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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF )  
HOKU MATERIALS, INC. FOR )  
REPARATIONS AND REFORMATION ) CASE NO. IPC-E-12-02  
OF ITS AMENDED SPECIAL CONTRACT )  
WITH IDAHO POWER COMPANY )  
\_\_\_\_\_ )

IDAHO POWER COMPANY

DIRECT TESTIMONY IN SUPPORT OF SETTLEMENT STIPULATION

OF

MICHAEL J. YOUNGBLOOD

1 Q. Please state your name and business address.

2 A. My name is Michael J. Youngblood. My business  
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

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 Manager of Regulatory Projects.

7 Q. Please describe your educational background.

8 A. In May of 1977, I received a Bachelor of  
9 Science Degree in Mathematics and Computer Science from the  
10 University of Idaho. From 1994 through 1996, I was a  
11 graduate student in the Executive MBA program of Colorado  
12 State University. Over the years, I have attended numerous  
13 industry conferences and training sessions, including  
14 Edison Electric Institute's "Electric Rates Advanced  
15 Course."

16 Q. Please describe your work experience with  
17 Idaho Power Company.

18 A. I began my employment with Idaho Power in  
19 1977. During my career, I have worked in several  
20 departments and subsidiaries of the Company, including  
21 Systems Development, Demand Planning, Strategic Planning,  
22 and IDACORP Solutions. Most relevant to this testimony  
23 though is my experience within the Regulatory Affairs  
24 Department. From 1981 to 1988, I worked as a Rate Analyst  
25 in the Rates and Planning Department where I was

1 responsible for the preparation of electric rate design  
2 studies and bill frequency analyses. I was also  
3 responsible for the validation and analysis of the load  
4 research data used for cost-of-service allocations.

5           From 1988 through 1991, I worked in Demand Planning  
6 and was responsible for the load research and load  
7 forecasting functions of the Company, including sample  
8 design, implementation, data retrieval, analysis, and  
9 reporting. I was responsible for the preparation of the  
10 five-year and twenty-year load forecasts used in revenue  
11 projections and resource plans as well as the presentation  
12 of these forecasts to the public and regulatory  
13 commissions.

14           In 2001, I returned to the Regulatory Affairs  
15 Department and have worked on special projects related to  
16 deregulation, the Company's Integrated Resource Plan  
17 ("IRP"), and filings with both the Idaho Public Utilities  
18 Commission ("IPUC" or "Commission") and the Public Utility  
19 Commission of Oregon ("OPUC").

20           In 2008, I was promoted to the position of Manager  
21 of Rate Design for Idaho Power. In this position I was  
22 responsible for the management of the rate design  
23 strategies of the Company as well as the oversight of all  
24 tariff administration.

25



1 Commission in 2009, has available to it up to 82 megawatts  
2 ("MW") of electric capacity. Idaho Power has planned and  
3 designed its electrical system to be able to provide up to  
4 this amount of energy to Hoku. The energy provided to Hoku  
5 under the special contract is divided into two "blocks" for  
6 pricing purposes. The first block for both the demand and  
7 energy charge is priced at rates which are more comparable  
8 to marginal-cost based rates; the second block demand and  
9 energy charges are priced at rates more reflective of the  
10 Company's embedded cost rates. The rationale for pricing  
11 the first block at marginal-cost based rates is in order to  
12 protect the Company's existing customers from upward  
13 pressure on rates resulting from new large load customers,  
14 such as Hoku, when they come on-line. This pricing  
15 methodology for an initial period of time has been adopted  
16 for new large load customers, typically for four years.  
17 Following this initial pricing period with marginal-cost  
18 based rate components, pricing for such special contract  
19 customers would transition to a fully embedded rate  
20 structure. The Commission approved this pricing  
21 methodology when it approved the special contract between  
22 Hoku and Idaho Power in 2009 in Order No. 30748.

23 Q. Did Hoku request modification to its original  
24 special contract?

25

1           A.     Yes.   Within weeks of Commission approval of  
2 the original agreement, Hoku requested of Idaho Power a  
3 delay of the effective date by which Hoku would begin  
4 taking energy. Under the original agreement, Idaho Power  
5 was to begin supplying power to Hoku on June 1, 2009, for a  
6 term of four years. Hoku requested that Idaho Power delay  
7 the effective date until December 1, 2009, and that the  
8 term of the contract be extended accordingly. Idaho Power  
9 agreed to accommodate Hoku, and the Commission subsequently  
10 approved this change to the service agreement. Order No.  
11 30869.

12           Q.     Is that the only time Hoku requested  
13 modification to the special contract?

14           A.     No.   A few months after the Commission  
15 approved the first modification to the special contract,  
16 Hoku approached Idaho Power and requested that the Company  
17 waive the minimum billed energy charge that was to go into  
18 effect on December 1, 2009. Again, Idaho Power agreed to  
19 accommodate Hoku and allowed waiver of the minimum billed  
20 energy for what turned out to be a period of 16 months,  
21 until April 2011. The Commission again approved this  
22 request for contract modification. Order No. 31005.

23           Q.     Did Hoku make any other requests to modify its  
24 special contract with Idaho Power?

25

1           A.     Yes.   While Hoku began making payments to  
2 Idaho Power under the terms of the special contract  
3 beginning in April 2011, Hoku simultaneously requested that  
4 Idaho Power again waive the billed minimum energy charge  
5 contained in the special contract. Hoku represented that  
6 as a result of the economic down-turn, their start-up  
7 schedule had slipped and that they would be delayed in  
8 ramping up their operations. While Idaho Power worked  
9 diligently with Hoku to develop a solution, the Company and  
10 Hoku were unable to reach a compromise that would not have  
11 an adverse impact on both the Company and our customers.

12           Q.     Why would an additional waiver of the billed  
13 minimum energy charge have an adverse impact on existing  
14 customers?

15           A.     Subsequent to Hoku beginning to make payments  
16 to Idaho Power in April 2011, Idaho Power had filed its  
17 2011 Power Cost Adjustment ("PCA") and later in 2011 a  
18 general rate case. Both of these revenue filings included  
19 the assumptions consistent with the revenues Idaho Power  
20 anticipated receiving from Hoku in amounts provided for in  
21 the special contract. Without the fulfillment of these  
22 revenue obligations, the Company's remaining customers  
23 would have experienced an increase in their rates.

24

25



1 customers would have received had Hoku continued to make  
2 the billed minimum energy charge payments during the period  
3 of January 2012 through June 2013. Further, both the  
4 Company and customers have additional protection in the  
5 form of the \$2 million Hoku deposit that Idaho Power will  
6 retain.

7 Q. How will Hoku make the \$3.8 million up-front  
8 payment?

9 A. Hoku will make the up-front payment by  
10 allowing the Company to apply \$2 million of the existing \$4  
11 million deposit Idaho Power currently has to the up-front  
12 payment. The remaining \$1.8 million will be recovered over  
13 the next 18 months in the form of a \$100,000 per month  
14 charges assessed on Hoku's invoice.

15 Q. How will Idaho Power track the deferred  
16 amounts Hoku will be required to pay during the final year  
17 of the contract?

18 A. Idaho Power will establish a balancing  
19 mechanism which will track the difference between what Hoku  
20 would have paid as minimum billed energy charges applicable  
21 to the Company's Idaho jurisdictional customers had the  
22 special contract not been modified and the greater of  
23 either (1) the minimum amount they have to pay under the  
24 revised special contract or (2) the amount Hoku pays to  
25 Idaho Power for total energy consumption up to the amount

1 of the Company's Idaho jurisdictional customers' portion of  
2 the minimum billed energy charge in the current special  
3 contract. Idaho Power will track that difference each  
4 month, including a 6.0 percent carrying charge. Beginning  
5 with its January 2014 invoice for services rendered in  
6 December 2013, Idaho Power will begin amortization of the  
7 total amount of the deferred balance over 12 months. The  
8 amortization will be an additional charge on Hoku's monthly  
9 invoice, and continue until such time as Hoku pays back the  
10 full amount of the deferred charge.

11 Q. Has the term of the special contract been  
12 modified?

13 A. Yes. The Settlement Stipulation proposes to  
14 extend the term of the contract for one year to December 1,  
15 2014.

16 Q. Does Hoku still have the ability to receive up  
17 to the 82 MW of capacity agreed upon under the special  
18 contract?

19 A. Yes, with conditions. Prior to using more  
20 than 20 MW of energy in any given month, Hoku must have  
21 provided to Idaho Power a ramp-up schedule at least six  
22 months earlier than the requested additional energy  
23 delivery date. More specifically, Hoku must provide Idaho  
24 Power with a firm, 12-month forward looking forecast of  
25 Hoku's anticipated monthly power consumption. If Hoku

1 fails to provide at least six months prior notice to using  
2 more than 20 MW or if Hoku fails to make any additional  
3 required customer deposits within 30 days of when they  
4 anticipate their power consumption will be more than 20 MW,  
5 Idaho Power will not be under any obligation to provide  
6 that additional requested energy.

7 Q. Do you believe that the Proposed Settlement is  
8 in the public interest?

9 A. Yes. The Parties have agreed to settle their  
10 disputes indentified in the Settlement Stipulation, thus  
11 indicating their satisfaction with the outcome. From the  
12 Company's perspective, the Proposed Settlement provides the  
13 Company with the up-front revenue anticipated to be  
14 recovered from Hoku in the Company's PCA and general rate  
15 case filings, thereby satisfying Hoku's portion of the  
16 Company's revenue requirement. In addition, recovery of  
17 the deferred revenue plus a carrying charge through the  
18 balancing mechanism will enable Idaho Power's customers to  
19 receive the benefit of the marginal-cost based pricing of  
20 the current Hoku agreement at a later date, thus mitigating  
21 any adverse impacts to our customers. Accordingly, the  
22 Company recommends the Commission accept and approve the  
23 Proposed Settlement as submitted by the parties.

24 Q. Does this conclude your testimony?

25 A. Yes, it does.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 17<sup>th</sup> day of February 2012 I served a true and correct copy of the within and foregoing DIRECT TESTIMONY IN SUPPORT OF SETTLEMENT STIPULATION OF MICHAEL J. YOUNGBLOOD upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

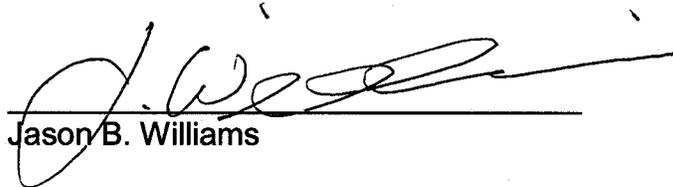
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