



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

550 Capitol Street NE, Suite 215

Mailing Address: PO Box 2148

Salem, OR 97308-2148

Consumer Services

1-800-522-2404

Local: 503-378-6600

Administrative Services

503-373-7394

March 11, 2009

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

**RE: Docket No. UE 203 – In the Matter of IDAHO POWER COMPANY
2008 Annual Power Cost Update**

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Surrebuttal Testimony.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: kay.barnes@state.or.us

c: UE 203 Service List (parties)



**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 203

STAFF SURREBUTTAL TESTIMONY OF

Ed Durrenberger

**In the Matter of
IDAHO POWER COMPANY
2008 Annual Power Cost Update.**

March 11, 2009

CASE: UE 203
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 200

Surrebuttal Testimony

March 11, 2009

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Ed Durrenberger. I am a Senior Analyst in the Electric & Natural
4 Gas Division of the Public Utility Commission of Oregon. My business address
5 is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

6 **Q. ARE YOU THE SAME ED DURRENBERGER WHO PREVIOUSLY**
7 **SUBMITTED TESTIMONY IN THIS PROCEEDING?**

8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

10 A. The purpose of this testimony is to discuss Idaho Power Company's (Idaho
11 Power or Company) October update for the 2009 Annual Power Cost Update
12 (APCU). The October update is the Company's estimate of what "normal"
13 power supply expenses will be for the upcoming April 2009 through March
14 2010 water year. The estimate is generated by first updating a number of
15 inputs to the power dispatch model including electricity sales to customers,
16 hydro generation based on the average of historical water flows, fuel costs,
17 contract power sales and purchase, and forward prices curves for short term
18 power sales and purchases as prescribed by Order No. 08-238 and then
19 running the power dispatch model for the April through March time period. This
20 produces an update of the base power costs under normal conditions. A base
21 power cost rate is derived by dividing the base power costs by the forecast
22 sales.

23 **Q. WILL YOU BE INCLUDING ANY EXHIBITS WITH YOUR TESTIMONY?**

1 A. No.

2 **Q. WERE THE COMPANY'S UPDATES TO THE POWER COSTS MODEL**

3 **INPUTS MADE IN ACCORDANCE WITH ORDER NO. 08-238?**

4 A. Yes. All the changes to the inputs to the model were either allowed by the
5 Order or made in accordance with the methodology required by the Order.

6 **Q. WHAT IS THE UPDATE RATE?**

7 A. The October updated base power costs on a normalized basis are forecast to
8 be \$163.8 Million system wide. The System sales forecast is 14.967 million
9 MWh. Dividing the total base costs by the total energy sold produces an
10 updated normalized October base rate update of \$10.94/ MWh.

11 **Q. HOW DOES THIS COMPARE TO THE NORMALIZED BASE RATE FROM**
12 **THE PREVIOUS OCTOBER UPDATE?**

13 A. The normalized base rate for last October was \$8.70/ MWh. The current
14 proposed normalized base rate is 26% higher than the normalized base rate
15 from one year ago.

16 **Q. THAT SEEMS LIKE A PRETTY LARGE INCREASE. WHAT ARE THE MAIN**
17 **REASONS FOR THE INCREASE IN NORMALIZED BASE RATES?**

18 A. The normalized base rate increase is caused in large part by a significant
19 increase in the amount of electricity sales to customers. Idaho Power is
20 forecasting a 2.8% increase in the volume of sales for the April 2009 through
21 March 2010 period over the volume sold during the same period the previous
22 year. This increase affects power costs by reducing the amount of excess
23 power available for resale and by increasing the amount of market power

1 purchases. Absent an increase in the energy production capabilities of the
2 hydro facilities, which are constrained by the amount of water available, and
3 low cost coal generation, which is constrained by plant capacities, load
4 increases are supplied from higher cost generation resources, which
5 necessarily exert upward pressure on variable power costs. In addition to the
6 load growth, the Company has forecast a significant reduction to the amount of
7 power it purchases through long term power purchase agreements from
8 qualifying facilities. These contracts typically provide power at costs below
9 spot market prices which help to keep net variable power costs low. A large
10 number of the long term power purchase agreements modeled in the previous
11 October Update never came in to operation and have been canceled or
12 delayed beyond the test year and are no longer included in the cost
13 calculations.

14 **Q. WHY IS THE LOAD GROWTH PROJECTION THAT IS USED TO**
15 **GENERATE NORMALIZED BASE POWER COST SO LARGE?**

16 A. Idaho Power is expecting one new large industrial customer to begin taking
17 service in the test year. This one customer is the reason for the larger than
18 expected load growth.

19 **Q. IF LOAD GROWTH IS THE MAIN REASON THAT BASE POWER COSTS**
20 **ARE INCREASING IN THE UPCOMING YEAR AND IF A**
21 **DISPROPORTIONATE AMOUNT OF THE LOAD GROWTH IS DUE TO ONE**
22 **NEW CUSTOMER, SHOULD THE NEW CUSTOMER BEAR MORE OF THE**
23 **COST INCREASE THAN THE OTHER CUSTOMERS?**

1 A. It may be that the new customer will be paying more for the energy it uses than
2 other existing similarly situated customers. That would depend on the terms of
3 the special power contract for this customer. I reviewed a copy of this power
4 contract and the customer's costs vary dramatically depending on such factors
5 as the size of the load, demand and other factors. However, for the purposes
6 of the October Update, the mechanism updates normalized power costs and
7 does not look at changes in the customer revenue even if there is a special
8 contract with higher energy costs.

9 **Q. DOES THAT SEEM APPROPRIATE?**

10 A. Insofar as the agreed upon methodology contained in power cost adjustment
11 mechanism (Order No. 08-238), only the cost side of the equation is
12 considered. The revenue generated from sales is dealt with in a general rate
13 case so the presence or absence of a special contract that may require a
14 particular customer to pay higher rates for energy than other similarly situated
15 customers is not factored into base net variable power cost. In general, power
16 cost increases from any source are spread on a equal cents per kilowatt hour
17 basis through all customer classes.

18 **Q. WHAT DO YOU PROPOSE IN THIS CASE?**

19 A. I propose we apply the October update methodology approved in Order
20 No. 08-283 for adjusting the base power costs. If the Company finds out, prior
21 to the final March update power cost model run, that the current load forecast
22 is no longer valid because the large new customer intends to delay taking

1 energy, then the load input to the model should be adjusted before making the
2 final model run.

3 **Q. IS THERE ANYTHING ELSE YOU WISH TO DISCUSS?**

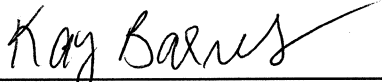
4 A. No.

CERTIFICATE OF SERVICE

UE 203

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 11th day of March, 2009.



Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

**UE 203
Service List (Parties)**

<p>CITIZEN'S UTILITY BOARD OF OREGON</p> <p>G. CATRIONA MCCrackEN (C) LEGAL COUNSEL/STAFF ATTY</p>	<p>610 SW BROADWAY - STE 308 PORTLAND OR 97205 catriona@oregoncub.org</p>
<p>CITIZENS' UTILITY BOARD OF OREGON</p> <p>ROBERT JENKS (C)</p>	<p>610 SW BROADWAY STE 308 PORTLAND OR 97205 bob@oregoncub.org</p>
<p>DEPARTMENT OF JUSTICE</p> <p>STEPHANIE S ANDRUS (C) ASSISTANT ATTORNEY GENERAL</p>	<p>REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us</p>
<p>IDAHO POWER COMPANY</p> <p>CHRISTA BEARRY</p>	<p>PO BOX 70 BOISE ID 83707-0070 cbearry@idahopower.com</p>
<p>BARTON L KLINE SENIOR ATTORNEY</p>	<p>PO BOX 70 BOISE ID 83707-0070 bkline@idahopower.com</p>
<p>TIM TATUM</p>	<p>PO BOX 70 BOISE ID 83707-0070 ttatum@idahopower.com</p>
<p>SCOTT WRIGHT</p>	<p>PO BOX 70 BOISE ID 83707-0070 swright@idahopower.com</p>
<p>MICHAEL YOUNGBLOOD SENIOR PRICING ANALYST</p>	<p>PO BOX 70 BOISE ID 83707 myoungblood@idahopower.com</p>
<p>MCDOWELL & RACKNER PC</p> <p>WENDY MCINDOO OFFICE MANAGER</p>	<p>520 SW 6TH AVE STE 830 PORTLAND OR 97204 wendy@mcd-law.com</p>
<p>LISA F RACKNER ATTORNEY</p>	<p>520 SW SIXTH AVENUE STE 830 PORTLAND OR 97204 lisa@mcd-law.com</p>
<p>OREGON PUBLIC UTILITY COMMISSION</p> <p>ED DURRENBERGER (C)</p>	<p>PO BOX 2148 SALEM OR 97308-2148 ed.durrenberger@state.or.us</p>