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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 IMPLEMENT POWER COST) CASE NO. IPC-E-15-14
ADJUSTMENT ("PCA") RATES FOR)
ELECTRIC SERVICE FROM JUNE 1,)
2015, THROUGH MAY 31, 2016.)
_____)

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 in the
7 Regulatory Affairs Department.

8 Q. Please describe your educational background.

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

18 Q. Please describe your work experience with
19 Idaho Power.

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

1 analysis, and approving an appropriate credit limit
2 assignment. When necessary, I negotiated security or
3 collateral documents in accordance with corporate credit
4 standards. The other responsibilities in my position
5 included providing the financial support for the Grid
6 Operations, Planning, and Operations Analysis and
7 Development groups. This included preparing studies,
8 reports, analyses, and recommendations in areas such as
9 budgets, forecasts, capital expenditure proposals,
10 financial plans, and regulatory requirements.

11 In October 2010, I accepted a Regulatory Analyst II
12 position within the Regulatory Affairs Department of the
13 Company. My duties as a Regulatory Analyst II include
14 gathering, analyzing, and coordinating data from various
15 departments throughout the Company required for development
16 of jurisdictional separation studies. In addition, I
17 provide analyst support for the Company's regulatory issues
18 related to its pension plan, emission control upgrades at
19 the Jim Bridger power plant, the exchange of certain
20 transmission assets with PacifiCorp, and the Environmental
21 Protection Agency's proposed rule to regulate carbon
22 emissions from existing power plants under Clean Air Act
23 Section 111(d).

24 Q. What is the purpose of your testimony in this
25 proceeding?

1 the Company. The customer share will be a reduction to
2 rates at the same time as the PCA becomes effective.
3 Second, Idaho earnings above a 10.5 percent ROE will also
4 be shared, with customers receiving 75 percent of the
5 earnings applied as a reduction to the Company's pension
6 balancing account.

7 Q. Has the mechanism resulted in any action
8 following the completion of the 2009-2013 fiscal years?

9 A. Yes. The mechanism was originally established
10 in Case No. IPC-E-09-30 and approved in Order No. 30978,
11 effective for the years 2009-2011. The mechanism was
12 modified and extended in Case No. IPC-E-11-22 and approved
13 in Order No. 32424, effective for the years 2012-2014. The
14 ROE thresholds approved under each settlement stipulation
15 are displayed in the table below. Idaho Power's Idaho
16 jurisdictional earnings in 2011, 2012, and 2013 triggered
17 the earnings sharing provisions of the mechanism. As shown
18 in the table below, the Company has shared with customers a
19 total of \$93.3 million either as a direct rate offset in
20 the PCA or as an offset to amounts that would otherwise be
21 collected in rates. In 2009 and 2010, the Company's actual
22 Idaho jurisdictional year-end ROE was between 9.5 and 10.5
23 percent, resulting in no accelerated amortization of ADITC
24 or revenue sharing.

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	2009-2011	2012-2013
1 Available ADITC For Use	\$45 Million	\$45 Million
2 ROE Threshold	9.5%	9.5%
3 50-50 Sharing Threshold	10.5%	10%
4 75-25 Sharing Threshold	N/A	10.5%
5 Customer Benefits (\$Millions):		
6 Reduction to Rates	\$27.1	\$14.8
7 Offset to Pension Bal Acct	\$20.3	\$31.1
8 Total	\$47.4	\$45.9

10 Q. The Commission extended the revenue sharing
11 mechanism with modifications through 2019 in Order No.
12 33149. Did approval of the mechanism's extension in Case
13 No. IPC-E-14-14 affect the 2014 revenue sharing
14 computation?

15 A. No. The changes made to the mechanism in Case
16 No. IPC-E-14-14 and approved in Order No. 33149 take effect
17 beginning with fiscal year-end 2015 financial results.

18 **II. QUANTIFICATION AND AUDIT OF YEAR-END 2014 REVENUE**

19 **SHARING CALCULATIONS**

20 Q. Please describe the methodology used to
21 determine the Idaho jurisdictional 2014 year-end ROE.

22 A. The methodology used to determine the
23 Company's Idaho jurisdictional 2014 year-end ROE is
24 consistent with the methodology used for the year-end 2009
25 through 2013 ROE determinations and approved by the
26 Commission in Order No. 32558. First, the Company prepared
27 a full jurisdictional separation study ("JSS") based on
28 third quarter financial information as of September 30,
29 2014, and jurisdictional allocation factors from the 2013

1 Federal Energy Regulatory Commission Form 1 filing. The
2 results of this study were used to develop allocation
3 factors for various components of operating income and rate
4 base. Following the completion of the 2014 fiscal year,
5 retail revenues were directly assigned to each
6 jurisdiction, and the allocation factors from the third
7 quarter JSS were applied to all other year-end system
8 financial figures to determine year-end Idaho
9 jurisdictional net rate base and operating income. Common
10 equity was then allocated according to each jurisdiction's
11 proportion of net rate base. Finally, the Idaho
12 jurisdictional year-end ROE was determined by dividing the
13 Idaho-allocated earnings on common stock by the Idaho-
14 allocated portion of common equity.

15 Q. Do you have an exhibit demonstrating the
16 application of this methodology?

17 A. Yes. Exhibit No. 3 provides a step-by-step
18 calculation of the Idaho jurisdictional ROE and subsequent
19 revenue sharing benefits based on year-end 2014 financial
20 results utilizing the Commission-approved methodology
21 described above.

22 Q. Has the Company quantified the Idaho
23 jurisdictional 2014 ROE and any year-end earnings in excess
24 of 10 percent?

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1 \$16,693,134 in the form of a reduction to the Company's
2 pension balancing account. These amounts are displayed in
3 Exhibit No. 3 on line 71. An accounting entry was made to
4 reduce the pension deferral balancing account by
5 \$16,693,134 with an effective date of December 31, 2014, to
6 reflect this benefit.

7 Q. What is the total benefit customers will
8 receive as a result of revenue sharing based on the
9 Company's actual year-end 2014 financial results?

10 A. After tax gross-up, the combination of the
11 \$7,999,145 reduction to rates and the \$16,693,134 reduction
12 to the pension balancing account results in an overall
13 customer benefit of \$24,692,279.

14 **III. CLASS ALLOCATION**

15 Q. How does the Company propose to allocate the
16 \$7,999,145 revenue sharing to customer classes?

17 A. The Company proposes to allocate the
18 \$7,999,145 revenue sharing as a rate reduction to customer
19 classes based on each class's proportional share of
20 forecasted base revenues for the June 1, 2015, through May
21 31, 2016, sharing period.

22 Q. What is the impact of allocating the proposed
23 rate reduction to customer classes proportionally to base
24 revenues?

25

1 reduction to monthly invoices billed for June 2015 through
2 May 2016. The total revenue sharing benefit allocated to
3 each special contract is displayed in column E of Exhibit
4 No. 4.

5 Q. Is the Company's rate design proposal for the
6 2014 revenue sharing benefits the same as what has been
7 proposed and approved in prior years?

8 A. Yes, the Company is proposing to provide the
9 2014 revenue sharing benefits as a cents-per-kilowatt-hour
10 credit to all rate classes, excluding the special
11 contracts, and a flat dollar-per-month credit to the
12 special contract customers.

13 Q. Does this conclude your testimony?

14 A. Yes, it does.

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BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-15-14

IDAHO POWER COMPANY

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TESTIMONY

EXHIBIT NO. 3

IDAHO POWER COMPANY

ADDITIONAL INVESTMENT TAX CREDIT ANALYSIS
For the Twelve Months Ended December 31, 2014

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	Actual September 30, 2014			Actual December 31, 2014		
	TOTAL SYSTEM	IDAHO	IDAHO %	TOTAL SYSTEM	IDAHO	IDAHO %
*** SUMMARY OF RESULTS ***						
TOTAL COMBINED RATE BASE	2,955,893,466	2,829,257,997	95.7%			
				September Allocations/Ratios		
DEVELOPMENT OF NET INCOME				Update figures in RED		
OPERATING REVENUES						
RETAIL SALES REVENUES (Incl 449.1 Rev)	879,717,133	840,956,857	Direct Assign	1,130,280,125	1,079,412,163	Direct Assign
OTHER OPERATING REVENUES	114,097,333	108,834,683	95.4%	155,359,997	148,194,139	95.4%
TOTAL OPERATING REVENUES	993,814,466	949,791,540		1,285,640,122	1,227,606,302	
OPERATING EXPENSES						
OPERATION & MAINTENANCE EXPENSES	631,047,646	601,921,319	95.4%	832,181,422	793,771,663	95.4%
DEPRECIATION EXPENSE	93,847,321	89,784,608	95.7%	125,740,568	120,297,175	95.7%
AMORTIZATION OF LIMITED TERM PLANT	5,230,127	5,007,485	95.7%	6,986,000	6,688,612	95.7%
TAXES OTHER THAN INCOME	24,684,965	23,012,080	93.2%	31,748,230	29,596,671	93.2%
REGULATORY DEBITS/CREDITS	55,238	0	0.0%	73,651	0	0.0%
PROVISION FOR DEFERRED INCOME TAXE	18,760,820	18,054,144	96.2%	27,779,567	26,733,175	96.2%
INVESTMENT TAX CREDIT ADJUSTMENT	(214,533)	(205,378)	95.7%	41,541	39,768	95.7%
FEDERAL INCOME TAXES	16,291,847	15,867,237	97.4%	(7,413,733)	(7,220,511)	97.4%
STATE INCOME TAXES	4,836,758	4,682,034	96.8%	6,908,583	6,687,584	96.8%
TOTAL OPERATING EXPENSES	794,540,189	758,123,528		1,024,045,828	976,594,137	
OPERATING INCOME	199,274,277	191,668,012		261,594,294	251,012,165	
ADD: IERCO OPERATING INCOME	4,706,867	4,499,179	95.6%	7,092,887	6,779,917	95.6%
OPERATING INCOME BEFORE OTHER INCOME AN	203,981,144	196,167,191		268,687,181	257,792,082	95.9%
ADD: AFUDC EQUITY				17,930,898	17,162,708	95.7% (L 10)
ADD: OTHER INCOME AND DEDUCTIONS				(2,611,623)	(2,505,723)	95.9% (L 33)
INCOME BEFORE INTEREST CHARGES				284,006,457	272,449,067	
LESS: INTEREST CHARGES				79,580,631	76,171,263	95.7% (L 10)
NET INCOME				204,425,825	196,277,804	
ACTUAL YEAR-END RESULTS - BEFORE ITC ADJUSTMENT						
EARNINGS ON COMMON STOCK				204,425,825	196,277,804	
COMMON EQUITY AT YEAR END				1,832,268,616	1,753,771,134	95.7% (L10)
RETURN ON YEAR-END COMMON EQUITY				11.16%	11.19%	
EARNINGS ON COMMON STOCK @ 9.50 ROE				174,065,519	166,608,258 (L44 * 9.5%)	
EARNINGS ON COMMON STOCK @ 10 ROE				183,226,862	175,377,113 (L44 * 10%)	
EARNINGS ON COMMON STOCK @ 10.50 ROE				192,388,205	184,145,969 (L44 * 10.5%)	
ACTUAL YEAR-END RESULTS - AFTER ITC ADJUSTMENT:						
INVESTMENT TAX CREDIT ADJUSTMENT					(32,784,030) (L48-L43) / (1-9.5%)	
ADJUSTED EARNINGS ON COMMON STOCK					163,493,775	
ADJUSTED COMMON EQUITY AT YEAR-END					1,720,987,104	
ADJUSTED RETURN ON YEAR-END COMMON EQUITY					9.50%	

IF IDAHO RETURN ON COMMON EQUITY (Line 46) <9.5%		
ADDITIONAL ITC ADJUSTMENT (Annualize 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%		9,743,173 (L50-L49)/(1-10%)
IF IDAHO RETURN ON COMMON EQUITY (Line 46) >10.5%		
INCREMENTAL IDAHO EARNINGS GREATER THAN 10.50% ROE		13,555,123 (L43-L50)/(1-10.5%)
Per Order #32424:		
ROE between 10%-10.5% --CUSTOMER SHARE - 50% (Reduction to rates)	After Tax	Tax Gross Up
ROE between 10%-10.5% --COMPANY SHARE - 50%	4,871,586	7,999,145
ROE greater than 10.5% (Incremental) -- CUSTOMER SHARE - 75% (Offset to Pension balance)	10,166,343	16,693,134
ROE greater than 10.5% (Incremental) --COMPANY SHARE - 25%	3,388,781	
	23,298,296	

Prepared by: Kelley Noe

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-15-14**

IDAHO POWER COMPANY

**NOE, DI
TESTIMONY**

EXHIBIT NO. 4

Idaho Power Company
Calculation of Revenue Impact
Class Allocated Revenue Sharing Benefits
State of Idaho
Filed April 15, 2015

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) Dollars per kWh Rate	(G) Percent Revenue Change
Uniform Tariff Rates:									
1	Residential Service	1	419,714	4,975,976,021	451,890,740	44.34%	(\$3,546,973)	(\$0.000713)	(0.78)%
2	Master Metered Mobile Home Park	3	22	5,051,507	437,265	0.04%	(\$3,432)	(\$0.000679)	(0.78)%
3	Residential Service Energy Watch	4	0	0	0	0.00%	\$0	\$0.000000	0.00%
4	Residential Service Time-of-Day	5	1,403	25,733,211	2,241,125	0.22%	(\$17,591)	(\$0.000684)	(0.78)%
5	Small General Service	7	27,849	139,242,087	15,907,921	1.56%	(\$124,864)	(\$0.000897)	(0.78)%
6	Large General Service - Secondary	9S	33,699	3,281,782,926	223,120,061	21.89%	(\$1,751,310)	(\$0.000534)	(0.78)%
7	Large General Service - Primary	9P	202	475,252,577	28,047,944	2.75%	(\$220,153)	(\$0.000463)	(0.78)%
8	Large General Service - Transmission	9T	3	3,688,446	227,211	0.02%	(\$1,783)	(\$0.000484)	(0.78)%
9	Dusk to Dawn Lighting	15	0	6,364,061	1,264,908	0.12%	(\$9,928)	(\$0.001560)	(0.78)%
10	Large Power Service - Secondary	19S	1	6,278,646	370,254	0.04%	(\$2,906)	(\$0.000463)	(0.78)%
11	Large Power Service - Primary	19P	103	2,194,372,131	114,628,493	11.25%	(\$899,740)	(\$0.000410)	(0.78)%
12	Large Power Service - Transmission	19T	2	32,291,814	1,619,800	0.16%	(\$12,714)	(\$0.000394)	(0.78)%
13	Agricultural Irrigation Service	24	17,641	1,815,896,060	133,669,616	13.12%	(\$1,049,197)	(\$0.000578)	(0.78)%
14	Unmetered General Service	40	1,317	11,638,626	947,979	0.09%	(\$7,441)	(\$0.000639)	(0.78)%
15	Street Lighting	41	1,516	27,445,918	3,575,124	0.35%	(\$28,062)	(\$0.001022)	(0.78)%
16	Traffic Control Lighting	42	498	2,834,897	163,375	0.02%	(\$1,282)	(\$0.000452)	(0.78)%
17	Total Uniform Tariffs		503,970	13,003,848,928	\$978,111,817	95.98%	(\$7,677,377)		(0.78)%
Special Contracts									
18	Micron	26	1	474,108,872	22,365,544	2.19%	(\$175,551)	NA	(0.78)%
19	J R Simplot	29	1	198,846,061	8,647,177	0.85%	(\$67,873)	NA	(0.78)%
20	DOE	30	1	224,619,666	9,981,048	0.98%	(\$78,343)	NA	(0.78)%
21	J R Simplot - Caldwell	32	0	0	0	0.00%	\$0	NA	0.00%
22	Total Special Contracts		3	897,574,599	\$40,993,769	4.02%	(\$321,768)		(0.78)%
23	Total Idaho Retail Sales		503,973	13,901,423,527	\$1,019,105,586	100.00%	(\$7,999,145)		(0.78)%

Note:

(1) June 1, 2015 - May 31, 2016 Forecasted Test Year