

LAW OFFICES OF

**RACINE OLSON NYE BUDGE & BAILEY
CHARTERED**

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JOSHUA D. JOHNSON
STEPHEN J. MUHONEN
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JONATHAN M. VOLYN
BRENT L. WHITING
DAVE BAGLEY
THOMAS J. BUDGE
JASON E. FLAIG
FERRELL S. RYAN, III
AARON A. CRARY
JOHN J. BULGER
BRETT R. CAHOON
JEFFREY A. WARR

201 EAST CENTER STREET
POST OFFICE BOX 1391
POCATELLO, IDAHO 83204-1391

TELEPHONE (208) 232-6101
FACSIMILE (208) 232-6109

www.racinelaw.net

SENDER'S E-MAIL ADDRESS: elo@racinelaw.net

BOISE OFFICE
101 SOUTH CAPITOL
BOULEVARD, SUITE 300
BOISE, IDAHO 83702
TELEPHONE: (208) 393-0011
FACSIMILE: (208) 433-0167

IDAHO FALLS OFFICE
477 SHOUP AVENUE
SUITE 107
POST OFFICE BOX 50698
IDAHO FALLS, ID 83405
TELEPHONE: (208) 528-6101
FACSIMILE: (208) 528-6109

**ALL OFFICES TOLL FREE
(877) 232-6101**

LOUIS F. RACINE (1917-2005)
WILLIAM D. OLSON, OF COUNSEL

December 7, 2011

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem, Oregon 97308-2148

RE: Docket No. UE 233 - In the Matter of IDAHO POWER COMPANY Request for
General Rate Revision

Dear Sir or Madame:

Enclosed for electronic filing in the above-captioned docket is Oregon Irrigation Pumpers
Association's Opening Testimony of Anthony J. Yankel and William L. Johnson.

Very truly yours,



ERIC L. OLSEN

ELO/rg
Enclosures

c: UE 233 Service List (parties)
Anthony Yankel
William Johnson

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 7th day of December, 2011, a true and correct copy of the within and foregoing **DIRECT TESTIMONY OF WILLIAM L. JOHNSON AND ANTHONY J. YANKEL IN DOCKET UE 233** was served as follows:

CHRISTA BEARRY
LISA D NORDSTROM
IDAHO POWER COMPANY
PO Box 70
Boise, Idaho 83707-0070
cbearry@idahopower.com
lnordstrom@idahopower.com

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

LISA F RACKNER
MCDOWELL RACKNER & GIBSON PC
419 SW 11TH Ave., Suite 400
Portland, Oregon 97205
lisa@mcd-law.com

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

STEPHANIE S ANDRUS
ASSISTANT ATTORNEY GENERAL
PUC STAFF--DEPARTMENT OF JUSTICE
BUSINESS ACTIVITIES SECTION
1162 Court ST. NE
Salem, Oregon 97301-4096
stephanie.andrus@state.or.us

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

GORDON FEIGHNER
ROBERT JENKS
G. CATRIONA MCCrackEN
610 SW Broadway, STE 400
Portland, Oregon 97205
gordon@oregoncub.org
bob@oregoncub.org
catriona@oregoncub.org

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

GREGORY M. ADAMS
PETER J. RICHARDSON
RICHARDSON & O'LEARY PLLC
PO Box 7218
Boise, Idaho 83702
greg@richardsonoleary.com
peter@richardsonoleary.com

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

DON READING
6070 Hill Road
Boise, Idaho 83703
dreading@mindspring.com

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

RANDY DAHLGREN
PORTLAND GENERAL ELECTRIC
121 SW Salmon St 1WTC0702
Portland OR 97204
pge.opuc.filings@pgn.com

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

DOUGLAS C TINGEY
PORTLAND GENERAL ELECTRIC
121 SW Salmon St 1WTC13
Portland OR 97204
doug.tingey@pgn.com

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail

JUDY JOHNSON
CARLA BIRD
Public Utility Commission of Oregon
PO Box 2148
Salem OR 97308-2148
judy.johnson@state.or.us
carla.bird@state.or.us

Hand Delivery
 U.S. Mail, postage pre-paid
 Facsimile
 Electronic Mail



ERIC L. OLSEN

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET NO. UE 233

IN THE METTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC)
SERVICES TO ITS CUSTOMERS IN THE)
STATE OF OREGON.)
_____)

OREGON IRRIGATION PUMPERS ASSOCIATION

OPENING TESTIMONY

OF

ANTHONY J. YANKEL

December 7, 2011

1 **Q. Please state your name, address, and employment.**

2 A. I am Anthony J. Yankel. I am President of Yankel and Associates, Inc. My
3 address is 29814 Lake Road, Bay Village, Ohio, 44140.

4

5 **Q. Would you briefly describe your educational background and professional**
6 **experience?**

7 A. I received a Bachelor of Science Degree in Electrical Engineering from Carnegie
8 Institute of Technology in 1969 and a Master of Science Degree in Chemical Engineering from
9 the University of Idaho in 1972. From 1969 through 1972, I was employed by the Air
10 Correction Division of Universal Oil Products as a product design engineer. My chief
11 responsibilities were in the areas of design, start-up, and repair of new and existing product lines
12 for coal-fired power plants. From 1973 through 1977, I was employed by the Bureau of Air
13 Quality for the Idaho Department of Health & Welfare, Division of Environment. As Chief
14 Engineer of the Bureau, my responsibilities covered a wide range of investigative functions.
15 From 1978 through June 1979, I was employed as the Director of the Idaho Electrical Consumers
16 Office. In that capacity, I was responsible for all organizational and technical aspects of
17 advocating a variety of positions before various governmental bodies that represented the
18 interests of the consumers in the State of Idaho. From July 1979 through October 1980, I was a
19 partner in the firm of Yankel, Eddy, and Associates. Since that time, I have been in business for
20 myself. I am a registered Professional Engineer in the states of Ohio and Idaho. I have
21 presented testimony before the Federal Energy Regulatory Commission (FERC), as well as the
22 State Public Utility Commissions of Idaho, Montana, Ohio, Pennsylvania, Utah, and West
23 Virginia.

1

2 **Q. On whose behalf are you testifying?**

3 A. I am testifying on behalf of the Oregon Irrigation Pumpers Association, Inc.
4 (“Irrigators” or “OIPA”).

5

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. My testimony will address:

- 8 • A comparison of the rates presently being charged (and proposed to be charged)
9 to customers on either side of the Oregon-Idaho border that divides Idaho Power
10 Company’s (“Idaho Power” or “the Company”) two jurisdictions.
- 11 • The validity of the data that is used to assign Distribution related costs to Oregon.
- 12 • The inappropriate manner in which the Company derives its jurisdictional
13 monthly coincident peak data used to allocate demand related Generation and
14 Transmission plant to Oregon. The same data is later used to allocate costs
15 between classes.
- 16 • The inability to calculate individual class cost of service, given the inadequacy or
17 basic lack of data upon which to make any calculations.

18

19 **Q. Please summarize your findings and recommendations.**

20 A. I make the following findings and recommendations:

- 21 • Currently, most of the Company’s rates in Oregon are approximately 10-20%
22 higher than in Idaho for comparable customers. Even with no rate increase at this

1 time, and the stipulated increased rates that are pending in Idaho, this general
2 differential would continue.

- 3 • I demonstrate that all of the Distribution Plant-In-Service Accounts (360-373) are
4 either not “directly assigned” as claimed by the Company, or the data used is
5 extremely faulty. For a jurisdiction such as Oregon that is only 4.4% of the retail
6 distribution sales and is growing much slower than the Idaho jurisdiction, it is
7 unsupportable to claim that many of these accounts can be allocate between 5 and
8 10% of the system total costs. I recommend that four of these Distribution Plant-
9 In-Service Accounts be limited to only 4.4% of the system total Distribution cost.
- 10 • The Company has confirmed that it does not have actual jurisdictional coincident
11 peak demand data upon which to make its allocations of demand related
12 Generation and Transmission related plant. For purposes of establishing
13 coincident peak demand, Idaho Power uses its Load Research data. However, the
14 usage characteristics of the customers in Oregon are completely different than in
15 Idaho or that for which the Load Research sample was developed. The data used
16 to develop Oregon peak load is highly inadequate and cannot be restructured or
17 fixed in any way to provide even a hint of reliable results. The fact that the
18 Irrigation customers in Idaho use on average 3-4 times as much as the Oregon
19 customers and the fact that (according to the Company’s data) larger Irrigation
20 customers tend to be more “on-peak”, means that the bias in the Irrigation data is
21 to inappropriately increase the costs assigned to Oregon.
- 22 • After going though the Company’s filing and reviewing some of the jurisdictional
23 separation data in detail, I find no basis for this significant difference in charges

1 between jurisdictions. Because of the lack of quality data regarding Distribution
2 Plant-In-Service and coincident demand allocators for Generation and
3 Transmission plant, I recommend that no increase be given at this time.
4 • For similar lack of data reasons, I recommend that any change in rate spread
5 should be done to move rate schedules towards the rates in place in Idaho.

1 **RATE DIFFERENTIALS BETWEEN OREGON AND IDAHO**

2 **Q. Irrigation witness Johnson has testified that there is a great deal of**
3 **concern in Eastern Oregon that the rates paid by Idaho Power's Residential,**
4 **Commercial, and especially Irrigation customers in Oregon are significantly higher**
5 **or will be significantly higher than the rates paid by similar customers just over the**
6 **border in Idaho. Can you quantify this rate disparity?**

7 A. Yes. Exhibit 102 compares the present average rates (by rate schedule) in
8 Oregon with those in Idaho, as well as the average future rates that will result from the
9 stipulation that was filed in Idaho.

10 When one compares for each rate schedule the present Idaho Power average rates
11 being charged in Idaho (Column E) with the present average rates being charged in
12 Oregon (Column J), it can be seen that for every rate schedule (except Schedule 7—a
13 very small rate schedule) that the average rate charged in Oregon is significantly higher.
14 For example, the average rate presently charged to Schedule 9 Secondary customers is
15 6.106 cents/kWh in Oregon verse 5.521 cents/kWh in Idaho. This is a 10% differential
16 for simply crossing a very porous state line. The Irrigation rates are much worse, with
17 the average rate presently charged to Schedule 24 customers being 7.405 cents/kWh in
18 Oregon verse 6.136 cents/kWh in Idaho. This is a 20% differential for simply crossing a
19 very porous state line.

20

21 **Q. How well will the rates be balanced after the stipulated rates in Idaho**
22 **go into effect?**

1 A. There will be little difference because the average stipulated increases in
2 Idaho are only scheduled to bring an overall increase of 3.99% to jurisdictional revenues.
3 The impact of the stipulated rates in Idaho can be found on Column F of Exhibit 102. By
4 comparing the new/higher rates in Idaho with those that presently exist in Oregon
5 (Column J), it can be determined that even after the rate increase in Idaho that the present
6 Oregon average rates would only be lower than the new Idaho rates for the Schedule 7
7 customers and only slightly lower for Residential Schedule 1 customers.

8 By way of further comparison, the present Schedule 9 Secondary rates in Oregon
9 would be 6% above the new/higher rates in Idaho, but the Company has nonetheless
10 requested that in Oregon these rates be increased an additional 11.19% above the present
11 levels. Even if the Commission were to not grant any increase, the average Schedule 9
12 Secondary customers in Oregon would still be paying 6% more than their counter parts in
13 Idaho.

14 The situation is even worse for the Irrigators on Schedule 24. The present
15 Schedule 24 Irrigation rates in Oregon would be 16% above the new/higher rates in
16 Idaho, but the Company is requesting that in Oregon these rates be increased an
17 additional 29.34% above the present levels (with more disproportionate increases to come
18 in the future). Even if the Commission were to not grant any increase in this case, the
19 average Schedule 24 Irrigation customers in Oregon would be paying 16% more than
20 their counter parts in Idaho.

21 As I will explain later in my testimony, there is no quantifiable basis/support for
22 these rate differentials.

23

1 **Q. The “Weighted Average” line on Exhibit 102 lists an average rate for**
2 **Idaho under the stipulation of 6.209 cents/kWh (Column F) and an average rate for**
3 **Oregon under present rates of 6.121 cents/kWh (Column J). Does this mean that on**
4 **a whole that Oregon will be paying less after the Idaho stipulated rates go into**
5 **effect?**

6 A. No. The “Weighted Average” line at the bottom represents the weighted
7 average cost for all customers. A disproportionately high amount of the Oregon load is
8 represented by lower cost-to-serve Schedule 19 customers. Although the Oregon
9 Schedule 19 customers are paying more than their Idaho counterparts, this
10 disproportionate weighting lowers the overall jurisdictional revenue. The only
11 appropriate way to look at this exhibit is one line at a time, such that the relationship for
12 each rate schedule can be determined under present as well as proposed rates.

13

1 **JURISDICTIONAL REVENUE REQUIREMENT**

2 **Q. Irrigation witness Johnson describes the impact of the difference in rates**
3 **charged by Idaho Power in Oregon and Idaho. On what basis should the Company be**
4 **allowed to charge higher rates in Oregon than in Idaho?**

5 A. If Idaho Power expects to charge higher rates in Oregon than in Idaho, then it has
6 the burden to prove that higher rates are warranted. There must be evidence to support the
7 Company's claim for higher rates. It is not up to the other parties in this case to prove that the
8 proposed rates are too high—the Company has all of the data and must prove its case with its
9 data.

10

11 **Q. Has Idaho Power proven its need for any rate increase in Oregon, based**
12 **upon the evidence in this filing?**

13 A. No.

14

15 **Q. How does Idaho Power's filing calculate the revenue requirement for**
16 **Oregon?**

17 A. As with any utility that serves more than one jurisdiction, the Company uses a
18 series of direct assignments and allocation factors to establish the cost responsibility of Oregon.

19 Direct assignment should be relatively straight forward. For example, if a piece of
20 Distribution equipment is located in Oregon and it serves only Oregon customers, then the cost
21 of that equipment can be directly assigned situs to Oregon. For example, if a given quantity of
22 Distribution Line Transformers is located in Oregon, then the cost of those Distribution Line
23 Transformers can be directly assigned to Oregon.

1 When direct assignment cannot be accomplished, allocation factors are employed.
2 Allocation factors are based upon some simplifying assumptions that costs are incurred relatively
3 evenly, based upon some billing determinant. For example, demand related Production costs are
4 allocated to the various jurisdictions served on the basis of the contribution to monthly system
5 peaks.

6

7 **Direct Assignment**

8 **Q. Are Idaho Power's Direct Assignments of Distribution Plant-In-Service**
9 **Accounts in this case accurate and/or reliable?**

10 A. No. Although Idaho Power's jurisdictional separation study (Exhibit 905) claims
11 to use a large number of direct assignments, through discovery it has been determined that, in
12 fact, direct assignment was either not employed or the data used was unreliable.

13

14 **Q. Please provide a list of the accounts that Idaho Power directly assigned to**
15 **Oregon and admitted in discovery that it did not have any data to assign these costs situs to**
16 **Oregon.**

17 A. Idaho Power's jurisdictional separation study directly assigned all Distribution
18 Plant Accounts (360-373)¹. A listing of the dollar amount and percentage of Distribution plant
19 investment costs that were "directly assigned" to Oregon is as follows:

20

¹ See Company Exhibit 905, page 4, lines 162-186.

1

Table 1

	TOTAL	OREGON	OREGON
DISTRIBUTION PLANT	<u>SYSTEM</u>	<u>RETAIL</u>	<u>SHARE</u>
360 / LAND & LAND RIGHTS	4,745,190	136,079	2.9%
361 / STRUCTURES & IMPROVEMENTS	30,780,615	1,199,046	3.9%
362 / STATION EQUIPMENT	195,725,125	6,602,509	3.4%
364 / POLES, TOWERS & FIXTURES	229,145,727	16,898,073	7.4%
365 / OVERHEAD CONDUCTORS & DEVICES	123,244,038	7,413,400	6.0%
366 / UNDERGROUND CONDUIT	49,340,813	690,605	1.4%
367 / UNDERGROUND CONDUCTORS & DEVICES	195,482,555	3,265,467	1.7%
368 / LINE TRANSFORMERS	420,987,096	38,182,883	9.1%
369 / SERVICES	58,328,068	2,993,636	5.1%
370 / METERS	109,889,405	2,964,709	2.7%
371 / INSTALLATIONS ON CUSTOMER PREMISES	2,776,999	237,207	8.5%
373 / STREET LIGHTING SYSTEMS	4,376,633	216,551	4.9%
		\$80,800,165	

2 It is interesting to note that the percentage share of the Distribution plant “directly assigned” to
3 Oregon varies from 1.4% up to 9.1%.

4

5 **Q. Upon what basis do you state that Idaho Power admitted in discovery that it**
6 **did not have any data to directly assign these costs situs to Oregon?**

7 A. Staff Data Request No. 76 and Idaho Power’s response were as follows:

8 Staff Request 76:

9 For each FERC Electric Plant account from 360 to 373, or for each FERC Natural
10 Gas account 372 to 387, please provide the Oregon situs historical base year
11 investment information in the following format:

12 Company Response:

13 Oregon information is not available on a situs basis.

14

15 **Q. If the Company claims that, “Oregon information is not available on a situs**
16 **basis”, then how would the “direct assignment” of costs in Table 1 been developed?**

17 A. It would appear that some form of allocation was utilized, although it was labeled
18 (or mislabeled) as “direct assignment”.

1

2 **Q. Is there other information that indicates that although Idaho Power claimed**
3 **to use “direct assignment” of costs that in fact it allocated costs?**

4 A. Yes. In the response to Staff Request 356, the Company continued to insist that it
5 directly allocated Distribution plant related accounts, including Account 368 (line transformers).
6 However, in a footnote to the Attachment to the Response to Staff Request 356, the Company
7 indicates that at least a portion of these costs are allocated on the basis of “distribution line
8 miles”.

9

10 **Q. What other evidence is there that the Company did not fully use direct**
11 **assignment for some of the distribution accounts?**

12 A. Account 362 (Station Equipment) deals with the cost of distribution substations.
13 Staff Data Request No. 124 requested the following information:

14

Staff Request 124:

15

For each Company distribution substation in the state of Oregon, provide a
16 schedule in an EXCEL file indication the name of the substation, the installed
17 transformer capacity, the winter and summer peak rating used by the Company
18 for the substation and the peak load for each of the 12 most recent months
19 (including the date and time when each monthly peak occurred).

20

Company Response:

21

The requested data for this response is provided in the Excel file included on the
22 enclosed CD. The Company’s distribution substations in the state of Oregon are
23 listed with their installed transformer capacity. The installed capacity is used by
24 the Company for both winter and summer peak ratings. Where peak data is
25 available, the peak along with the date and time of the peak is also listed. Stations
26 that do not exclusively serve Oregon customers are noted in the excel workbook.
27 (Emphasis added)

28

1 Out of the 24 substations that were listed as being located in Oregon, 9 served both
2 Oregon and Idaho. Therefore, it was impossible to directly assign all of these costs situs between
3 the two states, because many of these substations do not exclusively serve Oregon.

4

5 **Q. What other inconsistencies exist with respect to Distribution Plant-In-Service**
6 **Accounts?**

7 A. It is a generally accepted premise that the Idaho portion of the Company's system
8 is growing faster than the Oregon portion. To put some numbers on this general premise, the
9 Oregon jurisdiction went from 17,265 customers in December 2000 up to 18,453 in December
10 2010 for an increase of 6.9% over 10 years.² By contrast, the system as a whole had a 26.3%
11 increase in the number of customers.³ Essentially, over the last 10 years, the Idaho jurisdiction
12 has been growing at a rate that is approximately 4 times that experienced in Oregon. One would
13 expect the growth in plant (especially Distribution plant) to mirror this difference in growth rate.

14 In fact, much of the growth in Distribution plant does not mirror the difference in
15 customer growth that is realized between the two jurisdictions. In spite of the growth in the
16 number of customers in Oregon being in the range of one-half of one percent per year over the
17 last 10 years, the Oregon share of increased Distribution plant between this case and the last (a
18 two year difference in the test years of 2009 and 2011) is substantially greater. For example, the
19 following changes in plant account costs can be noted between this case and the last case as they
20 relate to the system and as they relate to Oregon:

21

² Attachment 1 to the Response to OICIP DR 2.3

³ From IPCo 2011 IRP, Appendix A1 pages 39, 41, 43, and 45,

1

Table 2

	<u>Increases Between Cases</u>		
	<u>TOTAL</u>	<u>OREGON</u>	<u>OREGON</u>
DISTRIBUTION PLANT			
	<u>SYSTEM</u>	<u>RETAIL</u>	<u>SHARE</u>
361 / STRUCTURES & IMPROVEMENTS	4,892,969	498,533	10.2%
362 / STATION EQUIPMENT	20,404,379	1,434,018	7.0%
364 / POLES, TOWERS & FIXTURES	13,541,214	686,371	5.1%
368 / LINE TRANSFORMERS	34,680,310	3,137,012	9.0%

2 Note that all of these accounts for Oregon have increased significantly during the two years
3 between the test years used in this case and the last case. Given that Oregon growth would have
4 been approximately 1% during this 2-year timeframe, the increase in plant costs of 5-10% are
5 outside of the realm of reasonableness.

6

7 **Q. Given the fact that: 1) in the response to Staff Request 76 that the Company**
8 **admitted that it did not have data available to assign Distribution plant on a situs basis; 2)**
9 **in the Company’s response to Staff Request 356 that it admitted that it allocated Account**
10 **368 (an account that represents approximately 50% of the Oregon Distribution Plant-In-**
11 **Service); 3) in the Company’s response to Staff Request 124 that the Company admitted**
12 **that some of the Distribution plant in Oregon is used to serve Idaho load; and 4) the growth**
13 **rate in Oregon is significantly below that in Idaho and yet the rate of Distribution plant**
14 **growth in Oregon is claimed to be significantly higher: what do you recommend be done**
15 **with respect to the amount of Distribution plant assigned to Oregon in this case?**

16 **A.** The “direct assignment” of Distribution related costs to Oregon is clearly a
17 misnomer. At this time there is virtually no reliable data upon which to make a direct
18 assignment, and thus, some form of allocation must be performed.

1 Some say that the Oregon jurisdiction is more spread out and/or rural than Idaho. This is
2 certainly true if one compares the Oregon jurisdiction with the Boise area. However, the Idaho
3 jurisdiction has some very rural areas as well. On the other side of the coin, the Idaho
4 jurisdiction (and particularly the Boise area) has been growing much faster than the Oregon
5 jurisdiction. With the cost of new plant being significantly more expensive than old/depreciated
6 plant, this means that any allocation factor based upon standard billing determinants will over-
7 allocate the cost of newer plant to Oregon.

8 The most straight forward allocator to use at this time would be the difference in
9 Distribution energy sales between the two jurisdictions for all accounts that exceed the
10 allocation/assignment factor of 4.4266% for Oregon.⁴ This does not factor in the large
11 difference in costs of all of the new plant going into Idaho, but not Oregon), thus this is a
12 conservative estimate. I have not proposed to alter those Distribution accounts that are
13 assigned/allocated less than 4.4266% to Oregon on the assumption that these
14 assignments allocators are much closer to what should be expected if valid situs information
15 were available.

16

17 **Q. What is the dollar impact on the Company's filing of the adjustment that you**
18 **proposed to the Plant-In-Service allocators for Distribution plant?**

19 A. My recommendation would lower the amount of Plant-In-Service
20 assigned/allocated to Oregon for four accounts: Acct 364 (Poles and Towers); Acct 365
21 (Overhead Conductors); Acct 368 (Line Transformers); and Acct 369 (Services). The remaining
22 Distribution plant accounts would stay as filed by the Company, but this does not mean that

⁴ Larkin Exhibit 1007 page 1 lists Oregon sales at 573,170,206 kWh after lines 5 and 7 are removed. In Idaho case E-11-08, Larkin's workpapers at page 10 lists the Idaho sales (with transmission sales removed), for a total Idaho distribution level of 12,375,290,008 kWh.

1 these values do not need to be reviewed as well. The impact of my proposed allocator for these
2 four accounts is outlined below:

3

	<u>Table 3</u>			
	TOTAL	OREGON	OREGON	
DISTRIBUTION PLANT	<u>SYSTEM</u>	<u>RETAIL</u>	<u>SHARE</u>	
360 / LAND & LAND RIGHTS	4,745,190	136,079	2.9%	
361 / STRUCTURES & IMPROVEMENTS	30,780,615	1,199,046	3.9%	
362 / STATION EQUIPMENT	195,725,125	6,602,509	3.4%	
364 / POLES, TOWERS & FIXTURES	229,145,727	10,143,365	4.4%	*
365 / OVERHEAD CONDUCTORS & DEVICES	123,244,038	5,455,521	4.4%	*
366 / UNDERGROUND CONDUIT	49,340,813	690,605	1.4%	
367 / UNDERGROUND CONDUCTORS & DEVICES	195,482,555	3,265,467	1.7%	
368 / LINE TRANSFORMERS	420,987,096	18,635,415	4.4%	*
369 / SERVICES	58,328,068	2,581,950	4.4%	*
370 / METERS	109,889,405	2,964,709	2.7%	
371 / INSTALLATIONS ON CUSTOMER PREMISES	2,776,999	237,207	8.5%	
373 / STREET LIGHTING SYSTEMS	4,376,633	216,551	4.9%	
		\$52,128,423		

4 By comparison with Table 1, the recommendation to limit the allocation/assignment of costs to
5 Oregon for only four accounts to 4.4266% results in a reduction in Plant-In-Service of \$28.7
6 million.⁵ The Company's filing⁶ proposes a total Oregon Jurisdictional Plant-In-Service of
7 \$212,347,364. Therefore, this proposed adjustment is to reduce Oregon Plant-In-Service by
8 13.5%.

9

10 **Q. Have you calculated an overall revenue impact based upon this adjustment?**

11 A. Yes. Exhibit 103 is a copy of the first page of Idaho Power's Jurisdictional
12 separation study with only the changes I have recommended above to the four Distribution Plant-
13 In-Service accounts that are highly out of order. As can be seen from this exhibit, this one
14 adjustment lowers the Company's proposed revenue requirement increase from 14.67% down to

⁵ \$80,800,165 less \$52,128,423 = \$28,671,742.

⁶ Exhibit 905, Noe/2, line 53

1 4.85%. The Commission can combine this adjustment with other adjustments that it may find
2 appropriate. This is the only quantifiable adjustment that I can make, but I address even larger
3 data concerns next in my testimony. Because of this, I am not making a specific revenue
4 adjustment at this time because my ultimate conclusions are that there is simply insufficient data
5 upon which to make a sound overall revenue requirement recommendation (see testimony that
6 follows), and therefore no increase should be given.

7

8 **Allocations**

9 **Q. Is the only problem with Idaho Power's request for a rate increase the fact**
10 **that the direct assignment values that it used for Distribution plant were wrong?**

11 A. No. There is a major problem with the development of the system demand
12 allocators used by Idaho Power. These are the allocators that serve as the basis for allocating the
13 majority of the Generation and Transmission plant between the Oregon and the Idaho
14 jurisdictions. Essentially this impacts the majority of the fixed costs that are allocated to Oregon.

15

16 **Q. What is the basis of this major allocation problem?**

17 A. In the simplest of terms, Idaho Power has no reliable data upon which to allocate
18 demand related Generation and Transmission costs to Oregon. The problem can be summed up
19 by Idaho Power's response to data Staff Data Request 81:

20

Staff Request 81:

21

Please provide, in electronic spreadsheet format with all formulae and cell
22 references intact, the hourly system loads by jurisdiction for the test year, for the
23 base year, for the calendar year in which the test year begins, and for each of the
24 two calendar years preceding the calendar year in which the test year begins.

25

Company Response:

26

Idaho Power has not prepared a forecast of hourly loads for the 2011 Oregon test
27 period, nor does it track historical loads on a jurisdictional basis. The Excel file

1 provided on the enclosed CD contains actual hourly loads for Idaho Power's
2 entire system for the time period January 2009 through June 2011. (Emphasis
3 added)

4 Very simply, Idaho Power does not know what Oregon's actual contribution to its monthly
5 coincident peaks is, but it is none the less allocating costs to Oregon without this data.

6

7 **Q. If Idaho Power does not know what the Oregon loads are at the time of the**
8 **monthly system peaks, then how does it allocate demand related Generation and**
9 **Transmission costs to Oregon?**

10 A. Instead of having actual measured data for Oregon, so that there would be some
11 accuracy in the defining of the jurisdictional loads at the time of the monthly system peaks,
12 Idaho Power uses its Load Research data that is used in order to assess the relative differences in
13 costs between customer classes in Idaho for class cost of service purposes. Idaho Power
14 recognized that there were inadequacies in this approach as stated in its response to Staff Data
15 Request 113:

16 Staff Request 113:
17 Please provide, in electronic spreadsheet format with all formulae and cell
18 references intact, a table containing monthly values of peak usage/demand by
19 jurisdiction and by total system (if different) for the most recent calendar year for
20 which actual values are available.

21 Company Response:
22 The Excel workbook provided on the enclosed CD contains actual monthly peak
23 demand values by rate schedule and jurisdiction for the most recent calendar year
24 of available data, which in this case is 2010. Please note that these values are
25 derived from Load Research sample data and may not fully reconcile to actual
26 recorded historical system peak values. ... (Emphasis added)

27 Essentially, the allocation of coincident peak demand responsibility to Oregon is only as good as
28 the Company's Load Research Data that is applied to Oregon.

29

1 peak. Even a slight imbalance in the location of these errors could significantly impact the costs
2 being allocated to Oregon.

3

4 **Q. Is there reason to believe that there may be a disproportionate amount of**
5 **error that is attributed to the Oregon jurisdiction?**

6 A. Yes, there are several readily identifiable problems that results in more error (and
7 thus load) being attributed to Oregon.

8

9 **Q. What circumstances bring this error about?**

10 A. As pointed out above, Idaho Power uses its Load Research sample data to develop
11 the monthly coincident peak values it uses for purposes of jurisdictional allocations. Idaho
12 Power's Load Research data was not developed in a manner that would allow it to accurately
13 reflect the loads of Oregon. For example for Schedule 1 (Residential), Idaho Power used the
14 same Load Research data that it generated for defining the monthly coincident peak loads in
15 Idaho for each of the comparable months for the Oregon Schedule 1 customers. The Company
16 did the same for Schedule 7 (Small general Service), Schedule 9-S (Large General Service
17 Secondary), and Schedule 24 (Irrigation). Together, these schedules make up 58% of the load in
18 the Oregon jurisdiction.

19

20 **Q. Why does using the same Load Research data that was used in Idaho cause**
21 **errors?**

22 A. Contrary to what Idaho Power's underlying assumptions may be, on average, the
23 customers (and more specifically their loads) are quite different in Oregon than they are in Idaho.

1 It is inappropriate to apply average data that may be appropriate for a customer group in Idaho to
2 a customer group in Oregon that displays, on average, completely different load characteristics.

3 For example, both Oregon and Idaho have the bulk of the Residential customers under
4 Schedule 1. However, Table 5 below⁸ lists the average Idaho Residential monthly usage and
5 compares this data to the average for Oregon Residential customers.

6 **Table 5**

	Idaho	Oregon	Oregon
	<u>Average</u>	<u>Average</u>	<u>Extra kWh</u>
Jan	1,477	1,916	30%
Feb	1,136	1,438	27%
Mar	1,082	1,349	25%
Apr	999	1,228	23%
May	831	936	13%
Jun	785	853	9%
Jul	894	932	4%
Aug	1,063	1,120	5%
Sep	907	920	2%
Oct	807	847	5%
Nov	876	977	11%
Dec	1,298	1,649	27%

7 As can be seen from Table 5, average monthly Residential usage in Oregon is higher than the
8 average in Idaho. Far more significant is the magnitude of the difference during the heating
9 season where five of these months had the Oregon average usage at least 23% higher than for the
10 average Residential customer in Idaho. It is my understanding that this significant difference in
11 winter usage is associated with less availability of natural gas for space heating. No matter what
12 the cause, it is apparent that Oregon Residential customers use electricity differently than their
13 Idaho counterparts. These significant differences are not taken into account by using the same
14 Load Research data as is used for Idaho customers.

15

⁸ Based upon the Company's response to CUB Data Request 15 for 2010.

1 **Q. Is there any way to assess the Residential Load Research data used in this**
2 **case in order to correct the problem or even determine the magnitude of error?**

3 A. It is not possible to correct the problem or assess the magnitude of the error for
4 the Residential customers in this case. First, the Company's Load Research data is separated and
5 collected by strata (size of customer). However, there is no breakdown of which sample
6 customer is located in which jurisdiction.⁹ Even if there are some sample customers from
7 Oregon, it would be too few to make a legitimate sample. Second, there is no designation of
8 which sample customers are space-heating and which are not. A Residential space-heating (non-
9 air-conditioning) customer may be placed in the same stratum as a large customer with no space-
10 heating load, but a high air-conditioning load. Third, there is no way to assess the impact of
11 such a large portion of the load as being space-heating, compared to the data that the Company
12 used to establish its sample, based upon its Idaho load, i.e., the existing Load Research data
13 represents a population that in part (or totally) has a load profile of the Idaho Residential
14 customers and not the Oregon Residential customers. Not only the load characteristics would be
15 different between jurisdictions, but the stratum weighting factors would be different as well.

16

17 **Q. How well are the Oregon Irrigation customers reflected in the Load**
18 **Research data that is used for the Idaho Irrigation customers?**

19 A. There is even more discrepancy between the Oregon and Idaho Irrigation
20 customers than there is between the Oregon and Idaho Residential customers. Compounding this
21 concern is the fact that Irrigation usage takes place during those months when the most

⁹At this time there is an outstanding data request to determine if any of the sample customers are from Oregon.

1 discrepancy was found between the actual monthly peaks and the Load Research derived
2 monthly peaks.

3 **Table 6¹⁰**

Irrigation	kWh/bill		Id. / Or.
	<u>Oregon</u>	<u>Idaho</u>	
<u>May-11</u>	2,121	7,086	3.3
<u>Jun-11</u>	5,330	15,984	3.0
<u>Jul-11</u>	6,210	24,325	3.9
<u>Aug-11</u>	6,977	22,486	3.2
<u>Sep-11</u>	5,915	18,604	3.1

4 As can be seen from Table 6, the usage per Irrigation customer/bill is 3-4 times greater in Idaho
5 than in Oregon. Once again, it should be remembered that the Company's Load Research data is
6 organized by stratum and then weighted by the number of customers within each stratum. The
7 size of Irrigation customer in each of the sample stratum is as follows:

8 **Table 7¹¹**

<u>Stratum</u>	<u>kWh Blocking</u>	<u>Population</u>	<u>Weighting</u>
1	0-25,000	11,018	67.77%
2	25,001-100,000	3,971	24.42%
3	100,001-350,000	1,200	7.38%
4	350,001-infinite	<u>69</u>	0.42%
		total	16,258

9 Table 7 demonstrates that 67.77% of Idaho Power's Irrigation customers are considered to use
10 less than 25,000 kWh on an annual basis and that an additional 24.42% use between 25,001 and
11 100,000 kWh annually. However, on an average annual basis, the Idaho irrigation customers use
12 just over 100,000 kWh, which means that even though there are a lot of smaller customers, there
13 are some very large customers that drive the average usage up. The spread is similar for the
14 Oregon Irrigation customers, although their average annual usage is less than 30,000 kWh.

¹⁰ Derived from Larkin Exhibit 1003 pages 4 and 9.

¹¹ Based upon September 2010 Ratio Analysis Report for Irrigation Load Research stratified sample provide in response to the Request of IIPA-6 in Idaho Case No IPC-E-11-08.

1 Essentially, the weighting of the sample load (even if the sample represented Oregon customers)
2 would have to be significantly shifted to the lower end of the range.

3

4 **Q. Is it possible to assess the impact upon the load assigned to the Oregon**
5 **Irrigators and the Oregon jurisdiction in general, based upon the inappropriate use of data**
6 **that should only apply to Idaho customers?**

7 A. The Irrigation Load Research data suffers from similar deficiencies as those found
8 for the Residential customers in Oregon who were not accurately represented by the Load
9 Research data. However, some additional information can be gleaned from the Irrigation data
10 because the Oregon Irrigators (in addition to crop differences) differ primarily by size and not
11 the completely different usage characteristic that would be found when comparing a heating
12 customer with a non-heating customer. I reviewed the Load Research data provided for the
13 Irrigators in the most recent Idaho case (the same basic sample data that was used in this case)
14 and I found that generally speaking the System Coincident Demand data (ratio of the
15 contribution to monthly peak divided by average usage) increased as the stratum (size of the
16 Irrigation customer) increased. In other words, small Irrigation customers generally contribute
17 somewhat less to coincident demand than larger customers. Because the data was essentially put
18 together for purposes of defining loads in Idaho, no specific adjustment can be developed, but it
19 is noteworthy that the direction of the data suggests that the Irrigators are allocated excessive
20 demand responsibility, and thus, the Oregon jurisdiction is allocated too much demand
21 responsibility.

22

23

1 **Recommendation**

2 **Q. What is your recommendation with respect to the Company's revenue**
3 **requirement in this case?**

4 A. As pointed out above, in addition to what other parties may bring up, there are
5 two major problems with the Company's filing: 1) the "direct assignment" of Distribution plant
6 to Oregon is a misnomer and results in a highly exaggerated revenue requirement for Oregon;
7 and 2) the allocation of demand related Generation and Transmission costs is based upon sample
8 data that was never designed to reflect average usage patterns in Oregon for customer groups that
9 used energy very differently than in Idaho.

10 I have presented evidence that demonstrates that most rate schedules in Oregon presently
11 are paying more per kWh than their counter parts in Idaho and will continue to be paying more
12 after the recently stipulated rates in Idaho go into effect. Because Idaho Power has the burden to
13 prove its request for a rate increase, because it has failed to do so, and because its present rates
14 will still be higher than those in Idaho after the stimulation is approved, I recommend that no
15 increase be given at this time. In the alternative, if the Commission wishes to give the Company
16 some level of increase, that increase should only go to those customer classes that will be paying
17 less than the stipulated rates in Idaho.

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RATE SPREAD TO CLASSES

Q. What has Idaho Power proposed as the need for a disproportionate increase among rates schedules and particularly with respect to the Irrigators?

A. The Company proposed a jurisdictional average increase in this case is 14.67%. By comparison, Company witness Larkin suggests that the calculated need for an increase from the Irrigators is four times this value at 61%. In a “magnanimous” gesture Larkin/IPCo proposes that the increase to Irrigators be limited to only a 29% increase in this case. Traffic Control Lighting is proposed to get the same percentage increase and the Residential class is proposed to get a 22% increase. On the other side of the coin, Idaho Power is proposing “0” increase to Large General Service Secondary, Dusk/Dawn Lighting, and Large Power Service Primary. This seems to be one of those cases where the Company has gotten so caught up in its numbers that it did not stick its head up and do a reality-check.

It is important to conduct such a reality-check and not get caught up in the numbers and the methodologies that got Idaho Power to these bizarre recommendations.

Q. Without getting into the minutia of the Company’s rate spread proposal, please give a high level review of why the Commission should do something simple and practical in this case as opposed to the extremely disproportionate increases proposed by Idaho Power.

A. One can only have their head in the sand to think that a 29% increase is “gradual” or in any way mitigates the increase to a customer class. In the most recent case that was decided in 2010, the Irrigators were given a 28% increase. A 29% increase now, on top of a recent 28% increase, with the need for another approximate 30% increase in the future, is not

1 only shocking and disruptive, but it brings into question how things could be so out of alignment,
2 if in fact things are out of alignment.

3 The suggested misalignment in rates in the Company’s filing is in large part related to the
4 lack of valid data in the Company’s filing. Oregon is less than 5% of the Idaho Power retail load
5 and a far lower percentage of its overall sales. As pointed out above, the data used to define
6 Oregon’s jurisdictional cost responsibility is little more than an afterthought. There is very little
7 data that truly represents actual Oregon data (the direct assignment data is suspect at best and the
8 demand allocation data is only an estimate that is not even based upon an Oregon sample). This
9 lack of data validity not only impacts the jurisdictional separation study, but it carries over into
10 the class cost of service data—no matter the methodology used.

11

12 **Q. How much difference is there between the proposed Oregon Irrigation rates**
13 **and the Idaho Irrigation rates under the stipulation that will soon go into effect in Idaho?**

14 A. There are a number of similarities, but there are also major rate differentials as
15 well. Both the proposed Oregon rates and the Idaho stipulated rates have “in-season” monthly
16 service charges of \$22.00 and “out-of-season” service charges of \$3.50 per month. Both Oregon
17 and Idaho have only an “in-season” demand charge. Both Oregon and Idaho have a two block
18 load factor based “in-season” energy rate with the break in the blocks occurring at 164 kWh/kW.

19 The major differences are as follows:

20

	<u>Table 8</u>		
	<u>Idaho</u>	<u>Oregon</u>	
	<u>Stipulation</u>	<u>Proposed</u>	<u>Delta</u>
Demand charge per kW	\$6.54	\$9.00	138%
First 164 kWh per kW	\$0.048214	\$0.072459	150%
Over 164 kWh/kW	\$0.045485	\$0.068358	150%
"Out-of-season" kWh	\$0.056210	\$0.076079	135%

1 **Q. Is this proposed rate differential across a state line fair and reasonable?**

2 A. No. As pointed out above, the Company simply took the Load Research data that
3 it used for its Idaho Irrigators and applied it to Oregon Irrigators. Although one Irrigator in
4 Oregon may be very comparable with another Irrigator in Idaho, there are major differences
5 between the overall average usages of the two groups. The wholesale incorporation of data from
6 customers that are on average 3-4 times larger cannot be used to justify rate differentials that are
7 35-50% above the cost structure in Idaho.

8

9 **Q. Given the extreme increases being proposed by Idaho Power to some of its**
10 **rate classes, and the lack of quality data to justify the jurisdictional increase, let alone using**
11 **the same unrealistic data to calculate the spread of any increase to the classes, what rate**
12 **spread do you recommend in this case?**

13 A. Given the lack of quality data (used in both the jurisdictional separation study and
14 the class cost of service study), the simplest thing (and very reasonable thing) to do would be to
15 spread whatever increase or decrease is authorized on a uniform percentage basis. In this
16 manner, the Commission would not be compounding any perceived rate misalignment problems
17 with inferior data.

18 As an alternative, the Commission could attempt to move the rates more in line with
19 those approved in the Idaho jurisdiction. There are several advantages to this approach that
20 reflect a reality-check that is absent from the Company's filing. First, the Idaho jurisdiction is by
21 far the larger jurisdiction for which the Load Research sample demand data was gathered. The
22 errors in the results for Idaho would generally only reflect normal sample error as opposed to
23 being based upon a sample that did not reflect the population being studied. Likewise, the

1 relative percentage of the error in the direct assignments to Idaho gets absorbed by the size of the
2 jurisdiction, while the same error in Oregon is magnified by a factor of over 20.

3

4 **Q. Why would Idaho rates be appropriate in Oregon, given the differences in**
5 **customer mix that you pointed out previously?**

6 A. Previously I pointed out that on average Oregon Residential customers use far
7 more energy during the winter months than the average Idaho Residential customers. I also
8 pointed out that Idaho Irrigators use 3-4 times as much energy per customer as their Oregon
9 counterpart. These can be important distinction when it comes to defining jurisdictional or class
10 cost of service issues.

11 However, this does not mean that the rate design in Idaho would not work for the Oregon
12 customers. Class or Jurisdictional cost of service studies produce one value—the total amount
13 owed. Rate design is a continuum that covers every kWh and kW billed. The rate design in
14 Idaho is a continuum that covers the very small users as well as the very large users. There are a
15 large number of Residential space-heating customers in the Idaho jurisdiction (the percentage is
16 just less than in Oregon). Idaho Power's rates in Idaho have to be designed to recover space-
17 heating customer costs, just as the rates must recover the cost of non-space-heating customers.
18 The same is true for different sized Irrigation customers.

19

20 **Q. Do you have any other final thoughts regarding why the Idaho rates would**
21 **be appropriate to uses in Oregon?**

22 A. Yes. There is a great deal of concern for the validity of the data used in this case.
23 Idaho Power says it wants a 14.67% increase, but has not provided the data to justify anything

1 near that level of increase. There was recently an Idaho Power rate case in Idaho and the
2 Company stipulated to a small increase. More importantly, Idaho Power stipulated to future
3 rates in Idaho that are, on average, generally lower than what is presently being paid in Oregon.
4 If the Company can agree to rates in Idaho that are less than those presently paid in Oregon, and
5 if the Company cannot justify its rates in Oregon, the most logical rates to adopt at this time
6 would be the rates to which Idaho Power stipulated in Idaho.

7

8 **Q. Does this conclude your direct testimony?**

9 A. Yes. However, it should be recognized that there is still outstanding discovery at
10 this time.

Description Anthony Yankel's consulting practice:

Anthony Yankel is employed as President of Yankel & Associates, Inc. 29814 Lake Road, Bay Village, Ohio 44140. Yankel & Associates, Inc. serves a wide range of governmental and private sector clients involved in public utility regulation. In the public sector, the firm has provided consulting assistance to state utility consumer advocates in Utah, Ohio, Pennsylvania, and West Virginia. These clients have included:

Utah Committee of Consumer Services, Ohio Office of the Consumers Counsel, West Virginia Consumer Advocate.

The firm has also worked for public agencies, including cities and various school entities, including:

City of Cleveland, City of Garfield Heights, City of Boise, City of Cleveland Schools, Private Schools Association, City of Shaker Heights Schools.

In the private sector, the firm has worked for law firms, privately held and publicly owned corporations, and non-profit groups and associations, including:

The Idaho Irrigation Pumpers Association, the Montana Irrigation Pumpers Association, National Gas and Oil, Honda of America, Elyria Foundry, Osborne Mines, Summerset Gas Pipeline, the Energy Cooperative.

Idaho

Oregon

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Sch.	Usage MWH	% MWH	Present Revenue	Stipulated Revenue	Present Cents/kWh	Stipulated Cents/kWh	Usage MWH	% MWH	Present Revenue	Present Cents/kWh	Present Oregon/ Stipulated Idaho	Oregon at Stipulated Id. Rates
1,3,4,5	5,010,677	36%	\$379,425,425	\$394,694,262	7.573	7.888	198,842	31%	\$15,355,932	7.723	98%	\$15,684,690
7	148,947	1%	\$14,360,802	\$14,962,270	9.642	10.045	17,843	3%	\$1,559,400	8.740	87%	\$1,792,388
9-S	3,090,097	22%	\$170,596,797	\$177,741,732	5.521	5.752	114,256	18%	\$6,975,915	6.106	106%	\$6,571,995
9-P	399,555	3%	\$18,377,818	\$19,147,530	4.600	4.792	15,099	2%	\$798,102	5.286	110%	\$723,580
9-T	2,489	0%	\$115,131	\$119,952	4.626	4.820	2,833	0%	\$154,997	5.472	114%	\$136,521
19-S	7,166	0%	\$327,471	\$341,184	4.570	4.761						
19-P	1,990,013	14%	\$80,894,081	\$84,282,062	4.065	4.235	179,189	28%	\$8,213,065	4.583	108%	\$7,589,108
19-T	43,503	0%	\$1,650,558	\$1,719,729	3.794	3.953	74,156	11%	\$3,123,393	4.212	107%	\$2,931,495
24	1,679,777	12%	\$103,066,526	\$107,383,254	6.136	6.393	46,649	7%	\$3,454,271	7.405	116%	\$2,982,152
40	16,001	0%	\$1,062,116	\$1,106,597	6.638	6.916	13	0%	\$972	7.535	109%	\$892
41	23,019	0%	\$2,786,748	\$2,903,439	12.106	12.613						
42	3,477	0%	\$160,191	\$166,903	4.607	4.800	16	0%	\$1,231	7.539	157%	\$784
15	6,562	0%	\$1,128,744	\$1,176,015	17.201	17.921	484	0%	\$112,462	23.239	130%	\$86,728
26	464,652	3%	\$16,186,334	\$16,864,384	3.484	3.629						
29	180,759	1%	\$5,892,298	\$6,139,015	3.260	3.396						
30	235,100	2%	\$7,661,384	\$7,982,189	3.259	3.395						
32	567,106	4%	\$31,288,351	\$31,585,024	5.517	5.570						
Total	13,868,899		\$834,980,775	\$868,315,541			649,380		\$39,749,740			\$38,500,333
Weighted Average					6.021	6.261				6.121		

Idaho data based upon Larkin Exhibit 1003 data, Larkin Exhibit 38 in IPC-E-11-08, and/or Settlement stipulation Exhibit 3 in IPC-E-11-08.
Oregon data based upon Larkin Exhibit 1003 data.

<u>DESCRIPTION</u>	<u>ALLOC/ SOURCE</u>	<u>TOTAL SYSTEM</u>	<u>OREGON RETAIL</u>	<u>OTHER</u>
4 SUMMARY OF RESULTS				
5 RATE OF RETURN UNDER PRESENT RATES				
6	TOTAL COMBINED RATE BASE	2,499,296,901	104,446,641	2,394,850,259
7				
8	OPERATING REVENUES			
9	FIRM JURISDICTIONAL SALES	852,039,782	39,873,591	812,166,191
10	HOKU 1ST BLOCK ENERGY SALES	23,981,399	1,109,655	22,871,744
11	SYSTEM OPPORTUNITY SALES	82,876,756	3,834,832	79,041,924
12	OTHER OPERATING REVENUES	44,555,238	1,908,135	42,647,103
13	TOTAL OPERATING REVENUES	1,003,453,175	46,726,213	956,726,962
14	OPERATING EXPENSES			
15	OPERATION & MAINTENANCE EXPENSES	684,766,241	30,720,789	654,045,451
16	DEPRECIATION EXPENSE	116,113,901	4,377,813	111,736,088
17	AMORTIZATION OF LIMITED TERM PLANT	7,208,808	302,770	6,906,038
18	TAXES OTHER THAN INCOME	27,632,526	1,848,620	25,783,906
19	REGULATORY DEBITS/CREDITS	27,757	27,757	0
20	PROVISION FOR DEFERRED INCOME TAXES	39,576,457	1,534,290	38,042,167
21	INVESTMENT TAX CREDIT ADJUSTMENT	(470,989)	(19,309)	(451,680)
22	FEDERAL INCOME TAXES	(6,924,112)	615,321	(7,539,433)
23	STATE INCOME TAXES	2,270,031	269,415	2,000,616
24	TOTAL OPERATING EXPENSES	870,200,619	39,677,466	830,523,153
25	OPERATING INCOME	133,252,556	7,048,747	126,203,809
26	ADD: IERCO OPERATING INCOME	6,629,998	306,780	6,323,218
27	CONSOLIDATED OPERATING INCOME	139,882,554	7,355,527	132,527,027
28	RATE OF RETURN UNDER PRESENT RATES	5.60%	7.04%	5.53%
29				
30	DEVELOPMENT OF REVENUE REQUIREMENTS			
31	RATE OF RETURN @ 10.5% ROE	8.170%	8.170%	8.170%
32				
33	RETURN	204,192,557	8,533,291	195,659,266
34	EARNINGS DEFICIENCY	64,310,003	1,177,763	63,132,240
35	ADD: CWIP (HELLS CANYON RELICENSING)	0	0	0
36	DEFICIENCY WITH CWIP	64,310,003	1,177,763	63,132,240
37				
38	NET-TO-GROSS TAX MULTIPLIER	1.642	1.642	1.642
39	REVENUE DEFICIENCY	105,597,025	1,933,887	103,663,137
40				
41	FIRM JURISDICTIONAL REVENUES	876,021,181	39,873,591	835,037,935
42	PERCENT INCREASE REQUIRED	12.05%	4.85%	12.41%
43				
44	SALES AND WHEELING REVENUES REQUIRED	981,618,206	41,807,478	938,701,072

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET NO. UE 233

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC)
SERVICES TO ITS CUSTOMERS IN THE)
STATE OF OREGON.)
_____)

OREGON IRRIGATION PUMPERS ASSOCIATION

OPENING TESTIMONY

OF

WILLIAM L. JOHNSON

December 7, 2011

1 Q. PLEASE STATE YOUR NAME, ADDRESS, EMPLOYMENT, AND
AFFILIATION WITH THE OREGON IRRIGATION PUMPERS ASSOCIATION, INC.?

2 A. My name is William L. Johnson, and I am the president of the Oregon
3 Irrigation Pumpers Association, Inc. (“OIPA”). I farm in the western Treasure Valley. My
4 base farm is located 8 miles north of Ontario, on the Oregon Slope in Malheur County. I also
5 farm near Vale, in Malheur County, as well as across the state line near Marsing, Idaho. I
6 was born in Ontario, and graduated from Vale High School. I live on the Idaho side of the
7 river, where my address is 1203 Tara Ct, Fruitland, Idaho 83619. I currently grow corn and a
8 range of seed crops, including clover, beans, peas and radishes. My farming operations are
9 entirely served by Idaho Power.

10
11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
12

13 A. The purpose of my testimony is to reflect the concerns of irrigators about
14 Idaho Power’s proposed base rate increases. Specifically,
15 1. Irrigation is fundamental to the local Malheur County economy.
16 2. Oregon farmers need to have fair electric prices vs. Idaho farmers.
17 3. The proposed increase results in a rate shock that will have a compounded, adverse
18 effect on Oregon farmers.
19 4. The small size of Idaho Power’s Oregon irrigation class has put them at a major
20 disadvantage in this process.

21
22 Q. WHAT IS THE OIPA?

1

2 A. The OIPA is a newly formed group which represents the interests of Oregon
3 irrigators. Frankly, we were forced to organize in order to defend ourselves from continued,
4 excessive rate increases. Idaho Power has demonstrated that it plans huge rate increases in
5 Oregon, and the Oregon PUC has shown that it will support Idaho Power's excessive rate
6 demands. This attack on local Oregon farmers compelled us to organize and become more
7 formally involved.

8

9 Q. HOW IMPORTANT IS IRRIGATION?

10

11 A. Everyone who lives in the Treasure Valley understands the critical role that
12 irrigation serves in the local economy. Without sufficient irrigation water, there is no
13 economy. No cities, no business, no jobs. The only difference between Juntura and Vale, or
14 Durkee and Ontario, is irrigated farmland.

15 Electricity plays a key role in irrigation best management practices. Leading farmers
16 today implement pivot or drip irrigation systems. They are eliminating obsolete gravity
17 systems, and instead are using modern systems which use substantially less water and now
18 have almost eliminated any fertilizer or pesticide runoff. Increasing electrical rates create an
19 economic deterrent to best management practices.

20

21

1 Q. HOW DO RATES COMPARE IN OREGON VS. IDAHO?

2

3 A. The state border between Oregon and Idaho is a porous one. For
4 Oregon farmers, many markets are located in Idaho. On my farm, my clover goes to
5 Nampa, my beans to Homedale, my sugar beets to Nampa, my radishes to Fruitland
6 and my corn to dairies in Parma and Fruitland.

7 Granted, there are differences between the states. Idaho attracts more
8 industry. Many retail businesses are located in Oregon, to avoid sales tax. New
9 residential development is greater in Idaho.

10 Farmers in Oregon try to compete, but have some difficulty. Oregon's land
11 use laws result in discrepancies in property valuation. Oregon's minimum wage is
12 higher. Oregon's bureaucracy has tougher enforcement of pesticide and labor laws.

13 Oregon irrigators face a clear disadvantage today. Our expert witness Yankel,
14 in his testimony shows that base irrigation rates in Oregon are currently 16% higher
15 than the new/higher rates yet to go into effect in Idaho. This discrepancy is huge
16 compared to the factors I list above. After all, consumers flock to Ontario to avoid
17 Idaho's 6% sales tax.

18

19 Q. WHAT WILL BE THE IMPACT OF A RATE INCREASE?

20

21 A. In March 2010, Idaho Power instituted a 28% rate increase for Oregon
22 irrigators. Now it seeks a 29% increase. In his testimony, company witness Larkin
23 shows calculations that claim a need for a 61% increase for Oregon irrigators. It is

1 clear that Idaho Power plans additional rate increases from Oregon irrigators. These
2 continued and substantial rate increases constitute rate shock for the irrigation class,
3 as previously recognized by the Oregon PUC.

4 Double digit increases have an immediate effect on farm incomes. They also
5 have a long term effect on the local economy. Malheur County produced
6 \$138,127,000 of crops in 2009 (Source: Oregon Ag Information Network. Web site:
7 <http://oain.oregonstate.edu>). There is no public information on net income, but
8 assuming a typical 7% margin would suggest about \$9 million in net income. Idaho
9 Power's 2010 rate increase yielded about \$750,000, which would indicate a decrease
10 of net farm net incomes of about 8%. The current proposed rate increase would cut
11 net farm income by another 11%. Note that this analysis, while general, substantially
12 underestimates the impact on specific farms, since not all acreage in Malheur County
13 uses pumped irrigation. It is very likely that the proposed rate increase will decrease
14 our member's net farm incomes 15% - 20% in 2012.

15 Long term, rate increases destroy property valuations. Some irrigators have
16 high lift installations, and are more sensitive to electricity costs. As costs rise, their
17 operations become unprofitable, and they will stop farming. For instance, in Jamison
18 and the Ontario Heights there are properties that were left fallow until crop prices
19 rose the last two years. Higher crop prices allowed the ground to be farmed
20 profitably. Increased power costs may entirely eliminate profits, causing the ground
21 to be fallowed again. Fallow ground shrinks the total economy, decreasing vendor
22 income, decreasing tax revenues, and weakening schools. In Malheur County the two

1 largest irrigation pumpers both face high lifts, and are at risk of shrinking acreage if
2 electricity prices rise.

3

4 Q. WHY IS THIS PROCESS PROBLEMATIC FOR IRRIGATORS?

5

6 A. Oregon farmers represent a very small part of Idaho Power's business,
7 about one-third of one percent of their 2011 revenue.¹ Oregon farmers represent a
8 very, very small part of Oregon's electricity usage, about one-tenth of one percent of
9 Oregon's electricity usage.² Yet, despite our very small size, we are forced to go toe-
10 to-toe with a billion dollar investor owned utility, and forced to confront an Oregon
11 PUC organization with dozens of people who work full-time on these issues.

12 We have organized ourselves, we have worked hard to get broad consensus
13 among our local farmers, and we have spent considerable sums of money to get
14 formally involved in a process which has treated the irrigation class very poorly in the
15 past, i.e. 28% rate increase in 2010 and proposed 29% increase in 2012. We simply
16 want to focus on growing onions, beets, corn, and growing the local economy, and
17 instead are forced to learn the intricacies of a rate case, and tariff structures, and
18 FERC cost accounting. Is it reasonable that the smallest group in Oregon is forced to
19 spend tens of thousands of dollars every 18 months to defend our farms?

20

21 Q. WHAT DO YOU RECOMMEND?

¹ Irrigators use 46,649 MWh (from Idaho Power 1201/Sparks p.9) divided by Idaho Power System sales of 15, 494,400 MWh (from Oregon PUC 2010 Statbook p. 18)

² Irrigators use 46,649 MWh (from Idaho Power 1201/Sparks p.9) divided by overall Oregon electricity use 45,673,659 MWh (from Oregon PUC 2010 Statbook p. 9)

1

2 A. Our expert witness, Yankel, has done exemplary work identifying
3 huge flaws in Idaho Power's proposal. As a result, the OIPA sees no reason to grant
4 any rate increase. If any increase is warranted, the OIPA believes that any increase
5 should be distributed equally among all customer classes.

6 More generally, we believe it is entirely problematic that a customer class as
7 small as ours must endlessly protect itself from far larger, better funded entities. It
8 will always be a major struggle for the OIPA to find leadership and funding for its
9 effort. Thus, the OIPA will be seeking to enter into a funding agreement with Idaho
10 Power to support its participation before the Oregon PUC.

11 In the end, all we want is to be given a fair chance to compete. For Oregon
12 irrigators, a fair outcome is one that treats us the same as Idaho irrigators - same rates,
13 same policies, same systems.

14

15 • Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

16

17 A. Yes.