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VIA ELECTRONIC FILING

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Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97301

Re: AR 676 – Rulemaking General Rate Revisions HB 3179 – Staff Straw Proposal on the structure and design elements of a Multi-year Rate Plan

Attention Filing Center:

Idaho Power Company ("Idaho Power" or "Company") appreciates the Public Utility Commission of Oregon ("Commission") Staff's ("Staff") effort to develop a multi-year rate plan ("MRP") framework that promotes predictability, administrative efficiency, and improved incentive alignment. Idaho Power generally agrees that an index-based approach can be an effective tool for managing certain categories of costs, particularly those that are stable and evolve incrementally over time. However, as currently structured, the proposal presents challenges when applied to cost categories that do not follow these assumptions, most notably capital investment. The concerns outlined below focus on ensuring the framework can operate effectively given the realities of a utility experiencing ongoing system growth and investment needs that may not keep pace with a simplified indexing approach.

I. Indexing for Operations and Maintenance ("O&M") Costs

Idaho Power agrees that an indexing framework may provide a workable approach for certain categories of ongoing O&M expenses that generally track inflationary trends over time. For routine and predictable O&M costs, indexing may provide administrative efficiencies and reduce the need for frequent rate proceedings. At the same time, Idaho Power notes that not all O&M expenses consistently align with broader inflationary measures, as certain operation costs may experience periods of volatility or escalation that differ from general inflation trends. These considerations are important in evaluating the overall effectiveness of any proposed indexing framework.

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II. Treatment of Wildfire Mitigation ("WFM") and Demand-Side Management ("DSM") Costs

Idaho Power supports Staff's proposal to exclude WFM and DSM costs from the index-based MRP framework. However, Idaho Power's circumstances differ administratively from other Oregon utilities for both WFM and DSM cost recovery. Currently Idaho Power does not have an Automatic Adjustment Clause for WFM costs and rather files deferral requests in Oregon for future recovery of prudently incurred incremental WFM costs. Additionally, the Company directly administers and funds its DSM programs through its Schedule 91 Energy Efficiency Rider rather than funding the Energy Trust of Oregon to provide those services. Essentially, Idaho Power is aligned with Staff's proposal that these cost categories be handled outside of the MRP framework, however it requests confirmation that comparable treatment and recovery for its WFM and DSM expenses will be consistent with the other utilities despite this structural difference.

III. Capital Investment and Indexing

Idaho Power is particularly concerned with Staff's proposal to exclude a K-factor or similar capital component from indexed base rates while simultaneously limiting any alternative capital funding mechanism to what Staff describes as "limited, extraordinary capital projects that cannot reasonably be accommodated within the index formula." While indexing may function reasonably for portions of traditional O&M expense, that framework does not translate effectively for a utility currently operating in a highly capital-intensive environment.

Idaho Power continues to experience customer growth while also facing increasing costs associated with maintaining, upgrading, and expanding its existing electric system that are outpacing general inflationary trends. At the same time, the Company must continue investing in aging infrastructure, system reliability, wildfire mitigation, and compliance-related projects across its service area. Idaho Power is continuing to see escalated pricing for key pieces of equipment needed to reliably serve customers. Since 2016, the average cost of distribution transformers has increased by 139 percent, wood poles by 94 percent, steel poles by 177 percent, and electrical cable and conductor by 98 percent. Staff's proposed approach does not adequately account for the breadth of ongoing capital investment necessary to meet these system needs. These investments are not limited to isolated large-scale projects but instead reflect continuous system-wide investment necessary to serve customers and maintain safe and reliable electric service. A narrowly tailored capital funding mechanism therefore fails to recognize the operational realities facing Idaho Power and does not provide a reasonable opportunity to recover prudently incurred capital costs.

Additionally, the plan duration of an MRP further affects the ability of the framework to reasonably align revenue recovery with ongoing capital investment needs. Longer plan durations, particularly when capital investment is not fully incorporated into the indexing mechanism, increase the likelihood that revenues will diverge from actual investment levels over time due to forecast uncertainty. This dynamic is especially relevant for utilities experiencing sustained system growth and ongoing infrastructure replacement requirements, where capital needs are not static across a multi-year period. For these reasons, Idaho Power opposes Staff's proposal to implement a uniform five-year plan duration across all utilities. As highlighted in its May 6, 2026, comments, the Company believes an initial MRP duration of three-years is most appropriate for Idaho Power. HB 3179 does not require that the Commission establish a single plan duration across all utilities and while Idaho Power does not broadly oppose longer plan durations, it believes they should be established based on utility-specific considerations.

IV. Performance Incentive Mechanisms

Finally, Idaho Power is concerned that the combination of restrictive capital indexing and penalty-only Performance Incentive Mechanisms ("PIMs") could create outcomes that are both inequitable and counterproductive. Under Staff's proposal, utilities may be constrained by indexed revenue limitations that do not adequately support necessary capital investment levels, while simultaneously being exposed to penalty-only PIM structures tied to reliability and performance metrics that are directly impacted by those same investment constraints. This dynamic risks placing utilities in a position where they must either exceed authorized funding levels without a reasonable recovery opportunity or face penalties for failing to achieve performance outcomes that require additional capital investment to maintain.

Idaho Power believes that any final framework that is ultimately adopted by the Commission should avoid creating this structural mismatch and should instead ensure that utilities have a reasonable opportunity to recover prudent investments necessary to satisfy the very performance expectations that may be established for the PIMs.

V. Conclusion

Idaho Power appreciates the substantial work Staff has undertaken throughout Phase 1 of this proceeding and looks forward to continuing to work with Staff and stakeholders in Phase 2 as these concepts and proposals continue to be evaluated and refined.

If you have any questions regarding this filing, please contact Regulatory Consultant Kelley Noe at knoe@idahopower.com.

Sincerely,

Connie Aschenbrenner

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