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IDAHO PUBLIC  
UTILITIES COMMISSION

**JASON B. WILLIAMS**  
Corporate Counsel  
[jwilliams@idahopower.com](mailto:jwilliams@idahopower.com)

December 2, 2011

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-11-18  
*IN THE MATTER OF IDAHO POWER COMPANY'S REQUEST FOR  
ACCEPTANCE OF ITS REGULATORY PLAN REGARDING THE EARLY  
SHUTDOWN OF THE BOARDMAN POWER PLANT*

Dear Ms. Jewell:

Enclosed for filing are an original and eight (8) copies of the Direct Testimony of Timothy E. Tatum. One copy of Mr. Tatum's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Tatum's testimony is enclosed for the Reporter.

Mr. Tatum's testimony supplements the original Application to greater detail Idaho Power Company's proposal for use of a (1) balancing account to track the difference between revenues and expenses associated with the Boardman Power Plant early shutdown and (2) a levelized revenue requirement methodology in determining the amount of annual cost recovery to be tracked in the balancing account.

Very truly yours,



Jason B. Williams

JBW:csb  
Enclosures

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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S REQUEST FOR ACCEPTANCE )  
OF ITS REGULATORY PLAN REGARDING ) CASE NO. IPC-E-11-18  
THE EARLY SHUTDOWN OF THE )  
BOARDMAN POWER PLANT. )  
\_\_\_\_\_ )

IDAHO POWER COMPANY

DIRECT TESTIMONY

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. Please describe your educational background.

9 A. I have earned a Bachelor of Business  
10 Administration degree in Economics and Master of Business  
11 Administration degree from Boise State University. I have  
12 also attended electric utility ratemaking courses,  
13 including "Practical Skills for the Changing Electrical  
14 Industry," a course offered through New Mexico State  
15 University's Center for Public Utilities, "Introduction to  
16 Rate Design and Cost of Service Concepts and Techniques"  
17 presented by Electric Utilities Consultants, Inc., and  
18 Edison Electric Institute's "Electric Rates Advanced  
19 Course."

20 Q. Please describe your work experience with  
21 Idaho Power.

22 A. I began my employment with Idaho Power in 1996  
23 as a Customer Service Representative in the Company's  
24 Customer Service Center where I handled customer phone  
25 calls and other customer-related transactions. In 1999, I

1 began working in the Customer Account Management Center  
2 where I was responsible for customer account maintenance in  
3 the area of billing and metering.

4 In June of 2003, after seven years in customer  
5 service, I began working as an Economic Analyst on the  
6 Energy Efficiency Team. As an Economic Analyst, I was  
7 responsible for ensuring that the demand-side management  
8 ("DSM") expenditures were accounted for properly, preparing  
9 and reporting DSM program costs and activities to  
10 management and various external stakeholders, conducting  
11 cost-benefit analyses of DSM programs, and providing DSM  
12 analysis support for the Company's 2004 Integrated Resource  
13 Plan ("IRP").

14 In August of 2004, I accepted a position as a  
15 Regulatory Analyst in Regulatory Affairs. As a Regulatory  
16 Analyst, I provided support for the Company's various  
17 regulatory activities, including tariff administration,  
18 regulatory ratemaking and compliance filings, and the  
19 development of various pricing strategies and policies.

20 In August of 2006, I was promoted to Senior  
21 Regulatory Analyst. As a Senior Regulatory Analyst, my  
22 responsibilities expanded to include the development of  
23 complex financial studies to determine revenue recovery and  
24 pricing strategies, including the preparation of the  
25 Company's cost-of-service studies.



1 details the development of the current Boardman revenue  
2 requirement based upon the Company's 2011 Test Year filed  
3 in Case No. IPC-E-11-08. Exhibit Nos. 1 and 2 are for  
4 demonstration purposes only and will need to be updated  
5 when the Company seeks approval for rate recovery of  
6 Boardman early shutdown expenses.

7 Q. Please discuss the need for a Boardman  
8 balancing account as outlined in the Request for  
9 Acceptance.

10 A. The approval of Portland General Electric's  
11 ("PGE") Boardman shutdown plan by the Public Utility  
12 Commission of Oregon ("OPUC") and the Environmental  
13 Protection Agency ("EPA") will require incremental  
14 investments at the Boardman plant to maintain operations  
15 prior to ultimately decommissioning the plant. However,  
16 the specific timing and exact amounts of those investments  
17 are not yet known. For that reason, Idaho Power proposes  
18 the establishment of a balancing account that would allow  
19 flexibility for the timing and recovery of the remaining  
20 Boardman revenue requirement.

21 Q. What types of costs will be booked and tracked  
22 in the balancing account under the Company's proposal?

23 A. There are three types of costs the Company  
24 anticipates booking to the balancing account: (1) a return  
25 on undepreciated capital investments at Boardman until its

1 shutdown, (2) the accelerated depreciation associated with  
2 Boardman plant investments, and (3) the decommissioning  
3 costs related to the Boardman shutdown.

4 Q. Please explain how a return on undepreciated  
5 capital investments at Boardman will be tracked in the  
6 balancing account.

7 A. As of December 31, 2011, the Boardman  
8 investment is estimated to be approximately \$79.3 million  
9 and accumulated depreciation is estimated to be  
10 approximately \$53.1 million. Although the EPA has approved  
11 PGE's Boardman shutdown plan with coal-fired operations  
12 ceasing on December 31, 2020, there will be required  
13 investments in emissions controls in the future resulting  
14 from the Best Available Retrofit Technology II ("BART II")  
15 petition at the plant prior to its shutdown in addition to  
16 normal maintenance repairs required to keep the plant  
17 operational. Idaho Power anticipates most of the emissions  
18 control upgrades will be made between 2012 and 2014, with  
19 routine capital expenditures for repairs throughout the  
20 remaining nine years of the plant's life. The return on  
21 the additional investments and the associated depreciation  
22 expense will be tracked in the balancing account.

23 Q. Please describe the tracking of accumulated  
24 depreciation as proposed by the Company.

25



1 rates do not include any recovery of ARO related to  
2 Boardman. Idaho Power estimates its share of the  
3 decommissioning costs by applying the Company's 10 percent  
4 ownership percentage.

5 Q. Why is the Company proposing a balancing  
6 account for these costs as opposed to traditional  
7 ratemaking treatment?

8 A. The Company's rationale for a balancing  
9 account is two-fold: (1) to provide a mechanism that will  
10 smooth revenue requirement impacts of early Boardman  
11 retirement over the remaining nine years of the plant's  
12 life and (2) ensure full recovery of Boardman related costs  
13 by Boardman life end.

14 Q. Why would the costs the Company has proposed  
15 to book to the balancing account vary between now and the  
16 Boardman closure date?

17 A. All three costs that the Company proposes to  
18 be tracked have the potential to vary. The Company is not  
19 certain that forecasted capital investments will occur  
20 because such investments are dependent upon the approval of  
21 proposed rules or a possible waiver of future rules.  
22 Depreciation expense will depend upon required additional  
23 capital investments, which can only be estimated at this  
24 time. Although the current decommissioning cost estimate  
25 is based on all known potential liabilities in 2011, some

1 uncertainty remains around some items included in the  
2 study. These uncertain items were not included in the  
3 estimate of decommissioning costs to be recovered from  
4 customers in the near term, but could materialize over the  
5 next nine years. A balancing account would allow for the  
6 tracking of these expenses on a cumulative basis and ensure  
7 that customers pay no more and no less than the actual  
8 expenditures.

9 Q. How does the Company propose to determine the  
10 revenue requirement amounts that are to be tracked in the  
11 balancing account?

12 A. The Company proposes to use a levelized  
13 revenue requirement methodology to determine the amount of  
14 annual cost recovery to be tracked in the balancing  
15 account. Under this approach, the Company would determine  
16 the annual levelized revenue requirement associated with  
17 the recovery of both existing investment in Boardman on an  
18 accelerated basis as well as incremental, forecasted  
19 investments between January 1, 2012, and December 31, 2020.  
20 The newly calculated levelized revenue requirement would  
21 replace the currently approved level of Boardman investment  
22 recovery included in base rates.

23 Exhibit No. 1 details the development of the  
24 levelized revenue requirement that would be booked to the  
25 balancing account. As can be seen on line 45, based on

1 reasonable estimates of costs at this time, the present  
2 value of these incremental costs increase initially because  
3 of the capital investments required within the next three  
4 years and then decrease over time. The Company's proposal  
5 of levelizing the incremental revenue requirement over the  
6 life of the plant would help stabilize customer rates and  
7 align cost recovery with the remaining production life of  
8 Boardman.

9 Q. Please explain your levelizing calculations.

10 A. The levelized revenue requirement includes the  
11 return associated with Boardman capital investments net of  
12 accumulated depreciation forecasted through the remaining  
13 life of Boardman, the costs of accelerating the  
14 depreciation of the Boardman plant items, and the  
15 decommissioning costs associated with the shutdown of  
16 Boardman. The levelized revenue requirement was determined  
17 by calculating the present value of each of the individual  
18 items and converting the values into an annuity or level  
19 payment stream from customers over the next nine years.

20 Q. What is the current revenue requirement  
21 related to the Company's investment in Boardman?

22 A. Based upon the Company's 2011 Test Year filed  
23 in Case No. IPC-E-11-08, revenue requirement related to the  
24 Company's return on investment and depreciation expense for  
25 Boardman is approximately \$4.3 million on a total system

1 basis. Exhibit No. 2 details the development of the \$4.3  
2 million total system revenue requirement amount. Under the  
3 Company's proposal, the Idaho jurisdictional share of this  
4 amount would be replaced with the Idaho jurisdictional  
5 share of the levelized revenue requirement amount detailed  
6 in Exhibit No. 1.

7 Q. What is the Company's estimate of the  
8 levelized revenue requirement associated with the Boardman  
9 early shutdown?

10 A. The Company's estimate is \$5.9 million on a  
11 total system basis.

12 Q. Based upon \$5.9 million levelized and \$4.3  
13 million current, what is the incremental change to base  
14 rates to recover Boardman going forward?

15 A. The incremental levelized revenue requirement  
16 is approximately \$1.6 million on a total system basis.  
17 This amount can be derived by taking the difference between  
18 the levelized revenue requirement amount in Exhibit No. 1  
19 and the current revenue requirement amount for Boardman in  
20 Exhibit No. 2 (\$5.9 million - \$4.3 million = \$1.6 million).

21 Q. Has the Company prepared a study to determine  
22 the Idaho jurisdictional share of the incremental levelized  
23 revenue requirement?

24 A. No. However, using the demand allocator from  
25 the jurisdictional separation study filed in Case No. IPC-

1 E-11-08, the incremental Idaho jurisdictional revenue  
2 requirement would be approximately \$1.5 million.

3 Q. Why does the Company believe that using a  
4 levelized method of cost recovery for Boardman is better  
5 than other cost recovery alternatives?

6 A. As Idaho Power developed its preferred  
7 approach for recovering the costs associated with the early  
8 shutdown of the Boardman plant, it considered three  
9 fundamental objectives including: (1) timely cost  
10 recovery, (2) rate stability, and (3) the proper matching  
11 of costs and benefits. While there are a number of methods  
12 that could be applied to simply recover the costs  
13 associated with the early shutdown of the Boardman plant,  
14 the Company believes that a levelized recovery approach  
15 effectively satisfies each of the three objectives.

16 Alternatives to the proposed levelized recovery  
17 using a balancing account, such as methods using annual  
18 filings to adjust rates to reflect the incremental annual  
19 investments, would not achieve all three objectives. These  
20 more "traditional" methods would result in shorter recovery  
21 times for incremental investments and potential large, one-  
22 time increases. Further, a more traditional approach would  
23 likely require cost recovery beyond the useful life of the  
24 plant, resulting in a mismatching of cost recovery and  
25 associated benefits.

1           Q.     What benefits do customers receive for paying  
2 for these costs prior to when they occur?

3           A.     Current customers will receive the benefit of  
4 the time value of money for paying costs associated with  
5 the early shutdown of Boardman in advance while also  
6 benefiting from a rapidly declining plant balance and will  
7 potentially limit large rate increases related to  
8 decommissioning costs anticipated upon Boardman's closure.  
9 This approach would also result in an appropriate matching  
10 of costs and benefits, as these same customers impacted by  
11 the costs are currently experiencing the benefits of the  
12 Boardman plant as a lower-cost base load resource.

13          Q.     What is the Company's proposal for the timing  
14 and amortization period of the balancing account?

15          A.     The Company is proposing to begin tracking the  
16 costs associated with the Boardman early shutdown in a  
17 balancing account in January 2012 with inclusion of the  
18 levelized revenue requirement in customer rates on June 1,  
19 2012. Idaho Power envisions an annual review of the  
20 balancing account with adjustments to the levelized  
21 recovery amount to address significant changes in actual  
22 and/or forecasted investments as they become known. Any  
23 overage or shortfall in the collection of the previous  
24 year's levelized revenue recovery would be incorporated

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1 into the new levelized revenue requirement calculation when  
2 necessary.

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

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**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-11-18**

**IDAHO POWER COMPANY**

**TATUM, DI  
TESTIMONY**

**EXHIBIT NO. 1**

# Levelized Revenue Requirement For Proposed Early Boardman Plant Shut-Down

*Estimated Values - For Illustrative Purposes Only*

## Revenue Requirement On Existing Investments

Existing Accelerated	
2012	5,205,540
2013	4,909,553
2014	4,612,567
2015	4,315,580
2016	4,018,594
2017	3,721,607
2018	3,424,621
2019	3,127,634
2020	2,830,648
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	

Total	36,167,344
PV	27,316,572
Payment	4,147,050

## Revenue Requirement On Incremental Investments

	Boardman Capital	Forecast	Life (years)	Assumed In-Service	2012		2013		2014		2015		2016		2017		2018		2019		2020		Total
					Layer	Payment	Layer	Payment	Layer	Payment	Layer	Payment	Layer	Payment	Layer	Payment	Layer	Payment	Layer	Payment	Layer	Payment	
2012		2,207,431	9	7/1/2012	476,113																		
2013		2,611,974	8	7/1/2013	448,955	587,636																	
2014		1,301,979	7	7/1/2014	421,797	561,484	319,864																
2015		580,300	6	7/1/2015	394,639	525,332	299,269	155,617															
2016		475,300	5	7/1/2016	367,491	489,180	278,674	144,908	142,426														
2017		320,300	4	7/1/2017	340,323	453,029	258,079	134,199	131,900	111,108													
2018		325,300	3	7/1/2018	313,165	416,877	237,484	123,489	121,374	102,241	138,450												
2019		320,000	2	7/1/2019	285,007	380,725	216,889	112,760	110,849	93,375	126,443	186,574											
2020		310,300	1	7/1/2020	258,849	344,573	196,294	102,071	100,323	84,508	114,437	168,858	327,479										
Total					3,307,329	3,766,896	1,806,553	773,064	606,871	391,232	379,329	355,433	327,479										
PV					2,497,969	2,731,476	1,257,252	517,005	390,337	242,232	226,307	204,550	182,020										
Payment					379,228	414,678	190,869	78,469	59,259	36,774	34,357	31,054	27,633										

## Decommissioning Costs and Expected Salvage

Decommissioning Costs (Estimated in 2020 dollars)	7,687,000	Payment	648,643
Expected Salvage (Estimated in 2020 dollars)	(1,769,100)		(149,280)

## Summary

Lev Annual Rev Rqmt (Existing Investment)	4,147,050
Lev Rev Rqmt (New Planned Investment)	1,252,340
Lev Rev Rqmt (Estimated Decommissioning Costs)	648,643
Lev Rev Rqmt Reduction (Estimated Salvage)	(149,280)
Incremental Levelized Rev Rqmt (ARO, Salvage, and Planned Investments)	1,751,703
New Levelized Rev Rqmt (To be tracked through the balancing account)	5,898,752
Estimated Rev Rqmt Currently in Base Rates	4,292,966
Annual Rev Rqmt. Impact to Customers	1,605,786

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-11-18**

**IDAHO POWER COMPANY**

**TATUM, DI  
TESTIMONY**

**EXHIBIT NO. 2**

Idaho Power Company  
 Summary of Revenue Requirement - Total System  
 Boardman: 2011 Test Year

**RATE BASE**

<b>Electric Plant in Service</b>	
Intangible Plant	\$ 238,771
Production Plant	\$ 76,237,871
Transmission Plant	\$ -
Distribution Plant	\$ -
General Plant	\$ 107,576
<b>Total Electric Plant in Service</b>	<b>\$ 76,584,218</b>
Less: Accumulated Depreciation	\$ 53,077,636
Less: Amortization of Other Plant	\$ 15,142
<b>Net Electric Plant in Service</b>	<b>\$ 23,491,440</b>
Less: Customer Adv for Construction	
Less: Accumulated Deferred Income Taxes	\$ 2,290,408
Add: Plant Held for Future Use	
Add: Working Capital	
Add: Conservation - Other Deferred Prog	
Add: Subsidiary Rate Base	
<b>TOTAL COMBINED RATE BASE</b>	<b><u>\$ 21,201,032</u></b>

**NET INCOME**

<b>Operating Revenues</b>	
Sales Revenues	
Other Operating Revenues	
<b>Total Operating Revenues</b>	<b>\$ -</b>
<b>Operating Expenses</b>	
Operation and Maintenance Expenses	
Depreciation Expenses	\$ 1,294,494
Amortization of Limited Term Plant	
Taxes Other Than Income	\$ 260,000
<b>Regulatory Debits/Credits</b>	
Provision for Deferred Income Taxes	\$ (66,523)
Investment Tax Credit Adjustment	
Current Income Taxes	\$ (607,729)
<b>Total Operating Expenses</b>	<b>\$ 880,241</b>
<b>Operating Income</b>	<b>\$ (880,241)</b>
Add: IERCO Operating Income	
<b>Consolidated Operating Income</b>	<b><u>\$ (880,241)</u></b>

Rate of Return as filed -4%

Proposed Rate of Return 8.180%

Earnings Deficiency \$ 2,614,486

Net-to-Gross Tax Multiplier 1.642

**BOARDMAN REVENUE REQUIREMENT \$ 4,292,986**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 2<sup>nd</sup> day of December 2011 I served a true and correct copy of the DIRECT TESTIMONY OF TIMOTHY E. TATUM upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

Karl T. Klein  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington (83702)  
P.O. Box 83720  
Boise, Idaho 83720-0074

- Hand Delivered
- U.S. Mail
- Overnight Mail
- FAX
- Email [Karl.Klein@puc.idaho.gov](mailto:Karl.Klein@puc.idaho.gov)

  
\_\_\_\_\_  
Jason B. Williams