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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 DUE TO THE INCLUSION OF ADVANCED METERING INFRASTRUCTURE ("AMI") INVESTMENT IN RATE Base.	)	CASE NO. IPC-E-09-07

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

COURTNEY WAITES

Q. Please state your name and business address.
A. My name is Courtney Waites. My business address is 1221 West Idaho Street, Boise, Idaho.
Q. By whom are you employed and in what capacity?
A. I am employed by Idaho Power Company as a Pricing Analyst.
Q. Please describe your educational background.
A. In December of 1998, I received a Bachelor of Arts degree in Accounting from the University of Alaska in Anchorage, Alaska. In 2000, I earned a Master of Business Administration degree from Alaska Pacific University. I have attended New Mexico State University's Center for Public Utilities and the National Association of Regulatory Utility Commissioners *Practical Skills for the Changing Electric Industry* conference and the Electric Utility Consultants, Inc., *Introduction to Rate Design and Cost of Service Concepts and Techniques for Electric Utilities* conference.
Q. Please describe your business experience with Idaho Power Company.
A. I became employed with Idaho Power Company in December 2004 in the Accounts Payable Department. In 2005, I accepted a Regulatory Accountant position in the

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

Q. Are you the same Courtney Waites that provided direct testimony in Case No. IPC-E-08-16, the Application of Idaho Power Company for a Certificate of Public Convenience and Necessity ("CPCN") to install Advanced Metering Infrastructure ("AMI") throughout its service territory?

A. Yes I am.

Q. Did the Commission issue an order in Case No. IPC-E-08-16 approving the Company's Application for a CPCN to install AMI throughout its service territory?

A. Yes. The Commission, in Order No. 30726, issued on February 12, 2009, approved the Company's application for a CPCN to install AMI throughout its service territory.

Q. What is the Company requesting from the Commission in this case?

A. The Company is asking the Commission to review the investments the Company has made to date for the installation of AMI throughout its service territory and those investments that will be made during the proposed test year. Based on those investments and the associated test year expenses, the Company seeks approval of an adjustment to the Company's rates to take place on June 1, 2009.

Q. What is the test year the Company is proposing in this filing?

A. The Company is proposing a test year of June 1, 2009, through May 31, 2010.

Q. How was the June 1, 2009, through May 31, 2010, test year selected for this proceeding?

A. In order to meet the legal requirement that rates be fair, just, reasonable, and sufficient, the Commission must establish a test year that most closely reflects the investment and expense levels that will exist at the time new rates are implemented. The Company has made the necessary Information Technology ("IT") upgrades to its Meter Data Management System ("MDMS") and the Two-Way Automated Communication System Net Server ("TWACS"), has ordered and begun installation of stations equipment required for AMI, and has placed orders and begun installation of meters for the three-year AMI deployment. The accelerated installation of AMI meters has begun so that an average of 700 meters per day will be installed throughout the test year beginning June 1, 2009. Under the direction of Company witness Mr. Said, a June 1, 2009, through May 31, 2010, test year was chosen as it best satisfies the Commission's requirement of establishing an appropriate test year because revenue recovery will occur simultaneously with investments and expenses.

An additional benefit to a June 1 rate change is that other rate changes such as the Power Cost Adjustment will also occur on June 1, 2009, thus minimizing the number of rate changes within the same year.

Q. What are the primary factors used to derive the incremental revenue requirement associated with deployment of AMI during the test year?

A. There are two investment streams to be considered: (1) new investment in AMI and (2) depreciated metering plant replaced by AMI. Expenses to be considered include (1) accelerated depreciation of pre-existing metering plant, (2) reduced Operations and Maintenance ("O&M") expenses due to operating efficiencies that are gained from AMI deployment, and (3) incremental tax impacts.

INVESTMENTS

Q. What are the total investments related to the installation of AMI throughout the Company's service territory (the "Project") that the Company is asking be reflected in rates?

A. The total amount of investment associated with the installation of AMI grows to $37,527,804 by May 31, 2010, as can be seen on Exhibit No. 1. The thirteen-month average AMI plant in service of $24,981,251 during the test year is the basis of the June 1 rate change that the Company is requesting in this proceeding.

Q. Please describe the nature of the new investments associated with the installation of AMI that are included in this proceeding.

A. The investments associated with the Project through May 31, 2010, of $37,527,804 are comprised of IT expenditures, meter and installation costs, and stations equipment expenses.

Q. How did the Company quantify the capital costs associated with the Project through May 31, 2010?

A. In an attempt to smooth the representation of expenditures across the deployment period, the Company has computed the capital costs over the test year using a average unit cost and applied that to the number of meters installed. Since the Company provided a Commitment Estimate as approved by the Commission in Order No. 30726, it has experienced a shift in timing of meter and stations equipment expenditures. The manufacturers of both the meter and stations equipment require lead time on orders to ensure timely delivery. Initially, stations equipment required a twenty-week lead time and the Company placed orders accordingly. However, due to the downturn in the economy, stations equipment orders are being filled more quickly. The receipt of equipment earlier than expected results in higher upfront stations equipment costs. Likewise, the ramp up of meter installations has been slightly slower than the Company expected, resulting in fewer meter exchanges and a larger number of meters on hand. These unexpected shifts will not impact the total amount of the meter and stations equipment expenditures but they do shift when the expenditures occur.

Q. How was the average unit cost calculated?

A. Using the Company's Commitment Estimate of $70,864,902 approved by the Commission in Order No. 30726 and the expected number of 433,234 meter exchanges in Idaho during the deployment period, the average unit cost per meter is $163.57. This unit cost was then multiplied by the meter exchanges expected from January 2009 through May 2010, resulting in capital costs of $37,527,804.

Q. How does the $37,527,804 of investment in the AMI installation through May 31, 2010, compare to the expected capital costs for the same time period outlined in the Company's Commitment Estimate noted by the Commission in Order No. 30726?

A. The capital cost of $37,527,804 is about $4.46 million higher than outlined in the Company's Commitment Estimate, which is a result of the timing shifts explained above.

Q. Please explain the accelerated depreciation of the existing metering infrastructure the Company has included in this proceeding and how it affects plant investment.

A. In Order No. 30726, the Commission authorized Idaho Power to depreciate its existing metering infrastructure over an accelerated three-year period. In this proceeding, the Company is requesting to begin this acceleration and corresponding rate recovery on June 1, 2009. The Company has estimated the net plant value of the existing metering equipment as of May 31, 2009, to be $23,895,068, which is based on the actual net plant value as of February 28, 2009, and forecasted changes in net plant value through May 31, 2009. Using a straight line depreciation method results in an amortization of $663,752 per month for thirty-six months, which can be seen on Exhibit No. 2. The net plant amount declines over time due to accumulated depreciation. The accelerated depreciation affects both plant investment values and expenses within the revenue requirement determination.

Q. What is the impact to net plant investment as a result of accelerated depreciation?

A. The existing metering investment declines from $23,895,068 to $15,930,046 over the twelve months of the test year.

Q. What is the combined change in metering plant throughout the test year?

A. The increasing AMI investment offset by the declining existing metering plant results in net plant additions of $29,562,781 throughout the year and a thirteen month average of net plant additions of $20,998,738.

EXPENSES

Q. What is the incremental depreciation expense included in the Company's request?

A. The incremental depreciation expense is $9,720,815, which is comprised of depreciation of new AMI meters and incremental depreciation resulting from accelerated depreciation of existing meters.

Q. Please explain the O&M savings that result from the installation of AMI the Company has included in this proceeding.

A. The quantifiable O&M savings expected from the installation of AMI during the test year June 1, 2009, through May 31, 2010, is $1,483,855, as shown on Exhibit No. 3. It should be noted that the expected O&M saving benefits increase with time. While these O&M savings only partially offset the required investment in initial years, they eventually exceed the costs in the long term.

Q. What is the effect to the consolidated operating income of the Company as a result of the incremental depreciation expense, the O&M savings, and incremental tax impacts that the Company is requesting be reflected in its revenue requirement?

A. The Company's consolidated operating income is deficient by $5,549,131 as a result of the impacts of incremental depreciation expense offset by O&M savings and reflective of incremental taxes.

REVENUE DEFICIENCY

Q. Have you quantified the Company's revenue deficiency as a result of the Company's investment in AMI and the associated changes in expenses?

A. Yes. The total revenue deficiency for the June 1, 2009, through May 31, 2010, test year is $11,181,318, which can be seen at line 37 of Exhibit No. 3.

Q. What percentage increase to revenue is required in order to recover the $11,181,318 revenue deficiency?

A. An increase in Idaho jurisdictional revenue of 1.61 percent is needed in order to recover the $11,181,318 revenue deficiency.

Q. Does this increase apply to all customer classes?

A. No. The increase only applies to those customers receiving AMI meters, which includes: Schedules 1,4, and 5 (Residential); Schedule 7 (Small General Service); Schedule 9 (Large General Service); Schedule 24 (Agricultural Irrigation Service); Schedule 41 (metered Street Lighting Service); and Schedule 42 (metered Traffic Signal Lighting Service). Attachment No. 3 to the Application details the percentage change in the revenue requirement for each class. As a result of spreading the revenue deficiency over a subset of the total customer base, the percentage increases by class are greater than the percentage change in Idaho jurisdictional revenue requirement.

Q. How is the Company proposing to spread the revenue requirement among each class?

A. To keep components close to the cost of service and maintain differentials between tiers, the Company is proposing to spread the revenue requirement uniformly across the energy charges of each affected customer class. Attachment No. 3 to the Application shows the proposed revenue requirement spread.

Q. Has the Company prepared tariff sheets to reflect the incremental increase in the Company's revenue requirement?

A. Yes. Attachment Nos. 1 and 2 to the Company's Application in this proceeding contain tariff related information. Attachment Nos. 1 and 2 contain the tariff sheets in both clean and red-line format specifying the proposed rates that reflect the revenue requirement for providing retail electric service to Schedules 1, 4, 5, 7, 9 secondary, 24 secondary, 41 metered service, and 42. Attachment No. 3 to the Application shows a comparison of existing revenues from the various tariff customers under the Company's current rates to the corresponding new revenue levels resulting from the proposed rates based upon normalized energy sales reflected in Commission Order No. 30722 issued in Case No. IPC-E-08-10.

Q. Does this conclude your testimony?

A. Yes, it does.

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CASE NO. IPC-E-09-07

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 1

	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Total	13 MOS AVG
Capital Investments	10,218,335	12,837,121	15,455,906	18,074,692	20,693,477	23,312,263	25,931,048	28,549,834	30,345,526	32,141,218	33,936,746	35,732,275	37,527,804	37,527,804	$ 24,981,250
Accelerated Depreciation (plant removals)		663,752	1,327,504	1,991,256	2,655,008	3,318,759	3,982,511	4,646,263	5,310,015	5,973,767	6,637,519	7,301,271	7,965,023	7,965,023	
Net Plant Additions	10,218,335	12,173,369	14,128,402	16,083,436	18,038,470	19,993,503	21,948,537	23,903,570	25,035,511	26,167,451	27,299,228	28,431,004	29,562,781		$ 20,998,738
O&M Costs (Benefits)		(21,208)	(63,662)	(127,362)	(212,308)	(318,500)	(445,938)	(594,622)	(754,316)	(914,010)	(1,073,704)	(1,233,398)	(1,483,855)	$ (1,483,855)	

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CASE NO. IPC-E-09-07

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 2

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09		Total 2009
Installed meters	4,200	10,500	15,750	16,010	16,010	16,010	16,010	16,010	16,010	16,010	16,010	16,010		174,540
Capital Investment	687,002	1,717,505	2,576,257	2,618,786	2,618,785	2,618,785	2,618,785	2,618,785	2,618,785	2,618,785	2,618,785	2,618,785	$	28,549,837
Accelerated Depreciation (plant removals)	-	-	-	-	-	663,752	663,752	663,752	663,752	663,752	663,752	663,752		4,646,263
Net Plant Additions	687,002	1,717,505	2,576,257	2,618,786	2,618,785	1,955,034	1,955,034	1,955,034	1,955,034	1,955,034	1,955,034	1,955,034		23,903,574
O&M Costs (Benefits)	82,939	82,939	82,939	82,939	38	(21,208)	(42,454)	(63,700)	(84,946)	(106,192)	(127,438)	(148,684)		(262,828)
													$	28,287,009

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10		Total 2010
Installed meters	10,978	10,978	10,977	10,977	10,977	10,977	10,977	10,977	5,154	-	10,978	10,978		114,928
Capital Investment	1,795,692	1,795,692	1,795,529	1,795,529	1,795,529	1,795,529	1,795,529	1,795,529	843,049	-	1,795,692	1,795,692	$	18,798,990
Accelerated Depreciation (plant removals)	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752		7,965,023
Net Plant Additions	1,131,940	1,131,940	1,131,777	1,131,777	1,131,777	1,131,777	1,131,777	1,131,777	179,298	(663,752)	1,131,940	1,131,940		10,833,967
O&M Costs (Benefits)	(159,694)	(159,694)	(159,694)	(159,694)	(250,457)	(268,610)	(286,763)	(304,915)	(323,068)	(341,220)	(359,373)	(377,526)		(3,150,708)
													$	15,648,282

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11		Total 2011
Installed meters	4,200	10,500	10,500	10,500	10,500	10,500	14,511	14,511	14,511	14,511	14,511	14,511		143,766
Capital Investment	687,002	1,717,505	1,717,505	1,717,505	1,717,505	1,717,505	2,373,592	2,373,592	2,373,592	2,373,592	2,373,592	2,373,592	$	23,516,076
Accelerated Depreciation (plant removals)	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752	663,752		7,965,023
Net Plant Additions	23,250	1,053,753	1,053,753	1,053,753	1,053,753	1,053,753	1,709,840	1,709,840	1,709,840	1,709,840	1,709,840	1,709,840		15,551,053
O&M Costs (Benefits)	(333,186)	(333,186)	(367,021)	(378,300)	(389,578)	(400,857)	(412,135)	(539,619)	(565,423)	(591,228)	(617,032)	(642,836)		(5,570,400)
													$	17,945,676

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12		Total 2012
Installed meters	-	-	-	-	-	-	-	-	-	-	-	-		-
Capital Investment	-	-	-	-	-	-	-	-	-	-	-	-	$	-
Accelerated Depreciation (plant removals)	663,752	663,752	663,752	663,752	663,752	-	-	-	-	-	-	-		3,318,759
Net Plant Additions	(663,752)	(663,752)	(663,752)	(663,752)	(663,752)	-	-	-	-	-	-	-		(3,318,759)

Commitment Estimate	$ 70,864,902
Installed meters	433,234
Average Unit Cost	$ 163.57

		Total
Installed meters		433,234
Capital Investment	$	70,864,902
Accelerated Depreciation (plant removals)		23,895,068
Net Plant Additions	$	46,969,834
O&M Costs (Benefits)		(8,983,936)

Exhibit No. 2
Case No. IPC-E-09-07
C. Waites, IPC

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-09-07

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 3

Idaho Power Company
Summary of Revenue Requirement
IPC-E-08-10 PLUS AMI

	RATE BASE		**Idaho**
	Electric Plant in Service:		
1	Intangible Plant	$	575,218
2	Production Plant	$	-
3	Transmission Plant	$	-
4	Distribution Plant	$	24,406,033
5	General Plant	$	-
6	Total Electric Plant in Service	$	24,981,251
7	Less: Accumulated Depreciation	$	8,169,874
8	Less: Amortization of Other Plant	$	27,165
9	Net Electric Plant in Service	$	16,784,212
10	Less: Customer Adv for Construction	$	-
11	Less: Accum Deferred Income Taxes	$	1,375,652
12	Add: Plant Held for Future Use	$	-
13	Add: Working Capital	$	-
14	Add: Conservation - Other Deferred Progran	$	-
15	Add: Subsidiary Rate Base	$	-
16	**TOTAL COMBINED RATE BASE**	**$**	**15,408,560**

	NET INCOME	**Idaho**
	Operating Revenues:	
17	Sales Revenues	0
18	Other Operating Revenues	0
19	Total Operating Revenues	0
	Operating Expenses:	
21	Operation & Maintenance Expenses	(1,483,855)
22	Depreciation Expenses	9,720,815
23	Amortization of Limited Term Plant	164,556
24	Taxes Other Than Income	0
	Regulatory Debits/Credits	0
25	Provision For Deferred Income Taxes	2,751,305
26	Investment Tax Credit Adjustment	1,040,186
27	Federal Income Taxes	(5,179,198)
28	State Income Taxes	(1,464,678)
29	Total Operating Expenses	5,549,131
30	Operating Income	(5,549,131)
31	Add: IERCO Operating Income	0
32	**Consolidated Operating Income**	**(5,549,131)**
33	Rate of Return as filed	-36.01%
34	Proposed Rate of Return	8.1801%
	Earnings Deficiency	6,809,572
36	Net-to-Gross Tax Multiplier	1.642
37	**Revenue Deficiency**	**11,181,318**
38	Firm Jurisdictional Revenue	694,048,476
39	**REVENUE REQUIREMENT**	**705,229,794**
40	**Percentage Increase Required**	**1.61%**