

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 333

In the Matter of
IDAHO POWER COMPANY,
2018 Annual Power Cost Update.

REPLY TESTIMONY
OF THE
OREGON CITIZENS' UTILITY BOARD

March 1, 2018



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I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is William Gehrke. I am an economist employed by Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. Please describe your educational background and work experience.

A. My witness qualification statement is found in exhibit CUB/101.

Q. What is the purpose of your testimony?

A. My testimony will cover Idaho Power Company's (Idaho Power) proposal to include the benefits and costs of its participation in the Energy Imbalance Market (EIM) in its net power supply expense (NPSE). CUB would like to expand upon the EIM issue raised by Staff in its opening testimony.¹

¹ See UE 333 – Staff/400/Gibbens/2-7.

1 II. ENERGY IMBALANCE MARKET

2 **Q. What led to the creation of Idaho Power’s Annual Power Cost Update**
3 **(APCU)?**

4 **A.** Idaho Power Company’s resource portfolio is primarily obtained from hydro
5 generation. Hydro generation’s power supply is subject to extreme variability. This
6 is due to hydroelectric generation having a skewed power expense distribution.
7 The fuel for hydroelectric generation—water—has no fuel cost. Therefore, in low
8 water years, the Company’s NPSE may spike as it seeks to acquire capacity from
9 sources with higher fuel costs. In the early 2000s, the Company’s hydro system
10 suffered a major drought and Idaho Power had to file multiple power supply
11 expense deferrals over successive years.² To minimize the frequency of deferrals,
12 and because of the Company’s limited ability to amortize deferred costs, the
13 Commission established the APCU in 2008. The APCU allows Idaho Power to
14 recover its power cost expenses in a fair and reasonable manner.³

15 **Q. What is the intended purpose of Idaho Power’s APCU in Oregon?**

16 **A.** The APCU is a mechanism for adjusting rates annually to capture in power supply
17 expenses.

18 **Q. Why does Idaho Power believe that APCU is the appreciate mechanism to**
19 **recover EIM-related costs?**

² *In the Matter of the Application of Idaho Power Company for Authority to Implement a Power Cost Adjustment Mechanism for Electric Service to Customers in the State of Oregon, Application and Waiver of Paper Service*, OPUC Docket No. UE 195.

³ *In the Matter of the Application of Idaho Power Company for Authority to Implement a Power Cost Adjustment Mechanism for Electric Service to Customers in the State of Oregon*. Docket UE 195, Order No. 08-238 at 2 (March 14, 2008).

1 **A.** Idaho Power believes “the benefits and costs associated with EIM participation
2 would be reflected in base rates as addressed in a general rate case.”⁴ However,
3 Idaho Power is unsure as to when it will file a general rate case in Oregon.⁵ There
4 might be considerable lag between capital investment and Idaho Power’s recovery
5 of capital costs. During this time the Company would be able to absorb any net
6 benefits associated with EIM participation. Additionally, Idaho Power asserts that
7 EIM participation benefits results in reduced NPSE.⁶ Idaho Power’s misguided
8 argument is because EIM affects NPSE, the APCU is an appropriate method of
9 recovering EIM-related costs.

10 **Q. Do you believe that Idaho Power’s inclusion of capital costs in the APCU is**
11 **appropriate?**

12 **A.** No. Capital investment should be reviewed for prudence in a general rate case
13 proceeding. While Idaho Power’s participation in EIM affects NPSE, the APCU
14 was not designed to include capital costs. The APCU is meant to capture annual
15 variations in net power costs due to exogenous factors.

16 **Q. What is your recommendation for treatment EIM capital costs?**

17 **A.** CUB supports Staff’s recommendation to reject Idaho Power’s proposal to include
18 the recovery of EIM capital investments. These capital investments should be
19 reviewed for prudence in the Idaho Power’s next general rate case.

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

21 **A.** Yes.

⁴ UE 333 – Idaho Power/100/Blackwell/16.

⁵ *Id.*

⁶ *Id.*

WITNESS QUALIFICATION STATEMENT

NAME: William Gehrke

EMPLOYER: Oregon Citizens' Utility Board

TITLE: Economist

ADDRESS: 610 SW Broadway, Suite 400
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EDUCATION: Master of Science, Applied Economics
Florida State University, Tallahassee, FL

Bachelor of Science, Economics
Florida State University, Tallahassee, FL

EXPERIENCE: Provided testimony or comments in LC 68 and UM 1897. Worked as an Economist for the Florida Department of Revenue. Worked as Utility Analyst at the Florida Public Service Commission, providing advice on rate cases and load forecasting.