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February 24, 2017

VIA E-MAIL AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
P.O. Box 1088
Salem, Oregon 97308-1088

**Re: Docket UE ___ – Idaho Power Company's 2016 Annual Power Supply
Expense True-Up**

Attention Filing Center

Enclosed in the above-referenced docket are an original and five copies of Idaho Power Company's 2016 Annual Power Supply Expense True-Up and Direct Testimony and Exhibits of Courtney Waites.

A copy of this filing has been served on all parties to the 2015 Annual Power Supply Expense True-Up, Docket UE 305, via electronic mail as indicated on the attached certificate of service.

Please contact me with any questions

Very truly yours,

Wendy McIndoo
Office Manager

Attachments

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE ____

In The Matter of the Application of IDAHO
POWER COMPANY for Authority to
Implement a Power Cost Adjustment Tariff
Schedule for Electric Service to Customers in
the State of Oregon.

**2016 ANNUAL POWER SUPPLY
EXPENSE TRUE-UP**

8 In compliance with Order No. 08-238 as amended by Order No. 09-373 (hereinafter
9 “Order No. 08-238”), Idaho Power Company (“Idaho Power” or “Company”) hereby files its
10 2016 Annual Power Supply Expense True-Up (“True-Up”), which implements the power
11 cost adjustment mechanism (“PCAM”) by calculating the deviation between actual net
12 power supply expenses (“NPSE”) and those expenses recovered through rates.
13 Accordingly, Idaho Power requests that the Public Utility Commission of Oregon
14 (“Commission”) issue an order confirming that the Company has correctly calculated the
15 amount of the True-Up for later inclusion in rates as \$0.00 and confirming that the
16 Company will not add any amounts to the Annual Power Supply Expense True-Up
17 Balancing Account (“True-Up Balancing Account”) for 2016. This filing is based upon the
18 following:

- 19 1. In Order No. 08-238, the Commission approved a PCAM for Idaho Power that
20 requires the Company to file, in February of each year, a True-Up that will implement the
21 PCAM by calculating the deviation between actual NPSE and those expenses recovered
22 through rates. Order No. 08-238 further requires that eligible power supply expense
23 deviations will be added to the True-Up Balancing Account at the end of each 12-month
24 period ending December along with 50 percent of the annual interest calculated at the
25 Company’s authorized cost of capital. The required calculations are detailed in the
26 Stipulation attached as Exhibit A to Order No. 08-238.

1 2. As described in the Testimony of Courtney Waites filed herewith, Idaho
2 Power has calculated its True-Up in accordance with the methodology approved by the
3 Commission in Order No. 08-238, and has determined that the amount of \$0.00 should be
4 added to the True-Up Balancing Account because the Oregon Allocated Power Cost
5 Deviation is within the deadbands as calculated using the Company's 2015 Results of
6 Operations ("ROO") report. Consistent with Order No. 09-373, the Company will
7 recalculate the deadbands using the 2016 ROO and will make any appropriate
8 supplemental filings.

9 3. Idaho Power wishes to waive paper service in this docket. Communications
10 regarding this Application should be addressed to:

11 Lisa Nordstrom
12 Idaho Power Company
13 P.O. Box 70
14 Boise, ID 83707
15 lnordstrom@idahopower.com

11 Adam Lowney
12 McDowell Rackner & Gibson, PC
13 419 SW 11th Avenue, Suite 400
14 Portland, OR 97205-2605
15 dockets@mcd-law.com

14 Regulatory Dockets
15 Idaho Power Company
16 P.O. Box 70
17 Boise, Idaho 83707
18 dockets@idahopower.com

18 For all of the above reasons, Idaho Power requests that the Commission issue its
19 order confirming that the Company has correctly calculated the amount of the True-Up and
20 confirming that the PCAM amount of \$0.00 requires no adjustment to the True-Up
21 Balancing Account.

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Respectfully submitted this 24th day of February 2017.

McDOWELL RACKNER & GIBSON PC


Adam Lowney

IDAHO POWER COMPANY

Lisa D. Nordstrom
Lead Counsel
PO Box 70
Boise, ID 83707

Attorneys for Idaho Power Company

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET NO. UE _____

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO IMPLEMENT A POWER)
COST ADJUSTMENT TARIFF SCHEDULE)
FOR ELECTRIC SERVICE TO CUSTOMERS)
IN THE STATE OF OREGON.)
)
2016 ANNUAL POWER SUPPLY EXPENSE)
TRUE-UP)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

COURTNEY WAITES

February 24, 2017

1 **Q. Please state your name, business address, and present position with Idaho**
2 **Power Company (“Idaho Power” or the “Company”).**

3 A. My name is Courtney Waites. I am employed by Idaho Power as a Senior
4 Regulatory Analyst in the Regulatory Affairs Department. My business address is
5 1221 West Idaho Street, Boise, Idaho 83702.

6 **Q. Please describe your educational background.**

7 A. In December of 1998, I received a Bachelor of Arts degree in Accounting from the
8 University of Alaska in Anchorage, Alaska. In 2000, I earned a Master of Business
9 Administration degree from Alaska Pacific University. I have attended New Mexico
10 State University’s Center for Public Utilities and the National Association of
11 Regulatory Utility Commissioners “Practical Skills for the Changing Electric Industry”
12 conference, the Electric Utility Consultants, Inc.’s “Introduction to Rate Design and
13 Cost of Service Concepts and Techniques for Electric Utilities” conference, Edison
14 Electric Institute’s “Introduction to Public Utility Accounting” course, Edison Electric
15 Institute’s Electric Rates Advanced course, SNL Knowledge Center’s Essentials of
16 Regulatory Finance course and the Financial Accounting Institute’s Utility Finance
17 and Accounting seminar.

18 **Q. Please describe your work experience.**

19 A. I became employed with Idaho Power in December 2004 in the Accounts Payable
20 Department. In 2005, I accepted a Regulatory Accountant position in the Finance
21 Department where one of my tasks was to assist in responding to regulatory data
22 requests pertaining to financial issues. In 2006, I accepted my current position,
23 Regulatory Analyst, in the Regulatory Affairs Department. My duties as a Regulatory
24 Analyst include providing support for the Company’s various regulatory activities,
25 including tariff administration, regulatory ratemaking and compliance filings, and the
26 development of various pricing strategies and policies.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to describe the quantification of the Company's
3 Annual Power Supply Expense True-Up ("True-Up Rate"), consistent with the
4 methodology approved in Order Nos. 08-238 and 09-373. In order to determine the
5 True-Up Rate, I will first describe the quantification of the dollar balance in the
6 Annual Power Supply Expense True-Up Balancing Account ("True-Up Balancing
7 Account"), including the credit for the sale of Renewable Energy Credits ("RECs")
8 made during the 2016 deferral year.

9 **Q. What is the True-Up Balancing Account?**

10 A. As described in Schedule 56, the True-Up Balancing Account is a Company account
11 where the power cost adjustment mechanism ("PCAM") is quantified at the end of
12 each 12-month period ending December, along with 50 percent of the annual interest
13 calculated at the Company's authorized cost of capital. Subject to an earnings test,
14 the PCA is 90 percent of the amount that the Oregon Allocated Power Cost Deviation
15 is above or below the Power Supply Expense Deadband.

16 **Q. How does Order No. 09-373 impact the Annual Power Supply Expense True-Up
17 Balancing Account?**

18 A. Order No. 09-373 approved an amendment to Order No. 08-238 clarifying which
19 year's Results of Operations ("ROO") should be relied upon in calculating the
20 deferral deadbands and the earnings test components of the Power Cost Adjustment
21 mechanism. Idaho Power, the Citizens' Utility Board of Oregon, and the Staff of the
22 Public Utility Commission of Oregon ("Commission") agreed that for the initial
23 calculation of the Annual Power Supply Expense True-Up filed in February each
24 year, the Company will use the most recent ROO report available, the ROO for the
25 year preceding the deferral period. Once the ROO report for the year of the deferral
26 period becomes available, the Company will file an updated calculation of the Annual

1 Power Supply Expense True-Up. The updated calculation is expected to occur in
2 April of each year.

3 **Q. Have you prepared an exhibit that quantifies the initial estimate of the amount**
4 **to be added to the True-Up Balancing Account for 2016?**

5 A. Yes. Exhibit 101 is the Company's quantification of the net power supply expenses
6 to be reviewed for inclusion in the True-up Balancing Account for 2016.

7 **Q. Please describe Exhibit 101 and the Company's quantification of the estimated**
8 **amount to be included in the True-Up Balancing Account.**

9 A. In Exhibit 101, the columns detail the monthly and year-to-date deviations between
10 actual net power supply expenses incurred and the power costs collected through
11 rates. The last column represents the annual amounts considered in determining the
12 amount to be included in the True-Up Balancing Account.

13 **Q. Please provide a general description of the calculations used to determine the**
14 **amount to be included in the True-Up Balancing Account.**

15 A. First, the Actual Unit Cost is compared to the Combined Rate to determine the per
16 unit power cost deviation. The per unit power cost deviation is then multiplied by
17 total system actual energy sales to determine the power cost deviation on a total
18 system basis. Next, the Oregon allocation factor is applied to the total system power
19 cost deviation to compute the Oregon Allocated Power Cost Deviation. Then, Power
20 Supply Expense Deadbands are applied and, if necessary, an earnings test is
21 performed. The resulting eligible deferral is the amount proposed to be added to the
22 True-Up Balancing Account.

23 **Q. How is the Actual Unit Cost calculated?**

24 A. The Actual Unit Cost for net power supply expenses incurred is the total Actual Net
25 Power Supply Expense ("Actual NPSE") incurred divided by the Actual Sales. The
26 Actual NPSE is determined on a system-wide basis and includes amounts booked to

1 Federal Energy Regulatory Commission (FERC) Accounts 501 (Fuel-Coal), 547
2 (Fuel-Gas), 555 (Purchased Power), and 447 (Sales for Resale). In short, Actual
3 NPSE is calculated by adding fuel plus purchased power less off-system sales. The
4 Actual NPSE for 2016 was \$412,166,818.80. Actual Sales for 2016 were 14,195,752
5 megawatt-hours ("MWh"). Dividing Actual NPSE by Actual Sales results in the
6 Actual Unit Cost of \$29.03 per MWh ($\$412,166,818.80 \div 14,195,752 \text{ MWh} = \29.03
7 per MWh).

8 **Q. What is the next step in the true-up calculation?**

9 A. The next step in the true-up calculation is to compare the Actual Unit Cost to the
10 Combined Rate. The Combined Rate is comprised of two components: (1) The
11 October Power Cost Update, and (2) the March Power Cost Forecast. The
12 Combined Rate in effect from January through May 2016 was \$24.92/MWh and the
13 Combined Rate in effect from June through December 2016 was \$25.27/MWh. The
14 Combined Rate reflects the Commission-approved amounts reflected in rates during
15 the months of the true-up period. The Annual Combined Rate, which is based on the
16 five months of \$24.92/MWh and the seven months of \$25.27/MWh, is \$25.35/MWh.

17 **Q. What is the deviation between the Actual Unit Cost and the Combined Rate for**
18 **2016?**

19 A. For 2016, the deviation between the Actual Unit Cost (\$29.03/MWh) and the
20 Combined Rate (\$25.35/MWh) is \$3.69 per MWh ($\$29.03 - \$25.35 = \$3.69$). This
21 amount is multiplied by the Actual Sales (14,195,752 MWh) to determine the
22 deviation from the forecast on a system-wide basis, or \$52,340,344.29.

23 **Q. How is the Oregon jurisdictional portion of the deviation from the forecast on a**
24 **system-wide basis calculated?**

25 A. The Oregon Allocated Power Cost Deviation is calculated by multiplying the system-
26 wide deviation from the forecast by the Oregon allocation factor. The Oregon

1 allocation factor is the energy allocator used in the ROO. Currently, using the 2015
2 ROO, the Oregon allocation factor is 4.56 percent. This results in an Oregon
3 Allocated Power Cost Deviation of \$2,386,719.70, meaning the amount of the
4 Oregon allocated power supply costs recovered in rates was less than the actual
5 Oregon allocated power supply costs $((\$52,340,344.29) \times 4.56 \text{ percent} =$
6 $\$2,386,719.70)$.

7 **Q. You stated earlier that as a result of Order No. 09-373 you will use the previous**
8 **year's ROO to calculate the Annual Power Supply Expense True-Up filed in**
9 **February and once the ROO for the year of the deferral is available, you will**
10 **update the calculation of the Annual Power Supply Expense True-Up. Will the**
11 **Oregon Allocated Power Cost Deviation change?**

12 A. If the Oregon allocation factor in the 2016 ROO is different than the Oregon
13 allocation factor from the 2015 ROO, then the Oregon Allocated Power Cost
14 Deviation will change.

15 **Q. Is the Oregon Allocated Power Cost Deviation of \$2,386,719.70 the amount of**
16 **dollars to be added to the True-Up Balancing Account?**

17 A. No. Once the Oregon Allocated Power Cost Deviation is calculated, a Power Supply
18 Expense Deadband is applied.

19 **Q. Please explain how the Power Supply Expense Deadband is applied.**

20 A. The Power Supply Expense Deadband is based upon the Company's capital
21 structure and rate base measured on an Oregon basis from the most recent Oregon
22 ROO report. The Oregon Allocated Power Cost Deviation is compared to the
23 positive and/or negative deadbands. A positive deviation (Actual NPSE greater than
24 those recovered through the Combined Rate) constitutes an excess power supply
25 expense. This expense is first reduced by a deadband that is the dollar equivalent of
26 250 basis points of ROE (Oregon basis). A negative deviation (Actual NPSE less

1 than those recovered through the Combined Rate) is a power supply expense
2 savings. This savings is reduced by a deadband that is the dollar equivalent of 125
3 basis points of ROE (Oregon basis).

4 **Q. What are the deadbands used for the calendar year 2015?**

5 A. Using the Company's Oregon rate base of \$129,040,062 and the percentage of
6 equity in the capital structure as of December 31, 2015, 52.593 percent, the Upper
7 Deadband of 250 Basis Points equals \$2,785,901 and the Lower Deadband of 125
8 Basis Points equals negative \$1,392,950. See Exhibit 102.

9 **Q. Will the deadbands change as a result of the 2016 ROO?**

10 A. Yes, they will. A final determination of the deadbands will be made once the 2016
11 ROO is available.

12 **Q. Based upon the initial estimate of deadbands, what is the amount of the net
13 power supply expense deviation to be added to the True-Up Balancing
14 Account for the calendar year 2016?**

15 A. The amount of the Oregon Allocated Power Cost Deviation, \$2,386,719.70, is less
16 than the Upper Deadband of \$2,785,901. Therefore, the dollar amount to be
17 considered to add to the True-Up Balancing Account is zero.

18 **Q. Once the deferral is calculated, an earnings test must be applied. Has the
19 Company performed the earnings test described above?**

20 A. No.

21 **Q. Why was an earnings test not performed?**

22 A. Order No. 08-238 states that before any amounts of a deferral are approved for
23 inclusion in the Annual Power Supply Expense True-Up Balancing Account for
24 subsequent recovery or refund, the Commission will apply an earnings test.
25 Because the Company is not proposing any deferral amounts be added to the
26

1 Annual Power Supply Expenses True-Up Balancing Account, the Company was not
2 required to perform an earnings test.

3 **Q. In previous years the Company has proposed to offset its Oregon Allocated**
4 **Power Cost Deviation by the sale of SO2 Allowances made during the deferral**
5 **year. Were any sales of SO2 Allowances made during the calendar year 2016?**

6 A. No.

7 **Q. Order No. 11-086 requires Idaho Power to apply the net proceeds from the sale**
8 **of RECs as a credit to the power cost deferral currently in amortization. Were**
9 **any sales of RECs made during the calendar year 2016?**

10 A. Yes. The total Oregon jurisdictional customer benefit of REC sales made in 2016 is
11 \$41,691.83 (see Exhibit 103).

12 **Q. Does the customer benefit of \$41,691.83 from the sale of RECs change the**
13 **amount you propose to be added to the True-Up Balancing Account?**

14 A. No. As has been the practice in past years per Order No. 11-086, the customer
15 benefit of \$41,691.83 from the sale of RECs will be applied as a credit to the deferral
16 currently in amortization. As a result, there will be no impact to the amount proposed
17 to be added to the True-Up Balancing Account. By offsetting the deferral currently in
18 amortization, customers will receive the benefits of 2016 REC sales immediately in
19 the form of a reduced amortization period.

20 **Q. Does this conclude your testimony?**

21 A. Yes, it does.

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE _____

IDAHO POWER COMPANY

Exhibit Accompanying Direct Testimony of Courtney Waites

February 2017

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE _____

IDAHO POWER COMPANY

Exhibit Accompanying Direct Testimony of Courtney Waites

February 2017

**Determination of Oregon PCAM Deadbands
 Based on Idaho Power 2015 Results of Operations**

| | (A) | (B) |
|---------------------------------------|------------------------|----------------------|
| | Total System | Oregon |
| (1) Rate Base | \$3,055,665,200 | \$129,040,062 |
| (2) % Equity in cap structure | 52.593% | 52.593% |
| (3) Equity in rate base | \$1,607,065,999 | \$67,866,040 |
| (4) 100 basis points | 1.000% | 1.000% |
| (5) Resulting return (NOI Effect) | \$16,070,660 | \$678,660 |
| (6) Net-to Gross Factor | 1.64200 | 1.64200 |
| (7) Revenue requirement | \$26,388,024 | \$ 1,114,360 |
| | | |
| (8) Upper Band of Basis Points | 250 | \$2,785,900.93 |
| (9) Lower Band of Basis Points | 125 | (\$1,392,950.47) |

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE _____

IDAHO POWER COMPANY

Exhibit Accompanying Direct Testimony of Courtney Waites

February 2017

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE _____ on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

OPUC Dockets
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DATED: February 24, 2017



Wendy McIndoo
Office Manager