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IDAHO PUBLIC  
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7 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

8 IN THE MATTER OF THE APPLICATION ) CASE NO. IPC-E-09-30  
9 OF IDAHO POWER COMPANY FOR AN )  
10 ACCOUNTING ORDER TO AMORTIZE )  
11 ADDITIONAL ACCUMULATED DEFERRAL )  
INCOME TAX CREDIT AND APPROVING A )  
12 RATE CASE MORATORIUM )  
)  
)  
)

14 **COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**

16 **DIRECT TESTIMONY OF**  
17 **TERI OTTENS**

1 **I. INTRODUCTION**

2 Q: Please state your name and business address.

3 A: My name is Teri Ottens. I am the Policy Director of the Community Action Partnership  
4 Association of Idaho headquartered at 5400 W. Franklin, Suite G, Boise, Idaho, 83705.

5 Q: On whose behalf are you testifying in this proceeding?

6 A: The Community Action Partnership Association of Idaho ("CAPAI") Board of Directors  
7 asked me to present the views of an expert on, and advocate for, low income customers of  
8 AVISTA.

9 Q: Please describe CAPAI's organization and the functions it performs, relevant to its  
10 involvement in this case.

11 A: CAPAI is an association of Idaho's six Community Action Partnerships, the Community  
12 Council of Idaho and the Canyon County Organization on Aging, Weatherization and  
13 Human Services, all dedicated to promoting self-sufficiency through removing the causes  
14 and conditions of poverty in Idaho's communities.

15 Q: What are the Community Action Partnerships?

16 A: Community Action Partnerships ("CAPs") are private, nonprofit organizations that fight  
17 poverty. Each CAP has a designated service area. Combining all CAPS, every county in  
18 Idaho is served. CAPS design their various programs to meet the unique needs of  
19 communities located within their respective service areas. Not every CAP provides all of  
20 the following services, but all work with people to promote and support increased self-  
21 sufficiency. Programs provided by CAPS include: employment preparation and dispatch,  
22 education assistance child care, emergency food, senior independence and support,  
23 clothing, home weatherization, energy assistance, affordable housing, health care access,  
24 and much more.

25 Q: Have you testified before this Commission in other proceedings?

1 A: Yes, I have testified, for the better part of a decade, on behalf of CAPAI in numerous  
2 cases of varying types involving PacifiCorp, Idaho Power Company, Intermountain Gas,  
3 AVISTA, and United Water Idaho as well as issue-specific and generic cases.

## 4 II. SUMMARY

5 Q: Please summarize your testimony in this case?

6 A: The purpose of CAPAI's involvement in this case is to explain why CAPAI has executed  
7 the Settlement Agreement in this case between Idaho Power Company, CAPAI, the  
8 Commission Staff, the Industrial Customers of Idaho Power, the Idaho Irrigation  
9 Pumpers' Association of Idaho, Inc., Micron Technology, the United States Department  
10 of Energy, and Kroger, Co.

11 Q. What is the essence of the settlement agreement?

12 A. Rather than provide a detailed explanation of the agreement in my testimony, I note that  
13 it can be found as Attachment 1 to the Company's November 6, 2009 Application, and is  
14 explained in detail in that Application. Having said that, the effect of the Settlement is an  
15 attempt by Idaho Power to stabilize the potential to earn its authorized rate of return  
16 through the acceleration of the write-off of accumulated deferred tax credits and the use  
17 of Power Cost Adjustment (PCA) mechanism rate changes.

18 Q. What is the *quid pro quo* for the agreement?

19 A. In exchange for authorizing Idaho Power to take measures that could stabilize its  
20 earnings, the utility has agreed to not file any application or proceeding with the  
21 Commission that would result in an increase in rates that would take place prior to  
22 January 1, 2012 (the "Rate Moratorium"). There are several exceptions to this agreement  
23 including, among other things, the annual PCA, an FCA, and a filing allowing the utility  
24 to seek changes to its low-income weatherization program.

25 Q. Are there other critical aspects of the Settlement?

1 A. Yes. First, for all regulatory matters that might occur prior to January 1, 2012, the  
2 Settlement states that Idaho Power's current authorized rate of return of 10.5% will  
3 remain in effect. Second, in order to provide the Company with the potential to stabilize  
4 its return on equity, the parties to the Settlement established a symmetrical sharing  
5 mechanism as follows: For the years 2009-2011, if Idaho Power's actual Return on  
6 Equity falls below 9.5%, then it will be permitted to amortize additional Accumulated  
7 Deferred Investment Tax Credits (ADITC) up to \$45 million over the period 2009-2011  
8 sufficient to achieve an actual Return on Equity of 9.5% for Idaho operations. For the  
9 year 2009, the maximum accelerated ADITC that the Company may use to achieve actual  
10 ROE of 9.5% is \$15 million.

11 Q. What will occur if the Company earns in excess of 9.5% during the years 2009-2011?

12 A. In that case, the Company will not utilize any additional ADITC during that period.

13 Q. What if the Company's actual earnings exceed 10.5% during 2009-2011?

14 A. In that event, a "sharing" of the excess earnings takes place in which the excess earnings  
15 above 10.5% will be split 50-50 with ratepayers through a reduction in rates.

16 Q. Is there an issue regarding Idaho Power's Power Cost Adjustment (PCA) mechanism that  
17 is dealt with in the Settlement?

18 A. Yes. Prior to implementing the June 1, 2010 PCA, Idaho Power will seek, in a separate  
19 proceeding, to change its base net power supply costs for both base rate and PCA  
20 calculations. The expectation by the Company is that there will be a substantial reduction  
21 in rates on June 1, 2010 due to the PCA. The parties to the Settlement have agreed that  
22 said rate reduction will be shared between the Company and ratepayers, as set forth in the  
23 Stipulation, which is what enables Idaho Power to agree to a rate moratorium until  
24 January 1, 2012.

25 Q. Does the foregoing summary fully explain the Settlement?

1 A. No. Due to the complicated nature of the Settlement, the fact that other parties have or  
2 will more fully explain the Settlement, and that the Settlement itself is attached to the  
3 Company's Application, I have only attempted to highlight the major points of the  
4 agreement.

5 Q. Did the Company's Application originally start out in a different context?

6 A. In essence, yes. Idaho Power originally filed a sixty (60) day Notice of Intent to File  
7 General Rate Case. As already explained, the Company, through the Settlement  
8 Agreement, has waived all rights to file a general rate case that would go into effect prior  
9 to January 1, 2012

10 Q. How did Idaho Power's initial Intent to File General Rate Case change into what is now  
11 reflected in the Settlement Agreement under consideration?

12 A. Beginning in September, 2009, the Company invited a number of parties who typically  
13 participate in Company proceedings to commence a series of negotiations to determine  
14 whether there might exist a preferable alternative to a general rate case while still  
15 supporting the potential for the Company to actually achieve its authorized rate of return.  
16 CAPAI was one such party at the negotiating table.

17 Q. What transpired as a result of this initial meeting?

18 A. Among other things, the non-Company parties proposed the idea of a rate moratorium.  
19 As a result, there were conducted a number of follow-up meetings discussing the  
20 technical, practical and procedural aspects of the various proposals that were put forth for  
21 consideration by the Company, and the various other stakeholders at the table.

22 Q. Did CAPAI participate in all of the numerous meetings and other aspects of  
23 communication constituting negotiations leading to the final Settlement Agreement?

24 A. Yes. CAPAI was a full participant in all aspects of this proceeding commencing with the  
25 initial September, 2009 meeting, through the preparation and filing of this testimony.

1 Furthermore, should there be any additional efforts required of CAPAI, including the  
2 possibility of a technical hearing, CAPAI will fully participate in such tasks.

### 3 III. RECOMMENDATIONS

4 Q. What is it, specifically, that leads you to believe that the Settlement Agreement is in the  
5 best interests of Idaho Power's low-income customers?

6 A. As stated, had the Settlement not been reached, it is likely that Idaho Power would have  
7 proceeded forward with a general rate case. Given the Company's recent, substantial  
8 investments in infrastructure known as "plant" that is included in "rate base" and  
9 included through depreciation charges in rates, and given that the Company had incurred  
10 certain, relatively high costs during the test year, CAPAI believes that a general rate case  
11 would likely have resulted in an end result more costly to Idaho Power's ratepayers than  
12 what the Settlement Agreement, if approved, would result in. Indeed, it is unlikely that  
13 Idaho Power would seek a rate change if it did not believe that it wasn't currently earning  
14 its authorized rate of return or otherwise recovering authorized costs. By deferring the  
15 recovery date of any future rate increases, with certain limited exceptions, ratepayers  
16 receive one of several benefits.

17 Q. What impact does the Company's agreement to "share" actual returns in excess of 10.5%  
18 and to use a limited amount of additional ADITC to stabilize earnings have on your  
19 support for the Settlement?

20 A. First, the benefit to Idaho Power of having a mechanism in place that enhances its ability  
21 to stabilize earnings in the near future, during these difficult economic times, also  
22 advantages ratepayers in that it, theoretically, enables the utility to access the financial  
23 markets in a strengthened position which, in turn, might reduce the cost of borrowing  
24 necessary funds for operation or plant investment purposes. These reduced costs of  
25 financing will ultimately be passed on to ratepayers. Furthermore, the Company is

1 eventually entitled to recover its ADITC regardless of the Settlement in this case.

2 Allowing the Company to accelerate the use of ADITC in years where it does not achieve  
3 its authorized rate of return, in exchange for a rate moratorium, is an advantageous  
4 alternative to Idaho Power's low-income customers as opposed to a traditional, general  
5 rate case, under current circumstances. Furthermore, the Settlement is fair to both the  
6 utility and ratepayers through the "sharing" mechanism described above. Though I am  
7 not an economist or financial expert, it appears that the sharing aspect of the mechanism,  
8 whether actual earnings are higher or lower than the currently authorized 10.5%, ensures  
9 a process by which the Company's ratepayers are not unfairly advantaged or prejudiced  
10 and, as explained, defers what is likely to be an inevitable rate increase and might well  
11 result in lower rates in both the long and short term.

12 Q. Are there other bases for your support of the Settlement?

13 A. Naturally, the focus of CAPAI in this case, as in all cases, is to concern itself with the  
14 interests of low-income, utility customers. While CAPAI, and all other parties, are  
15 prohibited by the Settlement Agreement from discussing the details of statements made  
16 and positions taken during the course of negotiations leading up to execution of the  
17 Settlement,<sup>1</sup> it is fair to say that CAPAI weighed in on a number of issues, both  
18 procedural and substantive. While all signatories to the Settlement are required to  
19 support the Settlement, and all aspects of it, in its entirety,<sup>2</sup> clearly not every party  
20 agreed with every other party on every aspect of every issue. As with any global  
21 settlement of this nature, there was give and take and, presumably, each signatory to the  
22 Settlement Agreement analyzed the Settlement on the whole and made a decision

23  
24  
25 <sup>1</sup> Section IV(9)

<sup>2</sup> Id.

1 whether to execute it based on whether the Settlement was in the best interests of their  
2 respective clients.

3 **IV. OTHER**

4 Q. Are there any specific aspects of the Settlement or the procedure by which it was handled  
5 that you wish to comment upon?

6 A. Yes. First, as noted above, detailed statements made and positions taken during the  
7 settlement negotiations in this case, are confidential and inadmissible as evidence.

8 Specifically, *Section IV(9)* states, in part:

9 [O]ther than any testimony filed in support of the approval of this  
10 Stipulation, and except to the extent necessary for a Party to explain  
11 before the Commission its own statements and positions with respect to  
12 the Stipulation, all statements made and positions taken in negotiations  
13 relating to this Stipulation shall be confidential and will not be  
14 admissible in evidence in this or any other proceeding. [*Emphasis*  
15 *added*].

16 Q. Do you have statements made or positions taken that need to be explained to the  
17 Commission pursuant to *Section IV(9)*, as stated above?

18 A. Yes, to a limited extent. Without violating the foregoing confidentiality provision of the  
19 Settlement Agreement, it is fair to state that this case took a procedural path that, to the  
20 best of CAPAI's knowledge, is quite unique. That is to say, the signatories to the  
21 Settlement negotiated what was originally intended to be a General Rate Case into  
22 something quite different. Moreover, there was not even an application on file or a case  
23 number assigned to this matter when negotiations first began and concluded. It was only  
24 after the Settlement was reached that an application was filed and a Case number  
25 assigned.

1 Q. Did CAPAI have differing points of view from other parties, including the Commission  
2 Staff, regarding the appropriate procedural handling of this case during negotiations?

3 A. Yes. Without explaining the details of its position taken or statements made during  
4 negotiations, CAPAI voiced a markedly different perspective on procedure than Staff and  
5 perhaps others.

6 Q. Does this in any way undermine or lessen CAPAI's support for the Settlement  
7 Agreement?

8 A. No. CAPAI simply wishes to point out that it was under the belief when it executed the  
9 Settlement Agreement, that a technical hearing would be conducted. This belief was  
10 confirmed by Commission Order No. 30949 issued in this case in which the Commission  
11 established the normal initial deadlines for cases that proceed to technical hearing. It  
12 wasn't until December 8 2009, the day after the intervention deadline, that the  
13 Commission issued Order No. 30960 essentially converting this case to Modified  
14 Procedure. CAPAI had already executed the Settlement Agreement and intervened in the  
15 current case by that point.

16 Q. Is it CAPAI's position that the procedure taken somehow renders the substance of the  
17 Settlement Agreement defective?

18 A. No. Though CAPAI believes that the procedure taken might need to be scrutinized by  
19 the Commission for the purpose of future cases, CAPAI unconditionally supports the  
20 substance of the Settlement Agreement in this proceeding and will continue to stand  
21 behind it. CAPAI believes that the substance of the Settlement Agreement is in the best  
22 interests of all Idaho Power ratepayers.

23 Q. Does this conclude your testimony in this proceeding?

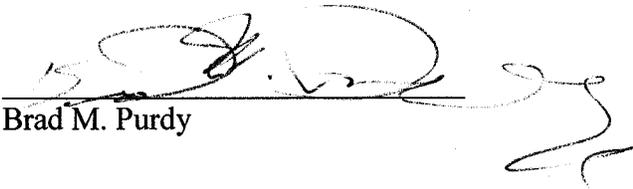
24 A. Yes, it does.  
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