

BARTON L. KLINE
Senior Attorney

April 18, 2005

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

Re: Docket No. UM 1198
Supplemental Direct Testimony of
Michael J. Youngblood

Dear Sir or Madam:

Enclosed for filing with the Commission are the original and five (5) copies of the Supplemental Direct Testimony of Michael J. Youngblood regarding the above-described case. An electronic copy of the testimony 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,

/s/

Barton L. Kline

BLK:jb
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
Docket No. UM 1198**

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

IDAHO POWER COMPANY
SUPPLEMENTAL DIRECT TESTIMONY
OF
MICHAEL J. YOUNGBLOOD

April 2005

Q. Are you the same Michael J. Youngblood that previously submitted direct testimony in this proceeding?

A. Yes, I am.

Q. Since you filed your direct testimony on March 2, 2005, what has occurred that has caused you to file this supplemental testimony?

A. Idaho Power currently has a general rate case application (Case No. UE 167) pending before the Oregon Public Utility Commission. Since I filed my direct testimony in this proceeding (Case No. UM 1198), the OPUC Staff ("Staff"), the Citizens' Utility Board ("CUB") and the Oregon Industrial Customers of Idaho Power ("OICIP") have filed direct testimony addressing normalized net power supply expenses in Case No. UE 167.

Q. Why does the direct testimony of the Staff, CUB and OICIP filed in Case No. UE 167 necessitates your filing of supplemental testimony in this case?

A. The testimony presented by these parties recommend that the Commission set Idaho Power rates using normalized net power supply expenses which are substantially lower than the expense level supported by the Company's direct testimony and which is the basis of my deferral estimates presented in this case. The normalized net power supply expenses filed by the Company in this general rate case are \$47,688,100. The adjustment to net power supply expenses filed by Staff is a decrease of \$63.0 million, resulting in a test year net power supply expense of negative \$15.3 million. CUB suggests an adjustment of \$66 million, resulting in a net power supply expense of

negative \$18.3 million. OCIP does not directly propose an amount of the net power supply expenses, but states that the Staff's approach appears reasonable.

- Q. In light of the direct testimony filed by Staff, CUB and OICIP in UE 167, what are you proposing in your supplemental direct testimony?
- A. As Mr. Said and Dr. Peseau have stated in their respective rebuttal testimony in UE 167, Idaho Power continues to believe that the \$47,688,100 amount most accurately reflects the Company's normalized net power supply expenses. That is why in my direct testimony I proposed using the \$47,688,100 amount as the base for determining excess net power supply expenses. However, if the Oregon Commission chooses to order Idaho Power to use another amount for normalized net power supply expenses in UE 167, then to be consistent, the Commission would need to use that same amount as the base net power supply expense used in this case.
- Q. Please explain why you believe it is reasonable to use the normalized net power supply expense determined by the Commission in Case No. UE 167 as the base net power supply expense in computing the deferral amount in this case?
- A. In a general rate case, rates are ultimately determined based upon, in part, normalized net power supply expenses. Rates are set to allow the Company to recover these normalized costs on an ongoing basis. The impact of deviations in power supply expenses from the normalized base are usually

absorbed by the Company. However, during years where the anticipated deviation of power supply expenses is extreme, the Company is permitted to request that it be allowed to defer substantial net power supply deviations from base levels for later inclusion in rates. The value the Commission ultimately determines as the normalized net power supply expense in Case No. UE 167 should be used as the base net power supply expense in computing the deferral amount in this case. That ultimate decision will reflect the Commission's determination of the appropriate level of power supply expenses to be included in rates on an ongoing basis and therefore the appropriate level of power supply expenses from which to measure deferrals.

- Q. How does a change in the base net power supply expense affect the determination of excess net power supply expenses?
- A. As I stated before, the impact of deviations in power supply expenses from the normalized base are usually absorbed by the Company. The Oregon Commission, in previously approved deferrals for Idaho Power, have included a dead band around the normalized base to account for these deviations. The amount outside of this dead band is what determines excess net power supply expenses to be recovered in subsequent periods.
- Q. Other than proposing to set the base net power supply expense in this case to correspond to the net power supply expense adopted by the Commission in Case No. UE 167, is Idaho Power proposing any other changes to the computation of the deferral amount described in your direct testimony?

A. No.

Q. Using the methodology for computing the deferral amount described in your direct testimony and assuming that the Commission adopted the net power supply expense amount as proposed by the Staff in UE 167, what would be the total amount of expected system excess net power supply expense which would be deferred for future recovery?

A. Using the same methodology as contained in my direct testimony, and changing the base net power supply expense from the \$47,688,100 included in the Company's general rate case filing to the negative \$15,311,900 proposed by Staff, the total amount of expected system excess net power supply expense which would be deferred for future recovery would change from \$66,257,320 to \$116,657,320. The Oregon allocation at 4.94% would change from \$3,273,112 to \$5,762,872.

Q. Compared to what you described in your direct testimony, would a deferral amount of this magnitude change the Company's ability to recover and amortize these net excess power supply expenses?

A. Yes. With the current statutory restriction of 6% annual recovery of the deferral amount, an increase in the amount of deferral to be recovered would extend the time necessary for the Company to recover the balance. During the period of recovery, the Company would continue to apply its current authorized overall rate of return in Oregon as a carrying charge to the deferral balance. As I stated in my direct testimony, 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. 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 begin to be able to recover and amortize the March 2005 through February 2006 excess net power supply expenses late in 2010. Based on these assumptions and the 6% maximum annual recovery, I estimate that recovery of the \$5,762,872 potential 2005 deferral would extend through the middle of year 2017.

Q. Does this conclude your supplemental direct testimony?

A. Yes it does.

