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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-11-08
AND CHARGES FOR ELECTRIC SERVICE)
IN IDAHO.)
)
)
)

IDAHO POWER COMPANY

TESTIMONY IN SUPPORT OF SETTLEMENT STIPULATION

OF

TIMOTHY E. TATUM

1 Q. Please state your name and business address.

2 A. My name is Timothy E. Tatum and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

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

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as the Senior Manager of Cost of
7 Service.

8 Q. Are you the same Timothy E. Tatum that
9 previously submitted testimony in this proceeding?

10 A. Yes. I submitted direct testimony on behalf
11 of Idaho Power describing the methodology used to develop
12 the 2011 test year revenue requirement.

13 Q. What is the purpose of your testimony?

14 A. My testimony describes the stipulation
15 ("Stipulation") that was signed by Idaho Power, the Idaho
16 Public Utilities Commission ("Commission") Staff, the Idaho
17 Irrigation Pumpers Association, Inc., the Industrial
18 Customers of Idaho Power, Micron Technology, Inc., the U.S.
19 Department of Energy, The Kroger Co., the Idaho
20 Conservation League, Snake River Alliance, the NW Energy
21 Coalition, and Hoku Materials, Inc. ("Hoku"), or
22 collectively referred to as the "Signing Parties," that
23 settles the majority of the issues arising in this case
24 ("Proposed Settlement"). Further, my testimony expresses
25 Idaho Power's support for the Stipulation and urges the

1 Commission to adopt the Proposed Settlement without
2 material change or condition.

3 Q. Do you believe that the Proposed Settlement is
4 in the public interest?

5 A. Yes. The Signing Parties have agreed to
6 settle the issues indentified in the Stipulation, thus
7 indicating their satisfaction with the outcome. From the
8 Company's perspective, the Proposed Settlement provides the
9 Company with the ability to update its rates to better
10 reflect current costs and the ability to economically
11 finance new investments in infrastructure for its system.
12 The Company also believes that the rates that result from
13 the Stipulation are just and reasonable for its customers.

14 Q. How did the Signing Parties arrive at the
15 Stipulation?

16 A. On August 31, 2011, a settlement conference
17 was held at the Commission's offices. All parties to the
18 case were represented and discussed the issues presented in
19 the Company's case. The parties continued their
20 discussions on September 8, 2011, and ultimately those
21 discussions led to agreements which resulted in the
22 Stipulation.

23 Q. Have all parties in this case joined in the
24 Stipulation?

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1 A. Yes. The parties conducted extensive
2 discovery on Idaho Power's filing. Over the course of this
3 proceeding, the Company provided responses to more than 450
4 data requests, the majority of which were from Commission
5 Staff. In addition, Commission Staff auditors have made
6 numerous visits to Idaho Power's corporate headquarters to
7 review the underlying accounting data that was the basis
8 for the Company's filed revenue requirement.

9 **II. REVENUE REQUIREMENT INCREASE**

10 Q. What is the revenue requirement increase to
11 which the Signing Parties agree?

12 A. The Signing Parties agree to a base rate
13 revenue requirement increase of \$34.0 million, which
14 represents a settlement of most issues in this case.

15 Q. What is the overall average percentage
16 increase to rates resulting from the Stipulation?

17 A. The stipulated increase in test period revenue
18 requirement of \$34.0 million is an approximate 4.07 percent
19 average increase to Idaho base rates.

20 Q. When will the rates to recover the stipulated
21 revenue requirement increase and new tariff schedules go
22 into effect?

23 A. The Signing Parties cannot say with certainty
24 when the Commission will order the rates it adopts into
25 effect. However, the Signing Parties agree to support a

1 schedule that will allow rates to go into effect on January
2 1, 2012.

3 Q. Please describe the Stipulation's terms
4 related to cost of capital.

5 A. The Signing Parties agree that the Company's
6 overall rate of return should be set at 7.86 percent. The
7 specific rate of return components are not identified as
8 part of the Stipulation.

9 Q. Please describe the Stipulation's terms
10 related to revenue spread.

11 A. The Signing Parties agree to spread the
12 increase in the rates for each customer class and special
13 contracts customers by a uniform percentage amount of
14 approximately 4.19 percent. The resulting uniform
15 percentage increase amount of approximately 4.19 percent is
16 greater than the overall increase of 4.07 percent because
17 the overall increase does not apply to First Block rates
18 for special contract customer Hoku.

19 Q. Please describe the Stipulation's terms
20 related to rate design.

21 A. In determining the individual rates for each
22 tariff schedule, the Signing Parties agree to use the 2011
23 Test Year customer billing determinants as proposed by the
24 Company in this case with the exception of the agreed upon
25 adjustment in Schedule 1 residential energy components.

1 The Signing Parties agree that the existing tariff rate
2 components for all schedules should be increased in a
3 manner that is consistent with the rate design originally
4 filed by the Company in this case, including increasing the
5 monthly Service Charge for residential Schedules 1, 4, and
6 5 from \$4.00 to \$5.00.

7 **III. ACCEPTANCE OF THE PROPOSED ADJUSTMENTS**

8 Q. Why was the Company willing to accept in
9 settlement a lower general rate increase than it initially
10 filed?

11 A. In his direct testimony, Mr. Darrel Anderson
12 explained that, in the preparation of its initial request,
13 the Company looked for areas where it could forego
14 requesting an increase at this time in recognition of the
15 prolonged economic downturn and concern for the impact the
16 rate increase would have on customers. Idaho Power
17 participated in the settlement negotiations with those same
18 concerns in mind and believes that the Proposed Settlement
19 strikes the right balance between the Company's need for
20 timely cost recovery and its recognition of the state of
21 the current economy. Idaho Power believes that the
22 Proposed Settlement will provide the Company with an
23 opportunity to recover the costs associated with its
24 investments and for operating its electric system.
25 Although the Proposed Settlement is a reasonable resolution

1 of a broad range of contested rate issues, the agreement
2 will require the Company to be creative in maintaining the
3 same level of quality service, including continued belt
4 tightening with regard to ongoing expenses and a diligent
5 approach to financial decisions.

6 Q. Were there other reasons why the Company was
7 willing to accept a lower revenue requirement?

8 A. Yes. In consideration of the Proposed
9 Settlement terms, the Company recognized that two major
10 adjustments to the test year were related to net power
11 supply expense ("NPSE") and to the overall rate of return.

12 Q. Please state why the Company is willing to
13 accept the adjustment to its NPSE contained in the
14 Stipulation.

15 A. The adjustment to the Company's filed NPSE is
16 related to power purchases under the Public Utility
17 Regulatory Policies Act of 1978 ("PURPA"). The agreed upon
18 NPSE removes approximately \$23.9 million in increased PURPA
19 expense on a total system basis. The Signing Parties
20 agreed that the uncertainty related to the Company's
21 forecasted PURPA expenses justified this adjustment.
22 Further, because of this uncertainty, the Signing Parties
23 are willing to accept the continued use of the Power Cost
24 Adjustment to recover these expenses, should they
25 materialize.

1 Q. Please explain the Company's acceptance of an
2 overall rate of return that was less than originally
3 requested.

4 A. For purposes of the Proposed Settlement, Idaho
5 Power is willing to accept an overall rate of return that
6 is lower than originally requested because Idaho Power
7 believes that it can economically finance its electric
8 utility operations at the agreed upon rate of return until
9 such time that either interest rates and/or risk factors
10 change.

11 Q. Do you have any observations regarding the
12 revenue spread provided for in the Stipulation?

13 A. Yes. Idaho Power believes that it is
14 important to have rates that reflect the costs to serve its
15 individual classes of customers. With that said, the
16 Company also recognizes that there are many differing views
17 regarding class cost-of-service methodologies. In order to
18 facilitate settlement and avoid unnecessary confrontational
19 issues, the Company has agreed to a uniform percent
20 increase approach to rate spread to the customer classes.

21 Q. Please describe the issues that were not
22 resolved as part of the Stipulation and that will be
23 resolved in separate proceedings.

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1 A. To facilitate further investigation and
2 participation, the Signing Parties agreed that Idaho Power
3 will initiate separate, subsequent proceedings related to:

4 (1) Increasing overhead amounts paid by
5 persons or entities requesting services under the Company's
6 Rule H line extension tariff; and

7 (2) Whether the Fixed Cost Adjustment
8 ("FCA") pilot program should be made permanent. The
9 Signing Parties agree, however, that the FCA case should be
10 processed to allow a final order to be issued no later than
11 March 30, 2012. To allow for the timely processing of the
12 FCA case, the Signing Parties request that the Commission
13 decide at its earliest convenience (after a 14-day response
14 period per RP 256) whether to process the FCA case as a
15 separate docket. The Signing Parties further agree that if
16 the Commission approves or extends the FCA program beyond
17 2011, no Signing Party will object to retroactively
18 applying the subsequently determined fixed costs per
19 customer and fixed costs per energy inputs to January 1,
20 2012.

21 Q. Please describe the issues not resolved by the
22 Stipulation that will be resolved as part of this ongoing
23 case.

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1 A. The parties were not able to reach consensus
2 on the following issues, which will proceed to hearing
3 under the schedule established in Order No. 32316:

4 (1) The level of the Energy Efficiency
5 Rider;

6 (2) Low-income Weatherization Assistance
7 for Qualified Customer program funding; and

8 (3) The facility charge rate determination
9 methodology used to develop facilities charges assessed to
10 Schedule 19 customers and issues relating to the ownership
11 of facilities subject to facilities charges. However, the
12 Signing Parties agree that any revenue requirement impacts
13 resulting from changes to the facility charge methodology
14 or changes in property ownership shall be directly assigned
15 to Schedule 19 customers in the form of a base rate
16 increase or reduction so that no other customer classes
17 shall be impacted by any resulting change.

18 Q. Do you have any concluding remarks regarding
19 the Proposed Settlement?

20 A. Yes. During this proceeding, the Company
21 experienced a willingness by the Commission Staff and the
22 other parties to address the issues in this case in a
23 straight-forward manner and to approach the possibility of
24 settlement in a productive way. The Company is very

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1 appreciative of these efforts by the Commission Staff and
2 the other parties.

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

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