



# Oregon

John A. Kitzhaber, MD. Governor

## Public Utility Commission

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January 25, 2011

### ***Via Electronic Filing and U.S. Mail***

OREGON PUBLIC UTILITY COMMISSION  
ATTENTION: FILING CENTER  
PO BOX 2148  
SALEM OR 97308-2148

**RE: Docket No. UE 222 – In the Matter of IDAHO POWER COMPANY  
2011 Annual Power Cost Update.**

Enclosed for electronic filing in the above-captioned docket is the Public  
Utility Commission Staff's Rebuttal Testimony.

*/s/ Kay Barnes*

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

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c: UE 222 Service List (parties)

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**PUBLIC UTILITY COMMISSION  
OF OREGON**

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**UE 222**

**STAFF REBUTTAL TESTIMONY OF  
ED DURRENBERGER**

**In the Matter of  
IDAHO POWER COMPANY  
2011 Annual Power Cost Update.**

**January 25, 2011**

CASE: UE 222  
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Rebuttal Testimony**

**January 25, 2011**

**Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

A. My name is Ed Durrenberger; I am a Senior Utility Analyst for the Electric & Natural Gas Division of the Public Utility Commission of Oregon (OPUC). My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A. My Witness Qualification Statement is found in Exhibit Staff/101.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. This testimony discusses the October Update portion of Idaho Power's Annual Power Cost Update (APCU) filing. By way of background, the Commission approved an APCU mechanism for Idaho Power in 2008 in Order No. 08-238. The APCU is a tariff that annually revises the rates to account for changes in the company's projected net power supply costs. Under the APCU, Idaho Power first files an October Update for the purpose of establishing normalized power supply expenses for the upcoming power cost year, in this case beginning June 1, 2011 . The October Update is based on normal water flows. Later, after information about the winter snow pack and expectations for the upcoming hydro generation year are available, the company files a March Forecast that updates the normalized power costs with expected and actual hydro generation information to produce an overall annual power cost update increment that is filed as Schedule 55.

1 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

2 A. No.

3 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

4 A. I will be discussing the inputs that go into determining the October Update of  
5 normalized power supply expenses. By order, the APCU mechanism is  
6 narrowly focused and highly formulaic. Only a limited number of power cost  
7 drivers are allowed to be updated and then, only in a way allowed for by the  
8 APCU order. The derivation of the actual net variable power cost is the output  
9 of the AURORA power cost dispatch model using the updated inputs.

10 **Q. PLEASE PROCEED WITH YOUR EVALUATION OF THE OCTOBER**  
11 **UPDATE.**

12 A. I have reviewed the October Update filing, as described in the testimony and  
13 exhibits of Mr. Scott Wright at Idaho Power. I find that the filing conforms to  
14 Order No, 08-238. In addition, the testimony and exhibits uses a format that  
15 the company established in previous filings of the October Update and one that  
16 I am familiar with and facilitates my evaluation of the filing.

17 System Load:

18 The system load value used is 1826 aMW. This ties back into the expected  
19 sales at the customer level figure of 14,624 million megawatt hours for the year  
20 and represents a 0.5% increase in load growth from what was agree to in the  
21 2010 power cost year. I find this load to be reasonable considering my  
22 expectation that Hoku Corporation will finally begin production in its solar cell  
23 manufacturing facility sometime in the first quarter of 2011 and my

1 understanding of load growth generally in the Idaho Power service territory for  
2 2011.

3 Generation:

4 The overall normalized hydro generation amount projected for 2011 is  
5 consistent with the normalized hydro output from previous years as I would  
6 expect. The timing of the generation output, throughout the year, is slightly  
7 more favorable than the previous normalized projection; I find it to be  
8 acceptable.

9 The coal generation output derived from Bridger, Boardman and Valmy coal  
10 plants is modeled to be lower than in previous years in the first and fourth  
11 quarters of the power cost year and at a time when average coal generation  
12 unit costs appear lower than average power purchase unit costs. The  
13 company was able to demonstrate, however, that based on the re-pricing of  
14 power purchases and sales, as required by the AUT Order, and the nature of  
15 the AURORA power dispatch model to dispatch resources hourly based on  
16 prices, such an modeled outcome could be expected. I find the modeled  
17 output of the coal plants and the incidental output of Idaho Power's natural gas  
18 powered plants to be modeled correctly and acceptable. In addition, fuel prices  
19 for the thermal plants appear to have been modeled correctly and to represent  
20 appropriate expenses.

21 Wholesale power sales and purchases:

22 The pricing of the power purchases and surplus sales use the APCU methods  
23 and modeling required by Order No, 08-238. The amounts of surplus sales

1 and power purchases are determined by the power cost dispatch model. I find  
2 the market purchases and sales to be reasonable.

3 PURPA costs:

4 The amount of PURPA, avoided-cost-based-contract purchases appears to be  
5 reasonable. The company includes only those contracts that have been  
6 executed as of the filing. They represent an increase in energy deliveries from  
7 the previous year of 1%. Idaho Power's PURPA costs are forecast to rise at a  
8 rate disproportionate to the increase in amount of power delivered. Idaho  
9 Power was able to demonstrate, in response to questions about this, that  
10 avoided cost rates increase over time and that expecting overall PURPA power  
11 purchase costs to grow at the same rate of energy growth is not a reasonable  
12 assumption. I find modeled PURPA costs and energy to be reasonable.

13 October Update Comparison:

14 Idaho Power testimony discusses the overall effect of the 2011 October Update  
15 compared to the previous 2010 October Update. I find the calculation of the  
16 unit costs and overall revenue requirement to be correctly stated.

17 Power Cost Allocation:

18 Idaho Power proposes that the allocation of 2011 October Update costs be  
19 spread among customer classes in the same fashion as was agreed to in the  
20 most recent APCU determination, Order No 10-191. I am not prepared to take  
21 a stand on this matter at this time. Although I have discussed this filing with  
22 the Staff rate spread/rate design experts, it is premature to propose that the

1 previous rate design methodology is appropriate for the power cost increment  
2 in 2011.

3 **Q. ARE THERE ANY OTHER ISSUES WITH THE OCTOBER UPDATE OF THE**  
4 **2011 APCU THAT YOU WISH TO DISCUSS?**

5 A. No, this concludes my testimony.



CASE: UE 222  
WITNESS: Ed Durrenberger

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 101**

**Witness Qualification Statement**

**January 25, 2011**

### **WITNESS QUALIFICATION STATEMENT**

**NAME:** Ed Durrenberger

**EMPLOYER:** Public Utility Commission of Oregon

**TITLE:** Senior Utility Analyst, Electric and Natural Gas Division

**ADDRESS:** 550 Capitol St. NE, Ste. 215, Salem, Oregon 97301

**EDUCATION:** B.S. Mechanical Engineering  
Oregon State University, Corvallis, Oregon

**EXPERIENCE:** I have been employed at the Oregon Public Utility Commission of since February of 2004. My current responsibilities include staff research, analysis and technical support on a wide range of electric and natural gas cost recovery issues with an emphasis on electricity and fuel costs.

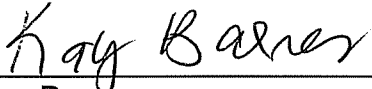
**OTHER EXPERIENCE:** I worked for over twenty years in industrial boiler plant engineering, maintenance and operations. In this capacity I managed plant operations, fuel supplies and utilities, environmental compliance issues and all aspects of boiler machinery design, installation and repair. I have also worked as a production manager and machine shop manager for an ISO certified high tech equipment manufacturer servicing the silicon wafer fabrication and biomedical business sectors.

## CERTIFICATE OF SERVICE

UE 222

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 25th day of January, 2011.



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Kay Barnes

Public Utility Commission

Regulatory Operations

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Salem, Oregon 97301-2551

Telephone: (503) 378-5763

UE 222  
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