

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

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

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

8 Q. Please describe your educational background.

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

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

23 A. I began my employment with Idaho Power in 1996
24 in the Company's Customer Service Center where I handled
25 customer phone calls, customer-related transactions, and

1 general customer account maintenance in the areas of
2 billing and metering.

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

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

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

25 //

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

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

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

18 My testimony will also inform the Idaho Public
19 Utilities Commission ("Commission") of the circumstances
20 driving the need for the Company's request including
21 sustained customer growth requiring significant, ongoing
22 capital investment necessary to maintain a safe, reliable
23 electric system into the future. Correspondingly, the
24 Company believes that such growth warrants careful
25 consideration of appropriate ratemaking methodologies that

1 balance timely cost recovery with affordability for
2 customers.

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

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

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

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

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

19 A. Idaho Power developed the scope of this
20 proceeding with the goal of balancing timely cost recovery
21 while keeping customer affordability top-of-mind. Idaho
22 Power plans to invest nearly one billion dollars in its
23 system in 2024 and an average of \$796 million over the next
24 five years to meet the growing customer demand and to
25 maintain a safe, reliable electric system. The associated

1 incremental depreciation and interest expense is of a level
2 that Idaho Power cannot earn a reasonable rate of return
3 nor maintain sufficient cash flow metrics without the
4 relief sought in this case. The Company is also
5 experiencing increased labor costs to attract and retain a
6 skilled workforce and other inflationary pressures
7 throughout its business.

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

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

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

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

23 Mr. Eric Hackett, Projects and Resource Development
24 Director, discusses generation-related major projects
25 expected to be completed during 2024. He presents the

1 prudent nature of these investments, detailing why they are
2 needed to ensure Idaho Power's generation fleet is robust
3 and well-positioned to provide continued safe, reliable
4 service to customers. Mr. Hackett is also the witness who
5 presents the costs associated with the utility-scale
6 battery projects placed into service in 2024 and explains
7 why the investment in these facilities reflects the least-
8 cost, least-risk option to ensure sufficient capacity to
9 meet customer demand in 2024 and beyond.

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

24 Q. Did Idaho Power discuss this limited scope
25 rate case concept with the Commission Staff ("Staff") and

1 other key stakeholders?

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

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

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

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

1 A. Idaho Power prepared its 2024 incremental
2 revenue requirement in this case using the same general
3 rate base and labor forecast methodologies used in the 2023
4 GRC, with certain adjustments. However, instead of starting
5 with actual 12-month financial results, adjusted to include
6 typical and traditional ratemaking adjustments, the Company
7 has used the final approved revenue requirement from the
8 2023 GRC as the starting point to determine the incremental
9 revenue requirement.

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

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

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

23 A. Yes. Idaho Power has excluded any expected
24 2024 capital projects associated with the Jim Bridger Power
25 Plant ("Bridger") and the North Valmy Generating Station

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

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

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

20 **I. OPERATIONAL AND FINANCIAL CONSIDERATIONS**

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

23 A. The requested increase is important for Idaho
24 Power to have an opportunity to achieve fair and timely
25 recovery of its prudently incurred expenses and a

1 reasonable return on the Company's investment in its
2 electrical system, which today's rates will not fully
3 provide. High growth in customer demand for electricity,
4 aging infrastructure, and higher compliance and reliability
5 requirements are driving the need to invest large amounts
6 of capital to expand and improve electricity supply,
7 delivery, and reliability. This increases the Company's
8 need to access both the debt and equity markets to fund
9 large amounts of capital investment in the system. In this
10 environment, timely and fair recovery of the Company's
11 prudently incurred expenses and investments is critically
12 important to helping it attract capital investment and
13 manage financing costs, which ultimately benefits the
14 Company's customers.

15 Q. What are the challenges facing the Company?

16 A. Rising prices and costs and constrained system
17 capacity are challenges facing many utilities in the West,
18 and Idaho Power is no different. Despite considerable
19 investment and expansion in recent years, much of the
20 Company's system today is fully utilized by our current
21 customers and the Company continues to experience sustained
22 customer growth. To provide safe, reliable service to all
23 customers, the Company must continue to make major
24 investments in both new and existing infrastructure.
25 Supply chain constraints and worldwide demand for the

1 materials and services required to build needed
2 infrastructure have driven up prices dramatically in recent
3 years.

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

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

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

1 Since 2010, the Company's actual system peak has
2 grown 1.5 percent per year on average, and over the next
3 five years Idaho Power expects to experience unprecedented
4 growth with an annual system peak increase of approximately
5 3.7 percent per year. This growth includes several new and
6 expanding large load customers, including the nearly 1
7 million square-foot Meta data center, Lamb Weston's \$415
8 million plant expansion and Micron's \$15 billion dollar
9 expansion.

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

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

1 of investment.

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

5 A. As can be seen on Exhibit No. 1, the Company
6 plans to invest nearly one billion dollars in new
7 infrastructure in 2024 and an average annual investment of
8 \$796 million over the next five years, with the potential
9 for that amount to increase notably based on additional
10 infrastructure needs to serve customer growth. The
11 associated depreciation expense is expected to grow by
12 \$31.5 million in 2024 and will continue to increase over
13 the next five years.

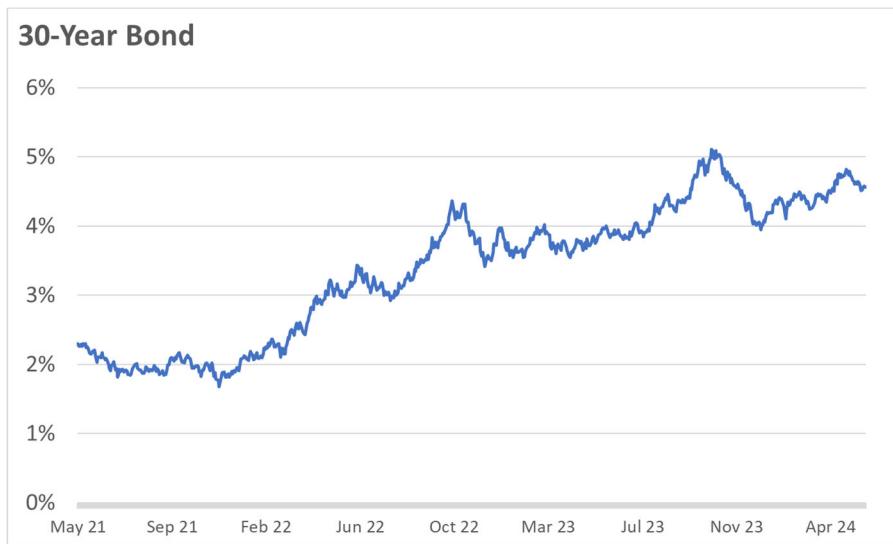
14 The Company cannot absorb the depreciation and
15 financing expense associated with the incremental plant
16 investment without the requested rate relief in this case,
17 and likely subsequent rate adjustments going into the
18 future.

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

21 A. Over the last decade, Idaho Power has taken
22 advantage of historically low interest rates. However,
23 borrowing costs have risen dramatically since December
24 2021, as the Federal Reserve has taken action to address
25 inflation in the United States ("US") economy. As seen in

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

6 **FIGURE 1**



7

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

13 It should also be noted that when borrowing costs
14 rise, the ripple effects make their way into all of Idaho
15 Power's commodities, materials, purchased services, and
16 other costs. This happens because the Company's vendors
17 and counterparties need to price their rising borrowing

1 costs into the prices they charge to Idaho Power. And
2 while macro-economic inflation seems to be curbing from
3 recent highs, higher borrowing costs are more likely to
4 persist over the longer term.

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

7 A. A combination of supply and demand factors
8 have resulted in persistent high inflation since early
9 2020. Idaho Power is continuing to see escalated pricing
10 across most commodities: Since 2020, core steel is up 113
11 percent, aluminum pricing is up 26 percent, and high-grade
12 copper has increased 43 percent.

13 These increases translate directly into price
14 escalations for key pieces of equipment needed to serve
15 our customers and maintain the reliability of our system.
16 The average cost of transformers has increased by 68
17 percent, wood poles by 46 percent, and electrical cable by
18 52 percent.

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

25 //

1 **II. REGULATORY LAG**

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

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

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

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

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

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

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

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

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

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

25 //

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

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

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

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

21 A. Moody's stated, "without the benefit of more
22 incremental and timelier rate relief through riders,
23 quicker asset recovery via depreciation rates or more
24 frequent base rate increases, IPC's credit metrics will no
25 longer be sustained at levels supportive of the Baal

1 rating."² Moody's also cited wildfire risks as a factor
2 weighing down Idaho Power's credit metrics; however,
3 Moody's also pointed to positive actions the Company is
4 taking to mitigate wildfire risks in its service
5 territory. A copy of Moody's press release is included as
6 Exhibit No. 2. Further, S&P cited the Company's
7 reliability and economic growth-driven capital spending
8 needs as reflecting its liquidity downgrade, as it
9 perceives "elevated capital spending that will result in a
10 modest weakening of the company['s] liquidity throughout
11 the forecast period."³ A Copy of S&P's Research Update is
12 included as Exhibit No. 3.

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

16 A. Yes. First, the Company requests approval of
17 2024 incremental rate base of approximately \$731 million
18 based on year-end 2024 projected plant balances. The use of
19 year-end plant balances as opposed to a historical monthly
20 average will ensure that the rate base included in customer
21 rates reflects plant investments placed in service up to
22 the time rates go into effect, thereby reducing, albeit not

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).

1 eliminating, regulatory lag. Second, the Company proposes
2 to adjust base rates to reflect projected labor costs that
3 will exist at the time rates go into effect. That is, the
4 Company is requesting recovery of 2024 labor costs adjusted
5 to include a projected 2025 general wage adjustment to
6 represent labor costs that will be in effect on January 1,
7 2025.

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

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

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

24 A. Yes. In Idaho Power's 2008 General Rate Case,
25 IPC-E-08-10, the Commission approved the use of projected

1 year-end plant balances for projects having a cost more
2 than \$2 million.⁴ The Commission again approved this year-
3 end plant balance methodology when it approved a settlement
4 stipulation in the Company's 2011 General Rate Case, IPC-E-
5 11-08, in Order No.32426.

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

8 A. The inclusion of the expected 2025 general
9 wage adjustment in this case increased the incremental
10 revenue requirement by \$5.9 million on a system basis. This
11 represents the projected incremental 2025 costs associated
12 with attracting and retaining a skilled workforce.

13 Excluding these costs from base rates effective January 1,
14 2025, would negatively impact the Company's cash flow
15 metrics and decrease Idaho Power's opportunity to earn its
16 authorized rate of return.

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

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.")

1 A. Not necessarily. The requested rate relief is
2 unlikely to improve the ratings, and there is still a risk
3 that one or both rating agencies may downgrade the
4 Company's credit ratings. The credit rating agencies have
5 built their models and assumptions, in part, based on
6 forecasts Idaho Power has discussed with them. Those
7 forecasts have contemplated the rate relief requested in
8 this case. The request in this case seeks to address more
9 timely cash collections related to capital investments with
10 the use of the year-end plant balance method, which will be
11 viewed by the credit rating agencies as positive for their
12 assumed liquidity and other credit metrics. However, in
13 light of the continued regulatory lag that would exist
14 during 2025 even with the use of period-end rate base, the
15 Company's credit metrics will remain under pressure.
16 Financing capital expenditures with indebtedness at
17 relatively high interest rates, dilutive equity issuances,
18 and inadequate offsetting operating cash flow from
19 collection through customer rates combine to put pressure
20 on the Company's financial condition and credit metrics in
21 2024 and 2025, and in subsequent years absent further
22 reduction in regulatory lag.

23 Q. Is regulatory lag always harmful to a
24 utility?

25 //

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

9 **III. DILIGENT COST MANAGEMENT**

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

12 A. All new, un-budgeted positions must be
13 reviewed and approved by the Company's Chief Financial and
14 Chief Operating Officers. The Company's careful management
15 of labor costs is evidenced by the fact that, even with
16 adding approximately 120,500 customers between 2013 and
17 2023, employee headcount has only increased by 72 people
18 over the same time period. That is an increase in customer
19 count of 23.9 percent over that period, and an increase of
20 only 3.5 percent in labor count over that same period.

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

23 A. Idaho Power's compensation philosophy is to
24 provide a balanced, competitive, and sustainable total
25 compensation or "total rewards" package, ensuring it

1 attracts and retains high quality employees and motivates
2 them to achieve performance goals that benefit customers
3 and shareholders. Maintaining a competitive total rewards
4 package allows the Company to recruit and retain its highly
5 skilled workforce. The competitiveness of Idaho Power's
6 total rewards package also supports the Company's intent to
7 maintain a flexible workforce that can easily adjust work
8 duties and assignments to meet changing demands and
9 operational needs, which in turn keep the Company's costs
10 of service lower.

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

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

20 O&M budgets are established based on extensive
21 discussions between the business units and senior
22 management and represent a combination of prior year
23 experience plus or minus identified changes and
24 adjustments. As the Company prepared its O&M budgets for
25 2024, the target was based on holding to a 2023 budget

1 adjusted down for known items and with only identified
2 unavoidable increases allowed as an adjustment.

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

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

11 A. Yes, very much so. As can be seen in Figure 2,
12 the Company's overall O&M expenses, excluding power supply
13 expenses and demand-side management expenses, have remained
14 relatively flat between 2012 and 2023, with an uptick in
15 2022 and 2023 resulting from recent inflationary pressures.
16 Even with those recent inflationary factors, the Company
17 has held O&M expenses to an average annual growth rate of
18 just over 1 percent over that period.

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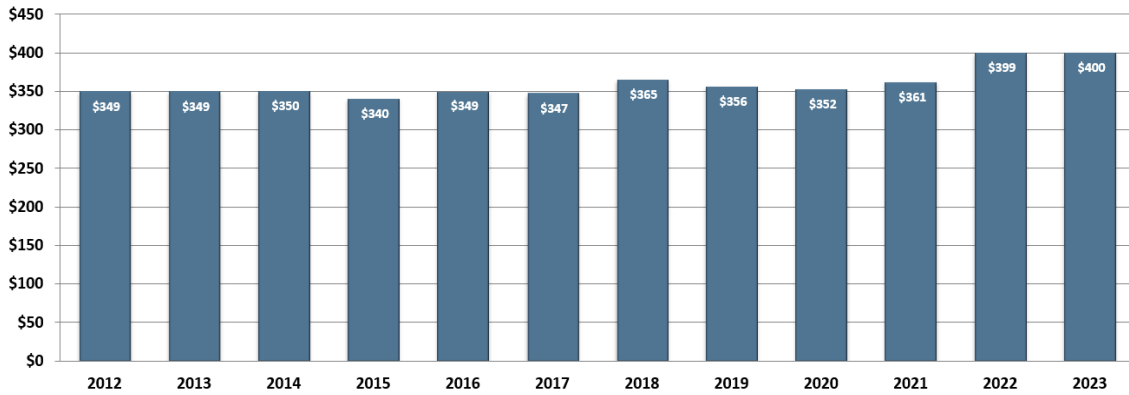
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1 **FIGURE 2**

2 2012-2023 Operating and Maintenance Expenses



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IV. IDAHO RESULTS OF OPERATIONS

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

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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.

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Q. Please generally describe the methodology

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utilized to develop the ROO.

1 A. The starting point for the ROO is actual
2 2023 year-end results. The Company then applied typical
3 ratemaking adjustments, such as the normalization of
4 revenues and the removal of non-rate case items such as
5 Energy Efficiency Rider funded expenses and revenues, to
6 develop adjusted year-end 2023 results. Then, to provide a
7 consistent comparison with the results of the 2023 GRC,
8 Idaho Power applied certain ratemaking adjustments as
9 contemplated in the 2023 Stipulation to align the ROO with
10 the methodological results of that case. Finally, the
11 Company layered on incremental capital and O&M Labor
12 expectations to determine the sufficiency of current rates
13 to provide adequate cost recovery.

14 Q. What are the results of the ROO?

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

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

1 A. Yes. The 2024 incremental revenue request of
2 \$99,293,220 is justified and necessary given the results of
3 the R00. Absent the requested rate increase, current base
4 rate revenue is not sufficient to allow the Company even a
5 slight chance to earn near its authorized ROR or to
6 maintain adequate cash flow metrics as it continues to make
7 significant levels of investment in the electrical grid.

8 **V. REVENUE SPREAD**

9 Q. Please describe Idaho Power's proposed method
10 of assigning the incremental revenue requirement of
11 \$99,293,220 to individual classes of customers?

12 A. The Company proposes to spread the incremental
13 revenue requirement to customer classes in a manner that
14 relies on agreed upon methods from the 2023 Stipulation.
15 More specifically, the Company's proposed method consists
16 of two steps: (1) the class cost-of-service methodology
17 filed in the 2023 GRC is relied upon to allocate the
18 incremental rate base and expenses to customer classes, and
19 then (2) the cap and spread parameters agreed to in the
20 2023 Stipulation are then applied to each customer class.
21 These parameters include a cap of 130 percent and a floor
22 of 50 percent of the overall 7.31 percent increase, or 9.50
23 and 3.65 percent, respectively. As a result, the Company
24 proposes the following allocation of the base price
25 increase by rate schedule:

1 **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%

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

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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.

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Q. Did the Company consider other rate spread methods?

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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

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1 proposed method, neither of these alternative approaches
2 recognize the cost drivers specific and unique to this case
3 and, therefore, would result in additional inter-class
4 subsidization. The Company acknowledges that parties did
5 not explicitly agree to the underlying assumptions in the
6 class cost-of-service study in the 2023 GRC; however, the
7 study was relied upon for class allocation purposes in the
8 2023 Stipulation, and therefore, the Company is proposing
9 to maintain consistency with this approach to allocate the
10 revenue increase to customer classes equitably.

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

13 A. Consistent with the 2023 class COSS, Micron
14 (Schedule 26), Simplot - Pocatello (Schedule 29), and the
15 United States Department of Energy (Schedule 30), customers
16 received their own individual revenue allocations. While
17 the 2024 sales forecast included Simplot - Caldwell
18 (Schedule 32) and Lamb Weston (Schedule 34) as individually
19 forecasted loads, because both were included as part of the
20 Schedule 19 customer class in the 2023 GRC, their
21 forecasted sales were included in the Schedule 19 class for
22 purposes of developing the Schedule 19 class revenue
23 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.

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

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

6 A. The Company is generally not proposing changes
7 to rate design with two exceptions. The proposal in this
8 case is to collect the increased customer class revenue
9 allocation through a uniform increase to each class's
10 applicable billing components with no change to the Service
11 Charge. However, for the residential classes (Schedules 1,
12 3, 5, and 6), pursuant to the 2023 Stipulation and as
13 authorized by Commission Order No. 36042, the Company's
14 service charge will increase from \$10 to \$15 on January 1,
15 2025, coincident with the rate changes proposed in this
16 case. Second, for Schedule 26, the Company proposes to only
17 collect the increased revenue allocation through the
18 demand-related charges in recognition of their Renewable
19 Resource Agreement.

20 **VI. CONCLUSION**

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

⁷ Rate increase not applied to Block 2 Energy Charges.

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

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

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

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

1 serves.

2 Q. Does this conclude your testimony?

3 A. Yes, it does.

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DECLARATION OF TIMOTHY E. TATUM

I, Timothy E. Tatum, declare under penalty of perjury under the laws of the state of Idaho:


1. My name is Timothy E. Tatum. I am employed by Idaho Power Company as the Vice President of Regulatory Affairs.

2. On behalf of Idaho Power, I present this pre-filed direct testimony and 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**

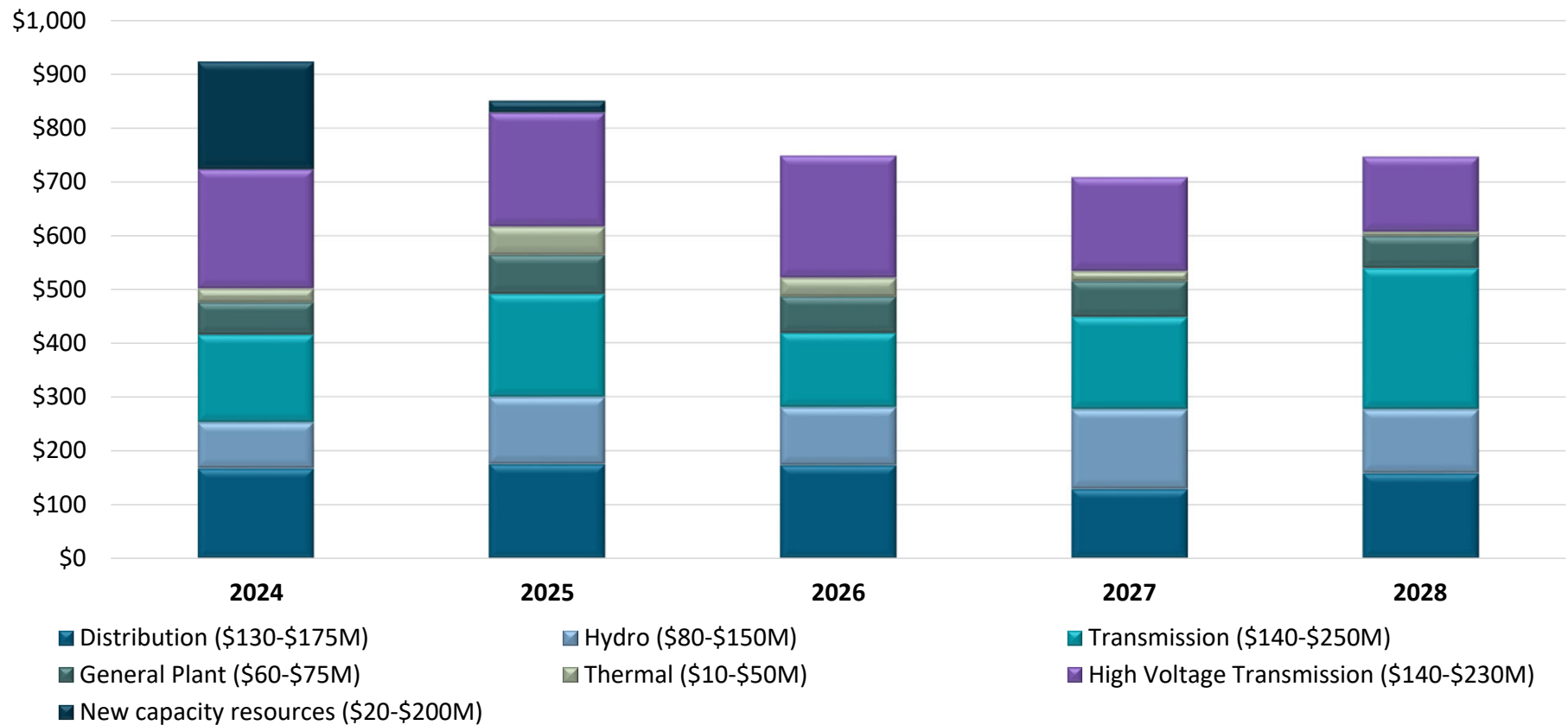
IDAHO POWER COMPANY

**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.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-24-07**

IDAHO POWER COMPANY

**TATUM, DI
TESTIMONY**

EXHIBIT NO. 2



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 flow 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/mc-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.moody.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
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Issue-Level Ratings Affirmed

IDACORP Inc.

Commercial Paper	A-2
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Idaho Power Co.

Senior Secured	A-
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Commercial Paper	A-2
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Issue-Level Ratings Affirmed; Recovery Ratings Unchanged

Idaho Power Co.

Senior Secured	A-
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Recovery Rating	1+
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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.

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**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)	
Row	Tariff Description	Rate Schedule Number	2024 Sales Normalized (MWh)	2024 Retail Sales	Class Cost-of-Service Revenue Allocation				Cap and Spread									
					Revenue Change	Revenue Allocation	Percent Change	Average Mills/kWh	First Pass Revenue Allocation			Second Pass Revenue Allocation		Final Revenue Allocation				
									Over Cap	Below Floor	Revenue Change	Shortfall Allocation % \$	Average Mills/kWh Index	COS %				
(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%
	<u>Special Contracts</u>																	
(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%