

1 BEFORE THE PUBLIC UTILITY COMMISSION
2 OF OREGON

3 Docket No. _____

4 IN THE MATTER OF THE APPLICATION
5 OF IDAHO POWER COMPANY FOR
6 AUTHORIZATION TO DEFER FOR
7 FUTURE RATE RECOVERY CERTAIN
8 EXCESS NET POWER SUPPLY EXPENSES

APPLICATION OF IDAHO POWER
COMPANY

9 Pursuant to ORS 757.259 and OAR 860-027-0300, Idaho Power Company (“Idaho
10 Power” or the “Company”) hereby requests authorization to defer for future rate recovery excess
11 net power supply expenses necessarily incurred during the May 1, 2006 through April 30, 2007
12 time period (“2006 deferral”). The excess net power supply expense will be incurred as a result
13 of an extraordinary and unanticipated differential between the base net power supply expenses
14 currently included in the Company’s Oregon rates and the net power supply expenses forecasted
15 to occur during the 2006 deferral period. Idaho Power proposes to accrue interest on the
16 accumulated 2006 deferral balance using the Company’s current authorized overall rate of return
17 in Oregon.

18 This Application is based on the following:

19 1. Idaho Power is a public utility in the state of Oregon and is subject to the
20 jurisdiction of the Oregon Public Utility Commission (“Commission”) with regard to its rates,
21 services and accounting practices. Idaho Power also provides retail electricity service in the state
22 of Idaho.

23 2. This Application is filed pursuant to ORS 757.259(2), which allows the
24 Commission, upon application of a utility, to authorize deferral of certain material items for later
25 incorporation in rates.

26 3. In accordance with OAR 860-013-0070, Idaho Power hereby waives service by
means other than service by electronic mail. Consistent with that waiver, communications
regarding this Application should be addressed to all of the following:

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2 Vice President, Regulatory Affairs
3 Pricing & Regulatory Services
4 Idaho Power Company
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6 Michael J. Youngblood
7 Senior Pricing Analyst
8 Pricing & Regulatory Services
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12 Telephone: (208) 388-2882
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14 E-mail: myoungblood@idahopower.com

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16 4. In Order No. 05-871 issued in Case No. UE 167, the Commission established the
17 base net power supply expenses currently included in the Company's Oregon rates. In Order
18 No. 05-871, the Commission determined that under normal water conditions Idaho Power would
19 be able to make surplus sales of energy in an amount and at prices that would result in a negative
20 \$1,792,200 net power supply expense for Idaho Power.

21 5. Idaho Power's net power supply expenses for the 2006 deferral period are
22 currently forecasted to be \$64,094,000, a positive increase of \$65,886,200 from the negative
23 \$1,792,200 level of net power supply expense currently included in Oregon retail rates. This
24 difference between the forecasted net power supply expenses expected to be incurred during the
25 2006 deferral period and the normalized net power supply expenses assumed in Order No. 05-
26 871 could not have been anticipated by the Commission when it set the Company's normalized

1 net power supply expense amount in Order No. 05-871. The unanticipated and extraordinary
2 nature of this \$65,886,200 difference becomes even more apparent in light of the fact that water
3 conditions during the 2006 deferral period are expected to be *above* normal.

4 6. The Oregon jurisdictional share of the \$65,886,200 2006 deferral amount would
5 be 4.94 percent of \$65,886,200, or \$3,254,778.

6 7. Idaho Power seeks deferred accounting treatment for the potential expense
7 associated with excess net power supply expense pursuant to ORS 757.259(2)(e). Granting this
8 Application will minimize the frequency of rate changes and match appropriately the costs borne
9 by and benefits received by customers.

10 8. For accounting purposes, Idaho Power proposes to record the excess net power
11 expenses that would be deferred in the following manner:

12 (a) The approximately \$3,254,778 in Oregon excess net power expenses
13 would be credited to Account 557, thereby decreasing the recorded power supply expenses, and
14 debiting Account 182.3.

15 (b) In accordance with ORS 757.259(3), Idaho Power would accrue interest
16 on the unamortized balance at a rate equal to its allowed overall rate of return in Oregon. Idaho
17 Power will accrue the interest on the deferred balance crediting Account 421 and debiting
18 Account 182.3.

19 9. It is in the public interest to allow the deferred accounting treatment requested to
20 provide the Company a reasonable opportunity to recover the substantial and unanticipated
21 excess net power supply expenses it will incur due to the differential between base net power
22 supply expenses included in rates and the forecasted net power supply expenses that Idaho Power
23 expects to experience during the 2006 deferral period.

24 10. Idaho Power, Commission Staff and other interested parties have periodically
25 discussed the desirability of implementing a power cost adjustment mechanism ("PCA") that
26 could eliminate the need for future deferral filings based on excess net power supply expenses.

1 If, in the future, the Commission approves a PCA for Idaho Power and the excess net power
2 supply expenses described in this Application could be recovered in the approved PCA, Idaho
3 Power reserves the right to file an appropriate pleading to utilize the PCA to recover the excess
4 net power supply expenses described herein.

5 11. A copy of the Notice of Application for deferred accounting treatment and a list
6 of persons served with the Notice are attached to this Application as Attachment A.

7 12. Contemporaneous with this filing, Idaho Power has filed the direct testimony of
8 Michael J. Youngblood which discusses the Company's request in greater detail.

9 For the reasons stated above, Idaho Power hereby respectfully requests permission to
10 defer excess net power supply expenses which it expects to incur between May 1, 2006 through
11 April 30, 2007.

12 Respectfully submitted this 28th day of April, 2006.

13 ATER WYNNE, LLP

14
15
16 By: 

Lisa F. Rackner, OSB #87384
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18
19 IDAHO POWER COMPANY

20 By: Barton L. Kline, ISB #1526
21 Senior Attorney
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23 Boise, ID 83707
24 E-mail: bkline@idahopower.com

25 Attorneys for Idaho Power Company
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ATTACHMENT A

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4 BEFORE THE PUBLIC UTILITY COMMISSION
5 OF OREGON

6 Docket No. UM _____

7 IN THE MATTER OF THE APPLICATION
8 OF IDAHO POWER COMPANY FOR
9 AUTHORIZATION TO DEFER FOR
10 FUTURE RATE RECOVERY CERTAIN
11 EXCESS NET POWER SUPPLY EXPENSES

12 NOTICE OF APPLICATION OF IDAHO
13 POWER COMPANY

14 On April 28, 2006, Idaho Power Company (“Idaho Power” or the “Company”) filed an
15 Application with the Oregon Public Utility Commission (the “Commission”) for authorization to
16 defer for future rate recovery certain excess net power supply expenses incurred from May 1,
17 2006 through April 30, 2007.

18 The excess net power supply expense will be incurred as a result of an extraordinary and
19 unanticipated differential between the base net power supply expenses currently included in the
20 Company’s Oregon rates and the net power supply expenses forecasted to occur during the 2006
21 deferral period.

22 Approval of Idaho Power’s Application will not authorize a change in the Company’s
23 rates, but will permit the Commission to consider allowing such deferred amounts in rates in a
24 subsequent proceeding.

25 Any person may submit written comments on this Application to the Commission. The
26 deadline for filing comments cannot be sooner than 25 days from the date specified above.

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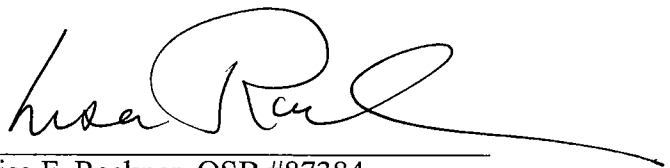
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1 Persons who wish to obtain a copy of Idaho Power's Application should contact the
2 following:

3 Idaho Power Company
4 Attn: Barton L. Kline
5 P.O. Box 70
6 Boise, ID 83707
7 Telephone: (208) 388-2682
8 bkline@idahopower.com

9 Respectfully submitted this 28th day of April, 2006.

10 ATER WYNNE, LLP

11 By: 
12 Lisa F. Rackner, OSB #87384
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17 IDAHO POWER COMPANY

18 By: Barton L. Kline, ISB #1526
19 Senior Attorney
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23 Attorneys for Idaho Power Company
24
25
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1 **CERTIFICATE OF SERVICE**

2 I HEREBY CERTIFY that on this 28th day of April, 2006, I served a true and correct
3 copy of the within and foregoing NOTICE OF APPLICATION OF IDAHO POWER
4 COMPANY by First Class U.S. Mail, postage prepaid and properly addressed, upon each of the
5 following-named parties on the service list from Idaho Power Company's last general rate case,
6 OPUC Docket UE 167.

7 PORTLAND GENERAL ELECTRIC _____ Hand Delivered
8 RATES & REGULATORY AFFAIRS x U.S. Mail
9 121 SW SALMON STREET, 1WTC0702 _____ Overnight Mail
10 PORTLAND OR 97204 _____ FAX
11 pge.opuc.filings@pgn.com x E-mail

12 STEPHANIE S ANDRUS _____ Hand Delivered
13 DEPARTMENT OF JUSTICE x U.S. Mail
14 REGULATED UTILITY & BUSINESS _____ Overnight Mail
15 SECTION _____ FAX
16 1162 COURT ST NE x E-mail
17 SALEM OR 97301-4096
18 stephanie.andrus@state.or.us

19 PETER J RICHARDSON _____ Hand Delivered
20 RICHARDSON & O'LEARY x U.S. Mail
21 PO BOX 7218 _____ Overnight Mail
22 515 NORTH 27TH STREET _____ FAX
23 BOISE ID 83702 x E-mail
24 peter@richardsonandoleary.com

25 LOWREY R. BROWN _____ Hand Delivered
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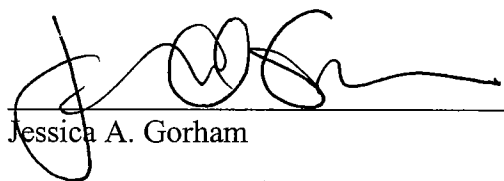
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ATER WYNNE, LLP



Jessica A. Gorham

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

Docket No. _____

IN THE MATTER OF THE APPLICATION
OF IDAHO POWER COMPANY FOR
AUTHORIZATION TO DEFER FOR
FUTURE RATE RECOVERY CERTAIN
EXCESS NET POWER SUPPLY EXPENSES

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MICHAEL J. YOUNGBLOOD

April 28, 2006

1 **Q. Please state your name, business address and present position with Idaho Power**
2 **Company (the Company).**

3 A. My name is Michael J. Youngblood. I am employed by Idaho Power Company as a
4 Senior Pricing Analyst in the Pricing and Regulatory Services Department. My business
5 address is 1221 West Idaho Street, Boise, Idaho 83702.

6 **Q. Please describe your educational background.**

7 A. In May of 1977, I received a Bachelor of Science Degree in Mathematics and Computer
8 Science from the University of Idaho. From 1994 through 1996, I was a graduate student
9 in the MBA program of Colorado State University.

10 **Q. Please describe your work experience with Idaho Power Company.**

11 A. I became employed by Idaho Power Company in 1977. During my career, I have worked
12 in several departments and subsidiaries of the Company, including Systems
13 Development, Demand Planning, Strategic Planning and IDACORP Solutions. Most
14 relevant to this testimony though, is my experience within the Pricing and Regulatory
15 Department. From 1981 to 1988 I worked as a Rate Analyst in the Rates and Planning
16 Department where I was responsible for the preparation of electric rate design studies and
17 bill frequency analyses. I was also responsible for the validation and analysis of the load
18 research data used for cost of service allocations.

19 From 1988 through 1991 I worked in Demand Planning and was responsible for
20 the load research and load forecasting functions of the Company including sample
21 design, implementation, data retrieval, analysis, and reporting. I was responsible for the
22 preparation of the five-year and twenty-year load forecasts used in revenue projections
23 and resource plans as well as the presentation of these forecasts to the public and
24 regulatory commissions.

25

26

1 In 2001 I returned to the Pricing and Regulatory Department and have worked on
2 special projects related to deregulation, the Company's Integrated Resource Plan, and
3 filings with this Commission regarding the Company's avoided cost rates.

4 **Q. Are you the same Michael Youngblood who has provided testimony to this**
5 **Commission in previous Idaho Power deferral applications?**

6 A. Yes I am. I have provided joint testimony with Oregon Public Utility Commission
7 Senior Economist, Maury Galbraith, in support of the settlement Stipulation in Docket
8 UE 123/UE 131 which was adopted in Order No. 02-584 on August 26, 2002. In 2005 I
9 provided direct and supplemental testimony in Docket No. UM 1198. That docket
10 resulted in a settlement Stipulation which was adopted in Order No. 05-870.

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

12 A. My testimony today is in support of Idaho Power's Application for an order authorizing
13 the Company to defer for future rate recovery excess net power supply expenses incurred
14 during the May 2006 through April 2007 time period ("the deferral period"). These
15 excess net power supply expenses will be incurred as a result of the extreme difference
16 between the base net power supply expenses currently included in the Company's Oregon
17 rates and the net power supply expenses forecasted to occur during the deferral period.

18 **Q. Why does the Company consider the forecasted excess net power supply expenses to**
19 **be justification for a deferral accounting order?**

20 A. Idaho Power believes the forecasted excess net power supply expenses justify issuance of
21 a deferral accounting order because the difference between the forecast of net power
22 supply expenses expected to be incurred during the deferral period and the amount of net
23 power supply expenses currently being recovered in rates is extraordinarily large. Also,
24 the difference between forecasted net power supply expenses and normalized net power
25 supply expenses is counter to normalization logic and could not have been anticipated by
26 the Commission when it set the Company's normalized net power supply expense

1 amounts in OPUC Order No. 05-871.

2 **Q. Why does Idaho Power feel that a deferral accounting order is needed at this time?**

3 A. In Oregon, a deferral accounting order is required in order to “start the clock” for
4 measurement of extraordinary expenses or revenues. The difference between the base net
5 power supply expenses established in OPUC Order No. 05-871 and the Company’s
6 forecast of net power supply expenses to be incurred during the deferral period is
7 projected to be extraordinarily large.

8 **Q. What is the difference between projected May 2006 through April 2007 net power
9 supply expenses and the net power supply expenses currently included in the
10 Company’s Oregon retail rates?**

11 A. The Company projects net power supply expenses of \$64,094,000 for the May 2006
12 through April 2007 time period, a difference of \$65,886,200 from the negative
13 \$1,792,200 level currently included in Oregon retail rates.

14 **Q. Is this large difference in net power supply expenses to be expected?**

15 A. No. The Company’s base level net power supply expenses should represent the expected
16 amount of net power supply expenses to be incurred by the Company under normal
17 streamflow conditions. An expectation over time would be that below-normal
18 streamflows would mean that the Company would rely more heavily on purchased power
19 and produce more energy with higher cost thermal generation and less with lower cost
20 hydro. This would result in above-normal net power supply expenses. In a similar
21 fashion, above-normal streamflows would mean that the Company would produce more
22 of its energy through low cost hydro generation and be able to sell more surplus power on
23 the open market. This would result in below-normal net power supply expenses. The
24 Company is currently experiencing above-normal streamflow conditions and the
25 expectation would be that below-normal net power supply expenses would be incurred.

26 **Q. Why is the difference between the base net power supply expenses and the**

1 **Company's forecast of net power supply expenses projected to be large?**

2 A. Idaho Power's Oregon retail rates are set to recover, among other things, the Company's
3 net power supply expenses under average or normal conditions. In the Company's last
4 general rate case, under a normal condition, the Commission determined that annual
5 average market prices for surplus sales would be greater than \$40.00 per megawatt-hour,
6 with the months early in the runoff period not falling below \$30.00. Idaho Power's
7 current forward price curves taken from broker's quotes for heavy load hours at Mid-C
8 include monthly market prices as low as \$18.00 and \$21.00 per megawatt-hour. The
9 surplus sales benefits the Commission anticipated would accrue under normal conditions
10 are not projected to occur.

11 **Q. What is unusual about this year?**

12 A. Even though Idaho Power, which generates most of its electricity through hydro
13 generation, is heading into an above-average water year, the forecast for net power
14 supply expenses expected to be incurred to meet the electric demand of its customers is
15 much greater than the level of net power supply expenses the Commission anticipated
16 would occur and which is currently being recovered in rates. The difference between
17 base net power supply expenses and forecasted net power supply expenses is counter to
18 the ratemaking expectation used to set Idaho Power's base rates and is extreme. The
19 request for a deferral accounting order is the only mechanism the Company can currently
20 use to recover extraordinary and unanticipated costs.

21 **Q. What are the streamflow conditions that exist today?**

22 A. The streamflow conditions within Idaho Power's service territory and in the Pacific
23 Northwest in general, are above-average for the first time in seven years. With their
24 April 7, 2006 final forecast, the Northwest River Forecast Center is predicting 8.38 maf
25 (million acre feet) for the Snake River entering Brownlee Reservoir for the April through
26 July runoff timeframe. Brownlee Dam and Reservoir are the Company's largest hydro

1 facilities and are a part of the three-dam Hells Canyon Complex.

2 **Q. How do the forecasted annual streamflow conditions compare with annual**
3 **streamflow conditions the Company has experienced historically?**

4 A. The forecast for 2006 annual inflow is 16.8 maf. The 45-year average annual inflows
5 into Brownlee (since the construction of Brownlee Dam and Reservoir) are 13.94 maf.

6 **Q. How do the forecasted net power supply expenses compare with net power supply**
7 **expenses the Company has experienced historically?**

8 A. Since 1983, actual net power supply expenses for the Company have ranged from a
9 negative \$18,665,349 in 1984 to a positive \$279,500,718 in 2001. The average of the
10 actual net power supply costs for the last 23 years is \$75,971,521. In fact, only two of
11 those 23 years had negative net power supply expenses. The current forecasted amount
12 of \$64,094,000 is below the average for the historical period noted, but significantly
13 higher than the negative net power supply expenses included in base rates.

14 **Q. Has the Company filed for deferral accounting orders from the Commission in the**
15 **past?**

16 A. Yes. Following the Western energy crisis of 2000 and 2001, Idaho Power filed for and
17 received a deferral accounting order from the Commission for the extraordinarily high net
18 power supply expenses of 2001 ("2001 deferral"). The Company is currently amortizing
19 that 2001 deferral which still has a remaining balance of over \$8,142,000. The Company
20 also received a deferral accounting order from the Commission for the extraordinarily
21 high net power supply expenses it incurred for the period of March 2, 2005 through
22 February 28, 2006 ("2005 deferral"). That amount has not yet been finally audited and
23 reviewed by the Commission, but is approximately \$2,718,000. Recovery of the 2005
24 deferral amount will not begin until the 2001 deferral balance has been fully amortized,
25 estimated to be sometime in 2009. In the meantime, the 2005 balance will continue to
26 accrue interest at the Company's authorized overall rate of return.

1 **Q. In Idaho Power Company's previous deferral applications, were they based**
2 **primarily on extraordinary net power supply expenses driven by low streamflow**
3 **conditions?**

4 A. Yes. As I stated before, in low water years the Company is forced to generate more
5 power through its thermal generating plants with resulting higher fuel costs. The
6 Company would also need to purchase more power on the open market in order to supply
7 its customers. Those power purchases would typically be more expensive than the costs
8 of energy that would occur under normal streamflow conditions. For both the 2001 and
9 2005 deferral periods, the Company experienced below-normal streamflow conditions.
10 In addition, in 2001 the Company needed to purchase power at extraordinarily high
11 market prices.

12 **Q. How does the Company propose to determine its Oregon jurisdictional share of the**
13 **net system power supply expenses for the deferral period?**

14 A. The Company proposes to determine its Oregon jurisdictional share of the net system
15 power supply expenses by simply comparing the actual net variable power expenses
16 which will be incurred by the Company for the next twelve months to base net power
17 supply expenses currently being recovered in rates. The difference between the base and
18 the actual net power supply expense is defined as the excess net power supply expense.
19 The net amount will be multiplied by the appropriate Oregon allocation factor to
20 determine the amount of deferral subject to amortization in Oregon rates. Interest will
21 accrue on the deferred amount at the Company's authorized overall rate of return.

22 **Q. What are the excess net power supply expenses expected for the period May 1, 2006**
23 **through April 30, 2007?**

24 A. With the last forecast prepared for the Company's Risk Management Committee (RMC),
25 dated March 14, 2006, the projected system net power supply expenses for May 1, 2006
26 through April 30, 2007 are \$64,094,000. The base net power supply expenses established

1 by OPUC Order No. 05-871 in UE 167 are a negative \$1,792,200. The difference, or the
2 excess net power supply expenses on a system basis, is expected to be \$65,886,200. The
3 Oregon jurisdictional share of \$65,886,200 which would be deferred for future recovery
4 would be 4.94%, or \$3,254,778.

5 **Q. Does the Company suggest applying the dead-band and bandwidths that were used**
6 **in the UM 1007 settlement to determine excess net power supply expenses in this**
7 **case?**

8 A. No. Idaho Power agreed to the use of the dead-band and bandwidths in the UM 1007
9 settlement during a time when it believed the normalized net power supply expenses
10 included in base rates provided a reasonable expectation that actual net power supply
11 expenses could be either slightly higher or lower than normal. However, the Company
12 does not currently have such an expectation. Since the current base net power supply
13 costs are set at such an unreasonably low level, it is not anticipated that the Company's
14 actual net power supply expenses will ever move in a uniform fashion around that
15 amount. Since it is not uniform and the risk of a net gain or loss in any given year is not
16 symmetric, dead bands and sharing bandwidths are not appropriate.

17 **Q. If a deferral accounting order is approved, will the Company be able to recover and**
18 **amortize these excess net power supply expenses in 2007?**

19 A. No. As stated before, the Company is currently recovering and amortizing excess net
20 power supply expenses that were incurred in 2001 at the maximum rate permitted by
21 Oregon law. The Company still has over \$8,142,000 left in the unamortized balance for
22 the 2001 deferral. Once that amount is fully amortized, the Company would then begin
23 collecting the 2005 deferral balance. The 2005 deferral amount, approximately
24 \$2,718,000, would not be fully amortized until approximately 2012. This new deferral
25 for the period of May 1, 2006 through April 30, 2007 would collect interest at the
26 Company's authorized overall rate of return and recovery would not begin until

1 approximately 2012.

2 **Q. When will the Company be able to recover and amortize these 2006-2007 excess net**
3 **power supply expenses?**

4 A. At the current rate of recovery for the 2001 and 2005 deferral balances and using
5 projected revenues for the Company's Oregon jurisdiction, the Company would begin
6 recovery of the 2006 deferral balance in 2012 and expect to fully recover and amortize
7 the May 2006 through April 2007 excess net power supply expenses in 2016.

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

9 A. Yes, it does.

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