BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR	)	CASE NO. IPC-E-24-07
AUTHORITY TO INCREASE RATES FOR	)	
ELECTRIC SERVICE TO RECOVER	)	
COSTS ASSOCIATED WITH	)	
INCREMENTAL CAPITAL INVESTMENTS	)	
AND CERTAIN ONGOING OPERATIONS	)	
AND MAINTENANCE EXPENSES.	)	

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

TIMOTHY E. TATUM

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

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

Q. Please describe your educational background.

A. I earned a Bachelor of Business Administration degree in Economics and a Master of Business Administration degree from Boise State University. I have also attended electric utility ratemaking courses, including "Practical Skills for The Changing Electric Industry," a course offered through the New Mexico State University's Center for Public Utilities, "Introduction to Rate Design and Cost of Service Concepts and Techniques" presented by Edison Electric Utilities Consultants, Inc., and Edison Electric Institute's "Electric Rates Advanced Course." In 2012, I attended the Utility Executive Course ("UEC") at the University of Idaho.

Q. Please describe your work experience with Idaho Power.

A. I began my employment with Idaho Power in 1996 in the Company's Customer Service Center where I handled customer phone calls, customer-related transactions, and general customer account maintenance in the areas of billing and metering.

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

In August 2004, I accepted a position as a Regulatory Analyst and in August of 2006, I was promoted to Senior Regulatory Analyst. As a Senior Regulatory Analyst, my responsibilities included the development of complex financial studies to determine revenue recovery and pricing strategies, including preparation of the Company's cost-of-service studies.

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

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

Q. What is the purpose of your testimony in this proceeding?

A. My testimony presents Idaho Power's request for rate relief related to a limited set of revenue requirement categories, including 2024 incremental plant additions to rate base and incremental ongoing labor costs, both as measured from the revenue requirement approved by Order No. 36042 issued in the Company's last general rate case, IPC-E-23-11 ("2023 GRC").

My testimony will also inform the Idaho Public Utilities Commission ("Commission") of the circumstances driving the need for the Company's request including sustained customer growth requiring significant, ongoing capital investment necessary to maintain a safe, reliable electric system into the future. Correspondingly, the Company believes that such growth warrants careful consideration of appropriate ratemaking methodologies that balance timely cost recovery with affordability for customers.

Q. What role did you play in the preparation of the limited issue rate request?

A. My role in the preparation of this case was to oversee, manage, and coordinate the filing and to make the policy decisions related to regulatory matters in consultation with other senior officers within Idaho Power.

Q. What is Idaho Power's request in this case?

A. Idaho Power is requesting to increase Idaho base rates to include 2024 capital additions and to reflect ongoing labor-related operations and maintenance ("O&M") expenses ("O&M Labor") since the Company's 2023 GRC. If approved, this request would result in an overall increase to Idaho jurisdictional base revenue of approximately $99.3 million, or 7.31 percent, effective January 1, 2025.

Q. Why is Idaho Power proposing these specific adjustments rather than filing a general rate case?

A. Idaho Power developed the scope of this proceeding with the goal of balancing timely cost recovery while keeping customer affordability top-of-mind. Idaho Power plans to invest nearly one billion dollars in its system in 2024 and an average of $796 million over the next five years to meet the growing customer demand and to maintain a safe, reliable electric system. The associated incremental depreciation and interest expense is of a level that Idaho Power cannot earn a reasonable rate of return nor maintain sufficient cash flow metrics without the relief sought in this case. The Company is also experiencing increased labor costs to attract and retain a skilled workforce and other inflationary pressures throughout its business.

As the Company developed its plan for this case, thoughtful recognition was given to the fact that the Commission issued an order approving its last general rate case just months ago. That general rate case involved a full audit and review of the Company's financial information, over a decade of capital investment, rates of return, service levels, cost-of-service studies, rate design, rules and regulations and more. Rather than starting this process over again just months after the prior case concluded, the Company looked specifically at what cost drivers must be addressed through an immediate rate request and which revenue requirement components it could forego revisiting in the near-term by applying diligent cost management. The Company believes the targeted approach to cost recovery presented in this case will provide timely cost recovery, while minimizing the rate increases customers might otherwise experience with a full general rate case.

Q. Please provide an overview of the Company's limited scope rate case filing.

A. The Company begins the presentation of its case with my testimony, which provides a general overview of the case and covers Idaho Power's current financial and operating situation driving the need for the requested rate relief. My testimony also addresses certain regulatory policy matters related to the development and need for this limited scope rate case. Finally, my testimony presents the Company's recommendation regarding the derivation of class-specific revenue targets and development of rates.

Mr. Matthew Larkin, Revenue Requirement Senior Manager, discusses the development of the Idaho Results of Operations ("ROO") and the conclusions that can be drawn from the analysis. Mr. Larkin also describes how the Company utilized the 2023 GRC settlement as a starting point from which he made adjustments to determine the 2024 incremental revenue requirement. Once he determined the system-level 2024 incremental revenue requirement, Mr. Larkin supervised the preparation of the jurisdictional separation study utilized to determine the Idaho jurisdictional incremental revenue requirement.

Mr. Eric Hackett, Projects and Resource Development Director, discusses generation-related major projects expected to be completed during 2024. He presents the prudent nature of these investments, detailing why they are needed to ensure Idaho Power's generation fleet is robust and well-positioned to provide continued safe, reliable service to customers. Mr. Hackett is also the witness who presents the costs associated with the utility-scale battery projects placed into service in 2024 and explains why the investment in these facilities reflects the least-cost, least-risk option to ensure sufficient capacity to meet customer demand in 2024 and beyond.

Finally, Mr. Mitch Colburn, Vice President of Planning, Engineering and Construction, discusses investments the Company has made in the electrical grid to ensure the provision of safe, reliable service to customers. Mr. Colburn presents the transmission and distribution-related investments expected to be completed in 2024 that demonstrate the Company's prudent investment in the electrical grid at the transmission and distribution levels. He also discusses the Wood River Valley Reliability Project, a combined distribution and transmission project, the distribution portion of those investments which are proposed for recovery in this case. Mr. Colburn concludes with a discussion of a project resulting from a grid modernization initiative.

Q. Did Idaho Power discuss this limited scope rate case concept with the Commission Staff ("Staff")and other key stakeholders?

A. Yes. On March 7, 2024, Idaho Power met with Staff and all intervening parties from the 2023 GRC to discuss the merits of a potential limited scope rate proceeding in lieu of a full general rate case. At that meeting, the Company presented a high-level “strawman” proposal for the potential scope and structure of such a filing and answered questions from the group. Following that meeting, Staff met with the same parties without the Company present to further discuss the merits of a limited scope filing. After that second meeting, Staff notified the Company that it was generally supportive of the Company’s proposed limited scope case approach, and subsequently, each of the other parties indicated their alignment with Staff.

Q. Did Staff or the other parties agree to any specific methodologies for preparing the limited scope case?

A. No. Staff and parties indicated support for a limited scope case in concept but wanted to reserve the right to review and potentially present alternative ratemaking methodologies within the defined case scope during the processing of the case.

Q. How did the Company prepare the 2024 incremental revenue requirement in this proceeding?

A. Idaho Power prepared its 2024 incremental revenue requirement in this case using the same general rate base and labor forecast methodologies used in the 2023 GRC, with certain adjustments. However, instead of starting with actual 12-month financial results, adjusted to include typical and traditional ratemaking adjustments, the Company has used the final approved revenue requirement from the 2023 GRC as the starting point to determine the incremental revenue requirement.

Q. Is the Company requesting authority to adjust its authorized rate of return or any other revenue requirement categories as part of this case?

A. No. The Company's request applies the overall rate of return approved in the 2023 GRC and does not seek to adjust any other revenue requirement components such as non-labor O&M expense, net power supply costs, other revenue, etc. Under the Company's proposal, base rates would continue to reflect the 2023 GRC settlement amounts for those categories considered "out of scope" for this case.

Q. Are there any other revenue requirement categories considered out of scope in this case?

A. Yes. Idaho Power has excluded any expected 2024 capital projects associated with the Jim Bridger Power Plant ("Bridger") and the North Valmy Generating Station

("Valmy") from the incremental 2024 revenue requirement. For each of these plants, Idaho Power currently has in place separate rate mechanisms that utilize balancing accounts and levelized revenue collection to smooth recovery over the assets' remaining lives. Because of the changing nature of operations at these facilities (i.e., changing end-of-life assumptions and/or conversion to natural gas), Idaho Power intends to make a filing before the Commission in the coming months to update the mechanisms for both Bridger and Valmy. Consequently, the Company has excluded 2024 Bridger and Valmy investments from this case.

Q. Is the Company presenting a new class cost-of-service study ("COSS") or any rate structural changes as part of this case?

A. No. The request in this case relies on the class COSS from the 2023 GRC and does not propose any rate structural changes, as described in greater detail later in my testimony.

I. OPERATIONAL AND FINANCIAL CONSIDERATIONS

Q. Why do you believe the increase requested in this case is necessary?

A. The requested increase is important for Idaho Power to have an opportunity to achieve fair and timely recovery of its prudently incurred expenses and a reasonable return on the Company’s investment in its electrical system, which today’s rates will not fully provide. High growth in customer demand for electricity, aging infrastructure, and higher compliance and reliability requirements are driving the need to invest large amounts of capital to expand and improve electricity supply, delivery, and reliability. This increases the Company’s need to access both the debt and equity markets to fund large amounts of capital investment in the system. In this environment, timely and fair recovery of the Company’s prudently incurred expenses and investments is critically important to helping it attract capital investment and manage financing costs, which ultimately benefits the Company’s customers.

Q. What are the challenges facing the Company?

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

Idaho Power's credit quality, as measured by the national credit rating agencies, is now near the low end of investment grade. Since February 2023, two credit rating agencies have issued notices that Idaho Power's credit metrics have deteriorated. And one of those agencies currently has the Company on "negative outlook." Rates in effect today will not provide the Company with sufficient cash flow nor an opportunity to earn a rate of return necessary to assure adequate access to the capital markets to finance needed investments in 2025 and beyond. Any delay in or lack of recovery of prudent operating or financing costs is seen as risk by the financial community, including the credit rating agencies, during this period of growth in capital investment.

Q. You mentioned growth in investment over the next few years. What is driving that growth in investment?

A. The Company's service area continues to experience rapid growth. Idaho Power's customer base grew by 2.4 percent in 2023, and it now serves more than 630,000 customers. The Company also established a new all-time winter peak load of 2,719 megawatts in January 2024.

Since 2010, the Company's actual system peak has grown 1.5 percent per year on average, and over the next five years Idaho Power expects to experience unprecedented growth with an annual system peak increase of approximately 3.7 percent per year. This growth includes several new and expanding large load customers, including the nearly 1 million square-foot Meta data center, Lamb Weston's $415 million plant expansion and Micron's $15 billion dollar expansion.

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

Idaho Power's aging transmission and distribution infrastructure requires continued investment in upgrades and replacement to maintain their operational viability. The Company's aging hydroelectric and thermal generation facilities also require continuing investment in upgrades and component replacement. Further, the Company is operating in an environment of ever-increasing reliability and compliance standards that also require increased levels of investment.

Q. What is the level of capital investment needed to maintain a safe, reliable grid and support the level of growth expected over the next five years?

A. As can be seen on Exhibit No. 1, the Company plans to invest nearly one billion dollars in new infrastructure in 2024 and an average annual investment of $796 million over the next five years, with the potential for that amount to increase notably based on additional infrastructure needs to serve customer growth. The associated depreciation expense is expected to grow by $31.5 million in 2024 and will continue to increase over the next five years.

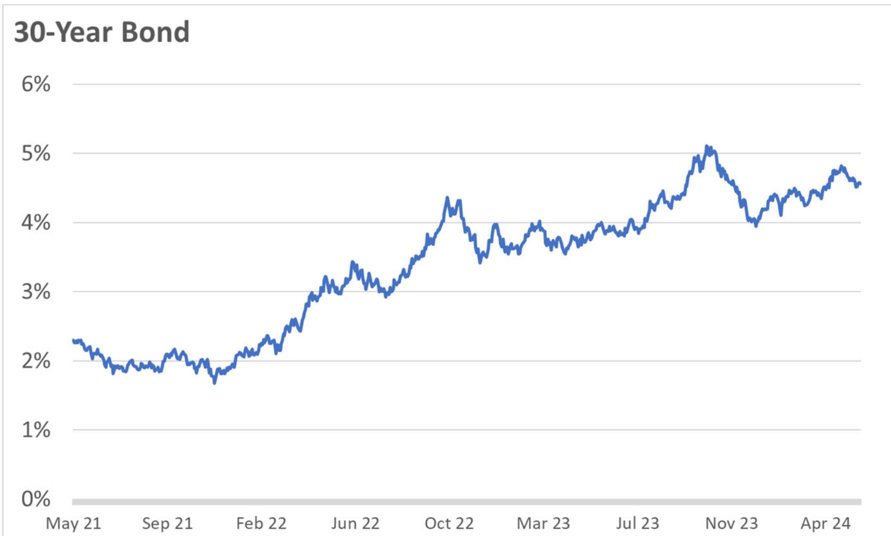
The Company cannot absorb the depreciation and financing expense associated with the incremental plant investment without the requested rate relief in this case, and likely subsequent rate adjustments going into the future.

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

A. Over the last decade, Idaho Power has taken advantage of historically low interest rates. However, borrowing costs have risen dramatically since December 2021, as the Federal Reserve has taken action to address inflation in the United States ("US") economy. As seen in

Figure 1, as of May 21, 2024, 30-year US Treasury bond yields have risen from around 1.8 percent near the start of 2022 to as high as 5.1 percent in late 2023 and have recently been between 4.5 to 4.6 percent, a 150 percent increase over that period.

FIGURE 1



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

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

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

A. A combination of supply and demand factors have resulted in persistent high inflation since early 2020. Idaho Power is continuing to see escalated pricing across most commodities: Since 2020, core steel is up 113 percent, aluminum pricing is up 26 percent, and high-grade copper has increased 43 percent.

These increases translate directly into price escalations for key pieces of equipment needed to serve our customers and maintain the reliability of our system. The average cost of transformers has increased by 68 percent, wood poles by 46 percent, and electrical cable by 52 percent.

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

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II. REGULATORY LAG

Q. What is meant by the term "regulatory lag?"

A. James C. Bonbright defined regulatory lag as "the quite usual delay between the time when reported rates of profit are above or below standard and the time when an offsetting rate decrease or increase may be put into effect by commission order or otherwise."[1] In the context of this particular rate proceeding, regulatory lag refers to the time period between when a capital investment is made by the Company and when the Company begins to recover that investment through customer rates. Further, the same concept is applicable to O&M Labor costs in this instance.

Q. What attributes should be considered when assessing the impacts of regulatory lag?

A. The ratemaking process is inherently prospective and requires reliance upon projections. It requires an informed determination of what conditions will prevail in the future. As of the date of filing, Idaho Power has used its best financial and operational information to construct its 2024 incremental revenue requirement.

Utilities that operate in a period of rapid expansion and rate base growth, like Idaho Power is today,

[1] James C. Bonbright, Principles of Public Utility Rates 96 (2d ed. 1988).

will chronically under-earn if ratemaking process relies solely on historical financial information and fails to synchronize the matching of future expenses and revenues.

Ultimately, Idaho Power must apply a ratemaking approach that is both timely and reflective of the costs that the Company can reasonably expect to incur going forward. A ratemaking approach based on a reasonable forecast, as well as reasonable known and measurable adjustments, will be more indicative of the costs the Company will be experiencing during the time rates are in place, thereby reducing the negative effects of regulatory lag.

Q. Why is regulatory lag such a critical issue to Idaho Power at this time?

A. During this current period of escalating costs where marginal costs are higher than average costs, new rates are already inadequate by the time they go into place. If this situation continues for a prolonged period, the Company will be denied a reasonable opportunity to earn its authorized rate of return. The effects of regulatory lag are particularly pronounced because the Company is currently engaged in capital-intensive projects where interest rates to finance capital projects have remained at relatively elevated levels.

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Q. Has regulatory lag had an impact on the Company's credit ratings?

A. Yes. Moody's recently placed Idaho Power's current Baa1 credit rating on "negative outlook" and a February 2023 note from Standard and Poor's ("S&P") indicated a downgrading of its liquidity assessment of the Company from "strong" to "adequate"; these actions by the ratings agencies provide a backdrop for Idaho Power's need to increase its cash collections from customers.

Any credit rating changes would likely impact both short-term and long-term borrowing costs and IDACORP's cost of equity, as lower ratings drive higher risk premiums, and would also likely impact Idaho Power's wholesale commodity contracts, and the perception of suppliers, contractors, and other vendors on our ability to pay for normal O&M costs, as well as construction contracts.

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

A. Moody's stated, "without the benefit of more incremental and timelier rate relief through riders, quicker asset recovery via depreciation rates or more frequent base rate increases, IPC's credit metrics will no longer be sustained at levels supportive of the Baa1 rating."[2] Moody's also cited wildfire risks as a factor weighing down Idaho Power's credit metrics; however, Moody's also pointed to positive actions the Company is taking to mitigate wildfire risks in its service territory. A copy of Moody's press release is included as Exhibit No. 2. Further, S&P cited the Company's reliability and economic growth-driven capital spending needs as reflecting its liquidity downgrade, as it perceives "elevated capital spending that will result in a modest weakening of the company['s] liquidity throughout the forecast period."[3] A Copy of S&P's Research Update is included as Exhibit No. 3.

Q. Is Idaho Power recommending any specific ratemaking adjustments in this case to mitigate the negative impacts of regulatory lag?

A. Yes. First, the Company requests approval of 2024 incremental rate base of approximately $731 million based on year-end 2024 projected plant balances. The use of year-end plant balances as opposed to a historical monthly average will ensure that the rate base included in customer rates reflects plant investments placed in service up to the time rates go into effect, thereby reducing, albeit not

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[2] Rating Action: Moody's changes IDACORP and Idaho Power outlooks to negative; affirms ratings, Moody's Investors Service 2(Mar. 7, 2024).
[3] IDACORP Inc, Idaho Power Co Liquidity Assessments Revised to Adequate; 'BBB' Long- And 'A-2' Short-Term Rtgs Affirmed 1 (Feb. 7, 2023).

eliminating, regulatory lag. Second, the Company proposes to adjust base rates to reflect projected labor costs that will exist at the time rates go into effect. That is, the Company is requesting recovery of 2024 labor costs adjusted to include a projected 2025 general wage adjustment to represent labor costs that will be in effect on January 1, 2025.

Q. To what extent does the Company's proposed rate base determination reduce regulatory lag?

A. The effectiveness of the Company's proposed year-end 2024 plant balance method at reducing the harmful impact of regulatory lag is demonstrated by comparison with the 13-month average historical plant balance method, which would reduce system-level plant-in-service in this case by approximately $337 million. That is, the use of a 13-month average rate base method would result in approximately $337 million dollars of capital investment that Idaho Power will have made to serve its customers safely and reliably by January 1, 2025, not being eligible to earn an authorized rate of return until some future rate case.

Q. Has the Commission previously approved the use of projected year-end plant balances for rate base determinations in past rate proceedings?

A. Yes. In Idaho Power's 2008 General Rate Case, IPC-E-08-10, the Commission approved the use of projected year-end plant balances for projects having a cost more than $2 million.[4] The Commission again approved this year-end plant balance methodology when it approved a settlement stipulation in the Company's 2011 General Rate Case, IPC-E-11-08, in Order No.32426.

Q. What is the expected dollar amount of the 2025 general wage adjustment proposed for recovery in this case?

A. The inclusion of the expected 2025 general wage adjustment in this case increased the incremental revenue requirement by $5.9 million on a system basis. This represents the projected incremental 2025 costs associated with attracting and retaining a skilled workforce. Excluding these costs from base rates effective January 1, 2025, would negatively impact the Company's cash flow metrics and decrease Idaho Power's opportunity to earn its authorized rate of return.

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

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[4] Case No. IPC-E-08-10, Order No. 30722 at 8-9("The Commission accepts the adjustments Idaho Power made to the test year rate base to add capital investments of less than $2 million, and to add and annualize actual investments greater than $2 million. Staff reviewed the group of smaller investments as projected for 2008 and determined the projected balances are reasonable for what was anticipated to be actual costs by the end of the year. The Commission's acceptance of this adjustment should not be seen as a blanket endorsement of the forecast methodology used to add smaller plant costs to test year rate base. The burden remains on the Company to demonstrate that its proposed test year balances represent known and measurable expenditures.")

A. Not necessarily. The requested rate relief is unlikely to improve the ratings, and there is still a risk that one or both rating agencies may downgrade the Company's credit ratings. The credit rating agencies have built their models and assumptions, in part, based on forecasts Idaho Power has discussed with them. Those forecasts have contemplated the rate relief requested in this case. The request in this case seeks to address more timely cash collections related to capital investments with the use of the year-end plant balance method, which will be viewed by the credit rating agencies as positive for their assumed liquidity and other credit metrics. However, in light of the continued regulatory lag that would exist during 2025 even with the use of period-end rate base, the Company's credit metrics will remain under pressure. Financing capital expenditures with indebtedness at relatively high interest rates, dilutive equity issuances, and inadequate offsetting operating cash flow from collection through customer rates combine to put pressure on the Company's financial condition and credit metrics in 2024 and 2025, and in subsequent years absent further reduction in regulatory lag.

Q. Is regulatory lag always harmful to a utility?

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A. No. The impact of regulatory lag is dependent upon the situation – if overall revenue growth is keeping pace with cost escalation, and the Company is not engaged in capital-intensive projects and procuring debt and equity financing for those projects, then the Company is not typically harmed by regulatory lag. Unfortunately, Idaho Power is not in that situation currently, and will not likely be for the foreseeable future.

III. DILIGENT COST MANAGEMENT

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

A. All new, un-budgeted positions must be reviewed and approved by the Company's Chief Financial and Chief Operating Officers. The Company's careful management of labor costs is evidenced by the fact that, even with adding approximately 120,500 customers between 2013 and 2023, employee headcount has only increased by 72 people over the same time period. That is an increase in customer count of 23.9 percent over that period, and an increase of only 3.5 percent in labor count over that same period.

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

A. Idaho Power's compensation philosophy is to provide a balanced, competitive, and sustainable total compensation or "total rewards" package, ensuring it attracts and retains high quality employees and motivates them to achieve performance goals that benefit customers and shareholders. Maintaining a competitive total rewards package allows the Company to recruit and retain its highly skilled workforce. The competitiveness of Idaho Power's total rewards package also supports the Company's intent to maintain a flexible workforce that can easily adjust work duties and assignments to meet changing demands and operational needs, which in turn keep the Company's costs of service lower.

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

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

O&M budgets are established based on extensive discussions between the business units and senior management and represent a combination of prior year experience plus or minus identified changes and adjustments. As the Company prepared its O&M budgets for 2024, the target was based on holding to a 2023 budget adjusted down for known items and with only identified unavoidable increases allowed as an adjustment.

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

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

A. Yes, very much so. As can be seen in Figure 2, the Company's overall O&M expenses, excluding power supply expenses and demand-side management expenses, have remained relatively flat between 2012 and 2023, with an uptick in 2022 and 2023 resulting from recent inflationary pressures. Even with those recent inflationary factors, the Company has held O&M expenses to an average annual growth rate of just over 1 percent over that period.

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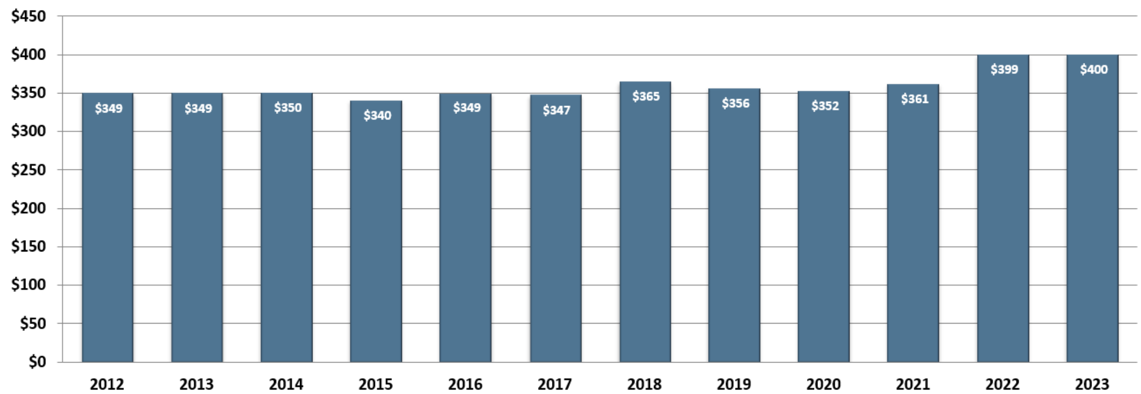
FIGURE 2

2012-2023 Operating and Maintenance Expenses



IV. IDAHO RESULTS OF OPERATIONS

Q. Has the Company prepared an analysis that supports the need for the rate relief requested in this case?

A. Yes. As detailed in Mr. Larkin's testimony, the Company has prepared a 2024 pro-forma ROO to demonstrate that existing rates resulting from the settlement stipulation ("2023 Stipulation") approved in the Company's most recently completed 2023 GRC, do not provide for sufficient cost recovery given investment and cost expectations for 2024. The ROO demonstrates that a rate adjustment is needed to appropriately capture increasing costs and ensure the Company remains financially healthy and able to continue providing safe, reliable electric service to customers.

Q. Please generally describe the methodology utilized to develop the ROO.

A. The starting point for the ROO is actual 2023 year-end results. The Company then applied typical ratemaking adjustments, such as the normalization of revenues and the removal of non-rate case items such as Energy Efficiency Rider funded expenses and revenues, to develop adjusted year-end 2023 results. Then, to provide a consistent comparison with the results of the 2023 GRC, Idaho Power applied certain ratemaking adjustments as contemplated in the 2023 Stipulation to align the ROO with the methodological results of that case. Finally, the Company layered on incremental capital and O&M Labor expectations to determine the sufficiency of current rates to provide adequate cost recovery.

Q. What are the results of the ROO?

A. The results of the ROO indicate revenue from existing rates falls short of the level required to provide Idaho Power with a reasonable opportunity to earn its authorized rate of return. As described by Mr. Larkin, the ROO indicates an expected rate of return ("ROR") of 5.80 percent in 2024, which reflects an Idaho jurisdictional return on equity ("ROE") of 6.7 percent. These values are well below the Company's currently authorized ROR of 7.247 percent and currently authorized ROE of 9.6 percent.

Q. Based on these results, is it necessary to increase Idaho Power's retail rates?

A. Yes. The 2024 incremental revenue request of $99,293,220 is justified and necessary given the results of the ROO. Absent the requested rate increase, current base rate revenue is not sufficient to allow the Company even a slight chance to earn near its authorized ROR or to maintain adequate cash flow metrics as it continues to make significant levels of investment in the electrical grid.

V. <u>REVENUE SPREAD</u>

Q. Please describe Idaho Power's proposed method of assigning the incremental revenue requirement of $99,293,220 to individual classes of customers?

A. The Company proposes to spread the incremental revenue requirement to customer classes in a manner that relies on agreed upon methods from the 2023 Stipulation. More specifically, the Company's proposed method consists of two steps: (1) the class cost-of-service methodology filed in the 2023 GRC is relied upon to allocate the incremental rate base and expenses to customer classes, and then (2) the cap and spread parameters agreed to in the 2023 Stipulation are then applied to each customer class. These parameters include a cap of 130 percent and a floor of 50 percent of the overall 7.31 percent increase, or 9.50 and 3.65 percent, respectively. As a result, the Company proposes the following allocation of the base price increase by rate schedule:

FIGURE 3

Customer Class	**Proposed Rate Change**
Residential Service – Schedule 1, 3, 5 and 6	7.25%
Small General Service – Schedule 7 and 8	7.30%
Large General Service, Secondary – Schedule 9	6.86%
Large General Service, Primary/Transmission – Schedule 9	6.74%
Area Lighting – Schedule 15	3.65%
Large Power Service – Schedule 19	7.10%
Irrigation Service – Schedule 24	9.50%
Non-Metered General Service – Schedule 40	7.46%
Municipal Street Lighting – Schedule 41	5.96%
Traffic Control Lighting – Schedule 42	9.50%
Micron Special Contract – Schedule 26	5.53%
Simplot Pocatello Special Contract – Schedule 29	4.58%
DOE/INL Special Contract – Schedule 30	3.84%

Q. Do you have an exhibit that details the class revenue requirement determination?

A. Yes. Exhibit No. 4 provides a detailed walkthrough of the revenue requirement allocation process. This includes the derivation of the class cost-of-service results, the application of cap and spread parameters, and the final revenue allocation by customer class.

Q. Did the Company consider other rate spread methods?

A. Yes. The Company considered the merits of two alternative methods, the first of which results in allocating the requested increase to the customer classes based on a pro-rata share of the revenue increase from the Commission-approved settlement stipulation in the last general rate case. The second alternate method results in a uniform percentage increase for each customer class. While these approaches are more simplified than the Company's proposed method, neither of these alternative approaches recognize the cost drivers specific and unique to this case and, therefore, would result in additional inter-class subsidization. The Company acknowledges that parties did not explicitly agree to the underlying assumptions in the class cost-of-service study in the 2023 GRC; however, the study was relied upon for class allocation purposes in the 2023 Stipulation, and therefore, the Company is proposing to maintain consistency with this approach to allocate the revenue increase to customer classes equitably.

Q. How did the Company develop its proposed adjustments for special contract customer rates?

A. Consistent with the 2023 class COSS, Micron (Schedule 26), Simplot - Pocatello (Schedule 29), and the United States Department of Energy (Schedule 30), customers received their own individual revenue allocations. While the 2024 sales forecast included Simplot – Caldwell (Schedule 32) and Lamb Weston (Schedule 34) as individually forecasted loads, because both were included as part of the Schedule 19 customer class in the 2023 GRC, their forecasted sales were included in the Schedule 19 class for purposes of developing the Schedule 19 class revenue spread.[6] Accordingly, the non-Service Charge rates for

[6] Brisbie (Schedule 33) proposed rates adjusted in accordance with Schedule 19, Large Power Service, Transmission rates. Rate increase not applied to Block 2 Energy Charges.

Schedules 32 and 34 changed uniformly to target the 7.10 percent increase allocated to the Large Power Service class shown in Figure 3 above.[7]

Q. How does Idaho Power propose to apply the proposed class revenue increase to customers' rates?

A. The Company is generally not proposing changes to rate design with two exceptions. The proposal in this case is to collect the increased customer class revenue allocation through a uniform increase to each class's applicable billing components with no change to the Service Charge. However, for the residential classes (Schedules 1, 3, 5, and 6), pursuant to the 2023 Stipulation and as authorized by Commission Order No. 36042, the Company's service charge will increase from $10 to $15 on January 1, 2025, coincident with the rate changes proposed in this case. Second, for Schedule 26, the Company proposes to only collect the increased revenue allocation through the demand-related charges in recognition of their Renewable Resource Agreement.

VI. CONCLUSION

Q. Please summarize Idaho Power's requested revenue increase in this case?

[7] Rate increase not applied to Block 2 Energy Charges.

A. The Company is requesting rate relief of approximately $99.3 million. If approved, this request would result in an overall increase to adjusted base revenue of 7.31 percent effective January 1, 2025.

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

A. This increase is important for Idaho Power to achieve fair and timely recovery of its prudently incurred expenses and a reasonable return on the Company's investment in its electrical system, which today's rates will not fully provide.

Timely and fair recovery of the Company's prudently incurred expenses and investments is vital in helping it attract capital investment and manage financing costs, both of which are critically important as the Company prepares to serve its expected load growth reliably, safely, and affordably, in part by making capital investments of at least $4 billion over the next five years. By providing for fair and timely recovery of the Company's expenses it incurs on behalf of customers and investments in the systems and activities that serve its customers, this rate increase is in the best interests of the Company, its shareholders and debtholders who finance the Company's operations, and the people and communities the Company serves.

Q. Does this conclude your testimony?

A. Yes, it does.

//

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 Exhibits Nos. 1 through 4 in this matter.

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 31st day of May 2024, at Boise, Idaho.

Signed: ____________________
Timothy E. Tatum

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-24-07

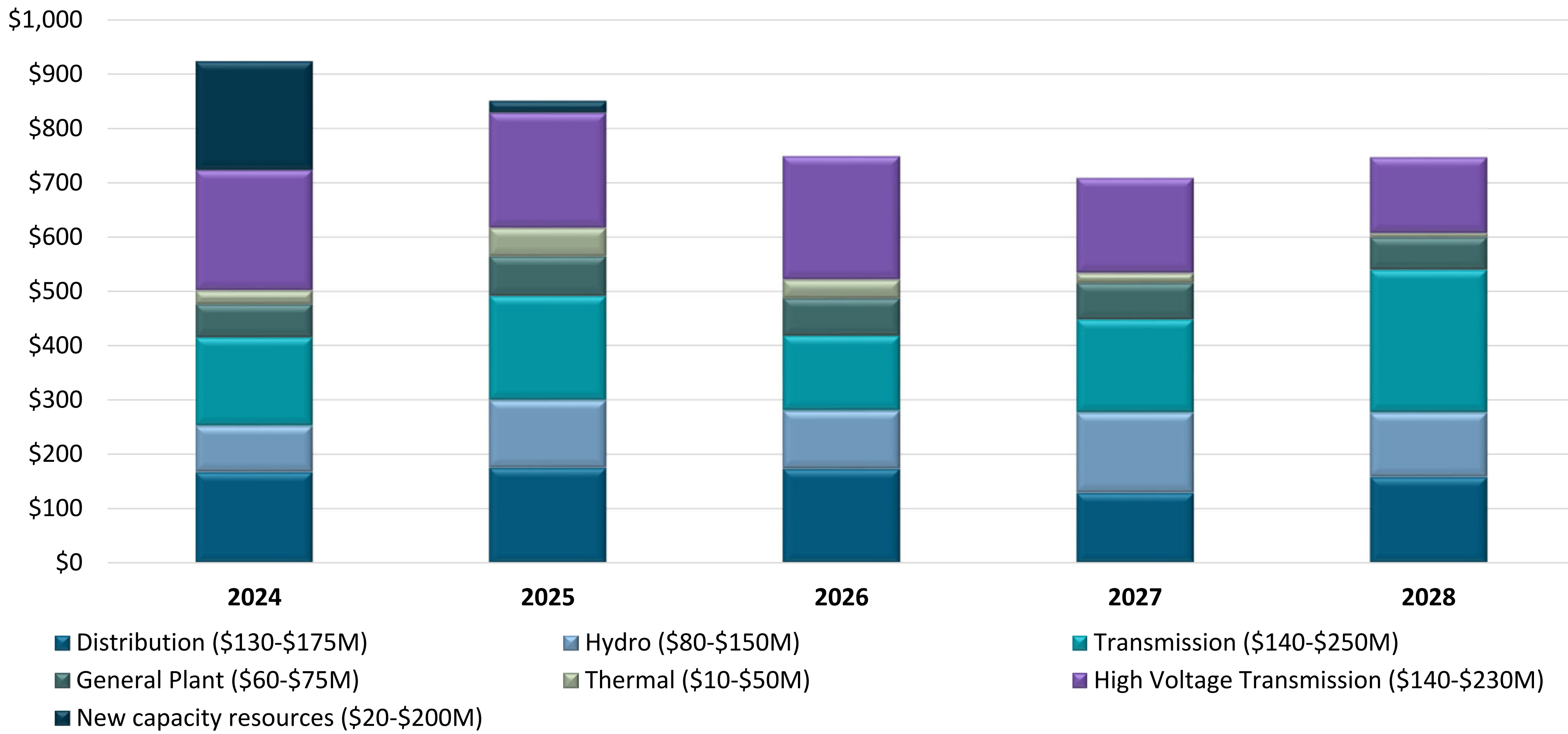
IDAHO POWER COMPANY

TATUM, DI
TESTIMONY

EXHIBIT NO. 1

Idaho Power Capital Expenditures Forecast[1]

2024 – 2028



[1] As of February 15, 2024. This graphic is a representation of the 5-year capital expenditures forecast. See page 55 of IDACORP's 2023 Form 10-K for a summary of project types included in the 5-year forecast.

Exhibit No. 1
Case No. IPC-E-24-07
T. Tatum, IPC

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-24-07

IDAHO POWER COMPANY

TATUM, DI
TESTIMONY

EXHIBIT NO. 2

MOODY'S

Rating Action: Moody's changes IDACORP and Idaho Power outlooks to negative; affirms ratings

07 Mar 2024

Approximately $2.8 billion of debt instruments affected

New York, March 07, 2024 – Moody's Ratings (Moody's) today changed the outlooks of IDACORP, Inc. (IDACORP) and Idaho Power Company (IPC or Idaho Power) to negative from stable. At the same time, Moody's affirmed IDACORP's ratings, including its Baa2 long-term Issuer rating and P-2 short-term commercial paper rating, and IPC's ratings, including its Baa1 Issuer rating and P-2 short-term commercial paper rating. A complete list of rating actions is provided towards the end of this press release.

RATINGS RATIONALE

"Idaho Power Company's financial profile is being pressured by a combination of higher capex and slow cash flow growth," stated Edna Marinelarena, Assistant Vice President. The utility's ratio of cash flow from operations before changes in working capital (CFO pre-WC) to debt has been around 12% over the last several years as a result of increased debt funded capital investments, already weak for its Baa1 rating. Moody's projects the ratio could be sustained at about 12% over the next two years due to an increase in capital spending. Although IPC's first rate case in over 10 years resulted in a constructive outcome, the new rate structure is insufficient to support a near-term improvement in credit metrics.

IDACORP's Baa2 Issuer rating is underpinned by IPC's cash flow and credit quality, but also reflects structural subordination of the parent company's obligations to its utility's debt service. Since roughly 90% of IDACORP's cash flow is generated by IPC, any negative rating or outlook action on IPC directly impacts IDACORP's ratings or outlook as well.

Idaho Power's Baa1 Issuer rating reflects its strong residential and industrial customer growth and a constructive regulatory environment in Idaho, where roughly 95% of the utility's revenue is derived. The rating is constrained by the significant regulatory lag associated with its growing capex over the next several years because IPC lacks the type of timely and automatic investment and operating cost recovery mechanisms seen in other states, resulting in a financial profile that has historically been weaker than that of most peers.

Moody's has historically noted the utility's flowthrough tax and long-lived depreciation as contributing factors to this underperformance. The company carries a substantial $770.5 million of regulatory assets on its balance sheet, net of regulatory liabilities, as of year-end 31 December 2023. Some of the most sizeable unrecovered asset balances are associated with IPC's Hells Canyon Complex hydro-fueled electric generation facility, the relicensing of which has been repeatedly delayed in a lengthy permitting and approval process since originally filed in 2003.

Regulatory approval of deferrals are a constructive rate making provision, however, deferrals are also a near-term drag on credit metrics and increase regulatory lag. The company has plans to file additional general rate cases, which is a credit positive. Nevertheless, without the benefit from more incremental and timelier rate relief through riders, quicker asset recovery via depreciation rates or more frequent base rate increases, IPC's credit metrics will no longer be sustained at levels supportive of the Baa1 rating.

Furthermore, IPC will double its capital spending plan to roughly $800 million annually on average from about $600 million in 2023 and $430 million in 2022. The company's spend now totals between $3.8 billion and $4.4 billion from 2024 through 2028. Moody's estimates that IPC will generate about $520 million in cash flow from operations in 2024 and pay about $100 million in dividends, resulting in negative free cash flow of about $380 million for 2024.

In comparison, IDACORP has plans to draw about $300 million on its November 2023 forward equity issuance to support IPC's capital investments, which may not be sufficient to maintain the organization's current credit profile. The negative outlook reflects the rapidly deteriorating free cash flow position over the next several years as a result of IPC's increased capex program. Although the utility plans to maintain its capital structure at about 50% debt and 50% equity, cash flow recovery will continue to lag the increase in debt.

IPC's weak credit metrics are further pressured by wildfire risk in its service territory, which Moody's views as moderate due to the company's mitigation plans that will also require material capital spending. IPC has a total of 34,476 miles of transmission and distribution lines across Idaho and Oregon most of which is exposed to wildfires to some degree. The utility breaks down its risk profile by tiers: Tier 2 (elevated risk) or Tier 3 (high risk). Based on the utility's reported risk profile, about 8% of total system miles are within these high wildfire risk areas, largely Tier 2 at 5% with about 3% in Tier 3; with the risk profile being the highest in Idaho.

IPC implemented a Wildfire Mitigation Plan in 2021 focused on situational awareness, field personnel safety practices and operational wildfire mitigation strategies to prevent the accidental ignition of wildfires. The utility has also managed its wildfire risk through traditional vegetation management and pole replacement strategies. The plan, which is updated annually, also includes a Public Safety Power Shutoff Plan (PSPS), which is consistent with best practices of the utilities in California and could be used in times when there is extreme wildfire risk.

Outlook

The negative outlook for Idaho Power reflects its persistently weak credit metrics that, despite a constructive rate case outcome, are less likely to improve due to increased capex, the lack of cost recovery mechanism to expedite cash flo recovery and limited equity issuance to offset higher debt levels.

The negative outlook for IDACORP reflects the outlook for IPC, its primary subsidiary.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to an upgrade

The rating of IPC could be upgraded if key credit metrics improve significantly such that its CFO pre-WC to debt ratio increase above 16% on a sustained basis. An upgrade could also occur if the utility's regulatory construct improves materially, including authorization of cost recovery mechanisms that could result in faster cash flow recovery, reducing regulatory lag and limiting the reliance on debt leverage.

IDA's rating would likely be upgraded with an upgrade of IPC's rating.

Factors that could lead to a downgrade

IDACORP and IPC's ratings could be downgraded if capital expenditures remain elevated, negative free cash flow continues to grow, there are adverse regulatory developments affecting cost recovery, or its financial metrics including its CFO pre-WC to debt ratio remains below 13%.

IDACORP, Inc. is a holding company whose principal operating subsidiary is Idaho Power Company, a fully integrated regulated electric utility. IPC's service territory encompasses southern Idaho (approximately 95% of IPC's rate base) and eastern Oregon. IPC is subject to the purview of the Idaho Public Utilities Commission (IPUC) and the Public Utility Commission of Oregon (OPUC), while the Federal Energy Regulatory Commission (FERC) regulates its transmission operations.

IDACORP's other notable subsidiaries include IDACORP Financial Services, Inc., an investor in affordable housing and other real estate tax credit investments, and Ida-West Energy Company, an operator of small hydropower generation projects that satisfy the requirements of the Public Utility Regulatory Policies act of 1978.

LIST OF AFFECTED RATINGS

..Issuer: IDACORP, Inc.

.... Issuer Rating, Affirmed Baa2

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Commercial Paper, Affirmed P-2

Outlook Actions:

....Outlook, Changed to Negative from Stable

..Issuer: Idaho Power Company

Affirmations:

.... Issuer Rating, Affirmed Baa1

.... Commercial Paper, Affirmed P-2

....Senior Secured Shelf, Affirmed (P)A2

....Senior Unsecured Shelf, Affirmed (P)Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Backed Senior Secured First Mortgage Bonds, Affirmed A2

....Underlying Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Medium-Term Note Program, Affirmed (P)A2

Outlook Actions:

....Outlook, Changed to Negative from Stable

..Issuer: American Falls Reservoir District, ID

Affirmations:

....Backed Senior Unsecured Revenue Bonds , Affirmed Baa1

....Backed Senior Unsecured Revenue Bonds, Affirmed VMIG 2

..Issuer: Humboldt (County of) NV

Affirmations:

....Senior Secured Revenue Bonds, Affirmed A2

....Backed Senior Secured Revenue Bonds, Affirmed A2

..Issuer: SWEETWATER (COUNTY OF) WY

Affirmations:

....Senior Secured Revenue Bonds, Affirmed A2

....Backed Senior Secured Revenue Bonds, Affirmed A2

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017 and available at https://ratings.moodys.com/rmc-documents/68547. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology

Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-24-07

IDAHO POWER COMPANY

TATUM, DI TESTIMONY

EXHIBIT NO. 3

Research Update:

IDACORP Inc, Idaho Power Co Liquidity Assessments Revised To Adequate; 'BBB' Long- And 'A-2' Short-Term Rtgs Affirmed

February 7, 2023

Rating Action Overview

- IDACORP Inc. has increased its consolidated capital spending plan, resulting in tightened liquidity at the company and its subsidiary, Idaho Power Co., over the forecast period.
- Therefore, we revised downward our assessment of IDACORP and Idaho Power's liquidity to adequate from strong. This downward reassessment is neutral for the rating.
- We affirmed the ratings on IDACORP and Idaho Power, including the 'BBB' issuer credit rating and the 'A-2' short-term credit rating.
- The stable outlook reflects our expectation that IDACORP will maintain funds from operations (FFO) to debt of 16%-18% over the outlook period, will fund its elevated capital spending in a credit-supportive manner, and will continue to effectively manage its regulatory relationships.

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Rating Action Rationale

We revised downward our assessment of IDACORP's and Idaho Power's liquidity to adequate from strong, reflecting elevated capital spending that will result in a modest weakening of the companies' liquidity throughout the forecast period. IDACORP expects 2023 consolidated capital expenditures of about $700 million, materially higher than our prior expectations of about $450 million. The company plans to invest in projects to harden its system; enhance safety and reliability; and meet future expected electricity demands of new and existing customers, which the company forecasts will largely be driven by an increase in demand from commercial and industrial customers. The company also expects to invest in upgrades and maintenance to existing hydropower and thermal generation facilities.

Because of the higher capital spending, we no longer expect that IDACORP and Idaho Power will meet our previous assessment of strong liquidity, which requires sources over uses to be more than 1.5x for the next 12 months and to remain above 1x for the subsequent 12 months. We expect that IDACORP and Idaho Power will consistently meet our assessment for adequate liquidity, which has the lower threshold of sources over uses of more than 1.1x over the next 12 months.

We continue to assess IDACORP's business risk as strong. Our assessment of IDACORP's business risk reflects its lower-risk and regulated vertically integrated electric utility operations, which provide essential services to a midsize customer base of about 604,000 customers, primarily in Idaho. IDACORP's operations benefit from stable and transparent regulatory environments in Idaho and Oregon, which allow for constructive regulatory mechanisms that support cash flow. In addition, the company's wholesale energy operations are regulated by the Federal Energy Regulatory Commission (FERC), which we assess as supportive of credit quality because the company benefits from above-average return on equity using formulaic rates.

Offsetting our view of IDACORP's business risk is its limited geographic and regulatory diversity. However, the company's service territory has a favorable customer growth rate that supports its business risk profile. Furthermore, our assessment includes the company's heavy reliance on hydropower generation and purchased power. Low-cost hydropower provides more than 50% of the company's generation under normal water-level conditions, leading to lower electricity rates. However, when hydroelectric generation is low, the company relies on more expensive purchased power, which exposes the company to the volatile spot power market. In addition, the company has some exposure to coal operations; however, it expects to end its coal operations by 2028. This includes ending operations at its Jim Bridger operating plant in Wyoming by 2028 and converting two of the four units to natural gas by 2024.

We assess IDACORP's financial measures using our medial volatility table, which reflects the company's rate-regulated utility operations, stable cash flow, and effective management of regulatory risk. Under our base-case scenario, we expect FFO to debt in the 16%-18% range in 2023 and 2024 given its continued cost recovery mechanisms and customer growth. Our base case also incorporates elevated capital spending. Furthermore, given annual common stock dividends of about $160 million to $170 million annually for 2023 and 2024, we expect annual negative discretionary cash flows of about $325 million in 2023. Strategically, we expect that the company will fund this deficit in a credit-supportive manner and in-line with its regulatory-approved capital structure.

Outlook

The stable outlook on IDACORP reflects our expectation it will generate sufficient operating cash flows to support consolidated financial measures that are adequate for the current rating. It also incorporates the company's ability to internally fund a significant portion of its capital spending, as well as its adequate management of its regulatory relationships. Our base-case forecast assumes FFO to debt between 16% and 18% for the next two years.

Downside scenario

We could lower our ratings on IDACORP if its business risk increases because of the unsupported recovery of operating expenses, including a higher-than-average reliance on purchased power or unsupported capital investments through the regulatory process, or it materially expands its nonregulated segments, which currently account for a negligible portion of its business. We could also lower our ratings if the company's financial measures consistently underperform our base-case assumptions, leading it to sustain FFO to debt of consistently below 14%.

Upside scenario

We could raise our ratings on IDACORP if it strengthens its business risk profile through more robust management of its regulatory relationships, improving operating efficiency combined with stronger cash flow measures, including FFO to debt consistently exceeding 20%.

Company Description

IDACORP is a holding company that owns Idaho Power Co., a vertically integrated electric utility in Idaho and Oregon that contributes to about 99% of IDACORP's consolidated revenue. About 95% of Idaho Power's general business revenue stems from customers located in Idaho, with the remainder from Oregon.

Our Base-Case Scenario

- Ongoing customer growth and the use of regulatory mechanisms, such as the power cost adjustment (PCA) and fixed-cost adjustment (FCA), support profitability;
- Negative discretionary cash flow;
- Elevated capital spending over the forecast period;
- Annual dividends of about $160 million to $170 million through 2024; and
- All debt maturities are refinanced.

Liquidity

The short-term rating on IDACORP is 'A-2', based on the issuer credit rating on the company. We assess IDACORP's stand-alone liquidity as adequate because we believe its liquidity sources will likely cover its uses by more than 1.1x over the next 12 months and meet cash outflows even if EBITDA declines 10%. We believe the company's predictable regulatory framework provides manageable cash flow stability for the company even in times of economic stress. In addition, IDACORP has the ability to absorb high-impact, low-probability events with limited need for refinancing. This reflects the company's access to a combined $400 million credit facility, about $375 million of which is available as of September 2022, expiring in December 2025, as well as our belief the company can significantly scale back its high capital spending projects during stressful periods, indicative of a limited need for refinancing under such conditions. Also supporting our view is the company's lack of significant near-term debt maturities in the coming years. Furthermore, the assessment also reflects the company's prudent risk management, solid relationships with banks (which includes more than seven well-established banks), and a generally high standing in credit markets. Overall, we believe the company should be able to withstand adverse market circumstances during the next 12 months with sufficient liquidity to meet its obligations.

Principal liquidity sources

- Estimated cash FFO of about $520 million;
- Cash and liquid investments of about $226 million as of Sept. 30, 2022; and

- Available credit facility of approximately $375 million as of Sept. 30, 2022.

Principal liquidity uses

- Capital spending of about $620 million;
- Debt maturities of about $79 million over the next twelve months; and
- Dividends of about $160 million.

Covenants

Compliance expectations

As of Sept. 30, 2022, IDACORP and Idaho Power were in compliance with the financial covenants of its credit facilities and has sufficient cushion. Under our base-case scenario, we expect IDACORP and Idaho Power will remain in compliance with these covenants, especially given the stability of the regulated utility operations.

Requirements

IDACORP's and Idaho Power's consolidated total debt to consolidated total capitalization ratio may not be greater than 65% at the end of each quarter. As of Sept. 30, 2022, the leverage ratios were 44% and 46% for IDACORP and Idaho Power, respectively, indicative of adequate cushion.

Issue Ratings - Subordination Risk Analysis

Analytical conclusions

- We base the 'A-2' short-term ratings on IDACORP and its subsidiary, Idaho Power, on the issuer credit rating on the companies.

Ratings Score Snapshot

IDACORP Inc.

Issuer credit rating: BBB/Stable/A-2

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: bbb

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: bbb
- Entity status within group: Parent

ESG credit indicators: E-3, S-3, G-2

Idaho Power Co.

Issuer credit rating: BBB/Stable/A-2

Business risk: Strong

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Satisfactory

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: bbb

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb

- Group credit profile: bbb
- Entity status within group: Core (no impact)

ESG credit indicators: E-3, S-3, G-2

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed	
IDACORP Inc.	
Idaho Power Co.	
Issuer Credit Rating	BBB/Stable/A-2
Issue-Level Ratings Affirmed	
IDACORP Inc.	
Commercial Paper	A-2
Idaho Power Co.	
Senior Secured	A-
Commercial Paper	A-2
Issue-Level Ratings Affirmed; Recovery Ratings Unchanged	
Idaho Power Co.	
Senior Secured	A-
Recovery Rating	1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-24-07

IDAHO POWER COMPANY

TATUM, DI
TESTIMONY

EXHIBIT NO. 4

IDAHO POWER COMPANY
BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION
REVENUE ALLOCATION SUMMARY
TWELVE MONTHS ENDING DECEMBER 31, 2024
FINAL REVENUE ALLOCATION

REVENUE ALLOCATION SUMMARY

$ in 000's, except mills per kWh

Column		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)
					Class Cost-of-Service Revenue Allocation				Cap and Spread									
									First Pass Revenue Allocation			Second Pass Revenue Allocation			Final Revenue Allocation			
													Shortfall Allocation					
Row	Tariff Description	Rate Schedule Number	2024 Sales Normalized (MWh)	2024 Retail Sales	Revenue Change	Revenue Allocation	Percent Change	Average Mills/kWh	Over Cap	Below Floor	Revenue Change	(Y/N)	%	$	$	Average Mills/kWh	COS Index	%
(1)	Uniform Tariff Schedules																	
(2)	Residential Service	Sch 1	5,602,442	$ 611,842	$ 43,591	$ 655,433	7.12%	116.99										
(3)	Residential Service On-Site Gen	Sch 6	162,496	17,970	1,514	19,485	8.43%	119.91										
(4)	Total Residential Service		5,764,938	$ 629,812	$ 45,106	$ 674,918	7.16%	117.07	$ -	$ -	$ 45,106	Y	52.9%	$ 568	$ 45,673	117.17	100%	7.25%
(5)	Small General Service	Sch 7	137,888	$ 18,651	$ 1,341	$ 19,991	7.19%	144.98										
(6)	Small General Service On-Site Gen	Sch 8	461	62	9	71	13.96%	153.19										
(7)	Total Small General Service		138,349	$ 18,713	$ 1,349	$ 20,062	7.21%	145.01	$ -	$ -	$ 1,349	Y	1.6%	$ 17	$ 1,366	145.13	100%	7.30%
(8)	Large General Service	Sch 9-S	3,299,187	$ 273,615	$ 18,528	$ 292,143	6.77%	88.55	-	-	18,528	Y	23.0%	247	18,775	88.62	100%	6.86%
(9)	Large General Service	Sch 9-P/T	640,258	46,878	3,118	49,997	6.65%	78.09	-	-	3,118	Y	3.9%	42	3,161	78.15	100%	6.74%
(10)	Area Lighting	Sch 15	2,615	1,327	1	1,328	0.06%	507.77	-	48	48	N			48	525.99	104%	3.65%
(11)	Large Power Service	Sch 19-S/P/T	2,343,074	156,418	10,967	167,386	7.01%	71.44	-	-	10,967	Y	13.1%	141	11,108	71.50	100%	7.10%
(12)	Irrigation Service	Sch 24-S	1,829,052	166,865	16,967	183,832	10.17%	100.51	1,117	-	15,850	N			15,850	99.90	99%	9.50%
(13)	Non-Metered General Service	Sch 40	14,381	1,350	99	1,450	7.37%	100.82	-	-	99	Y	0.1%	1	101	100.90	100%	7.46%
(14)	Municipal Street Lighting	Sch 41	20,671	3,661	215	3,876	5.87%	187.49	-	-	215	Y	0.3%	3	218	187.65	100%	5.96%
(15)	Traffic Control Lighting	Sch 42	2,983	219	25	244	11.18%	81.67	4	-	21	N			21	80.44	98%	9.50%
(16)	**Total Idaho Rates**		**14,055,509**	**$ 1,298,859**	**$ 96,375**	**$ 1,395,234**	**7.42%**	**99.27**	**$ 1,121**	**$ 48**	**$ 95,302**			**$ 1,019**	**$ 96,321**	**99.26**	**100%**	**7.42%**
	Special Contracts																	
(17)	Micron	Sch 26	544,050	$ 34,880	$ 1,897	$ 36,776	5.44%	67.60	$ -	$ -	$ 1,897	Y	2.9%	$ 31	$ 1,928	67.66	100%	5.53%
(18)	Simplot	Sch 29	175,000	10,130	454	10,585	4.49%	60.48	-	-	454	Y	0.9%	9	464	60.54	100%	4.58%
(19)	DOE/INL	Sch 30	258,000	15,103	567	15,670	3.75%	60.74	-	-	567	Y	1.27%	14	581	60.79	100%	3.84%
(20)	**Total Special Contract**		**977,050**	**$ 60,113**	**$ 2,918**	**$ 63,032**	**4.85%**	**64.51**	**$ -**	**$ -**	**$ 2,918**			**$ 54**	**$ 2,972**	**64.57**	**100%**	**4.94%**
(21)	**Total Idaho Retail Sales**		**15,032,560**	**$ 1,358,973**	**$ 99,293**	**$ 1,458,266**	**7.31%**	**97.01**	**$ 1,121**	**$ 48**	**$ 98,220**			**$ 1,073**	**$ 99,293**	**97.01**	**100%**	**7.31%**

First Pass Shortfall:		$ 1,073

Cap:	*130%*	*9.50%*
Floor:	*50%*	*3.65%*