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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR )  
AUTHORITY TO INCREASE ITS RATES ) CASE NO. IPC-E-08-10  
AND CHARGES FOR ELECTRIC SERVICE. )  
\_\_\_\_\_ )

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

COURTNEY WAITES

1 Q. Please state your name and business address.

2 A. My name is Courtney Waites. My business  
3 address is 1221 West Idaho Street, Boise, Idaho.

4 Q. By whom are you employed and in what  
5 capacity?

6 A. I am employed by Idaho Power Company as a  
7 Pricing Analyst.

8 Q. Please describe your educational background.

9 A. In December of 1998, I received a Bachelor  
10 of Arts degree in Accounting from the University of Alaska  
11 in Anchorage, Alaska. In 2000, I earned a Master of  
12 Business Administration degree from Alaska Pacific  
13 University. I have attended New Mexico State University's  
14 Center for Public Utilities and the National Association of  
15 Regulatory Utility Commissioners Practical Skills for the  
16 Changing Electric Industry conference and the Electric  
17 Utility Consultants, Inc., Introduction to Rate Design and  
18 Cost of Service Concepts and Techniques for Electric  
19 Utilities conference.

20 Q. Please describe your business experience  
21 with Idaho Power Company.

22 A. I became employed with Idaho Power Company  
23 in December 2004 in the Accounts Payable Department. In  
24 2005, I accepted a Regulatory Accountant position in the

1 Finance Department where one of my tasks was to assist  
2 responding to regulatory data requests pertaining to the  
3 finance scope of work. In 2006, I accepted my current  
4 position, a Pricing Analyst, in the Pricing and Regulatory  
5 Services Department. My duties as a Pricing Analyst  
6 include providing support for the Company's various  
7 regulatory activities including tariff administration,  
8 regulatory ratemaking and compliance filings, and the  
9 development of various pricing strategies and policies.

10 Q. What is the scope of your testimony in this  
11 proceeding?

12 A. My testimony will address the Company's rate  
13 design proposal for the residential customer class.

14 Q. What are your overall objectives in arriving  
15 at the proposed rate design for the customers taking  
16 Residential Service?

17 A. Under the direction of Mr. Gale, I have  
18 developed a rate design proposal that is both cost-based  
19 and encourages increased energy efficiency.

20 Q. How does your proposal implement the  
21 directive given to you by Mr. Gale?

22 A. My proposal implements these objectives by  
23 pricing the individual rate components closer to the cost  
24 of providing electric service, by increasing the

1 differential between the first and second energy blocks  
2 during the summer months, and by implementing tiered rates  
3 in the non-summer months.

4 Q. What are the Company's Residential Service  
5 schedules?

6 A. The Company has three Residential Service  
7 schedules, Schedules 1, 4, and 5. Schedule 1 is available  
8 to all customers taking service for general domestic use.  
9 Both Schedules 4 and 5 are optional, time-variant pricing  
10 programs and are available only to residential customers in  
11 the Emmett valley area who are part of the Company's  
12 Advanced Metering Infrastructure ("AMI") Phase One project.  
13 The time-variant nature of these two programs is enabled by  
14 the ability of AMI to dynamically capture hourly energy  
15 consumption.

16 Schedule 4, the Energy Watch Program, is a fixed-  
17 price critical peak pricing program in which participants  
18 pay a flat rate for all kilowatt-hours ("kWh") used during  
19 the summer months except for those kWh used during an  
20 Energy Watch Event. During an Energy Watch Event, the rate  
21 is nearly four times higher than the flat rate. Energy  
22 Watch Events may be called on up to ten weekdays a year  
23 between June 15 and August 15 during the hours of 5:00 p.m.  
24 to 9:00 p.m.



SCHEDULE 1

1  
2           Q.       Please describe the present rate structure  
3 for Residential Service under Schedule 1.

4           A.       As Mr. Gale stated in his testimony, the  
5 rates I will describe as the present rate structure are the  
6 rates filed in Case No. IPC-E-08-01 related to the Danskin  
7 Combustion Turbine. The actual rates approved by the  
8 Commission in Case No. IPC-E-08-01 (Order No. 30559) vary  
9 slightly from those originally filed. In Order No. 30559,  
10 the Commission excluded a relatively small part of the  
11 investment from inclusion in rates (\$422,000). The Company  
12 has not included this small impact in the General Rate Case  
13 filing because of the time impact associated with  
14 reprocessing all the analyses and studies. Since the  
15 impact of not making the change is to slightly overstate  
16 revenues, any disadvantage accrues to the Company's case.

17           Residential Service customers taking service under  
18 Schedule 1 pay a monthly Service Charge of \$4.00. During  
19 the non-summer months, September through May, they pay an  
20 Energy Charge of 5.7793¢ per kWh for all kWh used. During  
21 the summer months, June through August, they pay a base  
22 Energy Charge of 5.7793¢ per kWh for the first 300 kWh of  
23 energy used and 6.5164¢ for all energy used over 300 kWh.

1 Q. Please describe your proposal to increase  
2 the Service Charge.

3 A. The Service Charge is intended to recover  
4 costs that do not vary with the amount of energy or  
5 capacity used. Historically, the Service Charge has been  
6 well below the unit cost, meaning that the Service Charge,  
7 from a cost of service standpoint, has under-collected the  
8 customer-related fixed costs associated with this rate  
9 component. In an attempt to meet our objective and move  
10 the individual rate components closer to the cost of  
11 providing electric service, I am proposing to increase the  
12 Service Charge to \$5.00 per month. The \$5.00 per month  
13 Service Charge represents approximately 34 percent of the  
14 cost-of-service result of \$14.89 shown at line 60 on page  
15 one of Mr. Tatum's Exhibit No. 67.

16 Q. Please describe your proposal for tiered  
17 non-summer rates.

18 A. Currently, during the non-summer months,  
19 September through May, Schedule 1 customers pay the same  
20 rate for all kWh used, 5.7793¢. I am proposing to  
21 implement a two-tier inverted block rate that mirrors the  
22 structure of the summer rate design. Customers would pay a  
23 lower rate for their first block of energy usage, 5.8891¢,  
24 and a rate 5 percent higher, or 6.1836¢, for the second

1 block of energy usage.

2 Q. Why are you now suggesting a tiered rate for  
3 the non-summer months for all residential customers?

4 A. While the Company continues to experience  
5 the highest power supply costs during the summer months,  
6 the costs during the non-summer months continue to rise.  
7 Since 2003, the average non-summer marginal cost has risen  
8 152 percent compared to the average summer marginal cost,  
9 which has risen 129 percent. Likewise, the differential  
10 between the summer and non-summer marginal costs is  
11 decreasing; another indication non-summer marginal costs  
12 are on the rise.

13 In addition to rising power supply costs during the  
14 non-summer months, the usage of the residential customer  
15 class has continued to increase consistently, even in years  
16 when summer usage decreased. Similarly, the 2008 peak  
17 system coincident demand for the residential customer class  
18 is in December and has been in the non-summer months during  
19 each of the previous three test years filed in general rate  
20 case proceedings. In 2008, the forecasted peak demands in  
21 December, January, February, and March are all greater than  
22 the average summer demand. Keeping with the objectives of  
23 the rate design, I am proposing to implement the tiered  
24 rate for the non-summer months in an effort to move the

1 energy rate closer to the marginal cost as well as  
2 encourage energy efficiency for the residential customer  
3 class year round.

4 Q. How will a tiered rate for the non-summer  
5 months encourage energy efficiency?

6 A. Inverted block rates are a mechanism for  
7 providing an incentive to customers to conserve energy. By  
8 charging customers a higher rate for energy as the amount  
9 of energy usage increases, customers are given a price  
10 signal to encourage energy efficiency.

11 Q. Please describe your proposal to increase  
12 the size of the first block of energy usage during the  
13 summer and non-summer months.

14 A. Currently, customers taking service under  
15 Schedule 1 pay one rate for the first 300 kWh of energy  
16 used (the first block) and a slightly higher rate for all  
17 energy used over 300 kWh (the second block). I am  
18 proposing to increase the first block of energy usage to  
19 600 kWh for both the summer and non-summer months. For the  
20 summer months, the rate proposed for the first block is  
21 6.1376¢ per kWh and 7.3409¢ per kWh for all energy used  
22 over 600 kWh. During the non-summer months, the proposed  
23 rate is 5.8891¢ for energy use from 0-600 kWh and 6.1836¢  
24 for all energy use over 600 kWh. This proposed rate design

1 is shown on page one of Exhibit No. 72.

2 Q. In Order No. 29505, the Commission stated  
3 that "providing the first 300 kWh of summer usage at the  
4 non-summer rate allows some basic electric usage, such as  
5 for lighting and home appliances . . . ." Why is the  
6 Company proposing to increase the size of the first block  
7 of energy usage?

8 A. The Company has found that basic electric  
9 usage entails more than 300 kWh per month. According to  
10 the Department of Energy ("DOE"), the end use consumption  
11 of only lighting and home appliances (which includes a  
12 refrigerator, electric range, electric oven, a microwave,  
13 and a water heater) is 512 kWh per month. Likewise, in  
14 their Housing Choice Voucher Program Guidebook, the US  
15 Department of Housing and Urban Development ("HUD")  
16 estimates 700-850 kWh per month for the same basic electric  
17 usage. Based on this information, it appears that 300 kWh  
18 is not adequate to cover basic electric service. I have  
19 included both the DOE and HUD basic electric usage  
20 calculations in my work papers.

21 Q. How did you determine that 600 kWh per month  
22 is the appropriate amount for the first block of energy  
23 usage?

1           A.       First, I looked at the baseline load of the  
2 residential class. To estimate the baseline load, I looked  
3 at customers' loads during the spring and fall months, a  
4 time when it is reasonable to assume that neither an air  
5 conditioner nor a heater would be running, or, if running,  
6 would have minimal usage. This would likely occur in May  
7 and October. The 2007 average usage was 806 kWh and 838  
8 kWh, respectively. This average energy usage, which is  
9 slightly higher than that detailed by the DOE and HUD  
10 studies, would probably include a customer's lighting,  
11 basic home appliances (a refrigerator, range, oven,  
12 microwave, and water heater) as well as other household  
13 appliances such as clocks, stereos/radios, telephones,  
14 vacuum cleaners, televisions, and clothes washers and  
15 dryers. Next, I looked at the average monthly residential  
16 customer energy usage. In Idaho, it was approximately  
17 1,065 kWh per month in 2007. As Mr. Gale stated in his  
18 testimony, the Company's objective is to encourage energy  
19 efficiency for all customers year round. In an effort to  
20 incent customers to conserve, I am proposing to set the  
21 first block at approximately 60 percent of the average  
22 monthly energy usage for the Company's customers in Idaho,  
23 or 600 kWh. This level will also align with the basic  
24 electric usage studies performed by the DOE and HUD and the

1 Company's baseline load estimates. Furthermore, adjusting  
2 the first consumption tier to 600 kWh will allow a large  
3 percentage of what might be considered basic electric usage  
4 to be priced at the lower rate while still providing an  
5 incentive to conserve.

6 Q. Are there any other changes to the proposed  
7 Schedule 1 rate design?

8 A. Yes. In addition to the changes I have  
9 discussed, I am proposing to increase the differential  
10 between the first and second energy blocks of the summer  
11 months. In its Order in Case No. IPC-E-03-13, the  
12 Commission found a differential of 12.56 percent to be  
13 reasonable. However, in an effort to keep in line with the  
14 Company's objectives and move individual rate components  
15 closer to the cost of service, I am proposing to increase  
16 that differential to 20 percent. According to the cost of  
17 service results, the unit energy cost during the summer  
18 months is approximately 27 percent higher than the cost  
19 during the non-summer months (see page one of Mr. Tatum's  
20 Exhibit No. 67). In addition, increasing the differential  
21 of 12.56 percent during the summer months to 20 percent  
22 will send a stronger price signal to customers encouraging  
23 the efficient use of energy, another objective of the  
24 Company.

1           Q.       Please summarize the proposed charges for  
2 Residential Service customers taking service under Schedule  
3 1.

4           A.       The rate design proposal for Schedule 1 is  
5 included on page one of Exhibit No. 72. Under the proposed  
6 rate design, Schedule 1 customers would pay a \$5.00 per  
7 month Service Charge. During the summer months, they would  
8 pay a base Energy Charge of 6.1376¢ per kWh for the first  
9 600 kWh used and 7.3409¢ per kWh for all energy used over  
10 600 kWh. During the non-summer months, they would pay  
11 5.8891¢ per kWh for the first 600 kWh and 6.1836¢ per kWh  
12 for all energy used over 600 kWh.

13          Q.       What impact does this rate design proposal  
14 have on Residential Service customers taking service under  
15 Schedule 1?

16          A.       The typical monthly billing comparison for  
17 Residential Service customers taking service under Schedule  
18 1 appears on page one of Exhibit No. 73. As shown on this  
19 exhibit, for customer's whose usage equals or exceeds 600  
20 kWh, the lower their monthly usage, the lower the overall  
21 percentage increase. Also noticeable is the fact that a  
22 slightly higher first block will provide some rate relief  
23 for lower usage customers.

1 Q. Are you proposing any other changes to  
2 Schedule 1?

3 A. No.

4 SCHEDULE 4

5 Q. Please describe the present rate structure  
6 for Residential Service under Schedule 4.

7 A. Under Schedule 4, the Energy Watch Program,  
8 customers pay a monthly Service Charge of \$4.00. During  
9 the non-summer months, September through May, they pay an  
10 Energy Charge of 5.7793¢ per kWh for all kWh used. During  
11 the summer months, June through August, they pay the same  
12 rate of 5.7793¢ per kWh except for those kWh used during an  
13 Energy Watch Event. During an Energy Watch Event, the rate  
14 they pay is 20¢ per kWh.

15 Q. Which of the major changes that you are  
16 proposing for residential service impact Schedule 4  
17 customers?

18 A. There are two proposed changes common to all  
19 residential customers that impact customers taking  
20 Residential Service under Schedule 4, the increase to the  
21 Service Charge and the implementation of tiered block rates  
22 in the non-summer months.

23 Q. Are you proposing to increase the Service  
24 Charge to \$5.00 per month like that of Schedule 1?

1           A.       Yes.

2           Q.       Please describe your proposal for tiered  
3 non-summer rates.

4           A.       For Residential Service customers taking  
5 service under Schedule 4, I am proposing to implement the  
6 same two-tier inverted block rates during the non-summer  
7 months I discussed previously for Schedule 1 customers.  
8 Customers would pay a lower rate for their first 600 kWh of  
9 energy usage and a rate five percent higher for all energy  
10 used over 600kWh.

11          Q.       Are there any changes to the summer rate  
12 design for customers taking service under Schedule 4?

13          A.       There are no proposed changes to the summer  
14 rate design; however, I am proposing increases to the  
15 summer Energy Charges in order to maintain the relationship  
16 between the Energy Watch Event rate and the rate for all  
17 other kWh used during the summer months as well as keeping  
18 the rate for all other kWh used during the summer months  
19 equal to the first block of the summer Energy Charge for  
20 Schedule 1 customers.

21          Q.       Please summarize the proposed charges for  
22 Residential Service customers taking service under Schedule  
23 4.



1           A.       Under Schedule 5, the Time-of-Day Program,  
2 customers pay a monthly Service Charge of \$4.00. During  
3 the non-summer months, September through May, they pay an  
4 Energy Charge of 5.7793¢ per kWh for all kWh used. During  
5 the summer months, June through August, the Energy Charge  
6 customers pay during the On-Peak Period is 8.8701¢ per kWh,  
7 during the Mid-Peak Period customers pay 6.5164¢ per kWh,  
8 and during the Off-Peak Period customers pay 4.8084¢ per  
9 kWh.

10           Q.       Which of the major changes that you are  
11 proposing impact Schedule 5 customers?

12           A.       There are two proposed changes common to all  
13 residential customers that impact customers taking  
14 Residential Service under Schedule 5, the increase to the  
15 Service Charge and the implementation of tiered block rates  
16 in the non-summer months.

17           Q.       Are you proposing to increase the Service  
18 Charge to \$5.00 per month like that of Schedule 1?

19           A.       Yes.

20           Q.       Please describe your proposal for tiered  
21 non-summer rates.

22           A.       For Residential Service customers taking  
23 service under Schedule 5, I am proposing to implement the  
24 same two-tier inverted block rate that I discussed

1 previously for Schedules 1 and 4. Customers would pay a  
2 lower rate for the first 600 kWh of energy usage and a rate  
3 5 percent higher for all energy used over 600 kWh.

4 Q. Are there any changes to the summer rate  
5 design for customers taking service under Schedule 5?

6 A. I am not proposing any changes to the summer  
7 rate design, however I am proposing increases to the summer  
8 Energy Charges equal to the overall percentage increase for  
9 the residential class, or 6.31 percent, to maintain the  
10 relationships between the On-, Mid-, and Off-Peak periods.

11 Q. Please describe the proposed charges for  
12 Residential Service customers taking service under Schedule  
13 5.

14 A. The rate design proposed for Schedule 5 is  
15 shown on page three of Exhibit No. 72. Under the proposed  
16 rate design, the Service Charge is \$5.00 per month. The  
17 existing Energy Charge differentials between the three  
18 pricing blocks are maintained with the summer On-Peak  
19 Energy Charge set at 9.4298¢ per kWh, the summer Mid-Peak  
20 Energy Charge set at 6.9276¢ per kWh, and the summer Off-  
21 Peak Energy Charge set at 5.1118¢ per kWh. During the non-  
22 summer months, the Energy Charge would be 5.8891¢ per kWh  
23 for the first 600 kWh and 6.1836¢ per kWh for all energy  
24 used over 600 kWh.

1           Q.       What impact does this rate design proposal  
2 have on Residential Service customers taking service under  
3 Schedule 5?

4           A.       The typical monthly billing comparison for  
5 Residential Service customers taking service under Schedule  
6 5 appears on page three of Exhibit No. 73. As shown on this  
7 exhibit and similar to Schedules 1 and 4, for customer's  
8 whose usage equals or exceeds 600 kWh, the lower their  
9 monthly usage, the lower the overall percentage increase.

10          Q.       Are you proposing any other changes to  
11 Schedules 1, 4, or 5?

12          A.       No.

13          Q.       Does this conclude your testimony?

14          A.       Yes, it does.