



IDAHO POWER COMPANY  
P.O. BOX 70  
BOISE, IDAHO 83707

**BARTON L. KLINE**  
Senior Attorney

March 2, 2005

Public Utility Commission of Oregon  
Attn: Filing Center  
550 Capitol Street NE, Suite 215  
P.O. Box 2148  
Salem, OR 97308-2148

Re: Idaho Power Company's Application For An  
Order Regarding Excess Net Power Expenses

Dear Sir or Madam:

Enclosed for filing with the Commission are the original and five (5) copies of Idaho Power Company's Application for an Order regarding excess net power expenses. Also enclosed are an original and five (5) copies of the Direct Testimony of Michael J. Youngblood regarding the above-described application. Electronic copies of these documents will be sent to the OPUC today.

I would appreciate it if you would return a stamped copy of this transmittal letter for our files.

Very truly yours,

Barton L. Kline

BLK:jb  
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**Docket No. \_\_\_\_\_**

In the Matter of the Application of	)	
IDAHO POWER COMPANY for	)	APPLICATION
an Accounting Order Regarding	)	
Excess Net Power Expenses	)	
_____	)	

Pursuant to ORS 757.259 and OAR 860-027-0300, Idaho Power Company (“Idaho Power” or “the Company”) respectfully requests authorization to defer for future rate recovery excess net power supply expenses necessarily incurred in 2005-2006 as a result of extraordinarily low streamflow conditions. In addition, Idaho Power proposes to accrue interest on the accumulated deferred debt, using the Company’s current authorized overall rate of return in Oregon.

This Application is based in the following:

1. Idaho Power is a public utility in the state of Oregon and is subject to the jurisdiction of the Commission with regard to its rates, services and accounting

practices. Idaho Power also provides retail electricity service in the state of Idaho.

2. This Application is filed pursuant to ORS 757.259(2), which allows the Commission, upon application of a utility, to authorize deferral of certain material items for later incorporation in rates.

3. In accordance with OAR 860-013-0070, Idaho Power hereby waives service by means other than service by electronic mail. Consistent with that waiver, communications regarding this Application should be addressed to all of the following:

John R. Gale  
Vice President, Regulatory Affairs  
Pricing & Regulatory Services  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-2887  
Facsimile: (208) 388-6449  
E-mail: [rgale@idahopower.com](mailto:rgale@idahopower.com)

Barton L. Kline  
Senior Attorney  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-2682  
Facsimile: (208) 388-6936  
E-mail: [bkline@idahopower.com](mailto:bkline@idahopower.com)

Gregory W. Said  
Director, Revenue Requirement  
Pricing & Regulatory Services  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-2288  
Facsimile: (208) 388-6449  
E-mail: [gsaid@idahopower.com](mailto:gsaid@idahopower.com)

Lisa F. Rackner  
Ater Wynne LLP  
222 S.W. Columbia, Suite 1800  
Portland, Oregon 97201-6618  
Telephone: (503) 226-8693  
Facsimile: (503) 226-0079  
E-mail: [lfr@aterwynne.com](mailto:lfr@aterwynne.com)

Michael J. Youngblood  
Senior Pricing Analyst  
Pricing & Regulatory Services  
Idaho Power Company  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-2882  
Facsimile: (208) 388-6449  
E-mail: [myoungblood@idahopower.com](mailto:myoungblood@idahopower.com)

4. Idaho Power has experienced extraordinarily low streamflow conditions in recent years, and the current year is forecasted to produce one of the lowest streamflow conditions in the Company's history. More than half of the Company's energy is typically produced by its hydroelectric generating plants. Extremely low streamflow conditions mean that the Company must rely upon higher-cost generating resources and wholesale market purchases to meet its customers electrical requirements. As a result, the Company's net variable power supply expenses will be materially higher than those used in setting Idaho Power's Oregon revenue requirement and the Company's retail rates.

5. In the state of Idaho, Idaho Power has a power cost adjustment clause which permits the immediate recovery of extraordinarily high power supply expenses. Idaho Power does not have a similar adjustment provision in the state of Oregon.

6. The excess net power costs which Idaho Power proposes to defer will be calculated using the same methodology used in the settlement of Docket UM 1007 and approved in OPUC Order No. 01-307, when Idaho Power deferred excess net power supply expenses resulting from the 2001 energy crisis. The key features of the methodology are that:

- Actual net variable power expenses are compared to base net variable power expenses to quantify deferrals;
- An amount of excess net variable power expenses up to \$31.38 million on a system basis, equivalent to a 250 basis point return on equity dead band, is not deferred. The jurisdictional portion

of amounts between \$31.38 million and \$50.21 million above base net variable power expenses (between 250 and 400 basis points ROE) is shared 50-50 between customers and shareholders. Eighty percent of the jurisdictional portions of amounts greater than \$50.21 million above base net variable power expenses will be the responsibility of Idaho Power's Oregon customers;

- The calculated deferral recognizes the Oregon allocation factor to determine the amount of deferral subject to amortization to Oregon customers;
- Interest will accrue on the deferred amount at the Company's authorized overall rate of return.

7. Pursuant to ORS 757.259, Idaho Power proposes to defer 2005-2006 excess net power expenses commencing on March 1, 2005, for later recovery in rates. ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by customers. The expenses for which Idaho Power seeks deferral meet the requirement of subsection (2)(e) because the excess power supply expenses Idaho Power will incur this summer will be used to ensure that its Oregon customers continue to enjoy the benefits of reliable electric service this summer and because without deferred accounting, Idaho Power could be required to file for a surcharge or other form of immediate rate relief.

8. Idaho Power proposes to record the excess net power expenses that would be deferred in the following manner: Excess net power expenses, as defined by the above methodology, will be credited to Account 557, thereby decreasing the recorded power supply expenses, and debiting Account 182.3. Idaho Power requests that, in accordance with ORS 757.259(3), it be allowed to accrue interest on the unamortized balance at a rate equal to its allowed overall rate of return in Oregon. Idaho Power proposes to accrue the interest of the deferred balance crediting Account 421 and debiting Account 182.3.

9. The Company proposes to defer, in accordance with this requested authorization, the excess net power expenses incurred during the period commencing as of March 1, 2005 through February 28, 2006.

10. It is in the public interest to allow the deferred accounting treatment requested to provide the Company a reasonable opportunity to recover the material excess net power supply expenses it will incur due to the extraordinarily low streamflow conditions that Idaho Power will experience for the twelve months March 1, 2005 through February 28, 2006.

11. Idaho Power has provided a copy of the Notice of Application, along with a copy of this Application, to each of the parties in Case No. UE 167, Idaho Power's pending general rate case.

WHEREFORE, Idaho Power respectfully requests that in accordance with ORS 757.259, the Commission authorize the Company to defer the excess net power expenses incurred by the Company during the period March 1, 2005 through February 28, 2006, as described in this Application.

DATED: March \_\_\_\_, 2005.

---

Barton L. Kline  
Idaho Power Company  
1221 West Idaho Street (83702)  
P.O. Box 70  
Boise, ID 83707-0070  
(208) 388-2682  
(208) 388-6936 (FAX)  
[BKline@idahopower.com](mailto:BKline@idahopower.com)

Lisa F. Rackner  
Ater Wynne LLP  
222 S.W. Columbia, Suite 1800  
Portland, Oregon 97201-6618  
(503) 226-8693  
(503) 226-0079 (FAX)  
[lfr@aterwynne.com](mailto:lfr@aterwynne.com)

Attorneys for Idaho Power Company

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**Docket No. \_\_\_\_\_**

In the Matter of the Application of )  
IDAHO POWER COMPANY for )  
an Accounting Order Regarding )  
Excess Net Power Expenses )  
\_\_\_\_\_ )

IDAHO POWER COMPANY  
DIRECT TESTIMONY  
OF  
MICHAEL J. YOUNGBLOOD

March 2005



Q. Please state your name, business address and present position with Idaho Power Company (the Company).

A. My name is Michael J. Youngblood. I am employed by Idaho Power Company as a Senior Pricing Analyst in the Pricing and Regulatory Services Department. My business address is 1221 West Idaho Street, Boise, Idaho 83702.

Q. Please describe your educational background.

A. In May of 1977, I received a Bachelor of Science Degree in Mathematics and Computer Science from the University of Idaho. From 1994 through 1996, I was a graduate student in the MBA program of Colorado State University.

Q. Please describe your work experience with Idaho Power Company.

A. I became employed by Idaho Power Company in 1977. During my career, I have worked in several departments and subsidiaries of the Company, including Systems Development, Demand Planning, Strategic Planning and IDACORP Solutions. Most relevant to this testimony though, is my experience within the Pricing and Regulatory Department. From 1981 to 1988 I worked as a Rate Analyst in the Rates and Planning Department where I was responsible for the preparation of electric rate design studies and bill frequency analyses. I was also responsible for the validation and analysis of the load research data used for cost of service allocations.

From 1988 through 1991 I worked in Demand Planning and was responsible for the load research and load forecasting functions of the

Company including sample design, implementation, data retrieval, analysis, and reporting. I was responsible for the preparation of the five-year and twenty-year load forecasts used in revenue projections and resource plans as well as the presentation of these forecasts to the public and regulatory commissions.

In 2001, I returned to the Pricing and Regulatory Department and have worked on special projects related to deregulation, the Company's Integrated Resource Plan, and filings with this Commission regarding the Company's avoided cost rates. I provided joint testimony with Oregon Public Utility Commission Senior Economist, Maury Galbraith, in Stipulation UE 123/UE 131 which was adopted in Order No. 02-584 on August 26, 2002.

Q. What is the purpose of your testimony?

A. My testimony is in support of Idaho Power's Application for an accounting order to defer for future rate recovery excess net power supply expenses necessarily incurred as a result of extraordinarily low streamflow conditions.

Q. Why does Idaho Power feel that a deferral accounting order is needed at this time?

A. In the State of Oregon, a deferral accounting order is required in order to "start the clock" for measurement of extraordinary expenses or revenues. As Idaho Power continues into 2005, the existing and forecasted streamflow conditions in the watersheds that affect Idaho Power's hydroelectric generation continue to worsen toward the lowest levels in recorded history.

Idaho Power generates most of its electricity through hydro generation. As a result, extraordinarily low streamflow conditions means that Idaho Power's cost of producing or acquiring power through other means, rises. The Company's forecasted net power supply expenses for 2005-2006 are at extremely high levels.

Q. What are the extreme streamflow conditions that exist today?

A. The streamflow conditions within Idaho Power's service territory are at close to record lows. As of February 25, 2005, the Northwest River Forecast Center is predicting 2.02 maf (million acre feet) for the Snake River entering Brownlee Reservoir for the April through July runoff timeframe. Since the Brownlee Dam and Reservoir were constructed, only calendar years 1977 (1.88 maf) and 1992 (1.80 maf) had April through July Brownlee inflow volumes that were lower than the inflows projected for this year. Brownlee Dam and Reservoir are the Company's largest hydro facilities and are a part of the three-dam Hells Canyon Complex.

Q. How do the forecasted annual streamflow conditions compare with annual streamflow conditions the Company has experienced historically?

A. The forecast for 2005 annual inflows is 7.4 maf, the second lowest in the Company's history, second only to 1992 at 6.5 maf. The 44-year average annual inflows into Brownlee (since the construction of Brownlee Dam and Reservoir) are 14.1 maf.

Q. How do extremely low streamflow conditions affect Idaho Power Company?

- A. Idaho Power typically generates more than half of its power through hydro generation. When streamflow conditions are low, and as is the case for this year, extremely low, then the Company must rely upon other means to make up this reduction in generated power. The Company will be forced to generate more power through its four, and soon to be five, thermal generating plants with resulting higher fuel costs. The Company will also need to purchase more power on the open market in order to supply its customers. These power purchases will be more expensive than the costs of energy that would occur under normal streamflow conditions. The Company has already made substantial forward purchases of energy in anticipation of seasonal deficiencies and these purchases demonstrate that power supply expenses will be materially higher than the normal power supply expenses. Lastly, the Company will not have as much excess power to sell on the open market. These sales would normally reduce its overall net power supply expenses. The combination of these three factors means that Idaho Power's 2005-2006 net power supply expenses will be materially higher than normal.
- Q. How do the forecasted net power supply expenses compare with net power supply expenses the Company has experienced historically?
- A. The Company's forecast of net system power supply expenses for the twelve months March 1, 2005 through February 28, 2006 is \$168,951,000. Since 1983, this expense amount has only been exceeded during the energy crunch years of 2000 and 2001. Idaho Power filed for and received a deferral

accounting order from the Oregon Commission for the extraordinarily high net power supply expenses of 2001. The Company is currently amortizing that deferral which has an existing balance of over \$11,778,000.

Q. How does the Company propose to determine its Oregon jurisdiction's share of the net system power supply expenses?

A. The Company proposes to use the same methodology that was accepted in 2002 for Oregon's share of Idaho Power's 2001 net power supply expenses. (Order No. 01-307 issued in Docket UM 1007.) This approach is virtually the same as the Commission-approved approach for Portland General Electric Company's deferral of changes in net variable power expenses in Dockets UM 1008/1009. The key features of this methodology are that:

- Actual net variable power expenses are compared to base net variable power expenses to quantify deferrals;
- An amount of excess net variable power expenses up to \$31.38 million on a system basis, equivalent to a 250 basis point return on equity dead band, is not deferred. The jurisdictional portion of amounts between \$31.38 million and \$50.21 million above base net variable power expenses (between 250 and 400 basis points ROE) is shared 50-50 between customers and shareholders. Eighty percent of the jurisdictional portions of amounts greater than \$50.21 million above base net variable power expenses will be the responsibility of Idaho Power's Oregon customers;

- The calculated deferral recognizes the Oregon allocation factor to determine the amount of deferral subject to amortization to Oregon customers;
- Interest will accrue on the deferred amount at the Company's authorized overall rate of return.

Q. What were the base net power supply expenses as defined by this methodology?

A. In the settlement adopted in UM 1007, the base net power supply expenses were \$58,720,000 on a system basis. This amount was calculated by escalating the Company's net power supply expenses of \$50,458,000 in Docket UE 92, the Company's last (1993) general rate case, by 16.37 percent, to represent the increase in system loads from 1993 to 2001. This escalation of the Company's net power supply expenses was proposed by the Commission Staff as an attempt to more accurately reflect increases in power supply expense levels to their current levels, since a long period of time had passed since the Company's last general rate case. The Company accepted the Staff's proposal in the settlement, and therefore, the base net power supply expenses for UM 1007 was the escalated amount of \$58,720,000.

Q. Does the Company propose to use this same escalation methodology in determining the base net power supply expenses to be used in this case?

A. No. At the time of this application, Idaho Power has recently filed for a general rate case, Docket UE 167. In preparing for a general rate case filing,

the Company updates all of its investment, revenue, and expense information and other regulatory assumptions. The information filed in a general rate case represents the Company's most accurate assessment its normalized cost of producing energy. The net power supply expenses filed in this general rate case are \$47,688,100. The Company proposes using this number as the base, without escalation, because it is contemporaneous with this filing and more accurately reflects the Company's current normalized net power supply expenses.

- Q. How are the base net power supply expenses used for the determination of excess net power supply expenses.
- A. The base net power supply expenses are compared to the actual net variable power expenses which will be incurred by the Company for the next twelve months. The difference between the base and the actual net power supply expenses is defined as the excess net power supply expenses.
- Q. What then, is the excess net power supply expenses expected for March 1, 2005 through February 28, 2006?
- A. With the most recent forecast of system net power supply expenses for March 1, 2005 through February 28, 2006 being \$168,951,000 and the base net power supply expenses as proposed in the Company's general rate case filing UM 167 being \$47,688,100, the excess net power supply expenses on a system basis are expected to be \$121,262,900.
- Q. Does the Company suggest modifying the dead-band and bandwidths that

were used in the UM 1007 settlement to determine excess net power supply expenses in this case?

A. No. The Company would propose to use the same dead band and sharing bandwidths that were accepted in the UM 1007 case. This would mean that the first \$31,380,000 of the excess net power supply expenses would not be considered for recovery. The next \$18,830,000 would be shared at 50-50 between the Company's Oregon customers and its shareholders. Everything above the 50-50 band would be shared at 80-20 with eighty percent of the jurisdictional portions of amounts greater than \$50.21 million above base net variable power expenses being the responsibility of Idaho Power's Oregon customers. Using this methodology, the total amount of expected system excess net power supply expenses (\$121,262,900) to be considered for recovery would be limited to \$66,257,320.

Q. What is the resulting amount of excess net power supply expenses estimated for the Oregon jurisdiction for the next year that would be deferred for future recovery by the Company?

A. The Oregon jurisdictional share of \$66,257,320 which would be deferred for future recovery would be 4.94%, or \$3,273,112.

Q. Will the Company be able to recover and amortize these excess net power supply expenses in 2006?

A. No. The Company is currently recovering and amortizing excess net power supply expenses that were incurred in 2001 at the maximum rate permitted by



Oregon law. The Company still has over \$11,778,000 left in the unamortized balance from 2001.

Q. When will the Company be able to recover and amortize these 2005-2006 excess net power supply expenses?

A. At the current rate for amortizing the 2001 excess net power supply expenses and at projected revenues for the Company's Oregon jurisdiction, the Company would expect to be able to begin recovery and amortization of the March 2005 through February 2006 excess net power supply expenses late in 2010.

Q. Will the Company apply a carrying charge to these expenses?

A. Yes. Until the amortization of the excess net power supply expenses begins, the Company would apply its current authorized overall rate of return in Oregon. As a result, the balance of the deferral amount would increase.

Q. Does this conclude your testimony?

A. Yes, it does.