

RECEIVED
2013 APR 15 PM 2:48
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO IMPLEMENT POWER COST) CASE NO. IPC-E-13-10
ADJUSTMENT ("PCA") RATES FOR)
ELECTRIC SERVICE FROM JUNE 1,)
2013, THROUGH MAY 31, 2014.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

KELLEY K. NOE

1 Q. Please state your name and business address.

2 A. My name is Kelley K. Noe. My business address
3 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 a Regulatory Analyst II.

7 Q. Please describe your educational background.

8 A. In May of 2004, I received a Bachelor of
9 Business Administration in Finance from Boise State
10 University. I have also attended electric utility
11 ratemaking courses, including "The Basics: Practical
12 Regulatory Training for the Electric Industry," a course
13 offered through New Mexico State University's Center for
14 Public Utilities as well as "Introduction to Rate Design
15 and Cost of Service Concepts and Techniques" presented by
16 Electric Utilities Consultants, Inc.

17 Q. Please describe your business experience with
18 Idaho Power Company.

19 A. In September 2006, I accepted a position at
20 Idaho Power as a Financial Analyst in the Finance
21 Department. My responsibilities as a Financial Analyst
22 were two-fold. In the credit analysis portion of my
23 position, I was responsible for gathering counterparty
24 credit and financial information, preparing a risk
25 analysis, and approving an appropriate credit limit

1 assignment. When necessary, I negotiated security or
2 collateral documents in accordance with corporate credit
3 standards. The other responsibilities in my position
4 included providing the financial support for the Grid
5 Operations, Planning, and Operations Analysis and
6 Development groups. This included preparing studies,
7 reports, analyses, and recommendations in areas such as
8 budgets, forecasts, capital expenditure proposals,
9 financial plans, and regulatory requirements. In October
10 2010, I accepted a Regulatory Analyst II position within
11 the Regulatory Affairs department of the Company. My
12 duties as a Regulatory Analyst II include gathering,
13 analyzing, and coordinating data from various departments
14 throughout the Company required for development of
15 jurisdictional separation studies, as well as other
16 analyses that may be required.

17 Q. What is the purpose of your testimony in this
18 proceeding?

19 A. My testimony describes the Company's proposed
20 implementation of the revenue sharing mechanism established
21 by the Idaho Public Utilities Commission ("Commission") in
22 Order No. 30978 in Case No. IPC-E-09-30, which was
23 subsequently modified and extended by Order No. 32424 in
24 Case No. IPC-E-11-22. My testimony begins with a brief
25 outline of the mechanism as it was established in Case No.

1 IPC-E-09-30 and the outcome of applying the mechanism to
2 year-end 2009, 2010, and 2011 financial results. Further,
3 my testimony details the mechanism as approved by Order No.
4 32424 in Case No. IPC-E-11-22, which modified and extended
5 the mechanism through 2014. My testimony concludes with
6 the determination of the 2012 revenue sharing benefits, the
7 allocation of benefits to individual customer classes, and
8 the proposed class-allocated benefits included in the 2013
9 Power Cost Adjustment ("PCA").

10 **I. BACKGROUND**

11 Q. Please provide a brief description of the
12 revenue sharing mechanism established by Order No. 30978 in
13 Case No. IPC-E-09-30.

14 A. On January 13, 2010, the Commission issued
15 Order No. 30978 approving the settlement stipulation filed
16 in lieu of a general rate case in Case No. IPC-E-09-30.
17 Through this stipulation, a mechanism was established to
18 allow the Company to accelerate the amortization of
19 accumulated deferred investment tax credits ("ADITC") if
20 the Company's actual Idaho jurisdictional year-end return
21 on equity ("ROE") fell below 9.5 percent in any fiscal year
22 from 2009 through 2011. This mechanism also included a
23 provision for revenue sharing if the Company's actual Idaho
24 jurisdictional year-end ROE exceeded 10.5 percent in any
25 year over the same three-year period. Per the terms of the

1 stipulation, 50 percent of the Idaho jurisdictional year-
2 end ROE in excess of 10.5 percent was to be shared with
3 customers in the form of a rate reduction.

4 Q. Did the mechanism established by Order No.
5 30978 result in any action following the completion of the
6 2009-2011 fiscal years?

7 A. Yes. In 2011, the actual Idaho jurisdictional
8 ROE was 12.55 percent based on the Company's actual year-
9 end financial results. Subsequently, the Company filed
10 Case No. IPC-E-12-13 which detailed the Company's revenue
11 sharing amounts of \$27.1 million as a reduction to customer
12 rates in the Company's 2012 PCA and \$20.3 million as an
13 offset to the Company's pension balancing account,
14 resulting in an overall customer benefit of \$47.4 million.

15 In 2009 and 2010, the Company's actual Idaho
16 jurisdictional year-end ROE was between 9.5 and 10.5
17 percent, resulting in no accelerated amortization of ADITC
18 or revenue sharing.

19 Q. Please describe the mechanism as it was
20 modified and extended in Order No. 32424 in Case No. IPC-E-
21 11-22.

22 A. On December 27, 2011, the Commission issued
23 Order No. 32424 approving the settlement stipulation filed
24 December 12, 2011, extending the mechanism through 2014 and
25 modifying portions of the previous accounting order to

1 amortize additional ADITC. More specifically, the order
2 approved modifications to the sharing portion of the
3 mechanism which allows for greater customer benefits.
4 First, for actual year-end Idaho earnings greater than 10
5 percent ROE up to and including 10.5 percent in the years
6 2012-2014, the earnings will be shared equally between
7 Idaho customers and the Company. The customer share will
8 be a reduction to rates at the same time the PCA becomes
9 effective. Under the prior mechanism approved in Order No.
10 30978, customers would not have received a revenue sharing
11 benefit until an Idaho ROE of 10.5 percent was achieved.
12 Second, Idaho earnings above a 10.5 percent ROE will also
13 be shared, with customers receiving 75 percent of the
14 earnings applied as an offset to the Company's pension
15 balancing account.

16 **II. QUANTIFICATION OF YEAR-END 2012 REVENUE SHARING**

17 Q. Please describe the methodology used to
18 determine the Idaho jurisdictional 2012 year-end ROE.

19 A. The methodology used to determine the
20 Company's Idaho jurisdictional 2012 year-end ROE is the
21 same methodology used for the year-end 2009-2011 ROE
22 determinations. First, the Company prepared a full
23 jurisdictional separation study ("JSS") based on third
24 quarter financial information as of September 30, 2012, and
25 jurisdictional allocation factors from the 2011 Federal

1 Energy Regulatory Commission Form 1 filing. The results of
2 this study were used to develop allocation factors for
3 various components of operating income and rate base.
4 Following the completion of the 2012 fiscal year, retail
5 revenues were directly assigned to each jurisdiction, and
6 the allocation factors from the third quarter JSS were
7 applied to all other year-end system financial figures to
8 determine year-end Idaho jurisdictional net rate base and
9 operating income. Common equity was then allocated
10 according to each jurisdiction's proportion of net rate
11 base. Finally, the Idaho jurisdictional year-end ROE was
12 determined by dividing the Idaho-allocated earnings on
13 common stock by the Idaho-allocated portion of common
14 equity.

15 Q. Have you provided an exhibit demonstrating the
16 application of this methodology?

17 A. Yes. Exhibit No. 1 provides a step-by-step
18 calculation of the Idaho jurisdictional ROE and subsequent
19 revenue sharing benefits based on year-end 2012 financial
20 results utilizing the Commission-approved methodology
21 described above (Order No. 32558 at 5).

22 Q. What was the Company's Idaho jurisdictional
23 2012 year-end ROE?

24
25

1 all rate classes, excluding the Special Contracts, and a
2 flat dollar-per-month credit to the Special Contract
3 customers.

4 Q. Does this conclude your testimony?

5 A. Yes, it does.

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25





**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-13-10

IDAHO POWER COMPANY

**NOE, DI
TESTIMONY**

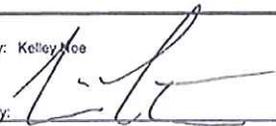
EXHIBIT NO. 1

IDAHO POWER COMPANY

ADDITIONAL INVESTMENT TAX CREDIT ANALYSIS
For the Twelve Months Ended December 31, 2012

	Actual September 30, 2012			Actual December 31, 2012		
	TOTAL SYSTEM	IDAHO	IDAHO%	TOTAL SYSTEM	IDAHO	IDAHO%
*** SUMMARY OF RESULTS ***						
TOTAL COMBINED RATE BASE	2,891,012,173	2,705,704,725	93.7%	September Allocations/Ratios		
Update figures in RED						
OPERATING REVENUES						
RETAIL SALES REVENUES (incl 449 1 Rev)	730,303,520	699,635,014	Direct Assign	644,909,810	600,840,800	Direct Assign
OTHER OPERATING REVENUES	102,107,600	97,189,320	95.2%	137,343,103	130,727,450	95.2%
TOTAL OPERATING REVENUES	832,411,320	796,824,340		1,082,253,000 ✓	1,031,568,250	
OPERATING EXPENSES						
OPERATION & MAINTENANCE EXPENSES	493,545,275	407,599,507	94.7%	650,077,100 ✓	621,585,818	94.7%
DEPRECIATION EXPENSE	88,423,813	82,735,228	93.6%	110,430,000 ✓	111,481,828	95.7%
AMORTIZATION OF LIMITED TERM PLANT	5,374,225	5,142,000	95.7%	7,268,720 ✓	6,954,842	95.7%
TAXES OTHER THAN INCOME	22,601,100	21,380,750	93.1%	30,488,808 ✓	28,390,347	93.1%
REGULATORY DEBITS/CREDITS	(758,000)	0	0.0%	(748,054) ✓	0	0.0%
PROVISION FOR DEFERRED INCOME TAXES	42,442,343	40,510,377	95.4%	47,607,978 ✓	45,440,873	95.4%
INVESTMENT TAX CREDIT ADJUSTMENT	6,585,351	6,300,362	95.7%	9,058,292 ✓	8,684,265	95.7%
FEDERAL INCOME TAXES	(14,482,226)	(13,261,741)	91.5%	(14,482,226) ✓	(13,251,741)	91.5%
STATE INCOME TAXES	1,494,166	1,468,271	98.3%	1,608,552 ✓	691,073	88.3%
TOTAL OPERATING EXPENSES	643,584,955	611,883,830		852,707,215 ✓	810,237,220	
OPERATING INCOME	188,831,371	182,140,510		229,545,784 ✓	221,331,025	
ADD: IERCO OPERATING INCOME	4,540,769	4,332,107	95.4%	6,150,724 ✓	5,868,090	95.4%
OPERATING INCOME BEFORE OTHER INCOME AND DEDUCTIONS	193,372,140	186,472,617		235,696,518 ✓	227,199,104	98.4%
ADD: AFUDC EQUITY				22,433,417 ✓	21,481,068	95.7% (L 10)
ADD: OTHER INCOME AND DEDUCTIONS				(3,208,371) ✓	(3,159,539)	98.4% (L 33)
INCOME BEFORE INTEREST CHARGES				254,921,564 ✓	245,520,633	
LESS: INTEREST CHARGES				73,442,855 ✓	70,259,371	95.7% (L 10)
NET INCOME				181,418,009 ✓	175,250,262	
ACTUAL YEAR-END RESULTS - BEFORE ITC ADJUSTMENT						
EARNINGS ON COMMON STOCK				181,418,009 ✓	175,250,262	
COMMON EQUITY AT YEAR-END				1,838,604,499 ✓	1,587,868,153	86.3% (L 10)
RETURN ON YEAR-END COMMON EQUITY				11.07%	11.16%	
EARNINGS ON COMMON STOCK @ 9.50 ROE				165,605,927	149,847,476 (L44 * 9.5%)	
EARNINGS ON COMMON STOCK @ 10 ROE				183,600,450	158,788,815 (L44 * 10%)	
EARNINGS ON COMMON STOCK @ 10.50 ROE				172,084,972	164,828,158 (L44 * 10.5%)	
ACTUAL YEAR-END RESULTS - AFTER ITC ADJUSTMENT:						
INVESTMENT TAX CREDIT ADJUSTMENT					(20,063,654) (L49-L43)/(1-9.5%)	
ADJUSTED EARNINGS ON COMMON STOCK					148,189,408	
ADJUSTED COMMON EQUITY AT YEAR-END					1,538,604,300	
ADJUSTED RETURN ON YEAR-END COMMON EQUITY					9.60%	
IF IDAHO RETURN ON COMMON EQUITY (Line 46) < 9.5% ADDITIONAL ITC ADJUSTMENT (Annualized) IF L 54 is negative, then 0; if positive, then smaller of L54 or \$25,000,000 0						
IF IDAHO RETURN ON COMMON EQUITY (Line 46) > 10% IDAHO EARNINGS GREATER THAN 10% ROE BUT LESS THAN 10.5% 8,710,370 (L50-L49)(1-10%)						
IF IDAHO RETURN ON COMMON EQUITY (Line 46) > 10.5% INCREMENTAL IDAHO EARNINGS GREATER THAN 10.50% ROE 11,870,509 (L43-L50)(1-10.5%)						
Per Order #32424:						
ROE between 10%-10.5% -CUSTOMER SHARE - 50% (Reduction to rate)				After Tax	Tax Gross Up	
ROE between 10%-10.5% -COMPANY SHARE - 50%				4,355,169	7,151,221	
ROE greater than 10.5% (Incremental) - CUSTOMER SHARE - 75% (Offset to Pension balance)				4,355,169		
ROE greater than 10.5% (Incremental) -COMPANY SHARE - 25%				8,602,882	14,018,532	
				2,067,627		
				20,580,838		

Prepared by: Kelley Noe

Reviewed by:  1-31-13



**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-13-10

IDAHO POWER COMPANY

**NOE, DI
TESTIMONY**

EXHIBIT NO. 2

Idaho Power Company
 Calculation of Revenue Impact
 Class Allocated Revenue Sharing Benefits
 State of Idaho
 Filed April 15, 2013

Line No.	Tariff Description	Rate Sch. No.	(A) Average Number of Customers	(B) Normalized Energy (kWh)	(C) Current Base Revenue	(D) Percentage of Idaho Base Revenues	(E) Allocated Revenue Sharing Benefit	(F) Cents per kWh Rate	(G) Percent Revenue Change
1	Residential Service	1	399,601	4,813,284,883	402,404,275	45.37%	(\$3,244,707)	(0.0674)	(0.81)%
2	Master Metered Mobile Home Park	3	23	4,891,664	387,723	0.04%	(\$3,126)	(0.0639)	(0.81)%
3	Residential Service Energy Watch	4	667	0	0	0.00%	\$0	0.0000	0.00%
4	Residential Service Time-of-Day	5	0	25,732,706	2,061,117	0.23%	(\$16,619)	(0.0646)	(0.81)%
5	Small General Service	7	28,318	143,366,943	15,315,670	1.73%	(\$123,495)	(0.0861)	(0.81)%
6	Large General Service - Secondary	9S	30,853	3,133,340,969	189,956,653	21.42%	(\$1,531,678)	(0.0489)	(0.81)%
7	Large General Service - Primary	9P	189	447,522,140	23,232,243	2.62%	(\$187,329)	(0.0419)	(0.81)%
8	Large General Service - Transmission	9T	2	2,449,987	126,286	0.01%	(\$1,018)	(0.0416)	(0.81)%
9	Dusk to Dawn Lighting	15	0	6,429,995	1,235,893	0.14%	(\$9,965)	(0.1550)	(0.81)%
10	Large Power Service - Secondary	19S	1	6,492,605	333,434	0.04%	(\$2,689)	(0.0414)	(0.81)%
11	Large Power Service - Primary	19P	104	2,065,756,780	93,515,192	10.54%	(\$754,041)	(0.0365)	(0.81)%
12	Large Power Service - Transmission	19T	3	42,047,694	1,824,345	0.21%	(\$14,710)	(0.0350)	(0.81)%
13	Agricultural Irrigation Service	24	16,628	1,708,623,743	114,163,809	12.87%	(\$920,537)	(0.0539)	(0.81)%
14	Unmetered General Service	40	1,287	12,164,524	901,887	0.10%	(\$7,272)	(0.0598)	(0.81)%
15	Street Lighting	41	1,190	26,654,710	3,183,747	0.36%	(\$25,672)	(0.0963)	(0.81)%
16	Traffic Control Lighting	42	410	2,810,533	141,399	0.02%	(\$1,140)	(0.0406)	(0.81)%
17	Total Uniform Tariffs		479,277	12,441,569,876	\$848,783,672	95.70%	(\$6,843,999)		(0.81)%
18									
19	<u>Special Contracts</u>								
20	Micron	26	1	587,867,669	22,410,369	2.53%	(\$180,702)	NA	(0.81)%
21	J R Simplot	29	1	192,687,586	6,845,068	0.77%	(\$55,194)	NA	(0.81)%
22	DOE	30	1	236,974,493	8,845,806	1.00%	(\$71,326)	NA	(0.81)%
23	Hoku	32	1	0	0	0.00%	\$0	NA	0.00%
24	Total Special Contracts		4	1,017,529,748	\$38,101,243	4.30%	(\$307,222)		(0.81)%
25									
26	Total Idaho Retail Sales		479,281	13,459,099,624	\$886,884,915	100.00%	(\$7,151,221)		(0.81)%

Note:
 June 1, 2013 - May 31, 2014, Forecast

