Connie Aschenbrenner
Director of Regulatory Affairs
caschenbrenner@idahopower.com

September 4, 2026

VIA ELECTRONIC FILING

puc.FilingCenter@puc.oregon.gov

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

Re: AR 676 – Multi-Year Framework (HB 3179 & SB 688)

Attention Filing Center:

Idaho Power Company ("Idaho Power" or "Company") respectfully submits its pre-read related to Idaho Power Company's Distribution Capital cost information in response to the Oregon Public Utility Commission Staff's ("Staff") Phase 2 Workplan.

Idaho Power appreciates the opportunity to provide this pre-read and participate in this process.

The Company looks forward to continued engagement with Staff and stakeholders as this work progresses. If you have any questions regarding this filing, please contact Regulatory Consultant Kelley Noe at knoe@idahopower.com.

Sincerely,

Connie Aschenbrenner

CA:sg

Attachment

1221 W. Idaho St (83702)
P.O. Box 70
Boise, ID 83707

Idaho Power Pre-Read: Distribution Capital

Purpose

This pre-read provides background on Idaho Power's distribution capital, explains how distribution investment is currently forecast and reflected in rates, and identifies key considerations for designing the Supplemental Capital Funding Mechanism ("SCFM"). Because the approved multi-year rate plan ("MRP") framework places distribution capital within the indexed revenue cap, the central implementation question is how the SCFM should address material capital requirements that cannot reasonably be accommodated within the indexed revenue path.

Overview of Distribution Capital

Distribution capital includes the equipment and facilities used to deliver electricity from the transmission system to customers. Typical investments include substations, poles, overhead and underground lines, transformers, switches, meters, service connections, communications equipment, and other distribution infrastructure.

These investments support new customer connections and load growth, replace aging or damaged infrastructure, improve reliability and resilience, modernize the grid, integrate distributed energy resources and emerging technologies, and meet regulatory and public policy requirements. Unlike routine maintenance activities, capital investments generally provide system benefits over many years and become part of utility plant in service.

Distribution System Planning and Investment Drivers

Distribution capital investment is closely tied to Idaho Power's Distribution System Planning ("DSP") process. Idaho Power evaluates projected customer and load growth, equipment condition, reliability needs, distributed energy resources, electrification impacts, and other distribution system requirements. These evaluations help identify the infrastructure and operational solutions necessary to maintain safe and reliable service.

Distribution planning also considers alternatives to traditional infrastructure investment, including operational solutions, automation, feeder reconfiguration, and other non-wires alternatives. As forecasts and system conditions change, individual projects may be accelerated, delayed, modified, or replaced while still addressing the same underlying system need. Accordingly, distribution investment needs evolve based on changing system conditions and are not driven solely by general inflation.

DSP and related planning information may provide useful context when material investment needs emerge during an MRP. Because specific projects and timing may change as system conditions evolve, the SCFM should not depend on a fixed project list established at the beginning of the plan.

Forecasting Distribution Capital and Establishing Going-In Rates

Idaho Power recommends using its existing test-year methodology to establish the distribution capital reflected in going-in rates. Under this methodology, distribution capital is forecast through the end of the test year using internal project type categories. Projects greater than $2 million are forecast individually when they are known and measurable. Projects less than $2 million are forecast based on the five-year historical average relationship between plant additions and the prior year's

construction work in progress balance, with plant additions assigned to project types using five-year historical averages. This methodology establishes a reasonable level of distribution capital and the associated revenue requirement for purposes of setting going-in rates.

Distribution Capital Within the Indexed MRP

Under the approved Phase 1 framework, distribution capital is included within the index-based revenue cap. The distribution capital forecast establishes the amount reflected in going-in rates, but it does not create an annual capital forecast adjustment during the MRP term. Routine changes in capital spending and ordinary forecast-to-actual differences therefore do not result in annual adjustments to authorized revenues.

At the same time, customer growth, load growth, emergency reconstruction due to unforeseen events, electrification, equipment condition, reliability requirements, regulatory mandates, and other system needs may change both the timing and amount of distribution investment required during the plan. Material capital requirements may therefore emerge that were not reasonably reflected in going-in rates and cannot reasonably be accommodated within the indexed revenue path.

The Phase 2 design question is how the SCFM should operate in those circumstances while preserving the discipline, predictability, and cost-management incentives of the index-based framework.

Supplemental Capital Funding Mechanism Considerations

The relevant consideration within an SCFM should be whether material distribution investment requirements have emerged that were not reasonably reflected in going-in rates and cannot reasonably be accommodated within the indexed revenue path while the utility continues to meet identified system and customer needs. Regulatory lag, financing requirements, and other financial effects may inform that determination, but the mechanism should be grounded first in the investment need and the utility's service obligations.

A workable SCFM should provide sufficient flexibility to address material distribution investment needs while preserving appropriate review, customer protections, and the incentives inherent in an index-based MRP. The mechanism should allow investments to be addressed before they create significant regulatory lag or require more disruptive remedies such as reopeners or off-ramps.

Other Implementation Considerations

Depreciation. Distribution plant included in going-in rates should use the Commission-approved depreciation rates in effect for the applicable plant accounts. If depreciation rates change during the MRP, the revenue requirement effect should be addressed through an authorized adjustment, deferral, or timing the depreciation proceeding with rebasing.

Performance metrics. Distribution-related performance metrics should focus on customer and system outcomes, such as reliability, rather than capital spending levels or completion of predetermined project lists.

Rebasing**.** At the conclusion of the MRP term, rebasing would establish new going-in rates for the subsequent MRP period using actual recorded rate base and other revenue requirement components, including investments recovered through any SCFM. Actual recorded plant balances

would provide the foundation for applying Idaho Power's test-year forecasting methodology to establish capital reflected in the next set of going-in rates.

Idaho Power Recommendations

Based on the nature of distribution capital and the Phase 1 approved MRP framework, Idaho Power recommends:

- Establish going-in rates using Idaho Power's existing test-year methodology and continue to align distribution capital planning with the DSP process.
- Provide a practical SCFM for material capital requirements that were not reasonably reflected in going-in rates and cannot reasonably be accommodated within the indexed revenue path.
- Use outcome-based performance metrics and conduct comprehensive rebasing at the next MRP filing, with actual recorded plant balances providing the foundation for establishing new going-in rates.

This framework preserves the discipline and predictability of the index while providing a defined path for addressing legitimate, material distribution investment needs and ensuring that actual plant is ultimately subject to comprehensive regulatory review.