

McDowell & Rackner PC



WENDY L. MCINDOO
Direct (503) 595-3922
wendy@mcd-law.com

October 24, 2007

VIA ELECTRONIC FILING

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

Re: Docket No. UM 1261

Enclosed for filing in the above-referenced docket are an original and five copies of the Stipulation by the joint Parties and the Joint Direct Testimony of Carla Owings, Michael J. Youngblood, and Lowrey Brown.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy L. McIndoo".

Wendy L. McIndoo

cc: Service List

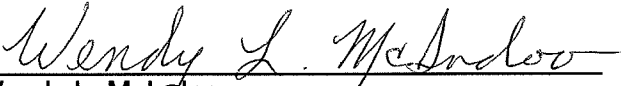
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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1261 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.

Stephanie S. Andrus Department of Justice Regulated Utility & Business Section 1162 Court St NE Salem, OR 97301-4096 <u>stephanie.andrus@state.or.us</u>	OPUC Dockets Citizens' Utility Board of Oregon 610 SW Broadway Ste 308 Portland, OR 97205 <u>dockets@oregoncub.org</u>
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DATED: October 24, 2007.



Wendy L. McDowell
Legal Assistant

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1261

In the Matter of IDAHO POWER COMPANY
Application for Authorization to Defer for
Future Rate Recovery Certain Excess Net
Power Supply Expenses.

JOINT DIRECT TESTIMONY

OF

CARLA OWINGS

MICHAEL J. YOUNGBLOOD

AND

LOWREY BROWN

OCTOBER 19, 2007

Introduction

1
2 **Q. Please state your names, occupations, and business addresses.**

3 A. My name is Carla Owings. I am employed by the Public Utility Commission
4 of Oregon ("Staff") as a Senior Economist. My business address is 550 Capitol
5 Street NE, Suite 215, Salem, Oregon 97301-2551. My qualifications are show in
6 Staff/Idaho Power/CUB Exhibit 101.

7 My name is Michael J. Youngblood. I am employed by Idaho Power
8 Company ("Idaho Power") as the Regulatory Affairs Representative. My business
9 address is 1221 West Idaho Street, Boise, Idaho 83702. My qualifications are shown
10 in Staff/Idaho Power/CUB Exhibit 102.

11 My name is Lowrey Brown. I am a Utility Analyst for the Citizens' Utility
12 Board of Oregon ("CUB"). My business address is 610 SW Broadway, Suite 308,
13 Portland, Oregon 97205. My qualifications are listed in Staff/Idaho Power/CUB
14 Exhibit 103.

15 **Q. Are Staff, Idaho Power and CUB (the "Parties") all of the Parties to this**
16 **proceeding?**

17 A. Yes.

18 **Q. What is the purpose of your joint testimony?**

19 A. The purpose of our joint testimony is to describe and support the Stipulation dated
20 October 19, 2007 (the "Stipulation") of the Parties to settle all of the issues arising
21 out of Idaho Power's April 28, 2006 Application for authorization to defer for future
22 rate recovery certain excess net power supply expenses. The Stipulation is being
23 submitted to the Commission as Staff/Idaho Power/CUB Exhibit 104.

24 **Q. Could you summarize the major issues addressed in the Stipulation?**

25 A. First, the Stipulation describes the Parties' agreement that Idaho Power incurred
26 significant excess power supply expenses in 2006, which merit deferral for future

1 recovery in rates. Second, the Stipulation confirms the Parties' agreement that,
2 without deferred accounting, these excess net power supply expenses would impose
3 a significant financial impact on Idaho Power. Third, the Stipulation describes the
4 process by which the Parties arrived at a deferral amount.

5 **Authorization of Deferred Accounting**

6 **Q. Do all of the Parties agree that Idaho Power should be authorized to defer a**
7 **portion of its excess net power supply expenses for the period May 1, 2006**
8 **through April 30, 2007?**

9 A. Yes. As described in the Stipulation, from May 1, 2006 to April 30, 2007, Idaho
10 Power incurred \$163.3 million on a system-wide basis in excess power supply
11 expenses. All of the parties agree that the Company should be allowed to recover a
12 portion of these costs in future rates.

13 **Q. What were the reasons for the excess power supply expenses?**

14 A. In addition to three years of system load growth since the 2003 test period used to
15 set rates, the primary reasons for significant excess power supply expenses were the
16 following: First, early in the year the predictions were for continuing drought
17 conditions. These predictions turned out to be erroneous; however, based upon
18 these predictions, Idaho Power reasonably entered into Power Purchase
19 Agreements that served to increase its power costs beyond those anticipated.
20 Secondly, for the period October 2006 through March 2007, streamflows were
21 significantly less than expected due to drier conditions in the region that drove hydro
22 generation down and net power supply costs up. Under normal streamflow
23 conditions, nearly half of Idaho Power's energy is produced by its hydroelectric
24 generating plants, and low streamflow conditions result in the Company relying more
25 on wholesale market purchases and higher cost thermal generation. Thirdly,
26 temperatures in July 2006 were considerably higher than normal throughout the

1 region, causing an increase in electricity demand and a corresponding increase in
2 electric market prices. For a summer peaking utility, like Idaho Power Company, the
3 result was that during a time when the Company was actively purchasing power from
4 the market to meet the higher-than-expected loads, it was also paying higher-than-
5 anticipated prices, causing an overall increase to net power supply expenses. The
6 parties have agreed that Idaho Power should be allowed to recover excess net
7 variable power costs associated with power purchases based on the early
8 predictions for drought, the lower-than-expected streamflows from October 2006
9 through March 2007, and the increase in purchased power costs resulting from the
10 high temperatures in July 2006. The parties have also agreed, however, that Idaho
11 Power should not recover costs associated with load growth.

12 **Q. Did the Parties agree to any key principles or methodologies to govern the**
13 **calculation of the deferral amount?**

14 A. Yes. While the Parties used different methodologies, the Parties agreed to the
15 following key principles:

- 16 • Actual net variable power expenses should be compared to base net variable
17 power expenses to produce excess net power supply expenses;
- 18 • Excess net power cost expenses incurred as a consequence of load growth
19 should not be included in amounts to be deferred; and
- 20 • Idaho Power's Oregon allocation factor of 4.94% from UE 167 is appropriate
21 to apply to the system-wide excess net power supply expenses to produce
22 the Oregon deferral amount.

23 **Q. Based upon these principles, did the Parties agree upon a compromise?**

24 A. Yes. The Parties agreed that Idaho Power should be allowed to defer excess net
25 power supply expenses in the amount of \$2.0 million. This represents \$41.7 million
26 on a total company basis.

1 **Q. Does this compromise satisfy the Parties' respective concerns?**

2 A. Yes.

3 **Q. Do the Parties agree that the excess net power supply expenses Idaho Power**
4 **incurred would have a substantial financial impact on the Company absent the**
5 **proposed deferral?**

6 A. Yes.

7 **Stipulated Deferral Mechanism**

8 **Q. Does the Stipulation resolve all of the issues arising from and relating to Idaho**
9 **Power's Application in this case?**

10 A. Yes.

11 **Q. Did the Parties reach agreement on the carrying charge to be applied to the**
12 **unamortized deferral balance?**

13 A. Yes. Beginning from the end of the deferral period, interest would accrue on the
14 deferred amount at Idaho Power's authorized rate of return. Upon a Commission
15 order authorizing amortization, interest would accrue on unamortized deferral
16 balances at the rate (or the rate determined by the methodology) determined by the
17 Commission in the third phase of UM 1147.

18 **Q. Were there any issues that were not resolved by the Stipulation?**

19 A. No.

20 **Q. Do all of the Parties recommend that the Commission accept their settlement**
21 **agreement as embodied in the Stipulation?**

22 A. Yes. The Parties believe that the settlement, viewed in its entirety, represents a
23 reasonable resolution of the issues, and that allowing Idaho Power to defer its
24 excess net power supply expenses incurred during the period between May 1, 2006
25 and April 30, 2007, in the manner described herein, would be a fair, just, and
26 reasonable result. As a result, it is the joint recommendation of the Parties that their

1 agreement, as embodied in the Stipulation, be accepted by the Commission without
2 change or condition.

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

4 **A. Yes.**

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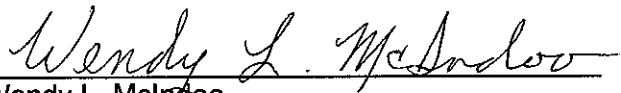
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Stephanie S. Andrus
Department of Justice
Regulated Utility & Business Section
1162 Court St NE
Salem, OR 97301-4096
stephanie.andrus@state.or.us

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DATED: October 24, 2007.


Wendy L. McDowell
Legal Assistant