

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 226

In The Matter of
IDAHO POWER COMPANY
2010 Annual Power Supply Expense
True-Up.

**STAFF/CUB/IDAHO POWER
JOINT TESTIMONY IN SUPPORT OF
STIPULATION**

**WITNESSES:
ED DURRENBERGER
GORDON FEIGHNER
COURTNEY WAITES**

June 29, 2011

1 **Q. Who is sponsoring this testimony?**

2 A. This testimony is jointly sponsored by Staff of the Public Utility Commission of Oregon
3 ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power Company
4 ("Idaho Power" or the "Company"), referred to collectively as the "Stipulating Parties."

5 **Q. Please state your names.**

6 A. Ed Durrenberger, Gordon Feighner, and Courtney Waites. Mr. Durrenberger
7 represents Staff and his qualifications are set forth in Staff/CUB/Idaho Power/101. Mr.
8 Feighner represents CUB and his qualifications are set forth in Staff/CUB/Idaho
9 Power/102. Ms. Waites represents Idaho Power and her qualifications are set forth in
10 Idaho Power/100.

11 **Q. What is the purpose of your testimony?**

12 A. This testimony describes and supports the Stipulation between Staff, CUB, and the
13 Company, dated and filed in this case on June 29, 2011, ("Stipulation"). This testimony
14 supports all provisions of the Stipulation. This Stipulation addresses and resolves all
15 issues in this docket.

16 **Q. How did the Stipulating Parties arrive at the Stipulation?**

17 A. All parties to this docket participated in a workshop, held on May 10, 2011, and a
18 settlement conference, held on June 9, 2011. The Stipulating Parties' discussions and
19 agreements during these conferences resulted in the Stipulation.

20 **Q. Have all parties in this docket joined in the Stipulation?**

21 A. Yes. Staff, CUB, and the Company are the only parties to this docket.

BACKGROUND

1
2 **Q. Please describe Idaho Power's Annual Power Supply Expense True-Up ("True-**
3 **Up").**

4 A. The True-Up is part of the Company's Commission-approved automatic adjustment
5 clause.¹ In Order No. 08-238, the Commission approved a Power Cost Adjustment
6 Mechanism ("PCAM") for Idaho Power that requires the Company to make a filing each
7 February that calculates the deviation between the actual net power supply expense
8 ("NPSE") and the expenses recovered by the Company through the Combined Rate.²
9 Eligible NPSE deviations are added to the Company's Annual Power Supply Expense
10 True-Up Balancing Account ("True-Up Balancing Account"). The True-Up Balancing
11 Account is a Company account where the Power Cost Adjustment ("PCA") is quantified
12 at the end of each 12-month period ending December, along with 50 percent of the
13 annual interest calculated at the Company's authorized cost of capital. Subject to an
14 earnings test, the PCA is 90 percent of the amount that the Oregon-allocated NPSE
15 deviation is either above or below the power supply expense dead band. The Stipulation
16 attached as Exhibit A to Order No. 08-238 explains this calculation in detail.

17 **Q. How is the power supply expense dead band calculated?**

18 A. As described in Order No. 08-238, the Company uses an asymmetrical dead band to
19 calculate the net power supply deviations used in the true-up calculations. A positive
20 deviation (actual expenses exceed expenses recovered in rates) is reduced by the dollar
21 equivalent of 250 basis points of the Company's Return on Equity ("ROE") authorized in
22 the Company's last general rate case before the expense can be recovered by the
23 Company pursuant to the additional terms of the PCAM. A negative deviation (actual
24 expenses are less than those recovered in rates) is reduced by the dollar equivalent of

¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008) [hereinafter "Order No. 08-238"].

² The Combined Rate is calculated in the Annual Power Cost Update ("APCU") proceeding. The APCU is the other part of the Company's PCAM and is also authorized by Order No. 08-238.

1 125 basis points of ROE before it is shared with customers subject to the additional
2 terms of the PCAM. If a positive deviation is less than the upper dead band or a
3 negative deviation is less than the lower dead band the Company will not place any
4 under-collection or over-collection of power costs in the balancing account for possible
5 credit or return.

6 For purposes of calculating the dead band, the Company uses its Results of
7 Operations ("ROO") from the same year as the PCAM deferral period. For example, in
8 this docket the deferral period is calendar year 2010; therefore, the dead band is
9 calculated using the 2010 ROO. Because the deferral period ROO is not yet finalized
10 when the Company makes its initial February filing, that filing includes an estimated
11 True-Up based on the Company's most recently available ROO. Here, that meant that
12 the Company's initial filing used the 2009 ROO. When the deferral period ROO is
13 finalized, generally in late April or early May, the Company then files an updated True-
14 Up calculation using this deferral period ROO.

15 **Q. Please describe the Company's initial filing in this docket.**

16 A. On February 28, 2011, Idaho Power filed its True-Up reflecting NPSE deviations for
17 calendar year 2010.³ This filing reflected a system-wide negative NPSE deviation of
18 \$9,987,363.76, or \$477,395.99 on an Oregon basis. In this case, the Company applied
19 a one-time modification to the dead bands, which was approved by the Commission in
20 Order No. 10-191. Using the 2009 ROO to determine the Company's rate base and the
21 ROE from the Company's last general rate case and including the Order No. 10-191
22 one-time modification, the upper dead band was \$2,375,850.66 and the lower dead
23 band was a negative \$957,450.33. Because the Oregon-allocated NPSE deviation
24 (\$477,395.99) was within the upper and lower dead bands, nothing would be added to
25 the True-Up Balancing Account under this initial analysis. Because nothing would be
26 added to the True-Up Balancing Account, the Company's initial filing did not include an

³ Idaho Power/100-104.

1 earnings test analysis because that is only necessary if sums are eligible for inclusion in
2 the True-Up Balancing Account.

3 **Q. Did the Company update this initial filing using the 2010 ROO?**

4 A. Yes. On May 3, 2011, the Company filed an updated True-Up calculation using the
5 2010 ROO.⁴ As we describe below, although the use of the 2010 ROO changed certain
6 calculations within the True-Up, the amount that should be added to the True-Up
7 Balancing Account did not change.

8 **Q. Did the use of the 2010 ROO report change the power supply expense dead
9 bands?**

10 A. Yes. Using the Company's authorized ROE from its last general rate case, the
11 Company's 2010 Oregon rate base, and the one-time modification from Order No. 10-
12 191, the upper dead band of 250 basis points equaled \$2,357,800 and the lower dead
13 band of 125 basis points equaled a negative \$948,425.

14 **Q. Were any other portions of the initial filing affected by the use of the 2010 ROO
15 report?**

16 A. Yes. The Oregon allocation percentage also changed. This allocation percentage is
17 used to determine Oregon's share of the excess net power supply expenses and to
18 calculate Oregon customers' emission sales benefits.

19 **Q. Were there any other changes to the initial filing included in the supplemental
20 filing?**

21 A. Yes. In the initial filing, Idaho Power accounted for the proceeds from the sale of
22 Renewable Energy Credits ("RECs") in the same manner that it accounts for the sale of
23 SO₂ allowances. Following the issuance of Order No. 11-086, which occurred on March
24 17, 2011, in the supplemental filing the Company accounted for the sale of RECs by
25 applying the net proceeds to the power cost deferral currently in amortization. Under
26 either method, the amount to be added to the True-Up Balancing Account was \$0.00.

⁴ Idaho Power/200-204.

1 **Q. Do these changes affect the amount the Company proposed to be added to the**
2 **True-up Balancing Account?**

3 A. No, because the NPSE deviation was still within the lower dead band of negative
4 \$948,425. Therefore the dollar amount added to the True-Up Balancing Account
5 remained zero.

6 **Q. Did Staff and CUB conduct a thorough examination of the Company's initial and**
7 **updated filings?**

8 A. Yes. Staff and CUB conducted a thorough review of both the initial and supplemental
9 filings.

10 **STIPULATION**

11 **Q. Please describe the terms of the Stipulation.**

12 A. The Stipulating Parties agree that the Company correctly calculated the amount of the
13 True-Up for later inclusion in rates as \$0.00 and that this calculation complies with the
14 terms of Order Nos. 08-238, 09-373 and 10-191. Thus, the Stipulating Parties agree
15 that the Company will not add any amounts to the True-Up Balancing Account for 2010.

16 **Q. Have the Stipulating Parties evaluated the overall reasonableness of the**
17 **Stipulation?**

18 A. Yes. Staff and CUB carefully analyzed the Company's filings in this docket and
19 concluded that the True-Up calculations reflected in those filings are correct and result in
20 fair, just, and reasonable rates for Idaho Power's Oregon customers.

21 **Q. What do the Stipulating Parties recommend?**

22 A. The Stipulating Parties recommend that the Commission adopt the Stipulation and
23 include the terms and conditions in its order in this case.

24 **Q. Does this conclude your joint testimony in support of the Stipulation?**

25 A. Yes.

26

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.

WITNESS QUALIFICATION STATEMENT

NAME: Gordon Feighner

EMPLOYER: Citizens' Utility Board of Oregon (CUB)

TITLE: Utility Analyst

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Master of Environmental Management, 2005
Duke University, Durham, NC

Bachelor of Arts, Economics, 2002
Reed College, Portland, OR

WORK EXPERIENCE: I have previously provided testimony in dockets including UE 196, UE 204, UE 207, UE 208, UE 210, UE 213, UE 214, UE 216, UE 217, UE 219, UM 1355, UM 1431, and UM 1484. I have also completed the Annual Regulatory Studies Program at the Institute of Public Utilities at Michigan State University in 2010.

Between 2004 and 2008, I worked for the US Environmental Protection Agency and the City of Portland Bureau of Environmental Services, conducting economic and environmental analyses on a number of projects. In November 2008 I joined the Citizens' Utility Board of Oregon as a Utility Analyst and began conducting research and analysis on behalf of CUB.