

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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|---|---|-----------------------------|
| IN THE MATTER OF THE APPLICATION |) | CASE NO. IPC-E-24-07 |
| OF IDAHO POWER COMPANY TO |) | |
| INCREASE RATES FOR ELECTRIC |) | ORDER NO. 36438 |
| SERVICE TO RECOVER COSTS |) | |
| ASSOCIATED WITH INCREMENTAL |) | |
| CAPITAL INVESTMENTS AND CERTAIN |) | |
| ONGOING OPERATIONS AND |) | |
| MAINTENANCE EXPENSES |) | |
| |) | |

DECISION SUMMARY

With this Order the Idaho Public Utilities Commission (“Commission”) approves Idaho Power Company’s (“Company”) Application, modified as follows. The Commission approves an increase to the Company’s annual Idaho jurisdictional revenues of \$50,605,147, an overall increase to adjusted base revenue of 3.73%. The Commission’s determination is based on a January through December 2024 test year using an Average of Monthly Averages (“AMA”) rate base methodology. The rate base components were updated with the most recently submitted actuals. The Itron Enterprise Edition (“IEE”) License Expansion 2024, Conference Furniture, and Wood River Valley (“WRV”) distribution line items were removed from the revenue requirement calculation. Imputed revenue treatment was used for the Destination Trailers. Labor operations and maintenance (“O&M”) expense was updated to the most recent actuals. The revenue offset adjustment was updated for the most recent actuals, with corresponding billing determinants, and reflects a class-specific approach as proposed in the Company’s rebuttal position. The Company’s proposed rate spread is approved.

PROCEDURAL HISTORY

On May 31, 2024, the Company filed an application (“Application”) with the Commission requesting an order approving a revision to the Company’s schedules of rates for electric service in the state of Idaho. The Company requested an increase in annual Idaho jurisdictional revenue of \$99,293,220.

On June 21, 2024, the Commission issued a Notice of Application, Notice of Suspension of Proposed Effective Date, and Notice of Intervention deadline. Order No. 36238. The Commission granted intervention to: Idaho Irrigation Pumpers Association, Inc. (“IIPA”);

Industrial Customers of Idaho Power (“ICIP”); Micron Technology, Inc. (“Micron”); Idaho Conservation League (“ICL”); the city of Boise City (“Boise City”); and The United States Department of Energy on behalf of the Federal Executive Agencies (“FEA”). Order Nos. 36235; 36237; and 36277. On November 14, 2024, ICL filed a Notice of Withdrawal.

On December 2, 2024, the Commission held a customer hearing in Twin Falls, and on December 3, 2024, the Commission held a customer hearing in Boise. On December 9 and 10, 2024, the Commission held technical hearings in Boise during which the Commission heard testimony from all Parties.

APPLICATION

The Company represented that, if approved, the request would result in an overall increase to adjusted base revenue of 7.31%. Application at 2. The Company represented that it intends 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. *Id.* at 3. The Company represented that with the planned investments, increased labor costs, and other inflationary pressures, the revenue from current rates is no longer sufficient to maintain a reasonable rate of return, nor adequate cash flow, to support the Company’s financial stability without the relief requested. *Id.*

The Company acknowledged that the Commission has recently issued an order on the Company’s last general rate case (“GRC”); however, the Company believed a rate case limited to only certain matters would provide timely cost recovery, while minimizing the rate increases customers might otherwise experience with a full GRC. *Id.* at 4.

The Company proposed an effective date of July 1, 2024, with the understanding that the Commission would likely suspend the proposed effective date. The Company’s Application is structured around an anticipated effective date of January 1, 2025. *Id.*

The Company requested relief related to a limited set of revenue requirement categories, including 2024 incremental plant additions to rate base and incremental ongoing labor costs, as measured from the revenue requirement approved by the Commission in the Company’s 2023 GRC. *Id.* at 5. The Company did not seek to adjust any other revenue requirement components such as non-labor Operation and Maintenance (“O&M”) expense, net power supply costs, other revenue, etc. *Id.*

The Company stated that under its proposal base rates would still reflect the 2023 GRC settlement amounts for categories considered out of the scope for this case. *Id.* The Company also represented that it had excluded any expected 2024 capital projects associated with the Jim Bridger Power Plant and the North Valmy Generating Station. *Id.*

The Company did not propose any rate structure changes, and the Company provided the following table for base revenue impacts of the proposed base rate increase results, to each customer segment.

| Limited Scope Rate Case Request <i>Cost of Service Percent change – Revenue Spread (Exhibit 4)</i> | | | | | | |
|--|------------------|-------------|-----------------------|------------------------------------|--------------------------|------------|
| Revenue Change | Overall % Impact | Residential | Small General Service | Large General Service ¹ | Large Power ² | Irrigation |
| \$99,293,220 | 7.31 | 7.25 | 7.30 | 6.83 | 6.50 | 9.50 |

¹ Includes lighting schedules; ² Includes special contracts.

Id. at 6.

PUBLIC COMMENTS

As of December 5, 2024, the Commission received sixty (60) public comments in this case. The majority of the public comments oppose any increase in rates, with customers presenting issues including fixed income, inflation, taxes, the state of the economy, and other world issues that present financial hardships for customers. Many customers also noted that the Company was just recently granted a rate increase that became effective at the beginning of the year.

PETITIONS FOR INTERVENOR FUNDING

IIPA requests that the Commission grant Intervenor Funding in the amount of \$64,281.30 for attorney fees for the work of E. Olsen, paralegal fees, soft costs, and witness fees for L. Kaufman.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company’s Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503.

In a general rate case, the Company's intrastate revenue requirement, and every component of it, both rate base and expense, may be at issue. IDAPA 31.01.01.124.01. The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair, and reasonable. *Id.*

The Company's retail rates and charges, both recurring and non-recurring, including those of special contract customers, may be at issue, and every component of every existing and proposed rate and charge may be at issue. IDAPA 31.01.01.124.02. The Commission may approve, reject, or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair, and reasonable. *Id.*

1. Test Year and Rate Base Treatment

For the purposes of this limited incremental rate case, the Company started with year-end 2023 actual plant balances, then estimated January 2024 through December 2024 capital closings. The Company proposed a test year using actual cost of capital additions closed to plant-in-service as of January 31, 2024, and forecasted amounts through December 31, 2024. Tr. vol. III, 332-34. The Company then applied year-end rate base treatment under which 100% of the Company's proposed actual and projected amounts through the end of December 2024 would be included in rate base.

The Commission Staff ("Staff"), IIPA, ICIP, and Micron disagreed with the Company's use of the year-end rate base treatment. Staff recommended using an AMA rate base methodology with actual plant additions that occurred for a test year from August 31, 2023, through August 31, 2024. Tr. vol. V, 937-47.

IIPA objected to the use of a year-end forecasted test year and recommended using a 13-month average rate base from December 2023 to December 2024, with corresponding adjustments to the Company's calculation of depreciation expense to replace the Company's annualized December 2024 monthly depreciation with a forecasted January 2024 to December 2024 depreciation expense. Tr. vol. IV, 668. ICIP also objected to the use of a year-end forecasted test year and argued that it violated the regulatory principle of used and useful, and that the Company's concerns regarding regulatory lag were unfounded. Tr. vol. IV, 729-43.

Micron recommended that the Company's test year rate base be calculated using an AMA approach as the Commission has approved in prior dockets, rather than the Company's year-end

approach. Tr. vol. IV, 579. Micron argued that an AMA approach also eliminated the mismatch in how the Company measured various revenue requirement components in its Application. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds it fair, just, and reasonable to adopt a calendar year test year ending December 31, 2024, updated with the most recently submitted actuals, and utilizing an AMA rate base methodology.

In ratemaking, the purpose of a test year is to “develop representative operating data that will provide a meaningful comparison and guide for developing future revenue requirements, and allow the parties to work with actual data, while still recognizing projected changes which are reasonably certain to occur.” Order No. 33757 at 4 (internal citations omitted). The Commission has previously explained that “[i]t simply is not possible to carefully review investment cost figures and information that are provided close to or at the time of hearing.” Order No. 29838 at 6. “Company data should be provided with sufficient time so that Staff and other parties may incorporate the information in prefiled testimony. This will facilitate the technical hearing process and eliminate the need to argue over forecasts or pro forma adjustments outside of an established test year.” Order No. 35762. “Not only will data be known and measurable by the time other parties prefile testimony and for the hearing, it will be more convenient and administratively easier for all parties.” Order No. 29838 at 7.

With respect to the test year, while the Commission does not adopt the August 31, 2024, cut-off deadline recommended by Staff in this specific case and based upon these specific circumstances, this is not an invitation for public utilities to present extensive forecasted data in future proceedings, nor is it an indication of the Commission’s willingness to accept forecasted data in future proceedings. The Commission expects that when any public utility appears before the Commission in a recovery proceeding, that public utility will present known and measurable data, for used and useful projects, with sufficient time for all parties to review that data and formulate any necessary testimony.

With respect to rate base treatment, the Commission finds that an AMA methodology is appropriate in this case. AMA rate base treatment more accurately matches the Company’s recovery of costs with the revenues and operating expenses throughout the year, making sure those costs are aligned with real benefits received. As discussed by the Intervenor, among other things, year-end rate base treatment conflicts with the regulatory principle of costs recovery being

associated with used and useful projects. While the Commission has approved the use of year-end rate base treatment in the past, those instances are few and far between, and the limited nature of this case presents additional problems as various aspects of a full rate case, non-labor O&M, power cost expense etc., are considered out-of-scope, further misaligning costs and benefits.

The Company's arguments on the impacts of regulatory lag are unpersuasive. As discussed by the other parties, regulatory lag is an ordinary part of the regulatory compact that may provide both benefits and detriments. As always, the Commission is open to considering requests for additional riders, or other cost recovery mechanisms as may be appropriate; however, in this case year-end rate base treatment is not an appropriate remedy for the Company's concerns.

2. Project Specific Rate Base Adjustments

Staff recommended project specific rate base adjustment relating to: (1) Franklin 60 MW Battery Energy Storage System ("BESS"); (2) Hemingway 36 MW BESS; (3) Grid Modernization; (4) IEE License Expansion 2024; (5) Outage Alert Auto Enrollment; (6) SharePoint 2024 Development; (7) Non-Criteria Based Equipment; (8) Conference Room Furniture; (9) Destination Trailers; (10) Black MESA BESS; and (11) Hemingway BESS Interconnection.

In its rebuttal testimony, the Company accepted Staff's adjustments for the IEE License and Conference Furniture. Tr. vol. III, 365-67. The Company also removed the WRV distribution line from its proposed revenue requirement calculation. *Id.* Additionally, the Company requested, as an alternative to disallowance, imputed revenue treatment for the Destination Trailers. *Id.* The Commission finds that treatment reasonable.

a. Franklin 60 MW BESS

Staff argued that the project was not in-service by the August 31, 2024, cut-off deadline and Staff did not believe the project itself was least-cost, or that the amounts over the soft cap were prudent. Tr. vol. V, 1025-032. In response, the Company argued that the project was placed in-service on September 25, 2024, but began its daily cycling on July 8, 2024. Tr. vol. III, 221-34. The Company also claimed that all costs associated with the project were prudently incurred and necessary to ensure continued safe, reliable service to customers. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred.

b. Hemingway 36 MW BESS

Staff argued that the project itself was not in-service by the August 31, 2024, cut-off deadline. Tr. vol. V, 1033-032. Staff also believed that 5 years of overbuild was not prudent, and that 3 years of the overbuild should be disallowed. Tr. vol. V, 1033-035.

In response, the Company argued that the project was placed in service on November 4, 2024, and that daily cycling began on September 20, 2024. Tr. vol. III, 234-42. The Company also argued that procurement time for batteries made it necessary to provide 5 years of overbuild, that there are cost savings for the 5 year overbuild, and that those batteries are being used right now and rotated to get the longest life expectancy, while also maintaining the system performance over the 5-year guarantee. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred. The Commission expects the Company to continue gathering experience to improve its understanding of battery projects and updating its overbuilding plans, if any, accordingly.

c. Grid Modernization

Staff argued that the first phase of the Grid Modernization project was not in service prior to the August 31, 2024, cut-off deadline. Tr. vol. IV, 879-80. Staff also believed that there are savings due to O&M expense that are not being applied. *Id.*

In response, the Company claimed that the first phase of the Grid Modernization program came online on November 6, 2024. Tr. vol. III, 295-97. The Company also claimed that the \$3 million in O&M savings is based on the 15-year lifespan, and that those savings are out-of-scope for this limited rate case. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred. However, the Commission notes the problem inherent in the Company's position that the non-labor O&M savings associated with this project are outside the scope of this limited rate case when considering the Company's position on year-end rate base treatment.

d. Outage Alert Auto Enrollment

Staff believed the auto-enrollment program is redundant with other systems as auto-enrollment already takes place through: 1) Enterprise Omni-Channel Notification System; 2) Automated Dialer Systems; and 3) the Grid Modernization project once implemented. There are also self-enrollment options through: 1) MyAccount system and 2) Outage Maps Notifications System. Tr. vol. IV, 882. In response, the Company claimed that its efforts increased the number of customers receiving outage alerts by 473,000, or 850%. Tr. vol. III, 298-301.

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred. The Commission expects the Company to review all associated programs to ensure any redundancy is minimalized.

e. SharePoint 2024 Development

Staff believes that the Company's current SharePoint 2016 goes end of life in July 2026, and that the SharePoint 2024 Development Project will take over two years to complete. Tr. vol. IV, 882-83. In response, the Company argued that the work order associated with the SharePoint 2024 Development project is comprised of costs associated with the labor necessary to build the new SharePoint sites and its testing, and those sites are used and useful now. Tr. vol. III, 301-304.

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred.

f. Non-Criteria Based Equipment

Staff argued that the Company did not provide a cost-benefit analysis for the additional expense. Tr. vol. IV, 883-84. In response, the Company claimed that it was a necessary and prudent investment to maintain the CJ Strike parks complex that includes over one hundred (100) campsites consisting of over sixty (60) acres of turf. Tr. vol. III, 304-306.

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the equipment prudently incurred.

g. Black MESA BESS

Staff believed the project itself was not in-service by the August 31, 2024, cut-off deadline. Tr. vol. V, 1023-025. In response, the Company argued that all work orders associated with Black

Mesa were placed in-service as of June 2024. Tr. vol. III, 215-21. The Company claimed that, while the project is in-service, the Company is maintaining the position that commissioning has not technically been accomplished per the contract for contractual reasons. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred.

h. Hemingway BESS Interconnection

Staff reasoned that the Hemingway BESS project served by this interconnection was not completed by the August 31, 2024, cut-off deadline. Tr. vol. V, 1022-023. In response, the Company claimed that backfeed power to support the testing and commissioning of the BESS components occurred on June 26, 2024. Tr. vol. III, 213-14.

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds the cost for the project prudently incurred.

3. Labor O&M Adjustments

Staff recommended that labor costs be updated to the most recent actuals. Tr. vol. IV, 854-57. Staff also recommended that the Company remove the 2023 annualizing adjustment and the 3% 2025 General Wage Adjustment (“GWA”). IIPA recommended calculating labor expense by grossing up year to date actuals from January 2024 to July 2024, and without updating for 2025 general wage adjustments or annualizations. Tr. vol. IV, 668-70. Micron recommended both updating to actual 2024 labor expenses to the extent information is available and removing the 2025 GWA. Tr. vol. IV, 580-81.

In response, the Company agreed to update labor to most recent actuals. Tr. vol. III, 351-53. However, the Company did not agree with Staff’s 2023 annualizing adjustment, arguing that Staff’s adjustment was incorrect. *Id.* The Company also rejected the recommendation to remove the 2025 GWA, arguing that it became effective December 21, 2024, and reflects wage levels at the end of the year. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds it fair, just, and reasonable to approve the Company’s rebuttal position updating labor to the most recent actuals.

4. Revenue Adjustments

Staff recommended updating the revenue growth offset with 2024 actuals and updating the billing determinants accordingly. Tr. vol. IV, 896-901. Micron also recommended using actual 2024 kWh sales figures to the extent available. Tr. vol. IV, 581-82. ICIP recommended including all revenue regardless of being out-of-scope. Tr. vol. IV, 678. ICIP also recommended using schedule specific incremental kWh and mill rates when calculating partial incremental revenue.

In response, the Company agreed to update for the most recent actuals, January 2024 through September 2024. Tr. vol. III, 353-55. The Company also modified its revenue growth offset to reflect a class-specific approach. Tr. vol. III, 359-60. However, the Company objected to the inclusion of any other revenue adjustment that was out-of-scope of this limited case. Tr. vol. III, 360-61.

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds it fair, just, and reasonable to approve a revenue offset adjustment updated for actuals with corresponding billing determinants and reflecting a class-specific approach.

5. Rate Spread

Staff, Micron, and Boise City agreed with the Company's proposed rate spread. IIPA recommended an equal percent rate increase to all rate schedules. Tr. vol. IV, 651-53. ICIP recommended that the percentage difference between the overall rate increase and each individual rate class's rate increase should be the same percentage difference that was used and approved by the Commission in the 2023 GRC. Tr. vol. IV, 751. FEA recommended that the revenue spread incorporate a 190%-0% cap and floor band, and that the Commission order an updated Class Cost of Service study for use in the next GRC. Tr. vol. IV, 800-03.

In response, the Company did not recommend the pro rata share method proposed by ICIP, nor the uniform rate increase method proposed by IIPA because they did not recognize the cost drivers specific and unique to this case and would result in additional inter-class subsidization. Tr. vol. IV, 410-20. The Company noted that FEA's position only results in minor differences between the Company's original position. *Id.*

Having considered the arguments and testimony of the parties, the Application, all submitted material, and considering the specific circumstances of this case, the Commission finds it fair, just, and reasonable to approve the Company's proposed rate spread. The Commission

appreciates the work done by all of the intervenors and the various positions and recommendations presented. However, given the limited nature of this case, and the recency of the Company's last GRC, the Commission does not find this case to be the appropriate venue for significant modification to the applicable rate spread.

6. Intervenor Funding

Intervenor funding is available pursuant to *Idaho Code* § 61-617A and the Idaho Public Utilities Commission Rules of Procedure 161-165. *Idaho Code* § 61-617A(1) provides that it is the "policy of this state to encourage participation at all stages of all proceedings before the commission so that all affected customers receive full and fair representation in those proceedings." The Commission may award a cumulative amount of intervenor funding not to exceed \$40,000 for all intervening parties in a single case. *Idaho Code* § 61-617A(2).

Commission Rule 162 provides the form and content of petitions for intervenor funding. Each petition must contain: (1) an itemized list of expenses broken down into categories; (2) a statement of the intervenor's proposed findings or recommendation; (3) a statement showing that the costs the intervenor wishes to recover are reasonable; (4) a statement explaining why the costs constitute a significant financial hardship for the intervenor; (5) a statement showing how the intervenor's proposed recommendations differed materially from the testimony and exhibits of the Staff; (6) a statement showing how the intervenor's recommendation or position addressed issues of concern to the general body of the utility users or consumers; and (7) a statement showing the class of customer on whose behalf the intervenor appeared. IDAPA 31.01.01.162.

IIPA is an Idaho nonprofit corporation representing farm interests in electric utility rate matters in southern and central Idaho. IIPA relies solely upon dues and contributions voluntarily paid by members, together with intervenor funding, to support its activities. Based upon our review of IIPA's petition, the Commission finds that the funding request complies with the procedural and substantive requirements of the statute and the rules. The Commission finds that IIPA has materially contributed to the Commission's decision-making; IIPA's participation added a unique and well-informed perspective to the record; and it is fair, just, and reasonable to award intervenor funding. The Commission finds it appropriate to award IIPA intervenor funding in the amount of \$40,000. The award shall be chargeable to the irrigation class. *Idaho Code* § 61-617A(3).

ORDER

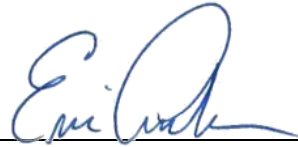
IT IS HEREBY ORDERED that the Company’s Application is approved as modified by this Order.

IT IS FURTHER ORDERED that the Company file tariffs and schedules in conformance with this Order, to be effective on January 1, 2025, for service rendered on and after that date.

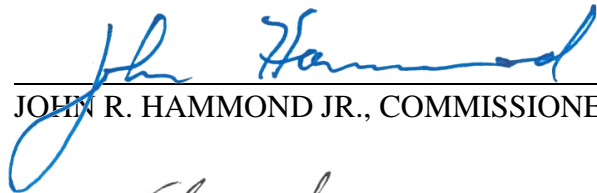
IT IS FURTHER ORDERED that IIPA’s petition for intervenor funding is granted in the amount of \$40,000.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* §§ 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 31st day of December 2024.



ERIC ANDERSON, PRESIDENT

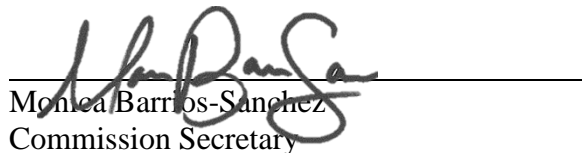


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios-Sanchez
Commission Secretary

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