

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 218

In the Matter of the Application of
IDAHOPOWER COMPANY for Authority to
Implement a Power Cost Adjustment
Mechanism for Electric Service Customers
in the State of Oregon

2009 ANNUAL POWER SUPPLY
EXPENSE TRUE-UP

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

WITNESSES:

ED DURRENBERGER

COURTNEY WAITES

MAY 13, 2010

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

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

12 A. As described in Order No. 08-238, the Company uses an asymmetrical dead
13 band to calculate the net power supply deviations used in the true-up calculations. A positive
14 deviation (actual expenses exceed expenses recovered in rates) is reduced by the dollar
15 equivalent of 250 basis points of the Company's Return on Equity ("ROE") authorized in the
16 Company's last general rate case before the expense can be recovered by the Company
17 pursuant to the additional terms of the PCAM. A negative deviation (actual expenses are less
18 than those recovered in rates) is reduced by the dollar equivalent of 125 basis points of ROE
19 before it is shared with customers subject to the additional terms of the PCAM. If a positive
20 deviation is smaller than the upper dead band or a negative deviation is less than the lower
21 dead band the company will not place any under collection or over collection of power costs in
22 the balancing account for possible credit or return.

23 For purposes of calculating the dead band, the Company uses its Results of Operations
24 ("ROO") from the same year as the PCAM deferral period. For example, in this docket the
25 deferral period is calendar year 2009; therefore, the dead band is calculated using the 2009

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 ROO. Because the deferral period ROO is not yet finalized when the Company makes its initial
2 February filing, that filing includes an estimated True-Up based on the Company's most recently
3 available ROO. Here, that meant that the Company's initial filing used the 2008 ROO. When
4 the deferral period ROO is finalized, generally in late April or early May, the Company then files
5 an updated True-Up calculation using this deferral period ROO.

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

7 A. On February 26, 2010, Idaho Power filed its True-Up reflecting NPSE deviations
8 for calendar year 2009.³ This filing reflected a system-wide positive NPSE deviation of \$41.6
9 million, or \$1.9 million on an Oregon basis. Using the 2008 ROO to determine the Company's
10 rate base and the ROE from the Company's last general rate case, the upper dead band of 250
11 basis points was \$2,170,223.68 and the lower dead band of 125 basis points was negative
12 \$1,085,111.84. Because the Oregon-allocated NPSE deviation (\$1.9 million) was less than the
13 upper dead bad (\$2.2 million), nothing would be added to the True-Up Balancing Account under
14 this initial analysis. Because nothing would be added to the True-Up Balancing Account, the
15 Company's initial filing did not include an earning test analysis because that is only necessary if
16 sums are eligible for inclusion in the True-Up Balancing Account.

17 **Q. Did the Company update this initial filing using the 2009 ROO?**

18 A. Yes. On April 30, 2010, the Company filed an updated True-Up calculation using
19 the 2009 ROO.⁴ As we describe below, although the use of the 2009 ROO changed certain
20 calculations within the True-Up, the amount that should be added to the True-Up Balancing
21 Account did not change.

22 **Q. Did the use of the 2009 ROO report change the power supply expense dead**
23 **bands?**

³ Idaho Power/100-103.

⁴ Idaho Power/200-203.

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

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

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

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

8 A. Yes.

9

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.

McDowell Rackner & Gibson pc



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May 13, 2010

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: UE 218 – Idaho Power Company’s 2009 Annual Power Supply Expense True-Up

Attention Filing Center:

Enclosed for filing in the captioned docket are the original and five copies of the Stipulation of Staff and Idaho Power Company and the joint testimony of Ed Durrenberger and Courtney Waites. A copy of this filing was served on all parties to this proceeding as indicated on the attached Certificate of Service.

Very truly yours,

A handwritten signature in black ink that reads "Ben Poland".

Ben Poland

cc: Service List

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 218 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: May 13, 2010



Ben Poland