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IDACORP, Inc. (IDA)

Q2 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to IDACORP's Second Quarter 2022 Earnings Conference Call. Today's call is being recorded and our webcast is live. A replay will be available later today and for the next 12 months on the IDACORP website. [Operator Instructions]

I will now turn the call over to Justin Forsberg, Director of Investor Relations & Treasury.

Justin S. Forsberg

Director-Investor Relations & Treasury, IDACORP, Inc.

Thank you, Julie. And good afternoon, everyone. This morning, we issued and posted to IDACORP's website our second quarter 2022 earnings release and Form 10-Q. The slides that accompany today's call are also available on IDACORP's website. We will refer to those slides by number throughout the call today.

As noted on slide 2, our discussion today includes forward-looking statements, including earnings guidance and spending forecasts, which reflect our current views on what the future holds but are subject to several risks and uncertainties, including uncertainties surrounding the impacts of future economic conditions. This cautionary note is also included in more detail for your review in our filings with the Securities and Exchange Commission. These risks and uncertainties may cause actual results to differ materially from statements made today, and we caution against placing undue reliance on any forward-looking statements.

As shown on slide 3, on today's call, we have Lisa Grow, IDACORP's President and Chief Executive Officer; and Brian Buckham, IDACORP's Senior Vice President and Chief Financial Officer. In addition to Lisa and Brian, we have other members of our management team available for a Q&A session after Lisa and Brian provide updates.

Slide 4 shows our quarterly financial results. IDACORP's second quarter 2022 earnings per diluted share were \$1.27, a decrease of \$0.11 per share from last year's second quarter, primarily reflecting the impact of weather

and partially offset by the accounting impacts related to a regulatory order. Since we plan for normal weather, a portion of the weather impacts compared to last year were expected. And it is important to acknowledge that the Jim Bridger, regulatory proceeding was also included in our original guidance for the year.

Recall that last year spring was very hot and dry and that did not repeat this year. This spring was cooler and wetter, which impacted irrigation and air conditioning loads, year-to-date, earnings per diluted share were \$2.18, a decrease of \$0.09 per share from the first half of last year's weather assisted record results. Our results over the first six months of 2022 reflect IDACORP's second highest first half in the history of the company.

Today we also raised the bottom end of our previously issued full year 2022 IDACORP earnings guidance estimate by \$0.10 to the range of \$4.95 to \$5.05 per diluted share, which would result in the 15th consecutive year of growth and earnings per share. We also affirm that we believe Idaho Power will not need to utilize any of the additional tax credits that are available to support earnings under its Idaho regulatory settlement stipulation. These estimates assume historically normal weather conditions over the balance of the year.

I'll now turn the call over to Lisa.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thanks, Justin. And thanks to everyone joining us on the call today. I hope you are all having a wonderful summer. I'd like to begin with a high level overview of some of the headlines for this quarter. Specifically growth, infrastructure projects, economic conditions and weather in our service area. These factors create both opportunities and challenges for our company. Growth continues to be a key differentiator for us.

As you can see on slide 5, Idaho Power's growth stayed steady at 2.6% this quarter and remains quite strong. We believe our competitive prices, outstanding reliability and strong customer satisfaction help make our service area attractive for business and residential customers. We continue to see a robust pipeline of future projects, including speculative industrial development, existing customer expansion and new customers in most of our customer classes.

As noted on the bottom of that same slide, slide 5, the economy in Idaho Power service area continues to outperform national trends. Moody's predicts sustained economic growth for our service area, calling for GDP growth of 3.3% in 2022 and 4.8% in 2023. And note that the 2022 GDP growth figure is a notable increase over Moody's estimate at the time of our first quarter earnings call. Also on unemployment within our service area is at 2.9% below the 3.6% national average.

More importantly, employment in our region has grown 6.7% since Q2 of last year. And perhaps not surprising with the rapid increase in interest rates, we are seeing an easing in the record pace of building in some areas. But like Moody's, we remain bullish regarding our continued overall customer growth. Many of you may have seen the Wall Street Journal article last week about the Boise housing market prices cooling off.

However, residential building permits remain historically high and requests for new service are still robust. We believe lower housing costs may be a net positive for companies and individuals looking to relocate in the area. The affordable cost and high quality of living have been important reasons people historically have wanted to move to our service area. We have also felt the impacts of the global supply chain challenges as growth is increasing demand on already strained supplies. But we've been working hard to mitigate delays on important items like transformers and cable. We are seeing some positive signs of easing supply chain pressures in some areas.

Inflation is another economic challenge we are monitoring closely. Essential expenses like housing, food, gasoline represent much of the increase in inflation nationwide. And our service area is not immune to these trends. They create challenges for our customers, communities and employees as well as for our company. We remain focused on attracting and retaining skilled staff and are actively working to ensure our workforce continues to receive competitive wages and benefits and maintain our status as an Employer of Choice in an increasingly competitive job market.

While we have felt the pressures on O&M that are pervasive in the macro economy, we remain committed to our efforts to control expenses like we've always done, and we are confident in our team's ability to remain focused on controlling costs throughout the second half of the year.

As we address growth, an emphasis on reliable, affordable, clean energy to serve our growing customer base highlights the importance of ongoing projects like the Boardman to Hemingway transmission line. That line will serve as a clean energy highway across the West and also provides both reliability and resilience to the system. We're still on track to receive a permit from the state of Oregon by the end of this year. And the line is currently planned to go into service in 2026.

As I mentioned last quarter, we're also planning to bring two large battery storage projects totaling 120 megawatts online next year to meet our capacity needs, pending approval by the Idaho Public Utilities Commission. Recall that these batteries will be the first of their kind in Idaho. We're working to address additional capacity needs in 2024 and 2025 through an ongoing RFP process and we should have updates on that topic later this year, as right now, we're still working through the process.

And finally, the weather. The weather in the first two quarters has definitely given us mixed results. Results for Q1 benefited from cold weather, yet results for Q2 were challenged by a wet cold spring and Brian will give more details on that in a moment. Summer finally arrived in late June and temperatures have been unseasonably warm and we've seen a strong demand since then. And so we're feeling optimistic about Q3 thus far. Recall that the third quarter is generally our highest sales quarter, as we serve our peak summer demand.

So when you combine weather, growth, infrastructure, the regional economy and positive regulatory outcomes, we are forecasting a strong finish to 2022. Now we've mentioned general rate case timing on prior calls. And at this point, I'd say we are continuing to analyze the timing of the case in a very dynamic environment. And we will keep you posted.

With that, I will hand things over to Brian for some more details of this quarter and our expectations for the rest of the year. Brian?

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thanks, Lisa, and good afternoon, everyone. I'll start my portion on slide 6, where you'll see our second quarter 2022 results compared to Q2 last year. All-in, I would say we had a solid first half of the year, as Justin highlighted on slide 4 earlier, it's the second highest earnings for the first half of the year in our history, second only to last year. We've seen continued strong customer growth along with higher transmission wheeling revenues that resulted from energy market conditions in the West. Also the Jim Bridger order from the Idaho Commission had a notable impact on results for the quarter.

On the other hand, offsetting those benefits were the impacts of weather on sales, irrigation sales in particular combined with higher O&M expenses compared with Q2 last year. In the table of quarter-over-quarter changes you'll see that customer growth added \$2.7 million to operating income. And as Lisa noted, we expect this growth to continue as people and businesses relocate to our service area and as existing businesses expand their operations and footprint.

So we share the optimism in Moody's updated GDP outlook for our service area. But there's certainly been a lot of commentary nationally about a recession. And if that recession currently exists or if it's yet to materialize, I do think it's helpful to remember that Idaho Power's service area saw positive customer growth even during the nationwide downturn in the aftermath of the 2008 financial crisis. So with that empirical knowledge, we're optimistic regarding the potential of the cities in our service area to attract businesses and residents, despite some increasing evidence of a recession like slowdown nationally.

So back to this quarter's results, mild temperatures and higher precipitation in the second quarter drove a 36% reduction in usage for irrigation customer. It also caused a 10% reduction in usage for residential customer and a 6% decrease in commercial per customer usage. Industrial per customer usage was relatively flat for the quarter. These reductions are all compared to last year's second quarter, which by way of comparison was significantly hotter and drier than this year's Q2.

And we hit our all-time record peak load in June of last year. So during April, May and June of this year, cooling degree days in Boise were 59% lower and precipitation was 86% higher than the same three months last year, so a fairly stark contrast in terms of weather conditions.

Effectively we're comparing to a Q2 last year that was 25% dryer and 109% hotter than normal. And these weather conditions all combined to cost much of the \$25.9 million net usage per customer decrease in operating income. I think notable though, despite these weather conditions in Q2, retail sales volumes increased across all of our customer classes for the full first half of the year other than irrigation customers. And that's reflective of new customers and colder weather in the first quarter of this year and demonstrates the outsized impact of irrigation usage in the second quarter.

The \$6.3 million increase in Idaho Power's fixed cost adjustment mechanism revenues that you see next on the table partially offset the decreases in residential and small commercial customer usage. For the year positive second quarter FCA revenues offset the similarly sized FCA revenue decrease recorded in the first quarter. And further down, you see a \$3.9 million increase in operating income from the change in net per megawatt hour revenue. The Idaho regulatory order for the Jim Bridger plant, which increased retail rates on June 1 this year, led to a portion of that increase.

Another piece relates to the decrease in usage per customer that I just described for irrigation customers that results from monthly fixed charges being spread over fewer megawatt hours, causing an increase in retail revenues per megawatt hour during the second quarter of this year compared with the same period last year.

And next on the table, continued higher transmission wheeling revenues during Q2 of this year increased operating income by \$2.9 million. Warmer weather in the southwest US and milder weather in the Pacific Northwest led to a price spread between energy market ups which increased wheeling activity across Idaho Power's transmission system. Also, wheeling customers paid 4% more for transmission wheeling with Idaho Power's transmission tariff rate increasing in October 2021 to reflect higher transmission costs.

We recently filed our draft transmission tariff rate for the next tariff year with a further slight increase in the rate. The higher other O&M expenses shown next on the table led to a \$12 million decrease in operating income this quarter compared with last year's Q2. The maintenance project at the Langley Gulch natural gas plant that I mentioned last quarter contributed to the expected increase there. This was our first scheduled of major maintenance for the plant since it was built about 10 years ago. Maintenance projects at the Jim Bridger plant and on the spillway at the American Falls hydropower project

drove additional O&M, much of the plant maintenance doesn't recur annually, but instead it's scheduled in cycles over a period of years.

We also recorded about \$2 million of higher performance based compensation accruals during Q2 of this year. And perhaps not surprisingly, we also saw inflationary pressures on labor related costs, professional services and supplies and on vehicle fuel. As we look ahead, I note that we perform the bulk of our plant maintenance ahead of our summer peak load serving season. So much of the plant related maintenance was front loaded for 2022. So with the outsized impact of O&M on the first half of the year and with that cyclical maintenance mostly out of the way, we'll remain focused on operating efficiently and managing expenses in the second half of the year.

Along those lines, I'll address our updated on O&M guidance shortly. The \$8.8 million decrease in depreciation expense that's further down the table on slide 6 is where the bulk of the effect of the Jim Bridger order, increased the operating income for the second quarter. The order approves investments made at the plant since the last general rate case is prudently incurred through the end of 2020 and under regulatory accounting rules that resulted in the deferral of certain Bridger related depreciation expense for those approved assets. [indiscernible] (00:15:19) approved the collection of depreciation over an accelerated period, along with the return component through the end of the Jim Bridger collection period, which is now 2030.

Looking ahead, we estimate the order will benefit after tax net income for the full year of 2023 by approximately \$10 million, with the benefit declining each year thereafter until that collection period ends. Decrease in non-operating expense led to a \$2.4 million increase in pre-tax earnings that was related to higher allowance for funds used during construction and to a lesser extent, higher investment income due to the rising market interest rates and also some interest on life insurance proceeds and a Rabbi Trust for a benefit plan.

And then finally the decrease in income tax expense was due mostly to the net decrease in pre-tax income. All of these changes in the aggregate resulted in a decreased IDACORP's net income of \$5.7 million or \$0.11 per share for the quarter, you might have noticed that our CapEx spending so far this year increased by 51% over what we spent during the first six months of last year. As we expected, the bulk of that additional CapEx relative to last year is relative to our historic spending levels, it's for our large battery storage projects and for some natural gas plant upgrades to obtain additional output and efficiency from the units.

As we look at our CapEx forecast for this year, some of the potential inflationary impact is mitigated based on contracts already having been signed for the batteries and for some of the work. But ongoing inflation and elevated prices will likely continue to impact the products and services we purchase going forward like everyone seems to be experiencing. In an inflationary environment, we'll remain thoughtful and disciplined in our capital projects and spends and how we negotiate contracts with vendors and in how we access the supply chain.

So with that spending in mind, I'll point you to slide 7, where you'll see that IDACORP and Idaho Power continue to maintain strong balance sheets and liquidity. In July, Moody's made its expected downgrade of both IDACORP's and Idaho Power's credit rating. But those ratings are still slightly above those in S&P and they remain solidly investment grade. IDACORP's operating cash flows and liquidity position as of the end of June are

also on slide 7. Cash flows from operations in the first half of the year were about \$11 million lower than the same period in 2021. And the decrease was mostly related to lower operating income.

The liquidity available under IDACORP's, Idaho Power's credit facilities is shown in the middle of slide 7, as we work to fund our upcoming capital plans. As we've discussed on recent earnings calls, we plan to primarily finance those projects with debt, at least until a ratio is closer to the target. This makes an equity issuance over the next 12 months unlikely and probably none in 2023.

Slide 8 shows our updated full year 2022 guidance with some regulatory uncertainties behind us, we now expect IDACORP's earnings to be in the range of \$4.95 to \$5.05 per diluted share. This guidance assumes normal weather and economic conditions for the balance of the year. Our guidance still also assumes that Idaho Power will use no additional tax credits in 2022 under the Idaho Regulatory Stipulation, which as a reminder, provides earnings support in the Idaho jurisdiction of a 9.4% return on year-end equity. We've also updated our full year O&M expectations by \$10 million now fall in the range of \$365 million to \$375 million. Keeping up with the level of customer and load growth we've experienced in our service area and continued elevated prices have had an impact on that range. That said, we're confident in our ability to manage costs in the second half of the year despite ongoing inflationary pressures.

Our expectation on 2022 CapEx spending is also increased to now be in the range of \$500 million to \$520 million. Additional project complexity and scope have increased the costs for some of our existing projects. And while we made the adjustment this quarter, we expect that we can be at the higher end of even the updated capital range for the year. And finally, given our most updated forecast of operating conditions, we refined our expectations on hydropower generation for the year. In the year like this one, we're fortunate to have a diverse portfolio of power, supply and resources as we've drawn on and will continue to draw on all forces through the peak summer months.

On weather conditions, slide 9 shows our recent outlook for precipitation and temperature from the National Oceanic and Atmospheric Administration. Current weather projections for August through October suggests, we'll likely see warm dry conditions over the rest of the summer into early autumn, which is certainly what we've experienced during July and into this week in August.

With that Lisa and I and others on the call are happy to answer your questions.

QUESTION AND ANSWER SECTION

Operator: We are now ready to begin the question-and-answer session. [Operator Instructions] We'll take as many questions as time permits on first-come basis. [Operator Instructions] Your first question comes from Julien Dumoulin from Bank of America. Please go ahead.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Hey, Good afternoon.

Q

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Hi, Julien.

A

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Thanks for the time and the opportunity. Appreciate it. Hope you guys are well.

Q

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Hi, good afternoon.

A

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Hey. So just at the outset here if I can just perfunctory AMT just the situation on taxes, would love to hear you guys read the IRA at the outset here.

Q

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

You're talking about alternative minimum tax, the 15% tax that's proposed?

A

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Yeah. Yeah, exactly. I just wanted to see like just how you guys are reading that. I mean, I assume that's not too much of an issue for you guys, right?

Q

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

So our understanding of the AMT was, it applied to net income exceeding \$1 billion. And while I would love to have that sort of net income, we're not quite there. So at least at this point, unless it's changed, we don't think that it applies to IDACORP.

A

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

Totally. All right. I wanted to get that one that past me here at the outset here, if I could.

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Sure.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

And then separately more substantively, if I could. Just coming back to the company, obviously you alluded to in the comments here about the rate case and perhaps providing some ongoing updates here. Again I – are we going to read this being ahead of planned accelerating seemingly some of the O&M on the maintenance front. It puts you in a pretty good position vis-à-vis timeline and visibility to perhaps remain out of one.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Well we look at that every year to see what is the – will give us the best result and certainly that continues. And Brian do you want to add something to that?

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Yeah. I'll just mention there's a lot of factors we're looking at, Julien. Growth in revenues is one growth, has kept us out of a rate case for quite a while among some other factors, those have been beneficial. We look at capital spend, we're looking at the timing of in-service dates for some of our projects and we have the battery storage project out there now that we expect to be done next year, that's a sizable in-service project by then.

Hells Canyon complex is another one we look at. We've been watching, credit ratings, cash collection, interest rates. Those are all factors we've historically looked at. We're also looking at the Bridger order and the impact that has. So that's a benefit from a rate case perspective. So I would say there's a lot of moving parts there from a timing perspective. I don't think we would expect a filing this year perhaps second half of next year is a possibility under some scenarios. But again, we have to look at all of those factors, when we decide the timing of a case.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

Got it. And can you elaborate a little bit on the Bridger resolution, I mean how much latitude that provides you here, as you think about it?

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Yeah. We look at that in terms of just the dollar impact. One of the things we noted is that the impact next year or at least our expected impact of that order is about \$10 million. So, the commission determines that the investments we made at that plant from 2012 were prudent. So adding that into rate base was beneficial. And then we've got a mechanism for cash collection over a period of time for that and then a deferral mechanism for the portion that we don't collect. So we think that's a pretty constructive outcome for both us and our customers. So that financial benefit of that, that outcome will help in our view of rate case going forward.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

Got it. And then lastly, just can you provide a little bit of an update on crypto here and how you're framing those potential tailwinds, obviously there's been some [ph] whacking and waning (00:24:04) just where do things stand, if you're going for today?

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Adam. Do you want to take that?

Adam J. Richins

Chief Operating Officer & Senior Vice President, IDACORP, Inc.

A

Yeah, I'm happy to chat about that. We continue to get enquiries. I will say, we haven't had any large movement in that regard. We obviously filed the speculative high density load filing with the commission that provides some benefits, I think opportunities potentially for crypto, but we haven't seen any large movements in that regard in terms of actually moving forward with projects, although we do get a fair amount of enquiries on a monthly basis.

Julien Dumoulin-Smith

Analyst, BofA Securities, Inc.

Q

All right. Fair enough, guys. That's all I've got. Thank you.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Thank you.

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Thanks, Julian.

Operator: Your next question comes from Brian Russo from Sidoti. Please go ahead.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Hi, Brian.

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

Hi Brian.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

A

You're not hearing me, Brian.

Brian J. Russo

Analyst, Sidoti & Co. LLC

I apologize for that. Good afternoon.

Q

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Hi there.

A

Brian J. Russo

Analyst, Sidoti & Co. LLC

Given the obviously strong hydro conditions, in your service [ph] area (00:25:13) across the Pacific Northwest, does your guidance kind of assume kind of a normal year of irrigation sales, relative to the abnormally high demand for electricity from that customer class during this time for the last few years?

Q

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Well, I'll start the answer and hand it over to Adam. So we don't have great water conditions in Idaho. We really are seeing our second year of drought and while it was cold and wet in May and June, it just wasn't enough to really move the dial on the drought conditions that we had. We had the driest first quarter that I think on record. So we're still struggling through that. And then, recall that June is when we saw last year pretty high irrigation loads because it was dry, where we didn't see that this year. So I think it remains to be seen what happens in the – from this point forward when the season ends, which is usually towards the end of this month, depending on the crops can go a little bit into September, anything that you would add?

A

Adam J. Richins

Chief Operating Officer & Senior Vice President, IDACORP, Inc.

No. I think you might be referring to the Mid-Columbia, which has had a pretty good water year that just didn't reach out to us. The one thing that that has benefited for us is the fact that the power prices have been somewhat reasonable this year, despite the natural gas commodity prices that are obviously quite high. So I think you're pricing about the Mid-C, which has really helped BPA system. But yeah, we're still in drought conditions here.

A

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

And Brian, one thing I'd add to that is, last year we had some conversations with water conditions about possible curtailments and there were some small scale curtailments throughout Idaho. As we look at the water forecast for this year, there's still some small prospect for curtailments, but we don't think there would be curtailments on a large scale basis for the irrigators this year.

A

Adam J. Richins

Chief Operating Officer & Senior Vice President, IDACORP, Inc.

Yeah. There's been one so far, 50,000 acres, very small. So no real impact to our irrigators at this point.

A

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

And we're seeing some of them come off, their crops have ripened and so some of the water's come up already.

A

Adam J. Richins

Chief Operating Officer & Senior Vice President, IDACORP, Inc.

Yeah.

A

Brian J. Russo

Analyst, Sidoti & Co. LLC

Okay. Got it, I see. And that's all built into the 5 million to 6.5 million megawatt hours of hydro generation right below the previous level. Got it. Just given the weather patterns that we are seeing in the regions west of you, are you seeing, incremental transmission wheeling revenues and any benefit of that, in this third quarter.

Q

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

We would anticipate that. I mean, that has been something that has come to be a trend just given the different, the pricing differentials between the markets. Of course, looking prospectively, I try not to forecast too much because I'm generally wrong. But that is a trend we've seen certainly.

A

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Yeah. What we've seen so far is the Mid-C prices have been reasonable and liquidity has been quite good. In Palo Verde the prices have been higher. And so when you see that spread, you typically see folks using our transmission system. And over the last three years because of that, we've seen pretty significant increases in volumes each of those years. And again, we're seeing it so far this year as well.

A

Brian J. Russo

Analyst, Sidoti & Co. LLC

Okay, great. And despite the \$10 million increase in O&M, the guidance still assumes no usage of the ADITCs. I'm just curious, are you comfortably within your ROE band range and just the \$5 and this is the top end of your range, does that capture the 9.4% or it's at the high end of the range?

Q

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Yeah, Brian, I would say that the bottom end of our guidance is quite a ways above that 9.4% figure for the ADITC usage.

A

Brian J. Russo

Analyst, Sidoti & Co. LLC

Understood. Thank you.

Q

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thank you, Brian.

A

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thank you, Brian.

A

Operator: Your next question comes from Anthony Crowdell of Mizuho. Please go ahead.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Hi, Anthony.

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Hey. Good afternoon, Lisa. Good afternoon. Just, hopefully one quick question. In the prepared remarks, you talked about you are evaluating the filing of a rate case. If you could talk about I guess, what are the decisions that you're going through and when will we know, when that evaluation is finished?

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Brian, kind of recap what he said earlier. But we are required to give a 60 day notice to the PEC before we file, but we've been trying to be pretty transparent as we go along, it's just right now, there are just a lot of moving parts. And as Brian mentioned earlier, in this call that we don't see it at the end of this year, filing this year but you want to recap what you said before.

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Yeah. I would just say one of the primary factors that we're going to be looking at, is the in-service date of some of the assets that we have. So for example, the battery storage projects are 120 megawatts, very sizable. As those assets go into service, we have to finance those with debt. For example we have additional depreciation expense associated with that. So interest expense to cover as well.

So as we look at some of the additional incremental costs that come with just the growth that we're seeing and our capital plan going forward, that's probably going to be the items that most likely trigger the rate case. So we're actually doing some scenario planning now on what the best dates might be for bringing some of those cases. We'll have more visibility on that moving forward. But at this point, we haven't chosen a date far enough out, that we haven't decided exactly when that's going to be. And again those factors that I mentioned earlier that are really going to be part of the decision. So a lot of different variables that we have in mind, as we look towards the general rate case filing.

Anthony Crowdell

Analyst, Mizuho Securities USA LLC

Great. Thanks so much.

Brian R. Buckham

Senior Vice President & Chief Financial Officer-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thanks, Anthony.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thank you.

Operator: [Operator Instructions] That concludes the question-and-answer session for today. Ms. Grow, I will turn the conference back to you.

Lisa A. Grow

President, Chief Executive Officer & Director-IDACORP, Inc. & Idaho Power, IDACORP, Inc.

Thank you all again for joining us this afternoon and for your continued interest in IDACORP. I wish you all a good evening and a safe and happy rest of your summer. Thank you.

Operator: That concludes today's conference. Thank you for your participation.

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