

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-25-13
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES) ORDER NO. 36775
FOR ELECTRIC SERVICE TO RECOVER)
COSTS ASSOCIATED WITH THE HELLS)
CANYON COMPLEX RELICENSING)
PROJECT)

On March 14, 2025, Idaho Power Company (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) requesting an order authorizing an adjustment to customer rates of \$29,708,787, effective June 1, 2025, to recover incremental Allowance for Funds Used During Construction (“AFUDC”) costs associated with the Hells Canyon Complex (“HCC”) relicensing project, contingent upon the outcome of the Power Cost Adjustment (“PCA”) update filed April 15, 2025 (“Application”). Application at 1-2.

On April 9, 2025, the Commission issued a Notice of Application, Notice of Intervention Deadline, and Notice of Modified Procedure. Order No. 36535. The Commission granted intervention to the Industrial Customers of Idaho Power (“ICIP”). Order No. 36600.

On May 30, 2025, the Commission issued Order No. 36622, concluding that the Company had failed to provide adequate notice to customers of the Application and rate increase proposed within. Consequently, the Commission also directed the Company to issue a new notice to its customers as soon as reasonably practicable. To facilitate this, the Commission suspended the proposed effective date of the proposed rate increase to August 1, 2025.

On June 5, 2025, the Company filed a petition to alter or amend Order No. 36622, arguing that the original notice sent to customers was sufficient. Accordingly, the Company urged the Commission to consider the record closed and promptly issue a final determination on the Application.

On July 30, 2025, the Commission issued Order No. 36698, granting the Company’s petition and altered its findings in Order No. 36622. Specifically, the Commission found that the initial notice provided to customers complied with the Commission’s Rule of Procedure 125, making it unnecessary for the Company to re-issue notice of the HCC relicensing rate increase.

Consequently, that requirement was removed from Order No. 36622. Because all comment deadlines had passed and the Company no longer needed to re-issue notice of the HCC relicensing rate increase, the Commission deemed the record closed and the case ready for deliberation. To allow sufficient time for deliberation and issuance of a final order, the Commission suspended the effective date of the HCC rate increase to October 1, 2025.

APPLICATION

The Company represented that the HCC consists of three hydroelectric projects, Brownlee, Oxbow, and Hells Canyon, on the segment of the Snake River forming the border between Idaho and Oregon. *Id.* at 2. The Company stated that HCC represents approximately 1,167 megawatts (“MW”) of nameplate generation capacity, which is approximately 30 percent of the Company’s total generating capacity. *Id.*

The Company represented that its efforts towards relicensing HCC have spanned over three decades, beginning in 1991. *Id.* at 2-3. The Company stated that it began incurring relicensing costs in 1999, and that the Company records the accumulation of all costs associated with the construction of an asset, including the cost of financing the construction expenditures, in Federal Energy Regulatory Commission (“FERC”) Account 107-Construction Work in Progress (“CWIP”). *Id.* at 4. The Company stated that once FERC issues a new license, the Company can transfer accrued amounts to Electric Plant-in Service. *Id.*

The Company represented that *Idaho Code* § 61-502A allows for CWIP to be included in rates if the Commission makes an “explicit finding that the public interest will be served thereby.” *Id.* at 5. The Company states that in Order Nos. 30722 and 32426, the Commission authorized the Company to annually collect \$6,537,444 in AFUDC associated with the HCC relicensing project from the Company’s Idaho jurisdictional customers. *Id.* The Company represented that since 2022, it has recorded over \$30 million annually in AFUDC. *Id.* at 6.

The Company proposed to increase customer rates by \$29,708,787 annually to recover incremental HCC relicensing AFUDC amounts, provided that the anticipated upcoming decrease to rates associated with the PCA filed on April 15, 2025, was equal to, or greater than, the amount the Company proposed to increase rates in this case. *Id.* at 7. The Company indicated that if the PCA decrease was less than the proposed increase associated with AFUDC collections, the

Company would adjust its request in this case so that the net of the two proposals would result in a net neutral rate impact to customers.¹ *Id.*

The Company represented that an increase to the amount of AFUDC collections now would reduce the total project costs included in rate base, thereby reducing future rate increases. *Id.*

STAFF COMMENTS

Staff reviewed the Company's Application and its proposal to increase customer rates to recover an additional \$23 million annually in AFUDC costs associated with the HCC relicensing. Staff Comments at 3. Staff evaluated the financial implications of the proposal for both the Company and its customers, and Staff considered its consistency with regulatory principles and the public interest. *Id.*

Staff explained that in 2024, the Company accrued approximately \$34.5 million in AFUDC associated with HCC relicensing, and the current HCC AFUDC recovery of approximately \$6.5 million is significantly less than the annual accrual, which creates an escalation in the total amount that will eventually be transferred to plant-in-service. *Id.* Staff believed that without an increase in AFUDC recovery now, customers could see a significant increase in rates when the Company receives its new license from FERC. *Id.*

Staff believed that recovering AFUDC at a time when customer rates would decrease in the PCA provided an opportunity for the Company to recover a portion of the AFUDC costs while still providing customers with rate relief. *Id.* Additionally, Staff believed that allowing the Company to collect additional AFUDC related to the relicensing of HCC at this time would significantly reduce the overall impact of a future rate filing when the project is completed and incorporated into rate base. *Id.*

Staff explained that because the HCC dams have consistently and continue to produce electricity for the benefit of current customers, it was reasonable that current customers contributed to the costs of relicensing, and delaying AFUDC recovery until a new license was granted would shift those costs to future customers who may not receive the same level of benefit. *Id.* Staff considered the Company's proposal to recover AFUDC costs associated with the HCC relicensing project reasonable, consistent with regulatory principles, and in the public interest. *Id.*

Staff recommended that the Commission approve the Company's request to recover an additional \$23 million in AFUDC costs associated with HCC relicensing. After application of the

¹ The Commission approved the Company's PCA filing in Order No. 36618.

Net to Gross Tax Multiplier, this would result in rates increasing \$29,708,787 to offset AFUDC costs associated with the HCC relicensing project. Consequently, Staff recommended the Commission approve the tariffs filed with the Company's compliance filing on April 15, 2025, with an effective date of June 1, 2025. *Id.*

INTERVENOR COMMENTS

ICIP argued that the Company did not represent that the Application was necessary to maintain the Company's financial health, cash flow, or credit worthiness. ICIP Comments at 4. ICIP stated that the Company's request to raise rates by four percent overall (six percent for the industrial and special contract customers) because of the helpful nature of realizing more money from its ratepayers was not explicitly in the public interest. *Id.*

ICIP argued that the Company's Application did not comply with the Commission's rules of procedure, Rule 122 and Rule 125, IDAPA 31.01.01.122 and .125, addressing notice requirements for a request for a rate increase. *Id.*

1. Rule 122: Notice of Intent to File a General Rate Case

ICIP argued that while the Application might not be considered a general rate case in the traditional sense of the phrase, there is no doubt that the Application is a general rate increase that does not fall under any of the Rule 122's exceptions for notice requirements. *Id.* at 5.

2. Rule 125: Notice to Customers of Proposed Changes in Rates

ICIP argued that the Company's combined notice of the HCC rate increase and PCA failed to meet any of Rule 125's requirements. *Id.* at 5-8.

Further, ICIP argued that the optional nature of the Company's request belies any claim that it is in the public interest to impose the proposed rate increase on the Company's ratepayers. *Id.* at 9. ICIP stated that because HCC AFUDC expenses are not associated with annual fluctuations in power costs, the Company's earnings and hence, need, for the HCC rate increase are independent of the PCA's direction. *Id.*

ICIP argued that not only are the two events unrelated, but the Company did not make an offer of proof that the HCC rate increase was necessary for the Company's financial health. *Id.* at 10. Rather, the Company concedes that its HCC rate request was conditional upon a random event unrelated to its earnings, and it was therefore neither fair, just nor reasonable for the Commission to impose that increase on the Company's ratepayers based on the outcome of the PCA. *Id.*

ICIP concluded that the most efficient process to address the Company's request would be to defer the issue to the Company's pending general rate case for resolution along with all the other revenue requirement issues inherent in such a proceeding. *Id.* at 11.

COMPANY REPLY COMMENTS

With respect to ICIP's Rule 122 argument, the Company believed the intent of the requirement to file a notice prior to the filing of a general rate case was due to the nature of the request, and that the Company's request in this case was an increase in rates based on the change in a singular expenditure, for which customers were already paying, and was therefore outside the scope of Rule 122. Company Reply Comments at 4-5.

With respect to Rule 125, the Company disagreed with ICIP's declaration that the Company's "notice was misleading and a gross misrepresentation of its impact on ratepayers." *Id.* at 5. The Company represented that its notice was combined because the request in this case was subject to the expected proposed decrease in the PCA proceeding, which was unknown at the time. *Id.* The Company believed that a combined notice allowed the Company to notify customers of the proposed net rate change associated with the Fixed Cost Adjustment, the PCA, and the HCC. *Id.* at 6. The Company believed that approach minimized the opportunity for customer confusion, as opposed to sending three separate customer notices with three different proposed rate changes. *Id.*

The Company stated that, in its Application, the Company explained its intent to satisfy Rule 125, and the Company requested additional direction from the Commission if a different approach to providing customer notice of multiple rate changes was preferred. *Id.*

Additionally, the Company argued that its request to recover incremental AFUDC associated with the HCC Relicensing Project was in the public interest. *Id.* The Company reasoned that increasing collections of HCC relicensing-related AFUDC to approximately \$30 million would better align the annual AFUDC amounts collected with the annual AFUDC amounts accrued, reducing the total project costs ultimately included in rate base, thereby reducing future rate increases. *Id.* at 7.

Finally, the Company stated that its request to recover incremental AFUDC associated with the HCC relicensing project was necessary to maintain its financial health, and that the collections would improve cash flow, which helps maintain credit strength necessary to access competitive

lending markets, and that credit strength benefits the cost of capital and ultimately customer rates. *Id.* at 7-8.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, 61-502, and 61-503. The Commission is vested with the power to “supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law].” *Idaho Code* § 61-501. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503.

Having considered and resolved the notice issue ICIP raised through prior orders, it is unnecessary to restate our entire decision on that issue in this Order. However, we must reiterate our concern regarding the notice provided to customers in relation to this rate increase. As we stated in Order No. 36698, that notice appeared focused on the overall net rate decrease created by combining the annual PCA and FCA filings (which happen to result in a rate decrease this year) and the long-term HCC rate increase. Additionally, the notice did not clarify that the rate increase related to HCC was a long-term rate change versus the PCA and FCA cases, which vary from year-to-year. This omission combined with the nearly 30-day delay between the filing of this case and the issuance of notice to customers could be interpreted as calculated decisions facilitating obfuscation of the rate increase. Although we expect improvements in the clarity and timing of the Company’s future customer notices, particularly considering the concerns discussed above, those concerns do not prevent us from evaluating the merits of the proposed rate adjustment itself.

After reviewing the record, we find it just and reasonable to authorize the Company to increase rates by \$29,708,787 to offset AFUDC costs associated with the HCC relicensing project. This will improve the Company’s competitiveness in lending markets by improving its cash flow. The lower capital costs this can provide can benefit customers through lower rates than they otherwise might have to pay. Additionally, allowing the Company to begin collecting AFUDC costs now through a smaller, immediate rate increase will help mitigate the rate shock that could occur if cost recovery is delayed until the HCC relicensing is complete, especially because customers today are benefiting from the HCC and the associated relicensing efforts.

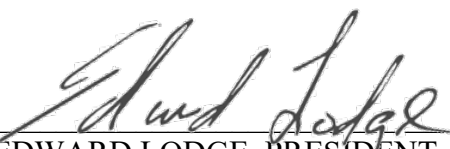
ORDER

IT IS HEREBY ORDERED that the Company's Application to increase customer rates by \$29,708,787 to recover incremental AFUDC costs associated with the HCC relicensing is approved, effective October 1, 2025.

IT IS FURTHER ORDERED that the Company shall submit a revised version of the proposed tariffs that were filed on April 15, 2025, that reflect the number of this Order within 30 days of the service date of this order as a compliance filing. These revised tariffs shall be effective October 1, 2025.

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. *See Idaho Code § 61-626.*

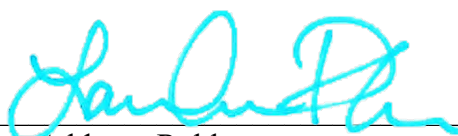
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th day of September 2025.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Laura Calderon Robles
Interim Commission Secretary

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