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March 17, 2016

VIA ELECTRONIC MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Re: UE 301 – In the Matter of IDAHO POWER COMPANY's 2016 Annual Power Cost Update

Attention Filing Center:

Attached for filing in the above-referenced matter is an electronic copy of Idaho Power Company's Testimony of Kelley K. Noe.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo

Wendy McIndoo
Office Manager

Attachment

Idaho Power/200
Witness: Kelley K. Noe

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 301

IN THE MATTER OF IDAHO POWER COMPANY'S 2016 ANNUAL POWER COST UPDATE	)
	)
OCTOBER UPDATE	)
	)

IDAHO POWER COMPANY

REPLY TESTIMONY

OF

KELLEY K. NOE

March 17, 2016

Q. Are you the same Kelley K. Noe who previously submitted Direct Testimony in this proceeding?

A. Yes.

Q. What is the purpose of your reply testimony?

A. The purpose of my Reply Testimony is to respond to the issues raised by the Public Utility Commission of Oregon ("Commission") Staff Witness Scott Gibbens ("Staff"), in Staff's February 12, 2016, Opening Testimony.

Q. Please summarize the issues raised by Mr. Gibbens that you will respond to in your Reply Testimony.

A. My Reply Testimony responds to the following three issues raised by Mr. Gibbens in his Opening Testimony:

1. The main driver in the per-unit cost of generation at Valmy.

2. Boardman's lower oil, handling, administrative, and general ("OHAG") expenses compared to Idaho Power's other two coal plants.

3. Staff's comments on charges recorded in Federal Energy Regulatory Commission ("FERC") account 501.

Q. Please explain the first issue raised by Mr. Gibbens.

A. The first issue raised by Mr. Gibbens is his disagreement with the Company's conclusion that the "change in modeling and recovery of OHAG expenses is the main driver of the increase in per-unit cost at Valmy." Mr. Gibbens states that "the increase in per-unit costs is due to a decrease in annual energy from 2015 to 2016."[1]

Q. Do you agree with Mr. Gibbens' conclusion?

A. I agree with Mr. Gibbens that there is a downward trend in modeled generation at Valmy; however, I disagree that the decrease in generation is the primary driver for

[1] Staff/100, Gibbens/4 lines 20-21.

the increase in the per-unit cost at Valmy. Table 1 shows the energy, total cost, and per-unit cost at Valmy from the 2014, 2015, 2016 October Updates, and the results from Staff's Data Request No. 18.

Table 1

Valmy	Energy (MWh)	Total Cost (000's)	Per-Unit Cost ($/MWh)
2014 October Update[2]	470,994	$16,721	$35.50
2015 October Update[3]	393,636	$13,954	$35.45
2016 October Update - OHAG as Fixed	276,333	$13,037	$47.18
2016 October Update - OHAG as Variable[4]	89,378	$3,450	$38.60

The resulting per-unit cost of the 2016 October Update modeled with the OHAG expenses as a variable input[5] is $38.60/Megawatt-hour ("MWh"), an increase of $3.15/MWh compared to the 2015 October Update. The per-unit cost of the 2016 October Update modeled with OHAG as a fixed cost results in a per-unit cost of $47.18/MWh, an increase of $11.73/MWh compared to the 2015 October Update. In other words, the change in per-unit cost is greatest with the modeling change (*i.e.*, OHAG as fixed) even though the modeling change results in a smaller change in generation. If the change in generation was the primary driver, as Staff contends, then we would expect that the change in per-unit cost would be greatest when the generation decreased the most (*i.e.*, OHAG as variable). Even though the modeled generation of Valmy shows a downward trend (see Table 1 above), the Company still believes that the primary driver for the increase in the per-unit cost at Valmy for the

[2] UE 279 – Exhibit Idaho Power/101.

[3] UE 297 – Exhibit Idaho Power/101.

[4] Staff/102.

[5] Idaho Power's Response to Staff's Data Request No. 18.

2016 October Update is due to including the OHAG expenses as fixed costs rather than variable, which more accurately reflects the dispatch of the Company's resources.

Q. Please explain the second issue raised by Mr. Gibbens.

A. The second issue Mr. Gibbens raises in his Opening Testimony is related to the O&M costs at Boardman. Mr. Gibbens states, "Staff does not believe that the relative difference in ownership among plants is sufficient to explain the discrepancy between O&M at the Boardman plant as compared to Idaho Power's two other plants."[6]

Q. Do you agree with Mr. Gibbens' conclusion?

A. No. The Company still believes the difference in ownership among the plants is responsible for the perceived lower level of OHAG expense at Boardman compared to Idaho Power's other coal plants.

Q. Please explain why the Company position remains unchanged.

A. As discussed in my Direct Testimony, Idaho Power is responsible for its ownership share of the plant's total OHAG expenses incurred at each of the coal plants regardless of Idaho Power's utilization of the plant. The table below shows Idaho Power's ownership percentage and capacity share at each of its jointly-owned coal plants.

	Total Plant Capacity (MW)	Idaho Power's Ownership %	Idaho Power's Capacity (MW)
Bridger	2,120	33%	706.7
Valmy	522	50%	261.0
Boardman	585	10%	58.5

In the 2016 October Update, the OHAG expenses included for Boardman were $356,000. In comparison, the OHAG expenses included for Bridger were $3.54

[6] Staff/100, Gibbens/5 lines 9-11

million. The OHAG expenses at Boardman were roughly one-tenth of the costs at Bridger.

Q. Is that a reasonable result given Idaho Power's difference in ownership at the two plants?

A. Yes. Idaho Power's capacity share of Boardman, 58.5 megwatts ("MW"), is close to one-tenth of Idaho Power's capacity share of Bridger, 706.7 MW. Presenting the data on a dollar per MW of owned-capacity basis, rather than Idaho Power's share of total OHAG expenses, removes the differential Staff identifies. The table below shows the OHAG expenses at Bridger and Boardman on a dollar per MW of capacity basis. As can be seen in the table below, the expenses at Boardman are actually higher when viewed as dollars per MW of capacity.

	OHAG Expenses	Idaho Power's Capacity (MW)	$/MW
Bridger	$3,538,400	706.7	$5,007
Boardman	$356,400	58.5	$6,092

Q. Please explain the last issue raised by Mr. Gibbens.

A. Mr. Gibbens mentions labor costs included in FERC account 501 and is investigating whether these costs are appropriately included in the power cost calculations.

Q. Is the Company authorized to collect FERC account 501, in its entirety, as part of the APCU?

A. Yes. In Order No. 08-238, issued in Docket No. UE 195, the Commission directed the Company to include in their entirety the following FERC accounts in its APCU and Power Cost Adjustment Mechanism ("PCAM") filings: Account 501, Fuel – Coal; Account 547, Fuel – Gas; Account 555, Purchased Power; and Account 447, Surplus Sales.

Q. Are the Company's charges recorded in FERC account 501 consistent with those prescribed by the FERC's Code of Federal Regulations ("CFR")?

A. Yes, they are.

Q. What kind of expenses would be properly recorded to FERC account 501 per the CFR?

A. According to the CFR, allowable expenses to be recorded in FERC account 501 include "the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure." A general listing of these costs is provided below:

I. ITEMS

Labor:

1. Supervising purchasing and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and putting in storage.
4. Moving of fuel in storage and transferring fuel from one station to another.
5. Handling from storage or shipping facility to first bunker, hopper, bucket, tank or holder of boiler-house structure.
6. Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, cranes, etc.

Materials and Expenses:

7. Operating, maintenance and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point (Major only).
8. Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point (Major only).
9. Cost of fuel including freight, switching, demurrage and other transportation charges.

> 10. Excise taxes, insurance, purchasing commissions and similar items.
> 11. Stores expenses to extent applicable to fuel.
> 12. Transportation and other expenses in moving fuel in storage.
> 13. Tools, lubricants and other supplies.
> 14. Operating supplies for mechanical equipment.
> 15. Residual disposal expenses less any proceeds from sale of residuals.
> NOTE: Abnormal fuel handling expenses occasioned by emergency conditions shall be charged to expense as incurred.[7]

Q. What type of labor expenses are recorded in FERC account 501?

A. As detailed in the CFR, FERC account 501 includes labor expenses related to the following activities at the Company's coal plants:

1. Unloading the coal from the railcars,

2. Operation of mechanical equipment, such as locomotives, trucks, scrapers, front-end loaders, stacker/reclaimers, coal feeders, etc.

3. Handling from the coal pile to coal silos in the plant.

Q. On what basis does the Company believe the labor costs recorded in FERC account 501 should be allowed for recovery in the APCU?

A. The labor expenses included in FERC account 501, as described above, are an inherent expense required to produce electricity at each of the coal plants. If the coal is not unloaded, stored, and delivered to the boiler when needed, energy would not be available to the Company, and replacement energy would be required.

Q. Is the Company's treatment of labor expenses in this case consistent with prior APCU filings?

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[7] CFR Title 18, Chapter I, Subchapter C, Part 105, Account 501
http://www.ecfr.gov/cgi-bin/text-idx?SID=1e2e8277dc248bc845608bc12243a1a3&mc=true&node=pt18.1.101&rgn=div5

A. Yes. As I mentioned previously in my Reply Testimony, the Commission approved inclusion of this account, in its entirety, in the APCU and PCAM through Order No. 08-238. And in every APCU filing since Order No. 08-238, the Company has included FERC account 501 in its entirety. Each prior APCU was resolved by stipulation and approved by the Commission without modification.

Q. Have you responded to all of the issues addressed by Mr. Gibbens in his Opening Testimony?

A. Yes. All of the issues or concerns identified in Mr. Gibbens' Opening Testimony have been addressed and reasonably explained.

Q. Does this conclude your Reply Testimony?

A. Yes, it does.