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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) CASE NO. IPC-E-10-06
AUTHORITY TO INCREASE ITS RATES)
DUE TO THE INCLUSION OF)
ADVANCED METERING INFRASTRUCTURE)
("AMI") INVESTMENT IN RATE BASE.)

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 ("the Company") in December 2004 in the Accounts Payable
24 Department. In 2005, I accepted a Regulatory Accountant

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

11 Q. Are you the same Courtney Waites that
12 provided direct testimony in Case No. IPC-E-08-16, the
13 Application of Idaho Power Company for a Certificate of
14 Public Convenience and Necessity ("CPCN") to install
15 Advanced Metering Infrastructure ("AMI") throughout its
16 service territory and Case No. IPC-E-09-07, the Application
17 of Idaho Power Company for Authority to Increase Its Rates
18 Due to the Inclusion of Advanced Metering Infrastructure
19 ("AMI") Investment in Rate Base?

20 A. Yes I am.

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

1 basis of the June 1 rate change that the Company is
2 requesting in this proceeding.

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

6 A. The investments associated with the Project
7 through December 31, 2010, of \$47,348,827 are comprised of
8 IT expenditures, meter and installation costs, and stations
9 equipment expenses.

10 Q. How did the Company quantify the capital
11 costs associated with the Project through December 31,
12 2010?

13 A. Consistent with the methodology approved in
14 Case No. IPC-E-09-07, the Company has computed the capital
15 costs over the test year using an average unit cost and
16 applied that to the number of meters scheduled to be
17 installed in an attempt to smooth the representation of
18 expenditures across the deployment period.

19 Q. How was the average unit cost calculated?

20 A. Using the Company's Commitment Estimate of
21 \$70,864,902 approved by the Commission in Order No. 30726
22 and the expected number of 433,234 meter exchanges in Idaho
23 during the 3-year deployment period, the average unit cost
24 per meter is \$163.57. This unit cost was then multiplied

1 by the meter exchanges expected from January 2010 through
2 December 2010, resulting in capital costs of \$18,798,990,
3 for total investments associated with the Project of
4 \$47,348,827 (see Exhibit No. 2).

5 Q. Exhibit No. 2 indicates a level of
6 approximately half of normal meter installations in
7 September 2010 and no meter installations in October 2010.
8 Please explain why.

9 A. The Company anticipates meter installations
10 will begin in our Oregon service territory in mid-September
11 and will be complete in October 2010. Therefore there are
12 no AMI investments associated with the Company's Idaho
13 jurisdiction included in the revenue deficiency calculation
14 during this time.

15 Q. How does the \$47,348,827 of investment in
16 the AMI installation through December 31, 2010, compare to
17 the expected capital costs for the same time period
18 outlined in the Company's Commitment Estimate noted by the
19 Commission in Order No. 30726?

20 A. The capital cost of \$47,348,824 is about
21 \$3.48 million higher than outlined in the Company's
22 Commitment Estimate. Actual investments associated with
23 the Project through January 2010, plus forecasted February
24 through December 2010, are expected to be even higher at

1 \$48,665,698 million. The Company continues to run slightly
2 ahead of scheduled installations and equipment orders
3 continue to arrive early resulting in slight shifts in
4 expenditures.

5 Q. Were there any errors in the Company's
6 original request to increase rates as a result of AMI?

7 A. Yes, there was an error that resulted in an
8 understatement of depreciation expense of approximately
9 \$380,000.

10 Q. Please explain the error.

11 A. There are two parts to the adjustment that
12 corrects for an understatement of depreciation expense
13 included in the Company's 2009 request to increase rates as
14 a result of AMI. In Order No. 30726, the Commission
15 authorized the Company to depreciate its existing metering
16 infrastructure over an accelerated three-year period, and
17 in Case No. IPC-E-09-07, the Company received approval to
18 begin this acceleration and corresponding rate recovery on
19 June 1, 2009.

20 At that time, the Company estimated the net plant
21 value of the existing metering equipment as of May 31,
22 2009, to be \$23,895,068, which was based on the actual net
23 plant value as of February 28, 2009, and forecasted changes
24 in net plant value through May 31, 2009. A straight line

1 depreciation method resulted in an amortization of \$663,752
2 per month for thirty-six months, or \$7,965,023 on an annual
3 basis. However, the actual net plant value of the existing
4 metering equipment as of May 31, 2009, was \$31,653,649
5 which, using a straight line depreciation method, resulted
6 in a monthly amortization of \$879,268, or \$10,551,216 on an
7 annual basis. In the Company's initial estimate,
8 depreciation rates were applied to vintage years to
9 determine the net plant value. The Company did not factor
10 other activities into the calculation such as removal costs
11 or salvage costs and their impact on the reserve balance.
12 The net plant value of \$31,653,649 includes all reserve
13 balance impacts. The revenue deficiency calculation in
14 this proceeding includes an adjustment of \$2,586,193 to
15 bring the accelerated depreciation of the existing metering
16 equipment to correct levels.

17 Q. What is the second part of the depreciation
18 expense understatement?

19 A. In addition to the depreciation expense
20 correction of \$2,586,193 described above, the Company has
21 included an adjustment of -\$2,207,344 to the current level
22 of depreciation expense associated with the existing
23 metering equipment. In the Company's previous filing, the
24 total depreciation expense was included in the revenue

1 requirement calculation rather than the incremental
2 depreciation expense. This adjustment brings the
3 depreciation expense associated with the existing metering
4 equipment in the revenue deficiency calculation to correct
5 levels for a net depreciation expense adjustment of
6 approximately \$380,000.

7 Q. Is there an impact to net plant investment
8 as a result of accelerated depreciation in the 2010 test
9 year?

10 A. Yes. Using the corrected monthly
11 accelerated depreciation of \$879,268, results in an
12 additional \$10,551,216 of declining investment of the
13 existing metering equipment over the twelve months of the
14 test year. The Company has also included a correction of
15 the net plant investment levels to adjust the
16 understatement of accelerated depreciation in the 2009 test
17 year described above.

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

20 A. The increasing AMI investment offset by the
21 declining existing metering plant results in net plant
22 additions of \$36,797,611 throughout the year and a thirteen
23 month average of net plant additions of \$33,340,305.

24

EXPENSES

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

A. The incremental depreciation expense is \$2,809,801, which is comprised of depreciation of new AMI investment and net corrections related to an understatement of depreciation expense included in the Company's 2009 request to increase rates as a result of AMI explained earlier in my testimony.

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

A. The O&M savings from levels currently included in rates expected from the installation of AMI during the test year January 1, 2010, through December 31, 2010, are \$1,181,289, as shown on Exhibit No. 3.

Q. In Case No. IPC-E-09-07, you estimated total O&M savings to be \$3,150,708 during 2010. Please explain the difference.

A. In our previous filings, the Company quantified a \$3,150,708 benefit related to a comparison of a non-AMI case to an AMI installation case. That quantification included savings relating to employees that

1 would not need to be added as well as employees that could
2 be reduced from current levels. The \$1,181,289 represents
3 only the incremental O&M savings associated with employee
4 reductions to occur in the test year. Additional employees
5 that would have been required had the Company not pursued
6 AMI are reasonably considered in justifying an AMI program,
7 but since such costs were never recovered in rates, they do
8 not represent a rate benefit. Exhibit No. 4 details the
9 breakout of the savings between savings from current rate
10 levels and savings associated with avoided rate increases.

11 Q. Exhibit No. 4 shows total O&M savings from
12 current rate levels of \$1,444,116. Please explain the
13 difference between those savings and the O&M savings of
14 \$1,181,289 included in the revenue deficiency calculation.

15 A. O&M savings of \$1,444,116 included in
16 Exhibit No. 4 are total savings as of December 31, 2010.
17 Customers have already experienced a \$262,827 reduction in
18 O&M costs as a result of the 2009 filing. The \$1,181,289
19 in O&M savings included in this filing are the incremental
20 2010 O&M savings.

21 Q. How does the Company's consolidated
22 operating income change as a result of the incremental
23 depreciation expense, the O&M savings, and incremental tax

1 impacts that the Company is requesting be reflected in its
2 revenue requirement?

3 A. The Company's consolidated operating income
4 is deficient by \$502,247 as a result of the incremental
5 depreciation expense, O&M savings, and incremental taxes.

6 **REVENUE DEFICIENCY**

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

10 A. Yes. The total revenue deficiency for the
11 January 1, 2010, through December 31, 2010, test year is
12 \$2,358,085, shown at line 37 of Exhibit No. 3.

13 Q. What percentage increase to revenue is
14 required in order to recover the \$2,358,085 revenue
15 deficiency?

16 A. An average increase in Idaho jurisdictional
17 revenue of 0.33 percent over base rates is needed in order
18 to recover the \$2,358,085 revenue deficiency.

19 Q. Does this increase apply to all customer
20 classes?

21 A. No. The increase only applies to those
22 customers receiving AMI meters, which includes: Schedules
23 1, 3, 4, and 5 (Residential); Schedule 7 (Small General
24 Service); Schedule 9 (Large General Service - secondary);

1 Schedule 24 (Agricultural Irrigation Service - secondary);
2 Schedule 41 (Street Lighting Service - metered); and
3 Schedule 42 (Traffic Control Signal Lighting Service).
4 Attachment No. 3 to the Application details the percentage
5 change in the revenue requirement for each class. As a
6 result of spreading the revenue deficiency over a subset of
7 the total customer base, the percentage increases by class
8 are greater than the percentage change in the Idaho
9 jurisdictional revenue requirement.

10 Q. What is the average increase in base rates
11 for just the affected schedules?

12 A. The average increase over base rates for the
13 affected rate schedules is 0.41 percent.

14 Q. What is the percentage increase in revenue
15 as measured from total amounts currently recovered from
16 customers?

17 A. Total revenue currently recovered from
18 customers includes the following components: base rates,
19 Fixed Cost Adjustment, Power Cost Adjustment, and Energy
20 Efficiency Rider. The current revenue from these components
21 for the affected classes is \$749,050,105. The requested
22 increase, including additional revenue from the Energy
23 Efficiency Rider, is \$2,469,911 or 0.33 percent.

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

3 A. To maintain relationships between the rate
4 components, the Company is proposing to spread the revenue
5 requirement uniformly across all charges of each affected
6 customer class with the exception of Schedules 1, 3, 4, 5
7 and 7 in which the Company is proposing to spread the
8 revenue requirement uniformly across only the energy
9 charges. Attachment No. 3 to the Application shows the
10 proposed revenue requirement spread.

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

14 A. Yes. Attachment Nos. 1 and 2 to the
15 Company's Application in this proceeding contain the tariff
16 sheets in both clean and red-line format specifying the
17 proposed rates that reflect the revenue requirement for
18 providing retail electric service to Schedules 1, 3, 4, 5,
19 7, 9 secondary, 24 secondary, 41 metered service, and 42.
20 Attachment No. 3 to the Application shows a comparison of
21 test year revenues from the various tariff customers under
22 the Company's current rates to the corresponding new
23 revenue levels resulting from the proposed rates based upon

1 normalized energy sales during the time these rates would
2 be in effect, June 1, 2010, through May 31, 2011.

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-06

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 1

**Idaho Power Company
2010 Test Year**

	Dec-09	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	13 MOS AVG
Capital Investments	28,549,837	30,345,530	32,141,222	33,936,750	35,732,279	37,527,807	39,323,336	41,118,865	42,914,393	43,757,443	43,757,443	45,553,135	47,348,827	47,348,827	\$ 38,615,913
Accelerated Depreciation (plant removals)	-	879,268	1,759,536	2,637,804	3,517,072	4,396,340	5,275,608	6,154,876	7,034,144	7,913,412	8,792,680	9,671,948	10,551,216	10,551,216	\$ 10,551,216
Net Plant Additions	28,549,837	29,466,262	30,382,688	31,298,946	32,215,207	33,131,467	34,047,728	34,963,988	35,880,249	35,844,030	34,964,762	35,881,186	36,797,611		\$ 33,340,305
Benefits of AMI		(159,694)	(319,388)	(479,082)	(638,776)	(899,233)	(1,157,843)	(1,444,606)	(1,749,521)	(2,072,589)	(2,413,809)	(2,773,182)	(3,150,708)	(3,150,708)	\$ (3,150,708)

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-06

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 2

**Idaho Power Company
AMI Deployment**

	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)						683,752	683,752	683,752	683,752	683,752	683,752	683,752	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
Benefits of AMI	82,939	82,939	82,939	82,939	38	(21,208)	(42,454)	(63,700)	(84,946)	(106,192)	(127,438)	(148,684)	(282,828)
													\$ 28,287,008

	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	5,164	-	10,978	10,978	114,928
Capital Investment	1,795,692	1,795,692	1,795,529	1,795,528	1,795,529	1,795,529	1,795,529	1,795,529	843,049	-	1,795,692	1,795,692	\$ 18,796,990
Accelerated Depreciation (plant removals)	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	10,551,216
Net Plant Additions	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	8,247,773
Benefits of AMI	(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)
													\$ 15,646,282

	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)	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	10,551,216
Net Plant Additions	(192,266)	838,237	838,237	838,237	838,237	838,237	1,484,324	1,484,324	1,484,324	1,484,324	1,484,324	1,484,324	12,964,859
Benefits of AMI	(333,186)	(333,186)	(367,021)	(376,300)	(389,578)	(400,857)	(412,135)	(539,619)	(566,423)	(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	879,268	879,268	879,268	879,268	879,268								\$ 4,396,340
Accelerated Depreciation (plant removals)	(879,268)	(879,268)	(879,268)	(879,268)	(879,268)								(4,396,340)
Net Plant Additions													-
Benefits of AMI													\$ -

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

Installed meters
Capital Investment \$ 70,864,903
Accelerated Depreciation (plant removals) 30,145,036
Net Plant Additions \$ 40,719,868

Total
433,234

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-06

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 3

Idaho Power Company
Summary of Revenue Requirement
2010 Test Year

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RATE BASE		<u>AMI</u>
		<u>Idaho</u>
Electric Plant in Service:		
1	Intangible Plant	\$ 586,742
2	Production Plant	\$ -
3	Transmission Plant	\$ -
4	Distribution Plant	\$ 24,894,976
5	General Plant	\$ -
6	Total Electric Plant in Service	\$ 25,481,718
7	Less: Accumulated Depreciation	\$ 13,161,203
8	Less: Amortization of Other Plant	\$ 17,650
9	Net Electric Plant in Service	\$ 12,302,865
10	Less: Customer Adv for Construction	\$ -
11	Less: Accum Deferred Income Taxes	\$ 1,061,047
12	Add: Plant Held for Future Use	\$ -
13	Add: Working Capital	\$ -
14	Add: Conservation - Other Deferred Program	\$ -
15	Add: Subsidiary Rate Base	\$ -
16	TOTAL COMBINED RATE BASE	<u>\$ 11,241,818</u>

NET INCOME		<u>Idaho</u>
Operating Revenues:		
17	Sales Revenues	0
18	Other Operating Revenues	0
19	Total Operating Revenues	<u>0</u>
Operating Expenses:		
21	Operation & Maintenance Expenses	(1,181,289)
22	Depreciation Expenses	2,809,801
23	Amortization of Limited Term Plant	209,784
24	Taxes Other Than Income	0
Regulatory Debits/Credits		0
25	Provision For Deferred Income Taxes	49,673
26	Investment Tax Credit Adjustment	(283,700)
27	Federal Income Taxes	(472,876)
28	State Income Taxes	(629,146)
29	Total Operating Expenses	502,247
30	Operating Income	(502,247)
31	Add: IERCO Operating Income	0
32	Consolidated Operating Income	<u>(502,247)</u>

33	Rate of Return as filed	-4.47%
34	Proposed Rate of Return	8.307%
Earnings Deficiency		1,436,105
Add: Construction Work in Progress		0
35	Earnings Deficiency w/CWIP	1,436,105
36	Net-to-Gross Tax Multiplier	1.642
37	Revenue Deficiency	2,358,085
38	Firm Jurisdictional Revenue	<u>705,392,731</u>
39	REVENUE REQUIREMENT	<u>707,750,816</u>

40	Percentage Increase Required	0.33%
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BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-10-06

IDAHO POWER COMPANY

WAITES, DI
TESTIMONY

EXHIBIT NO. 4

Idaho Power Company
2010 Test Year

	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)	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	879,268	10,551,216
Net Plant Additions	916,424	916,424	916,261	916,261	916,261	916,261	916,261	916,261	(36,219)	(879,268)	916,424	916,424	8,247,773
Avoided Rate Increase	(86,499)	(86,499)	(86,499)	(86,499)	(135,661)	(145,494)	(155,326)	(165,158)	(174,991)	(184,823)	(194,656)	(204,488)	(1,706,592)
Reduction to Current Rate Recovery	(73,195)	(73,195)	(73,195)	(73,195)	(114,796)	(123,116)	(131,437)	(139,757)	(148,077)	(156,397)	(164,717)	(173,038)	(1,444,116)
Benefits of AMI	(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)

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