vice President of
7 Regulatory Affairs.

8 Q. Please describe your educational background.

9 A. I received a Bachelor of Business
10 Administration degree in Economics and a Master of Business
11 Administration from Boise State University. I have also
12 attended electric utility ratemaking courses, including
13 "Practical Skills for the Changing Electrical Industry," a
14 course offered through New Mexico State University's Center
15 for Public Utilities, "Introduction to Rate Design and Cost
16 of Service Concepts and Techniques" presented by Electric
17 Utilities Consultants, Inc., and Edison Electric
18 Institute's "Electric Rates Advanced Course". In 2012, I
19 attended the Utility Executive Course ("UEC") at the
20 University of Idaho, and subsequently served as a member of
21 the UEC faculty from 2015 through 2019.

22 Q. Please describe your work experience with
23 Idaho Power.

24 A. I began my employment with Idaho Power in 1996
25 in the Company's Customer Service Center where I handled

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1 customer phone calls and other customer-related
2 transactions. In 1999, I began working in the Customer
3 Account Management Center where I was responsible for
4 customer account maintenance in the areas of billing and
5 metering.

6 In June of 2003, I began working as an Economic
7 Analyst on the Energy Efficiency Team. As an Economic
8 Analyst, I was responsible for ensuring that the demand
9 side management ("DSM") expenses were accounted for
10 properly, preparing and reporting DSM program costs and
11 activities to management and various external stakeholders,
12 conducting cost-benefit analyses of DSM programs, and
13 providing DSM analysis support for the Company's Integrated
14 Resource Plan ("IRP").

15 In August of 2004, I accepted a position as a
16 Regulatory Analyst in the Regulatory Affairs Department. As
17 a Regulatory Analyst, I provided support for the Company's
18 various regulatory activities, including tariff
19 administration, regulatory ratemaking and compliance
20 filings, and the development of various pricing strategies
21 and policies.

22 In August of 2006, I was promoted to Senior
23 Regulatory Analyst. As a Senior Regulatory Analyst, my
24 responsibilities expanded to include the development of
25 complex financial studies to determine revenue recovery and

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1 pricing strategies, including the preparation of the
2 Company's cost-of-service studies.

3 In September of 2008, I was promoted to Manager of
4 Cost of Service and, in April of 2011, I was promoted to
5 Senior Manager of Cost of Service and oversaw the Company's
6 cost-of-service activities, such as power supply modeling,
7 jurisdictional separation studies, class cost-of-service
8 studies, and marginal cost studies.

9 In March 2016, I was promoted to Vice President of
10 Regulatory Affairs. As Vice President of Regulatory
11 Affairs, I am responsible for the overall coordination and
12 direction of the Regulatory Affairs Department, including
13 development of jurisdictional- revenue requirements and
14 class cost-of-service studies, preparation of rate design
15 analyses, and administration of tariffs and customer
16 contracts.

17 I. OVERVIEW

18 Q. What is the Company requesting in this case?

19 A. The Company is requesting the Idaho Public
20 Utilities Commission ("Commission") issue an order (1)
21 granting the Company a Certificate of Public Convenience
22 and Necessity ("CPCN") to acquire a total of 101 megawatts
23 ("MW") of new dispatchable energy storage necessary to meet
24 the identified capacity deficiencies in both 2024 and 2025,
25 (2) approving the 20-year Energy Storage Agreement ("ESA")

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1 between Kuna BESS LLC ("Kuna BESS") and Idaho Power for 150
2 MW of dispatchable energy storage capacity, and (3)
3 acknowledging the lease accounting necessary to facilitate
4 the transaction and that the resulting expenses associated
5 with the ESA are prudently incurred for ratemaking
6 purposes. Approval of this request is necessary to
7 position the Company to meet its obligation to provide
8 safe, reliable service to its customers.

9 Q. How is the Company's case organized?

10 A. My testimony begins with an overview of the
11 regulatory and operational considerations that guided the
12 Company's time-limited resource procurement actions
13 presented in this case. I will provide a brief discussion
14 of the proposed 101 MW of Idaho Power-owned battery storage
15 facilities for which the Company is requesting a CPCN,
16 detail how Idaho Power has met the requirements of *Idaho*
17 *Code* § 61-526 to obtain a CPCN and present why the
18 Company's request is in the public interest. In addition, I
19 will discuss the 150 MW ESA selected in combination with
20 the Idaho Power-owned battery storage, as the least-
21 cost/least risk resource mix needed to meet the 2025
22 capacity deficiency, and the accounting associated with
23 such agreement.

24 The direct testimony of Company witness Jared L.
25 Ellsworth presents the load and resource balance that

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1 identifies Idaho Power's newly identified 2024 capacity
2 deficit and the 2025 capacity deficit. In addition, Mr.
3 Ellsworth describes the evaluation of potential solutions
4 for meeting the capacity deficiency and identifies
5 additional near-term peak capacity needs which led to the
6 solicitation through a Request for Proposals ("RFP")
7 seeking to acquire energy and capacity to help meet Idaho
8 Power's previously identified capacity needs of 85 MW in
9 2024 and an incremental 115 MW in 2025 ("2022 RFP").

10 Mr. Eric Hackett's direct testimony provides an
11 overview of the procurement process used to evaluate the
12 various resources that competed to provide a capacity
13 resource to help meet Idaho Power's peak electric energy
14 needs, and the resulting least-cost, least-risk capacity
15 resources selected through the fair and competitive RFP
16 process.

17 **II. RESOURCE PROCUREMENT IN A DYNAMIC ENERGY LANDSCAPE**

18 Q. How has the Company responded to impacts that
19 a dynamic energy landscape has had on its planning and
20 operations?

21 A. Under Idaho law, Idaho Power has an
22 obligation to provide adequate, efficient, just, and
23 reasonable service on a nondiscriminatory basis to all
24 those that request it within its service area. Idaho Power
25 has experienced and expects sustained load growth, thereby

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1 requiring the addition of new dispatchable resources to
2 meet peak summer demand. To meet its obligation to
3 reliably serve customer load and fill the capacity
4 deficiencies identified beginning 2023, the Company
5 conducted a competitive solicitation through an RFP seeking
6 to acquire up to 80 MW of Idaho Power-owned resources, to
7 be online by June of 2023. Subsequently, similar to the RFP
8 issued to address the 2023 deficiency, given the short
9 turn-around to construct a resource to meet the deficit in
10 the summer of 2024, on December 30, 2021, the Company
11 conducted a competitive solicitation through the 2022 RFP
12 seeking to acquire energy and capacity to help meet Idaho
13 Power's capacity needs in 2024 and 2025.

14 Q. What were the results of the competitive
15 solicitation for resources to meet the identified capacity
16 deficiencies beginning in 2023?

17 A. The robust competitive bidding process
18 resulted in the selection of resources in both 2023 and
19 2024, which led the Company to immediately file requests
20 for a CPCN to acquire resources to be online in 2023¹ and
21 2024.² In addition, as described in the direct testimony of
22 Mr. Hackett, the 2022 RFP resulted in the selection of a
23 150 MW energy storage project, consisting of a 20-year ESA

¹ Case No. IPC-E-22-13

² Case No. IPC-E-23-05

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1 for a 150 MW battery storage facility and 77 MW of Idaho
2 Power-owned battery storage to meet the 2025 capacity
3 deficiency, as well as an additional 24 MW of Idaho Power-
4 owned battery storage for the newly identified 2024
5 capacity need. The combined procurement of the ESA and 101
6 MW of battery storage resources to be online in 2024 and
7 2025 are the basis for the Company's request in this case.

8 Q. What were the circumstances that led to the
9 capacity needs presented in this case?

10 A. As described more completely in the direct
11 testimony of Mr. Ellsworth, since the completion of the
12 2021 IRP, the Company has continued to monitor factors that
13 could influence the load and resource balance, and by
14 extension, Idaho Power's resource need. As a point of
15 reference, the near-term capacity deficiencies identified
16 in the load and resource balance prepared for the 2021 IRP
17 were approximately 101 MW in 2023, 186 MW in 2024, and 311
18 MW in 2025. Since that analysis was completed, the Company
19 has pursued procurement of resources to meet those
20 identified deficits, including the Franklin project, a 100
21 MW solar PV power purchase agreement ("PPA") in combination
22 with a 60 MW four-hour duration battery storage facility,
23 as well as the additional 12 MW four-hour duration battery
24 storage facility, currently under review by the Commission
25 in Case No. IPC-E-23-05. While ongoing procurement of

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1 additional resources has contributed to a reduction in the
2 identified capacity deficiencies, enhancements to the
3 system reliability calculations, continued load growth and
4 other factors, have led to changes in load and resource
5 balance. Idaho Power now estimates, even with the
6 additional planned resources currently under procurement, a
7 capacity deficiency of 8 MW still exists in 2024, while the
8 capacity deficiency in 2025 is 178 MW.

9 Q. What was Idaho Power's response to this new
10 load and resource balance information?

11 A. In response to these identified resource
12 needs, the Company has procured an incremental 24 MW of
13 Company-owned four-hour duration battery storage resources
14 to meet the additional 2024 capacity deficit. Further,
15 Idaho Power has executed an ESA for a 150 MW battery
16 storage facility and procured 77 MW of Company-owned four-
17 hour duration battery storage resources to satisfy the
18 identified capacity need in 2025. Combined, these new
19 resources represent 101 MW of Company-owned battery storage
20 facilities and a 150 MW battery storage ESA.

21 Q. Is the Company requesting binding ratemaking
22 treatment for the investments in the 101 MW Company-owned
23 battery storage facilities?

24 A. No. Idaho Power is still in the process of
25 negotiating agreements necessary for the battery storage.

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1 Therefore, the Company's request in this case is that the
2 Commission find Idaho Power has met the requirements of
3 *Idaho Code* § 61-526 and issue an order granting a CPCN to
4 acquire 101 MW of energy storage necessary to meet the
5 identified capacity deficiencies in 2024 and 2025. The
6 Company will make a future filing to address the cost
7 recovery associated with these projects.

8 Q. Is Idaho Power requesting approval of the ESA
9 in this case?

10 A. Yes. The Company is requesting the Commission
11 approve the 20-year ESA between Idaho Power and Kuna BESS
12 by November 26, 2023, acknowledging the energy purchases
13 are prudently incurred expenses for ratemaking treatment.
14 In addition, the Company is requesting the Commission
15 acknowledge the accounting treatment of the ESA, the first
16 of its kind for Idaho Power.

17 **III. ACCOUNTING TREATMENT OF ENERGY STORAGE AGREEMENT**

18 Q. What makes the ESA unlike other agreements
19 Idaho Power has executed for the procurement of resources?

20 A. Under the terms of the ESA, a 20-year tolling
21 agreement, Kuna BESS will construct, own and operate a
22 battery energy storage system, supplying 150 MW of capacity
23 on Idaho Power's system. Although similar to a PPA, the ESA
24 differs such that the Company controls the dispatch of
25 capacity of the battery storage facility. As such, under

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1 Generally Accepted Accounting Principles ("GAAP"), any
2 contract that provides the right to control an identified
3 asset over a period of time is considered a capital lease.

4 Q. What defines control under GAAP?

5 A. Control is defined by GAAP as both (1) the
6 right to obtain substantially all of the economic benefits
7 from use of an identified asset, and (2) the right to
8 direct use of the asset. Under the ESA both control
9 requirements, as defined by GAAP, are met, requiring Idaho
10 Power to record the ESA as a lease.

11 Q. What impact does the recording of the ESA as a
12 lease have on Idaho Power's financial statements?

13 A. With respect to the balance sheet, the Company
14 must record the fixed costs associated with the ESA as a
15 lease liability, with a corresponding right-of-use asset,
16 upon energization. This is equivalent to the present value
17 of the minimum, fixed lease payments, discounted at Idaho
18 Power's incremental borrowing rate for secured debt with a
19 similar term and similar payments at the time the lease
20 liability is recorded. If the Company were to record the
21 ESA today, the lease liability and right-of-use asset on
22 Idaho Power's balance sheet would each be approximately
23 \$ [REDACTED]. The fixed payments from Idaho Power in the
24 ESA are for the minimum capacity that the developer
25 guarantees, which is 90 to 95 percent of total contract

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1 capacity (150 MW). Payments for capacity above the minimum
2 developer-guaranteed capacity would vary based on the
3 effective capacity of the project and would be expensed
4 monthly, similar to the accounting of historical
5 Commission-approved PPAs.

6 Q. Does the lease have an income statement
7 impact?

8 A. Yes. First, upon energization of the asset,
9 Idaho Power will determine if it is an operating lease or a
10 finance lease, as defined by GAAP. Based on the Company's
11 initial review of the contract terms, Idaho Power believes
12 the lease would be recorded as a finance lease, as the
13 least term is for the majority of the remaining economic
14 life of the underlying asset, and the present value of the
15 sum of the fixed lease payments likely equals or exceeds
16 substantially all of the fair value of the underlying
17 asset. Under GAAP, the lease is considered a finance lease
18 if either of those criteria are met. Expenses under a
19 finance lease are front-loaded, and recorded as both
20 interest expense and amortization expense of the right-of-
21 use asset on the income statement.

22 Q. Please explain how the accounting entries
23 associated with the ESA would be recorded on a monthly
24 basis.

25 A. Confidential Exhibit No. 1 to my testimony is

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1 submittals under the 2022 RFP?

2 A. Yes. Once the Kuna BESS project was identified
3 as the least-cost/least-risk resource necessary for meeting
4 the Company's 2025 capacity deficiency, Idaho Power
5 evaluated the financial impact of such an agreement and the
6 resulting effect on the levelized cost of capacity.
7 However, even with inclusion of the additional costs
8 associated with the lease, the project remained the least-
9 cost/least-risk resource.

10 Q. Is the Company requesting the Commission
11 approve the accounting treatment associated with the ESA?

12 A. No. Because the value of the lease liability
13 and right-of-use asset will be based on Idaho Power's
14 incremental borrowing rate at the time the resource is
15 placed in service, which will likely change over time, the
16 Company is not requesting approval of the accounting
17 treatment at this time. Idaho Power is however requesting
18 the Commission acknowledge the lease accounting is
19 necessary to facilitate the transaction and that the
20 expenses associated with the ESA are prudently incurred
21 expenses for ratemaking treatment. The Company will address
22 any regulatory accounting necessary and required under GAAP
23 closer to commencement of operation of the battery storage
24 facility, and in a later proceeding.

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VI. CONCLUSION

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Q. Please summarize your testimony.

3

A. Idaho Power has an obligation to reliably
4 serve customer load. To meet its obligations to customers
5 and fill the capacity deficiencies in a very short window
6 of time, the Company conducted a competitive solicitation
7 through an RFP seeking to acquire energy and capacity to
8 help meet Idaho Power's currently identified needs in 2024
9 and 2025. The resulting combined projects will provide for
10 an ESA for a 150 MW battery storage facility and the
11 acquisition of 101 MW of Idaho Power-owned battery storage
12 facilities to meet forecasted peak capacity needs. Idaho
13 Power has met the requirements of *Idaho Code* § 61-526 and
14 is requesting the Commission issue a CPCN and find the
15 expenses associated with the ESA are prudently incurred
16 expenses for ratemaking treatment.

17

Q. Does this complete your testimony?

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A. Yes, it does.

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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 and Confidential Exhibit No. 1 in this matter.

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

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

SIGNED this 26th day of May 2023, at Boise, Idaho.



Signed: _____
Timothy E. Tatum

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-23-20**

IDAHO POWER COMPANY

**TATUM, DI
TESTIMONY**

EXHIBIT NO. 1

CONFIDENTIAL ATTACHMENT