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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 AN ORDER AUTHORIZING THE APPROVAL OF A LONG TERM PROGRAM CONTRACT WITH SIEMENS ENERGY, INC., AND DEFERRAL OF ASSOCIATED COSTS. | ) | CASE NO. IPC-E-15-17 |

IDAHO POWER COMPANY

**REDACTED** DIRECT TESTIMONY

OF

COURTNEY E. WAITES

Q. Please state your name and business address.

A. My name is Courtney E. Waites and my business address is 1221 West Idaho Street, Boise, Idaho 83702.

Q. By whom are you employed and in what capacity?

A. I am employed by Idaho Power Company ("Idaho Power" or "Company") as a Senior Regulatory Analyst in the Regulatory Affairs Department.

Q. Please describe your educational background.

A. In December of 1998, I received a Bachelor of Arts degree in Accounting from the University of Alaska in Anchorage, Alaska. In 2000, I earned a Master of Business Administration degree from Alaska Pacific University. I have attended New Mexico State University's Center for Public Utilities and the National Association of Regulatory Utility Commissioners "Practical Skills for the Changing Electric Industry" conference, the Electric Utility Consultants, Inc., "Introduction to Rate Design and Cost of Service Concepts and Techniques for Electric Utilities" conference, Edison Electric Institute's "Introduction to Public Utility Accounting" course, Edison Electric Institute's Electric Rates Advanced course, and SNL Knowledge Center's "Essentials of Regulatory Finance" course.

Q. Please describe your work experience with Idaho Power.

A. I began my employment with Idaho Power in December 2004 in the Accounts Payable Department. In 2005, I accepted a Regulatory Accountant position in the Finance Department where one of my tasks was to assist in responding to regulatory data requests pertaining to financial issues. In 2006, I accepted my current position, Regulatory Analyst, in the Regulatory Affairs Department. My duties as a Regulatory Analyst include providing support for the Company's various regulatory activities, including tariff administration, regulatory ratemaking and compliance filings, and the development of various pricing strategies and policies.

Q. What is Idaho Power requesting in this case?

A. Idaho Power is requesting (1) approval of a Long Term Program ("LTP") Contract with Siemens Energy, Inc. ("Siemens"), (2) approval of the transfer and sale of certain assets to Siemens pursuant to *Idaho Code* § 61-328, and (3) approval of the Company's proposed accounting treatment of costs associated with the LTP Contract.

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

A. My testimony will describe Idaho Power's request for approval of the transfer and sale of certain assets to Siemens pursuant to *Idaho Code* § 61-328 and its request for approval of the Company's proposed accounting treatment of costs related to the LTP Contract.

## I. ***IDAHO CODE* § 61-328**

Q. Please describe the Company's request for approval of the transfer and sale of certain assets to Siemens pursuant to *Idaho Code* § 61-328.

A. As mentioned in the testimony of Mr. Mahlum, Idaho Power currently has capitalized spare parts on hand in anticipation of maintenance outages. With a LTP Contract, the Company has no need for its current inventory of spare parts; Siemens will provide all parts necessary for maintenance and repair of Idaho Power's gas fleet. Under the terms of the LTP Contract, Siemens will take ownership of Idaho Power's inventory of initial spare parts for each combustion turbine ("initial spare parts"), as listed in Exhibit G to the LTP Contract provided as confidential Attachment 1 to the Application, and is expected to remove them from Idaho Power's facilities soon after the approval of the LTP Contract. In consideration of the transfer of the initial spare parts to Siemens, the contract price reflects a discount based on Idaho Power's net book value of the initial spare parts.

Q. Pursuant to *Idaho Code* § 61-328, an electric utility must obtain approval from the Idaho Public Utilities Commission ("Commission") before it sells or transfers ownership in any generation, transmission, or distribution plant. Further, *Idaho Code* § 61-328 states the Commission must find that the transaction is consistent with the public interest prior to authorization of the transaction. Is the transfer and sale of Idaho Power's initial spare parts to Siemens in the public interest?

A. Yes. In addition to the financial benefit of reduced contract costs over the life of the agreement, the transfer and sale of the initial spare parts will allow for the return of spare parts Idaho Power would otherwise no longer use. The demand for these specific spare parts is limited as the parts are no longer the latest technology and have a limited buyer pool, limiting its market value. The transfer and sale of the initial spare parts to Siemens provides significant value to Idaho Power customers in the form of reduced LTP Contract pricing.

Q. What is the net book value of the initial spare parts that will be transferred to Siemens?

A. As of December 31, 2014, the net book value of the assets that would be transferred to Siemens is approximately $21.9 million on an Idaho jurisdictional basis.

Q. Is the net book value of $21.9 million in initial spare parts part of the Company's approved rate base?

A. Approximately $19.1 million of the initial spare parts Idaho Power is proposing to transfer to Siemens is included in the Company's Idaho rate base approved under Order Nos. 32426 and 32585, Idaho Power's last general rate case (Case No. IPC-E-11-08) and Idaho Power's request for inclusion of the Langley Gulch power plant in rates (Case No. IPC-E-12-14). The remaining $2.9 million in initial spare parts are located at the Bennett Mountain and Danskin plants with vintage years of 2012 and 2013, having been placed in-service after the Company's last general rate case.

Q. How will Idaho Power's customers benefit from the transfer and sale of the initial spare parts to Siemens?

A. The transfer and sale of the initial spare parts to Siemens will result in lower overall costs during the life of the LTP Contract. As discussed in Mr. Mahlum's testimony, Siemens will install parts and equipment under the LTP Contract that are the latest and most advanced technology available on the market today. With this in mind, Idaho Power identified the initial spare parts as those parts the Company currently owns that would not be used or installed as part of a LTP Contract. During negotiations with Siemens regarding the LTP Contract pricing, Siemens agreed to take ownership of the initial spare parts in exchange for reduced contract pricing based on the net book value of those parts. Therefore, over the life of the LTP Contract, Idaho Power and its customers will pay a lower cost and receive more technologically advanced equipment than would exist under a Company-managed maintenance program.

Q. Do you believe the transfer of ownership in the initial spare parts to Siemens complies with *Idaho Code* § 61-328?

A. Yes. The transfer and sale of the initial spare parts to Siemens is consistent with the public interest, will result in lower overall costs to Idaho Power and its customers, and Siemens has the *bona fide* intent and financial ability to operate and maintain the initial spare parts in the public service.

## II. PROPOSED ACCOUNTING TREATMENT

Q. What is Idaho Power's proposed accounting treatment for the costs associated with the LTP Contract?

A. Idaho Power requests approval of (1) the deferral of the initiation fees to a regulatory asset, (2) the transfer of the net book value of the initial spare parts and associated net tax expense to the regulatory asset, and (3) a carrying charge on a portion of the regulatory asset balance.

Q. Why does the Company seek to defer the initiation fees?

A. While the LTP Contract provides significant benefits to customers over the life of the contract, absent the requested accounting treatment, the financial impact to the Company in the first few years is considerable, primarily attributable to the initiation fees and net tax expense. As mentioned in the testimony of Mr. Mahlum, the initiation fees serve as a prepayment toward services that will be performed by Siemens over the life of the agreement. Because the expense is for work performed throughout the duration of the contract, Idaho Power is proposing to establish the initiation fees, $[redacted] on an Idaho jurisdictional basis, as a regulatory asset. The Company is proposing to amortize that balance, on a straight-line basis, over the length of the contract, commencing on payment of the initiation fee to Siemens. The deferral and subsequent amortization of initiation fees will more closely match the expense recognition with the work being performed.

Q. What is the length of the amortization period the Company is requesting?

A. Idaho Power is requesting an amortization period of 20 years. As explained in the testimony of Mr. Mahlum, the estimated expiration date of the LTP Contract varies by combustion turbine but ranges 18-22 years. Using a 20-year period will align the length of the amortization with the range of the estimated contract duration.

Q. What is Idaho Power's proposed accounting for the deferral and amortization of the initiation fees in a regulatory asset?

A. Idaho Power proposes to record the deferred initiation fee amounts to Federal Energy Regulatory Commission ("FERC") Account 182.3, Other Regulatory Assets. The Company will record amortization of the deferred amounts to FERC Account 407.3, Regulatory Debits.

Q. If approved, how would the Company transfer the net book value of the initial spare parts to a regulatory asset?

A. If approved, the LTP Contract will provide for the transfer and sale of the initial spare parts to Siemens which, in turn, provides customers the benefit of lower contract costs over the life of the LTP Contract. The Company is requesting to transfer the unrecovered portion, or net book value, of the initial spare parts, $21.9 million on an Idaho jurisdictional basis subject to true-up, at closing. The Company also proposes to amortize the amounts on a straight-line basis over the estimated life of the LTP Contract, or 20 years, commencing on the execution of the LTP Contract. The deferral and subsequent amortization of the unrecovered portion of the initial spare parts over the contract life will more closely align the benefits received from the LTP Contract with the costs associated with transfer and sale of the assets.

Q. How does the amortization period of 20 years compare to the current depreciable life of the initial spare parts?

A. The initial spare parts have a remaining depreciable life of 30 years so a 20-year amortization period is an acceleration of the remaining depreciable life of the initial spare parts.

Q. What is Idaho Power's proposed accounting for the deferral to and amortization of the unrecovered amounts of the initial spare parts in a regulatory asset?

A. Idaho Power proposes to record the deferral of unrecovered initial spare parts to FERC Account 182.3, Other Regulatory Assets, and record amortization of the deferred amounts to FERC Account 407.3, Regulatory Debits.

Q. Will deferred taxes result from the transfer and sale of the initial spare parts to Siemens?

A. Yes. The transfer and sale of the initial spare parts to Siemens will create a net tax expense of approximately $1.8 million on an Idaho jurisdictional basis. Similar to the transfer of the unrecovered portions of the initial spare parts, because the tax expense is a result of the transaction that will provide customers benefits over the life of the LTP Contract, the Company is proposing to (1) record the net tax expense to FERC Account 282, Accumulated Deferred Income Taxes (debit Account 282, Accumulated Deferred Income Taxes, and credit Account 410.1, Deferred Income Tax Expense) and (2) amortize the amounts on a straight-line basis over the estimated life of the LTP Contract, or 20 years (debit Account 410.1, Deferred Income Tax Expense, and credit Account 282, Accumulated Deferred Income Taxes).

Q. Is Idaho Power proposing to accrue a carrying charge on the amounts included in the regulatory asset?

A. Yes. The Company is proposing to accrue a carrying charge on $[redacted] of the regulatory asset, $[redacted] in initiation fees and $2.9 million of the initial spare parts. Because $2.9 million of the initial spare parts has not yet been included in the Company's authorized rate base and therefore the Company is not currently earning a return on the amounts, Idaho Power is requesting to accrue a carrying charge on that amount, using the Company's most recent authorized rate of return.

Q. Will approval of Idaho Power's request in this case change customer rates at this time?

A. No, the Company is not requesting to change customer rates at this time.

Q. Has the Company determined what, if any, impact the LTP Contract will have on Idaho Power's revenue requirement?

A. Yes. Idaho Power completed an analysis that quantified the present value revenue requirement impact of executing the LTP Contract over a 20-year period, the estimated length of the agreement. The analysis compared the annual revenue requirement difference between two scenarios: (1) a scenario in which there was no LTP Contract (the self-management scenario) and (2) an LTP Contract scenario. Accordingly, this revenue requirement analysis looked at incremental costs associated with the execution of the LTP Contract as compared to the costs that would exist under continued self-management.

Q. What are the results of the present value revenue requirement analysis?

A. By entering into the LTP Contract, the Company's Idaho jurisdictional revenue requirement would be reduced by approximately $7.3 million over a 20-year period (2015-2034).

Q. Have you prepared an exhibit demonstrating the estimated revenue requirement impact?

A. Yes. Exhibit No. 1 provides a summary of the revenue impact to the Company's Idaho jurisdictional retail customers.

Q. Please explain what is driving the lower annual revenue requirements.

A. The annual revenue requirement under the LTP Contract generally provides for lower capital expenditures and lower operating expense amounts over the estimated life of the agreement, resulting in savings over 20 years.

Q. If the LTP Contract provides cost reductions over the next 20 years, why is Idaho Power not proposing to reduce customer rates at this time?

A. The present value revenue requirement analysis performed by the Company identified avoided costs that would exist under the LTP Contract. Absent the LTP Contract, these avoided costs would be included in future rates for recovery from customers. However, because the level of recovery of equivalent costs currently included in rates is less than the cost that would be incurred under the LTP Contract, it is not appropriate to further reduce rates at this time. The execution of the LTP Contract will serve to keep future customer rates lower than they would have otherwise been.

Q. Please summarize Idaho Power's proposed accounting treatment of costs associated with the LTP Contract.

A. Idaho Power is requesting approval of a regulatory asset that includes the deferral of $[redacted]

[redacted] of initiation fees paid to Siemens, $21.9 million associated with the net book value of the initial spare parts being transferred to Siemens, and $1.8 million related to the net tax expense resulting from the transfer and sale of the initial spare parts to Siemens. The Company is proposing to amortize these amounts over the estimated life of the LTP Contract, or 20 years. Finally, Idaho Power is proposing a carrying charge equal to the most recent authorized rate of return on $[redacted] of the regulatory asset balance.

Q. Does this conclude your testimony?

A. Yes, it does.

**ATTESTATION OF TESTIMONY**

STATE OF IDAHO )
) ss.
County of Ada )

I, Courtney E. Waites, having been duly sworn to testify truthfully, and based upon my personal knowledge, state the following:

I am employed by Idaho Power Company as a Senior Regulatory Analyst in the Regulatory Affairs Department and am competent to be a witness in this proceeding.

I declare under penalty of perjury of the laws of the state of Idaho that the foregoing pre-filed testimony and exhibit are true and correct to the best of my information and belief.

DATED this 5th day of June 2015.

Courtney E. Waites

SUBSCRIBED AND SWORN to before me this 5th day of June 2015.

Christa S. Bearry
Notary Public for Idaho
Residing at: Boise, Idaho
My commission expires: 02/04/2021

CHRISTA S. BEARRY NOTARY PUBLIC STATE OF IDAHO

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-15-17

IDAHO POWER COMPANY

# WAITES, DI
# TESTIMONY

# EXHIBIT NO. 1

**Idaho Power Company**
**Idaho Jursidictional Present Value Revenue Requirement Impact**
**Long Term Program Contract**
**2015 - 2034**

**LTP Contract Rev Req**

| **RATE BASE** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|---|---|---|---|
| Electric Plant in Service | | | | | | | | | | |
| Production Plant | 0 | 0 | 7,852,309 | 14,296,496 | 14,296,496 | 22,028,085 | 22,028,085 | 32,272,986 | 32,272,986 | 32,272,986 |
| Less: Accumulated Depreciation | 0 | 0 | 253,630 | 715,406 | 1,177,183 | 1,888,690 | 2,600,197 | 3,642,615 | 4,685,032 | 5,727,450 |
| Net Electric Plant in Service | 0 | 0 | 7,598,679 | 13,581,089 | 13,119,312 | 20,139,394 | 19,427,887 | 28,630,371 | 27,587,954 | 26,545,536 |
| Less: Accumulated Deferred Income Taxes | (1,765,931) | (1,589,338) | (1,493,834) | (1,330,110) | (1,129,916) | (991,523) | (851,490) | (736,132) | (628,419) | (531,591) |
| Add: Conservation - Other Deferred Prog | [redacted] | | | | | | | | | |
| **TOTAL COMBINED RATE BASE** | 30,111,326 | 28,517,463 | 34,603,368 | 39,004,784 | 36,925,544 | 42,389,963 | 40,121,154 | 47,791,009 | 45,223,610 | 42,667,095 |
| | | | | | | | | | | |
| **NET INCOME** | | | | | | | | | | |
| Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses | | | | | | | | | | |
| Operation and Maintenance Expenses | 0 | 0 | 928,082 | 767,911 | 11,416 | 925,527 | 17,944 | 1,229,399 | 26,818 | 27,086 |
| Depreciation Expenses | 0 | 0 | 253,630 | 461,777 | 461,777 | 711,507 | 711,507 | 1,042,417 | 1,042,417 | 1,042,417 |
| Amortization of Limited Term Plant | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Taxes Other Than Income | 0 | 0 | 49,965 | 91,426 | 91,883 | 142,281 | 142,993 | 210,544 | 211,596 | 212,654 |
| Provision for Deferred Income Taxes | 88,297 | 88,297 | 102,712 | 239,151 | 326,506 | 339,345 | 429,977 | 393,470 | 468,809 | 410,532 |
| Federal Income Taxes | (1,165,600) | (1,165,600) | (1,656,828) | (1,873,568) | (1,706,781) | (2,189,689) | (1,976,481) | (2,566,963) | (2,242,914) | (2,189,207) |
| State Income Taxes | (223,915) | (223,915) | (318,281) | (359,917) | (327,877) | (420,645) | (379,687) | (493,120) | (430,869) | (420,552) |
| Total Operating Expenses | 111,701 | 111,702 | 772,201 | 739,699 | 269,844 | 921,246 | 359,173 | 1,228,667 | 488,777 | 495,850 |
| **Consolidated Operating Income** | (111,701) | (111,702) | (772,201) | (739,699) | (269,844) | (921,246) | (359,173) | (1,228,667) | (488,777) | (495,850) |
| | | | | | | | | | | |
| Proposed Rate of Return | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% |
| | | | | | | | | | | |
| Earnings Impact | 2,478,452 | 2,353,174 | 3,492,025 | 3,805,475 | 3,172,192 | 4,253,097 | 3,512,695 | 4,985,041 | 4,043,353 | 3,849,484 |
| Net-to-Gross Tax Multiplier | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 |
| **Revenue Requirement** | **4,069,617** | **3,863,912** | **5,733,906** | **6,248,591** | **5,208,738** | **6,983,585** | **5,767,846** | **8,185,437** | **6,639,185** | **6,320,852** |

**Self Manage Rev Req**

| **RATE BASE** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|---|---|---|---|
| Electric Plant in Service | | | | | | | | | | |
| Production Plant | 22,550,631 | 32,788,660 | 42,632,330 | 48,353,465 | 50,438,463 | 54,617,417 | 69,876,553 | 76,766,269 | 76,766,269 | 77,842,072 |
| Less: Accumulated Depreciation | (2,972,484) | (1,913,410) | (536,386) | 1,025,431 | 2,654,594 | 4,418,736 | 6,675,749 | 9,155,299 | 11,634,850 | 14,149,149 |
| Net Electric Plant in Service | 25,523,115 | 34,702,070 | 43,168,716 | 47,328,034 | 47,783,869 | 50,198,681 | 63,200,804 | 67,610,970 | 65,131,420 | 63,692,924 |
| Less: Accumulated Deferred Income Taxes | 4,217,743 | 4,303,175 | 4,464,296 | 4,683,391 | 4,838,323 | 4,899,378 | 4,931,000 | 5,022,567 | 5,073,441 | 4,975,405 |
| Add: Conservation - Other Deferred Prog | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL COMBINED RATE BASE** | 21,305,372 | 30,398,895 | 38,704,420 | 42,644,643 | 42,945,546 | 45,299,303 | 58,269,805 | 62,588,403 | 60,057,979 | 58,717,518 |
| | | | | | | | | | | |
| **NET INCOME** | | | | | | | | | | |
| Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses | | | | | | | | | | |
| Operation and Maintenance Expenses | 174,670 | 186,649 | 625,099 | 644,513 | 440,745 | 680,529 | 238,989 | 1,282,386 | 254,926 | 517,539 |
| Depreciation Expenses | 728,385 | 1,059,074 | 1,377,024 | 1,561,817 | 1,629,162 | 1,764,143 | 2,257,013 | 2,479,551 | 2,479,551 | 2,514,299 |
| Amortization of Limited Term Plant | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes Other Than Income | 142,069 | 207,601 | 271,276 | 309,219 | 324,165 | 352,778 | 453,595 | 500,810 | 503,315 | 512,920 |
| Provision for Deferred Income Taxes | 77,297 | 94,739 | 256,469 | 407,659 | 457,279 | 433,970 | 446,535 | 575,608 | 522,985 | 405,107 |
| Federal Income Taxes | (1,291,782) | (1,538,222) | (2,050,072) | (2,318,534) | (2,334,673) | (2,484,464) | (2,704,968) | (3,272,860) | (2,887,884) | (2,936,533) |
| State Income Taxes | (248,154) | (295,496) | (393,824) | (445,396) | (448,496) | (477,272) | (519,631) | (628,724) | (554,770) | (564,115) |
| Total Operating Expenses | (417,515) | (285,655) | 85,973 | 159,278 | 68,182 | 269,685 | 171,532 | 936,771 | 318,123 | 449,215 |
| **Consolidated Operating Income** | 417,515 | 285,655 | (85,973) | (159,278) | (68,182) | (269,685) | (171,532) | (936,771) | (318,123) | (449,215) |
| | | | | | | | | | | |
| Proposed Rate of Return | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% |
| | | | | | | | | | | |
| Earnings Impact | 1,257,088 | 2,103,698 | 3,128,141 | 3,511,147 | 3,443,702 | 3,830,210 | 4,751,539 | 5,856,220 | 5,267,309 | 5,064,412 |
| Net-to-Gross Tax Multiplier | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 |
| **Revenue Requirement** | **2,064,138** | **3,454,272** | **5,136,407** | **5,765,304** | **5,654,558** | **6,289,205** | **7,802,027** | **9,615,913** | **8,648,921** | **8,315,765** |

| **REVENUE REQUIREMENT** | | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LTP Contract Rev Req** | | 4,069,617 | 3,863,912 | 5,733,906 | 6,248,591 | 5,208,738 | 6,983,585 | 5,767,846 | 8,185,437 | 6,639,185 | 6,320,852 |
| **Self Manage Rev Req** | | 2,064,138 | 3,454,272 | 5,136,407 | 5,765,304 | 5,654,558 | 6,289,205 | 7,802,027 | 9,615,913 | 8,648,921 | 8,315,765 |
| | | | | | | | | | | | |
| **LTP CONTRACT BENEFIT (COST)** | | **(2,005,480)** | **(409,640)** | **(597,499)** | **(483,287)** | **445,820** | **(694,381)** | **2,034,182** | **1,430,476** | **2,009,736** | **1,994,913** |
| | | | | | | | | | | | |
| **NPV OF REV IMPACT - 5 YRS** | **$** | **(2,739,298)** | | | | | | | | | |
| **NPV OF REV IMPACT - 10 YRS** | **$** | **751,629** | | | | | | | | | |
| **NPV OF REV IMPACT - 20 YRS** | **$** | **7,336,680** | | | | | | | | | |

**Idaho Power Company**
**Idaho Jursidictional Present Value Revenue Requirement Impact**
**Long Term Program Contract**
**2015 - 2034**

**LTP Contract Rev Req**

| RATE BASE | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|
| Electric Plant in Service | | | | | | | | | | |
| Production Plant | 34,668,425 | 34,668,425 | 47,494,192 | 47,494,192 | 47,494,192 | 47,494,192 | 47,494,192 | 60,557,444 | 71,905,833 | 71,905,833 |
| Less: Accumulated Depreciation | 6,847,240 | 7,967,030 | 9,501,092 | 11,035,155 | 12,569,217 | 14,103,280 | 15,637,342 | 17,593,347 | 19,915,906 | 22,238,464 |
| Net Electric Plant in Service | 27,821,185 | 26,701,395 | 37,993,099 | 36,459,037 | 34,924,975 | 33,390,912 | 31,856,850 | 42,964,097 | 51,989,927 | 49,667,368 |
| Less: Accumulated Deferred Income Taxes | (484,376) | (401,790) | (300,532) | (131,884) | 5,428 | 52,082 | 109,519 | 185,065 | 347,494 | 546,747 |
| Add: Conservation - Other Deferred Prog | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| **TOTAL COMBINED RATE BASE** | 42,478,259 | 39,858,612 | 49,631,789 | 46,511,809 | 43,423,165 | 40,425,179 | 37,416,410 | 47,030,841 | 54,476,972 | 50,537,891 |
| **NET INCOME** | | | | | | | | | | |
| Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses | | | | | | | | | | |
| Operation and Maintenance Expenses | 310,634 | 29,681 | 1,546,933 | 41,479 | 41,894 | 42,313 | 42,736 | 1,588,783 | 1,398,409 | 66,662 |
| Depreciation Expenses | 1,119,790 | 1,119,790 | 1,534,062 | 1,534,062 | 1,534,062 | 1,534,062 | 1,534,062 | 1,956,005 | 2,322,558 | 2,322,558 |
| Amortization of Limited Term Plant | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Taxes Other Than Income | 229,581 | 230,729 | 317,668 | 319,257 | 320,853 | 322,457 | 324,069 | 415,271 | 495,557 | 498,035 |
| Provision for Deferred Income Taxes | 386,646 | 399,112 | 412,570 | 559,814 | 510,601 | 476,528 | 448,882 | 451,028 | 597,146 | 672,941 |
| Federal Income Taxes | (2,313,477) | (2,233,296) | (3,028,472) | (2,672,074) | (2,627,013) | (2,596,021) | (2,571,004) | (3,371,263) | (3,697,932) | (3,332,414) |
| State Income Taxes | (444,425) | (429,022) | (581,777) | (513,312) | (504,656) | (498,702) | (493,896) | (647,628) | (710,382) | (640,165) |
| Total Operating Expenses | 701,669 | 529,913 | 1,613,904 | 682,145 | 688,661 | 693,557 | 697,769 | 1,805,116 | 1,818,277 | 1,000,538 |
| **Consolidated Operating Income** | (701,669) | (529,913) | (1,613,904) | (682,145) | (688,661) | (693,557) | (697,769) | (1,805,116) | (1,818,277) | (1,000,538) |
| Proposed Rate of Return | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% |
| Earnings Impact | 4,040,460 | 3,662,800 | 5,514,963 | 4,337,974 | 4,101,722 | 3,870,976 | 3,638,699 | 5,501,740 | 6,100,167 | 4,972,816 |
| Net-to-Gross Tax Multiplier | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 |
| **Revenue Requirement** | **6,634,435** | **6,014,318** | **9,055,569** | **7,122,953** | **6,735,028** | **6,356,143** | **5,974,744** | **9,033,858** | **10,016,474** | **8,165,364** |

**Self Manage Rev Req**

| RATE BASE | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|
| Electric Plant in Service | | | | | | | | | | |
| Production Plant | 79,051,843 | 79,743,739 | 83,588,897 | 85,115,486 | 85,551,064 | 85,734,805 | 97,009,750 | 123,868,000 | 131,674,276 | 138,568,541 |
| Less: Accumulated Depreciation | 16,702,523 | 19,278,246 | 21,978,167 | 24,727,398 | 27,490,697 | 30,259,931 | 33,393,346 | 37,394,282 | 41,647,362 | 46,123,125 |
| Net Electric Plant in Service | 62,349,320 | 60,465,493 | 61,610,729 | 60,388,088 | 58,060,367 | 55,474,874 | 63,616,404 | 86,473,718 | 90,026,914 | 92,445,416 |
| Less: Accumulated Deferred Income Taxes | 4,836,342 | 4,720,091 | 4,610,899 | 4,515,479 | 4,414,065 | 4,287,941 | 4,092,030 | 3,920,539 | 3,951,646 | 3,941,671 |
| Add: Conservation - Other Deferred Prog | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL COMBINED RATE BASE** | 57,512,977 | 55,745,402 | 56,999,830 | 55,872,609 | 53,646,303 | 51,186,932 | 59,524,375 | 82,553,178 | 86,075,268 | 88,503,745 |
| **NET INCOME** | | | | | | | | | | |
| Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses | | | | | | | | | | |
| Operation and Maintenance Expenses | 530,342 | 273,864 | 1,102,548 | 290,167 | 586,098 | 302,962 | 319,445 | 1,667,208 | 3,109,580 | 211,701 |
| Depreciation Expenses | 2,553,375 | 2,575,723 | 2,699,921 | 2,749,230 | 2,763,299 | 2,769,234 | 3,133,415 | 4,000,936 | 4,253,079 | 4,475,764 |
| Amortization of Limited Term Plant | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Taxes Other Than Income | 523,496 | 530,718 | 559,090 | 572,147 | 577,951 | 582,088 | 661,931 | 849,420 | 907,466 | 959,755 |
| Provision for Deferred Income Taxes | 372,387 | 351,053 | 332,460 | 339,725 | 324,864 | 311,079 | 170,280 | 205,335 | 494,225 | 496,083 |
| Federal Income Taxes | (2,937,939) | (2,849,312) | (3,177,304) | (2,953,441) | (3,059,994) | (2,959,345) | (3,062,952) | (4,136,299) | (5,075,665) | (4,282,099) |
| State Income Taxes | (564,385) | (547,360) | (610,368) | (567,363) | (587,832) | (568,497) | (588,401) | (794,593) | (975,048) | (822,602) |
| Total Operating Expenses | 477,275 | 334,687 | 906,348 | 430,465 | 604,385 | 437,521 | 633,718 | 1,792,008 | 2,713,638 | 1,038,602 |
| **Consolidated Operating Income** | (477,275) | (334,687) | (906,348) | (430,465) | (604,385) | (437,521) | (633,718) | (1,792,008) | (2,713,638) | (1,038,602) |
| Proposed Rate of Return | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% | 7.86% |
| Earnings Impact | 4,997,795 | 4,716,275 | 5,386,535 | 4,822,052 | 4,820,985 | 4,460,814 | 5,312,334 | 8,280,688 | 9,479,154 | 7,994,996 |
| Net-to-Gross Tax Multiplier | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 | 1.642 |
| **Revenue Requirement** | **8,206,379** | **7,744,124** | **8,844,690** | **7,917,810** | **7,916,057** | **7,324,656** | **8,722,853** | **13,596,890** | **15,564,771** | **13,127,784** |

| REVENUE REQUIREMENT | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|
| **LTP Contract Rev Req** | 6,634,435 | 6,014,318 | 9,055,569 | 7,122,953 | 6,735,028 | 6,356,143 | 5,974,744 | 9,033,858 | 10,016,474 | 8,165,364 |
| **Self Manage Rev Req** | 8,206,379 | 7,744,124 | 8,844,690 | 7,917,810 | 7,916,057 | 7,324,656 | 8,722,853 | 13,596,890 | 15,564,771 | 13,127,784 |
| **LTP CONTRACT BENEFIT (COST)** | **1,571,945** | **1,729,806** | **(210,879)** | **794,857** | **1,181,029** | **968,514** | **2,748,109** | **4,563,032** | **5,548,298** | **4,962,421** |
| **NPV OF REV IMPACT - 5 YRS** | **$ (2,739,298)** | | | | | | | | | |
| **NPV OF REV IMPACT - 10 YRS** | **$ 751,629** | | | | | | | | | |
| **NPV OF REV IMPACT - 20 YRS** | **$ 7,336,680** | | | | | | | | | |