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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-12-09
FOR ELECTRIC SERVICE TO RECOVER)
THE BOARDMAN BALANCING ACCOUNT.)

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 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 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 related to the Boardman shutdown. Under this approach, the
2 Company will replace the base rate revenue recovery
3 associated with the Company's existing investment in
4 Boardman with a levelized revenue requirement to be tracked
5 in the Boardman balancing account.

6 Q. What are the benefits associated with this
7 approach?

8 A. The Boardman balancing account will smooth
9 revenue requirement impacts of early Boardman retirement
10 over the remaining nine years of the plant's life and
11 ensure full recovery of Boardman related costs by Boardman
12 life end.

13 Q. What is the purpose of your testimony in this
14 proceeding?

15 A. The purpose of my testimony is to describe the
16 quantification of the Company's calculation of the
17 levelized revenue requirement to be tracked in the Boardman
18 balancing account. Based on this levelized amount, the
19 Company seeks approval of an adjustment to the Company's
20 Idaho jurisdictional revenue requirement to take place on
21 June 1, 2012.

22 Q. Please summarize your exhibits.

23 A. Exhibit No. 1 details the development of the
24 current Boardman revenue requirement based upon the
25 Company's 2011 Test Year filed in Case No. IPC-E-11-08.

1 Exhibit No. 2 details the derivation of the levelized
2 revenue requirement to be tracked in the Boardman balancing
3 account and the Idaho jurisdictional share of the revenue
4 requirement that the Company is proposing to include in
5 rates. Exhibit No. 3 details the Company's proposed
6 schedule that would track deviations between forecasted
7 revenue collections and actual revenue collections.

8 Q. What is the existing revenue requirement
9 associated with Boardman that is currently included in the
10 Company's base rates?

11 A. Exhibit No. 1 details the development of the
12 \$3.65 million Idaho jurisdictional share of the existing
13 revenue requirement. This amount will be replaced with the
14 levelized revenue requirement amount detailed in Exhibit
15 No. 2.

16 Q. Has the Company determined the levelized
17 revenue requirement associated with the costs tracked in
18 the Boardman balancing account?

19 A. Yes. Based upon the Company's 2011 Test Year
20 filed in Case No. IPC-E-11-08, the annual levelized revenue
21 requirement associated with the recovery of both existing
22 investment in Boardman on an accelerated basis as well as
23 incremental, forecasted investments between January 1,
24 2012, and December 31, 2020 is \$5.23 million on an Idaho

25

1 jurisdictional basis. Exhibit No. 2 details the
2 development of the levelized revenue requirement.

3 Q. Please explain your levelizing calculation.

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

14 Q. Please explain the return on undepreciated
15 capital investments at Boardman.

16 A. As of May 31, 2011, the Boardman investment is
17 estimated to be approximately \$75.7 million and accumulated
18 depreciation is estimated to be approximately \$54.1
19 million. Although the United States Environmental
20 Protection Agency has approved Portland General Electric's
21 Boardman shutdown plan with coal-fired operations ceasing
22 on December 31, 2020, there will be required investments in
23 emissions controls in the future resulting from the Best
24 Available Retrofit Technology II ("BART II") petition at
25 the plant prior to its shutdown in addition to normal

1 maintenance repairs required to keep the plant operational.
2 Idaho Power anticipates most of the emissions control
3 upgrades will be made between 2012 and 2014, with routine
4 capital expenditures for repairs throughout the remaining
5 nine years of the plant's life. The return on the
6 additional investments and the associated depreciation
7 expense is approximately \$1.13 million.

8 Q. Please describe the accelerated depreciation
9 at Boardman.

10 A. The Company has accelerated depreciation
11 expense related to all Boardman plant investments.
12 Concurrent with this filing, Idaho Power is filing its
13 updated depreciation study that incorporates Boardman's
14 early shutdown and adjusts rates accordingly, with a
15 proposed change in rates effective June 1, 2012. In that
16 filing, the Company is proposing to track the accelerated
17 depreciation for Boardman in the balancing account. The
18 total accelerated depreciation associated with the 2020
19 shutdown included in the levelized revenue requirement
20 calculation is approximately \$3.54 million.

21 Q. Please describe the Boardman decommissioning
22 costs.

23 A. Currently, estimated decommissioning costs are
24 accounted for as an Asset Retirement Obligation ("ARO"),
25 which considers costs to decommission and remove plant

1 components, including the power plant and associated
2 facilities, the Carty reservoir, certain transmission
3 lines, tower access road, ash field capping or removal, and
4 coal handling facilities. The ARO also includes a 10
5 percent contingency estimate and is partially offset by
6 expected salvage proceeds associated with decommissioning
7 the plant. The Company's current base rates do not include
8 any recovery of ARO related to Boardman. Idaho Power
9 estimated its share of the decommissioning costs by
10 applying the Company's 10 percent ownership percentage to
11 the decommissioning study performed by Black and Veatch for
12 Portland General Electric. The total included in the
13 levelized revenue requirement calculation was \$562,925.

14 Q. What level of return on equity ("ROE") have
15 you incorporated into your quantifications?

16 A. In Case No. IPC-E-11-18, the Commission agreed
17 with Commission Staff's proposal to lower the ROE used to
18 calculate the levelized payments for Boardman. The Company
19 used a 9.5 percent ROE adopted as the Accumulated Deferred
20 Investment Tax Credit trigger in Order No. 32424 (Case No.
21 IPC-E-11-22), as approved by the Commission.

22 Q. Based upon \$5.23 million levelized and \$3.65
23 million current, what is the incremental annual change to
24 base rates to recover Boardman going forward?

25

1 A. The Idaho jurisdictional share of the
2 incremental annual levelized revenue requirement is
3 approximately \$1.58 million. This amount is derived by
4 taking the difference between the levelized revenue
5 requirement amount in Exhibit No. 2 and the current revenue
6 requirement amount for Boardman in Exhibit No. 1 (\$5.23
7 million - \$3.65 million = \$1.58 million).

8 Q. How does the Company plan to administer the
9 Boardman balancing account on an annual basis?

10 A. On an annual basis, Idaho Power will
11 recalculate the levelized revenue requirement for Boardman
12 based upon actual investments to date and an updated
13 forecast of future investments at the plant. The Company
14 envisions that the Boardman balancing account will be used
15 to track two distinct categories of the cost recovery under
16 the framework approved by Order No. 32457: (1) the monthly
17 deviations between forecast revenue collection and actual
18 revenue collection and (2) deviations between existing
19 levelized revenue requirement calculations and updated
20 levelized revenue requirement calculations. Under this
21 approach, these two tracked components along with the
22 revised levelized revenue requirement would be reviewed
23 annually to determine whether or not a rate adjustment
24 should be proposed by the Company. If the Company
25 determines that a rate adjustment is needed, a new rate

1 would be determined that would recover the newly calculated
2 levelized revenue requirement as well as provide for
3 recovery or refund of the amounts tracked in the balancing
4 account. Should the Company choose to not recommend an
5 adjustment to rates in a given year, amounts previously
6 recorded in the balancing account would remain in the
7 balancing account for future recovery or refund.

8 Q. In Order No. 32457, the Commission directed
9 the Company to file annual reports detailing all amounts
10 booked to the Boardman account and to file a sample of this
11 report to the Commission as part of this request. Please
12 describe the annual report that will be filed.

13 A. Idaho Power envisions two schedules would be
14 included in an annual report to the Commission. The first
15 would mirror Exhibit No. 2 updated to reflect the newly
16 developed levelized revenue requirement calculation based
17 on actual investments to date and new forecast information.
18 Next would be a schedule that the Company proposes to use
19 to track the monthly deviations between forecast revenue
20 collection and actual revenue collection. (See Exhibit No.
21 3.) In addition to the information included on Exhibit
22 Nos. 2 and 3, the Company proposes to provide to the
23 Commission annually a narrative description of the actual
24 investments at Boardman during the prior year and the
25 reason for any changes in forecast investments. This

1 narrative would also include any updated relevant
2 information related to the ongoing operation and/or
3 subsequent closure of Boardman that has become known over
4 the preceding year.

5 Q. Does this conclude your testimony?

6 A. Yes, it does.

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**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-12-09**

IDAHO POWER COMPANY

**TATUM, DI
TESTIMONY**

EXHIBIT NO. 1

Idaho Power Company

Boardman: 2011 Test Year

RATE BASE

Electric Plant in Service	
Intangible Plant	\$ 237,876
Production Plant	\$ 73,423,438
Transmission Plant	\$ -
Distribution Plant	\$ -
General Plant	\$ 107,136
Total Electric Plant in Service	\$ 73,768,450
Less: Accumulated Depreciation	\$ 53,475,173
Less: Amortization of Other Plant	\$ 15,085
Net Electric Plant in Service	\$ 20,278,192
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	
TOTAL COMBINED RATE BASE	\$ 17,987,784

NET INCOME

Operating Revenues	
Sales Revenues	
Other Operating Revenues	
Total Operating Revenues	\$ -
Operating Expenses	
Operation and Maintenance Expenses	
Depreciation Expenses	1,327,415
Amortization of Limited Term Plant	
Taxes Other Than Income	272,600
Regulatory Debits/Credits	
Provision for Deferred Income Taxes	\$ (66,523)
Investment Tax Credit Adjustment	
Current Income Taxes	\$ (625,526)
Total Operating Expenses	\$ 907,966
Operating Income	\$ (907,966)
Add: IERCO Operating Income	
Consolidated Operating Income	\$ (907,966)
Rate of Return as filed	-5.05%
Proposed Rate of Return	7.86%
Earnings Deficiency	\$ 2,321,806
Net-to-Gross Tax Multiplier	1.642
BOARDMAN REVENUE REQUIREMENT	\$ 3,812,406

Idaho Power Company

Boardman: 2011 Test Year

RATE BASE

Electric Plant in Service	
Intangible Plant	\$ 227,629
Production Plant	\$ 70,254,045
Transmission Plant	\$ -
Distribution Plant	\$ -
General Plant	\$ 102,528
Total Electric Plant in Service	\$ 70,584,202
Less: Accumulated Depreciation	\$ 51,166,896
Less: Amortization of Other Plant	\$ 14,435
Net Electric Plant in Service	\$ 19,402,870
Less: Customer Adv for Construction	
Less: Accumulated Deferred Income Taxes	\$ 2,177,720
Add: Plant Held for Future Use	
Add: Working Capital	
Add: Conservation - Other Deferred Prog	
Add: Subsidiary Rate Base	
TOTAL COMBINED RATE BASE	\$ 17,225,150

NET INCOME

Operating Revenues	
Sales Revenues	
Other Operating Revenues	
Total Operating Revenues	\$ -
Operating Expenses	
Operation and Maintenance Expenses	
Depreciation Expenses	1,269,803
Amortization of Limited Term Plant	
Taxes Other Than Income	260,796
Regulatory Debits/Credits	
Provision for Deferred Income Taxes	\$ (63,640)
Investment Tax Credit Adjustment	
Current Income Taxes	\$ (598,388)
Total Operating Expenses	\$ 868,572
Operating Income	\$ (868,572)
Add: IERCO Operating Income	
Consolidated Operating Income	\$ (868,572)
Rate of Return as filed	-5.04%
Proposed Rate of Return	7.86%
Earnings Deficiency	\$ 2,222,469
Net-to-Gross Tax Multiplier	1.642
BOARDMAN REVENUE REQUIREMENT	\$ 3,649,293

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IDAHO POWER COMPANY

**TATUM, DI
TESTIMONY**

EXHIBIT NO. 2

Levelized Revenue Requirement for the Boardman Plant Early Shut-Down

Revenue Requirement On Existing Investments

Year	Existing	Accelerated
2012	4,602,271	
2013	4,343,785	
2014	4,085,298	
2015	3,826,812	
2016	3,568,326	
2017	3,309,839	
2018	3,051,353	
2019	2,792,866	
2020	2,534,380	
Total	32,114,930	
PV	24,426,959	
Payment	3,727,252	

Revenue Requirement On Incremental Investments

Boardman Capital Forecast	Life (years)	Layer																		
		2012	2013	2014	2015	2016	2017	2018	2019	2020										
2012	9	375,696	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013	8	589,668	589,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2014	7	333,494	554,578	315,929	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2015	6	312,393	519,488	285,940	153,886	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2016	5	291,292	484,399	275,950	143,491	141,034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2017	4	270,181	449,310	255,961	133,097	130,817	110,196	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	3	249,090	414,220	235,971	122,703	120,601	101,590	137,567	-	-	-	-	-	-	-	-	-	-	-	-
2019	2	227,989	379,131	215,981	112,308	110,385	92,984	125,914	185,968	-	-	-	-	-	-	-	-	-	-	-
2020	1	206,888	344,042	195,992	101,914	100,168	84,378	114,260	168,756	326,974	-	-	-	-	-	-	-	-	-	-
Total		2,621,626	3,734,837	1,791,724	767,399	603,004	389,147	377,741	354,723	326,974	Total									
PV		1,994,037	2,729,576	1,259,055	518,870	392,611	244,193	228,667	207,368	184,805	Payments									
Payment		304,265	416,499	192,116	79,173	59,908	37,261	34,892	31,642	28,199	Total									

Decommissioning Costs and Expected Salvage

Decommissioning Costs (Estimated in 2020 dollars)	8,563,400	Payment	746,187
Expected Salvage (Estimated in 2020 dollars)	(1,769,100)		(154,154)
Net:	6,794,300		592,034

Total System Summary

Lev Annual Rev Rqmt (Existing Investment)	3,727,252
Lev Rev Rqmt (New Planned Investment)	1,183,955
Lev Rev Rqmt (Estimated Decommissioning Costs)	746,187
Lev Rev Rqmt Reduction (Estimated Salvage)	(154,154)
Incremental Levelized Rev Rqmt (ARO, Salvage, and Planned Investments)	1,775,989
New Levelized Rev Rqmt (To be tracked through the balancing account)	5,503,240
Estimated Rev Rqmt Currently in Base Rates	3,812,406
Annual Rev Rqmt, Impact to Customers	1,690,834

Idaho Jurisdictional Summary

Lev Annual Rev Rqmt (Existing Investment)	3,543,997
Lev Rev Rqmt (New Planned Investment)	1,125,744
Lev Rev Rqmt (Estimated Decommissioning Costs)	709,500
Lev Rev Rqmt Reduction (Estimated Salvage)	(146,575)
Incremental Levelized Rev Rqmt (ARO, Salvage, and Planned Investments)	1,688,670
New Levelized Rev Rqmt (To be tracked through the balancing account)	5,232,667
Estimated Rev Rqmt Currently in Base Rates	3,649,293
Annual Rev Rqmt, Impact to Customers	1,583,373

**BEFORE THE
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IDAHO POWER COMPANY

**TATUM, DI
TESTIMONY**

EXHIBIT NO. 3

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Boardman Balancing Account		April	May	June	July	August	September	October	November	December	January	February	March	Totals
1 Boardman Balancing Account														
2 April 2012 thru March 2013														
3														
4 Boardman Forecasted Revenues														
5 Normalized Idaho Jurisdictional Sales	Mwh	975,261	966,561	1,141,136	1,387,760	1,453,296	1,330,566	1,083,892	982,133	1,110,057	1,207,356	1,102,057	1,017,365	13,757,490
6 Boardman Rate	\$	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804
7 Boardman Forecasted Revenues	\$	370,840.51	375,236.95	434,931.11	520,227.81	552,761.06	506,096.34	412,261.96	373,394.47	422,210.34	459,217.81	419,167.45	396,962.28	5,232,661.47
8														
9 Boardman Actual Revenues														
10 Idaho Jurisdictional Sales	Mwh	1,011,234	1,097,667	1,300,475	1,685,331	1,565,233	1,293,353	1,040,237	1,124,273	1,285,108	1,249,576	1,056,343	1,002,565	14,792,415
11 Boardman Rate	\$	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804	0.3804
12 Boardman Actual Revenues	\$	384,622.85	417,497.64	494,635.87	641,015.85	602,843.37	491,826.81	395,654.14	427,817.24	489,799.83	474,895.89	402,540.76	381,333.20	5,603,474.04
13														
14														
15														
16 Total Deferral	\$	(13,682.34)	(42,259.09)	(60,504.56)	(120,788.04)	(50,182.31)	14,161.53	16,607.80	(54,062.77)	(66,380.49)	(15,678.07)	16,626.89	5,629.08	(370,812.57)
17														
18														
19 Principal Balances														
20														
21 Beginning Balance	\$	0.00	(13,682.34)	(55,841.43)	(116,545.99)	(237,334.03)	(287,516.34)	(273,354.81)	(256,747.01)	(310,809.78)	(377,390.27)	(393,068.34)	(376,441.65)	
22														
23 Amount Deferred	\$	(13,682.34)	(42,259.09)	(60,504.56)	(120,788.04)	(50,182.31)	14,161.53	16,607.80	(54,062.77)	(66,380.49)	(15,678.07)	16,626.89	5,629.08	(370,812.57)
24														
25 Ending Balance	\$	(13,682.34)	(55,841.43)	(116,545.99)	(237,334.03)	(287,516.34)	(273,354.81)	(256,747.01)	(310,809.78)	(377,390.27)	(393,068.34)	(376,441.65)	(370,812.57)	
26														
27 Interest Balances														
28 Monthly Interest Rate **		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
29 Current Month Interest Inc/(Exp)	\$	0.00	(11.40)	(46.62)	(97.12)	(197.78)	(239.60)	(227.80)	(213.96)	(258.01)	(314.49)	(327.56)	(313.70)	(2,249.04)
30														
31 Interest Accrued to date	\$	0.00	(11.40)	(58.02)	(155.14)	(352.92)	(592.52)	(820.32)	(1,034.28)	(1,293.29)	(1,607.78)	(1,935.34)	(2,249.04)	
32														
33 Balance in Boardman Balancing Account	\$	(13,682.34)	(55,852.83)	(118,004.01)	(237,489.17)	(287,699.26)	(273,847.33)	(257,567.33)	(311,844.06)	(378,683.56)	(394,676.12)	(378,376.99)	(373,061.61)	(373,061.61)
34														
35														
36														
37														

* Negative amounts indicate benefit to the ratepayers.
 37 ** Interest rate changer per IPUC Order No. 30965 (Jan 2010)