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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S APPLICATION FOR ) CASE NO. IPC-E-16-19  
DEFERRAL AND RECOVERY OF COSTS )  
ASSOCIATED WITH PARTICIPATION )  
IN THE ENERGY IMBALANCE MARKET. )  
\_\_\_\_\_ )

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

TIMOTHY E. TATUM

1 Q. Please state your name, business address, and  
2 present position with Idaho Power Company ("Idaho Power" or  
3 "Company").

4 A. My name is Timothy E. Tatum. My business  
5 address is 1221 West Idaho Street, Boise, Idaho 83702. I  
6 am employed by Idaho Power as the Vice President of  
7 Regulatory Affairs in the Regulatory Affairs Department.

8 Q. Please describe your educational background.

9 A. I earned a Bachelor of Business Administration  
10 degree in Economics and a Master of Business Administration  
11 degree from Boise State University. I have also attended  
12 electric utility ratemaking courses, including "Practical  
13 Skills for The Changing Electrical Industry," a course  
14 offered through New Mexico State University's Center for  
15 Public Utilities, "Introduction to Rate Design and Cost of  
16 Service Concepts and Techniques" presented by Electric  
17 Utilities Consultants, Inc., and Edison Electric  
18 Institute's "Electric Rates Advanced Course." In 2012, I  
19 attended the Utility Executive Course at the University of  
20 Idaho.

21 Q. Please describe your work experience with  
22 Idaho Power.

23 A. I began my employment with Idaho Power in 1996  
24 as a Customer Service Representative in the Company's  
25 Customer Service Center where I handled customer phone

1 calls and other customer-related transactions. In 1999, I  
2 began working in the Customer Account Management Center  
3 where I was responsible for customer account maintenance in  
4 the areas of billing and metering.

5 In June of 2003, I began working as an Economic  
6 Analyst on the Energy Efficiency Team. As an Economic  
7 Analyst, I was responsible for ensuring that the demand-  
8 side management ("DSM") expenses were accounted for  
9 properly, preparing and reporting DSM program costs and  
10 activities to management and various external stakeholders,  
11 conducting cost-benefit analyses of DSM programs, and  
12 providing DSM analysis support for the Company's Integrated  
13 Resource Plan.

14 In August of 2004, I accepted a position as a  
15 Regulatory Analyst in the Regulatory Affairs Department.  
16 As a Regulatory Analyst, I provided support for the  
17 Company's various regulatory activities, including tariff  
18 administration, regulatory ratemaking and compliance  
19 filings, and the development of various pricing strategies  
20 and policies.

21 In August of 2006, I was promoted to Senior  
22 Regulatory Analyst. As a Senior Regulatory Analyst, my  
23 responsibilities expanded to include the development of  
24 complex financial studies to determine revenue recovery and  
25

1 pricing strategies, including the preparation of the  
2 Company's cost-of-service studies.

3           In September of 2008, I was promoted to Manager of  
4 Cost of Service and, in April of 2011, I was promoted to  
5 Senior Manager of Cost of Service and oversaw the Company's  
6 cost-of-service activities, such as power supply modeling,  
7 jurisdictional separation studies, class cost-of-service  
8 studies, and marginal cost studies. In March 2016, I was  
9 promoted to Vice President of Regulatory Affairs. As Vice  
10 President of Regulatory Affairs, I am responsible for the  
11 overall coordination and direction of the Regulatory  
12 Affairs Department, including development of jurisdictional  
13 revenue requirements and class cost-of-service studies,  
14 preparation of rate design analyses, and administration of  
15 tariffs and customer contracts.

16           Q.       What is the Company requesting in this case?

17           A.       The Company is requesting that the Idaho  
18 Public Utilities Commission ("Commission") (1) acknowledge  
19 the potential for long-term operational and net cost  
20 savings benefits related to Idaho Power's proposed  
21 participation in the western Energy Imbalance Market  
22 ("EIM"), (2) authorize the establishment of a regulatory  
23 deferral account to track necessary incremental costs  
24 associated with EIM participation, and (3) authorize the

25

1 Company to recover, in a future rate proceeding, the  
2 estimated incremental costs of joining the EIM.

3 Q. How is the Company's case organized?

4 A. My testimony in this case will present a  
5 quantification of the long-term cost savings benefits that  
6 could be obtained by Idaho Power on behalf of its customers  
7 through participation in the western EIM. Further, I will  
8 describe Idaho Power's proposed accounting treatment for  
9 incremental costs associated with participation in the  
10 western EIM, and the Company's request for authorization of  
11 future recovery of these costs. The testimony of Company  
12 witness Kathleen Anderson will describe in detail the  
13 operational aspects of joining the EIM, as well as the  
14 estimated costs and benefits of EIM participation.

15 Q. What is an EIM?

16 A. An EIM is a real-time market to dispatch  
17 economic bids voluntarily offered by participating  
18 resources in order to efficiently balance supply, transfers  
19 between balancing authority areas, and load across the EIM  
20 footprint, including Idaho Power's service area.

21 Q. Why is Idaho Power considering becoming a  
22 member of an EIM?

23 A. Participation in an EIM is likely to result in  
24 real, sustainable cost savings that will benefit customers  
25 over the long term. Moving from the current hourly market

1 structure to a sub-hourly, five-minute imbalance market is  
2 expected to lead to increased surplus sales opportunities,  
3 as well as net cost savings from increased access to  
4 others' lower-cost generation, translating into reduced  
5 annual Net Power Supply Expenses ("NPSE"). Under currently  
6 approved regulatory accounting practices, the majority of  
7 the benefits of reduced NPSE (95 percent of the Idaho  
8 jurisdictional share) will automatically flow directly to  
9 customers through the Company's annual Power Cost  
10 Adjustment ("PCA") mechanism. In addition, the Company  
11 anticipates that participation in the western EIM may  
12 result in improved transmission congestion, enhanced  
13 reliability, and more efficient integration of intermittent  
14 resources, further reducing power supply costs. Ms.  
15 Anderson addresses these benefits in greater detail in her  
16 testimony.

17 Q. Has Idaho Power quantified the potential cost  
18 savings benefits that could be derived from participation  
19 in an EIM?

20 A. Yes, as described in greater detail in the  
21 testimony of Ms. Anderson, Idaho Power contracted with  
22 Energy and Environmental Economics, Inc. ("E3") to perform  
23 a comprehensive study that estimates the potential for  
24 reduced NPSE that may exist with the Company's  
25 participation in the western EIM. The E3 study indicates

1 sub-hourly dispatch cost savings for Idaho Power's  
2 participation in the western EIM could range from \$4.1  
3 million to \$5.1 million per year beginning upon entrance  
4 into the market based on four different scenarios analyzed.

5 Q. Aside from the resulting impacts to NPSE, does  
6 Idaho Power expect to incur other incremental costs to  
7 prepare for and participate in the western EIM?

8 A. Yes. As detailed in the testimony of Ms.  
9 Anderson, Idaho Power's participation in the western EIM  
10 will require total estimated upfront costs of \$11.09  
11 million, which includes start-up expenses of approximately  
12 \$1.73 million, software integration costs of an estimated  
13 \$7.88 million, and metering investments anticipated to be  
14 \$1.48 million.

15 Q. Are there any ongoing incremental costs in  
16 addition to the upfront costs described above?

17 A. Yes. In addition to these upfront costs, the  
18 Company also anticipates incremental annual ongoing labor  
19 expenses of approximately \$836,000 associated with the  
20 addition of six full-time employees required to perform the  
21 needed operations for the Company's participation in the  
22 western EIM. There will also be ongoing market and hosted  
23 software fees of approximately \$786,000 per year beginning  
24 in April 2018 upon entrance into the western EIM.

25

1 Q. Idaho Power's participation in the western EIM  
 2 will require total estimated upfront costs of \$11.09  
 3 million as well as incremental annual ongoing labor,  
 4 market, and hosted software expenses of approximately \$1.62  
 5 million. Have you prepared a schedule of the costs and the  
 6 date they are expected to be incurred?

7 A. Yes, to provide the Commission with a clear  
 8 indication of both expected and ongoing costs, the  
 9 following Table 1 details the costs Idaho Power anticipates  
 10 incurring over the next five years as a result of  
 11 participation in the western EIM.

12 **Table 1**

<b>Costs (in millions)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
Start-up	\$0.39	\$1.22	\$0.12	\$0.00	\$0.00	\$1.73
Software	\$0.54	\$5.06	\$2.28	\$0.00	\$0.00	\$7.88
Metering	\$0.05	\$1.23	\$0.20	\$0.00	\$0.00	\$1.48
O&M	\$0.00	\$0.00	\$1.39	\$1.62	\$1.67	\$4.68
Total	\$0.98	\$7.51	\$3.99	\$1.62	\$1.67	\$15.77

13  
 14 Q. Has the Company determined what, if any, net  
 15 benefits may be derived from participation in the western  
 16 EIM?

17 A. Yes. Idaho Power completed an analysis that  
 18 presents the potential net benefits of western EIM

1 participation in the form of a present value revenue  
2 requirement impact study over a 10-year period.

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

5 A. By participating in the western EIM, the  
6 Company estimates that its Idaho jurisdictional revenue  
7 requirement would be reduced by approximately \$2.9-\$7.1  
8 million on a present value basis over a 10-year period  
9 (2016-2025).

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

12 A. Yes. Exhibit No. 1 provides a summary of the  
13 estimated annual revenue requirement impact under the E3  
14 study "base scenario" described in Ms. Anderson's  
15 testimony. Because Idaho Power views the E3 base scenario  
16 as an expected case, Exhibit No. 1 only models the base  
17 scenario results. The three alternate scenarios modeled by  
18 E3 are discussed in detail in the testimony of Ms.  
19 Anderson.

20 It should be noted that the annual revenue  
21 requirement impacts shown on Exhibit No. 1 simply reflect  
22 the incremental costs and NPSE benefits of western EIM  
23 participation and do not account for how those costs and  
24 benefits would be assigned to customers or the Company  
25 under current rate mechanisms and regulatory accounting

1 practices. Exhibit No. 1 is only intended to demonstrate  
2 that there is a potential for net positive benefits to be  
3 derived from Idaho Power's participation in the western  
4 EIM.

5 Q. What can be concluded by a review of Exhibit  
6 No. 1?

7 A. Exhibit No. 1 presents a reasonable estimate  
8 of the potential present value revenue requirement  
9 reductions that could result under western EIM  
10 participation. Although the Company anticipates incurring  
11 approximately \$11.09 million in upfront costs, the net  
12 decrease in power supply costs is expected to more than  
13 offset the revenue requirement associated with those  
14 amounts. However, as can be seen in years 2016 and 2017,  
15 Idaho Power would incur upfront start-up expenses in  
16 preparation for participation in the western EIM, and once  
17 participation begins in 2018, the majority of the resulting  
18 cost savings benefits will automatically flow directly to  
19 customers through the PCA. Absent an ability to recover  
20 these start-up and subsequent ongoing expenses, Idaho Power  
21 would suffer significant negative financial impacts.

22 Q. Has the Company quantified the potential  
23 financial impact of western EIM participation absent the  
24 ability to recover the upfront and ongoing costs detailed  
25 in this filing?

1           A.       Yes.   Exhibit No. 2 details the financial  
2   impact Idaho Power would experience absent the ability to  
3   recover the upfront and ongoing costs, with 95 percent of  
4   the expected NPSE benefits flowing to customers through the  
5   PCA.  As detailed on line 27 of Exhibit No. 2, the negative  
6   financial impact would total \$9.1 million on a net present  
7   value basis for the 2016-2025 forecast period.  Over the  
8   same time period, customers would receive a total estimated  
9   \$19.3 million on a net present value basis in reduced NPSE  
10  benefits through the annual PCA, as shown on line 29.

11           Q.       How does Idaho Power propose to address the  
12  proper matching of costs and benefits from a ratemaking  
13  perspective?

14           A.       Because the incremental start-up expenses will  
15  be incurred to attain both future and ongoing benefits for  
16  customers, Idaho Power proposes to defer the Idaho  
17  jurisdictional share of these expenses and associated  
18  incremental labor to a regulatory asset until they can be  
19  amortized into customer rates after participation in the  
20  western EIM commences.  The deferral and subsequent  
21  amortization of these incremental start-up expenses will  
22  more closely match the expense recognition with the period  
23  when benefits are achieved.

24           Q.       What is Idaho Power's estimate of the amounts  
25  the Company would defer prior to joining the western EIM?

1           A.       Idaho Power anticipates deferring start-up  
2 expenses of approximately \$1.73 million prior to an April  
3 2018 western EIM entrance date, as well as incremental  
4 annual ongoing labor, market, and hosted software expenses  
5 that will be incurred upon commencement of participation.

6           Q.       You indicated the start-up expenses include  
7 amounts associated with incremental labor. Is the Company  
8 seeking authorization to continue to defer the incremental  
9 labor expense to a regulatory asset once participation in  
10 the western EIM begins?

11          A.       Yes, Idaho Power is proposing to defer the  
12 Idaho jurisdictional share of incremental labor associated  
13 with employees dedicated entirely to EIM activities until  
14 customer rates are adjusted to reflect the annual  
15 amortization of the requested deferral balance and related  
16 ongoing incremental costs. While the Company's preference  
17 is that a rate adjustment would coincide with the  
18 commencement of EIM participation, it is possible that the  
19 Company would seek a rate adjustment sometime after April  
20 2018 and, therefore, authority to defer costs beyond that  
21 date is necessary.

22          Q.       Does Idaho Power have a proposed amortization  
23 period for the deferred costs?

24          A.       Yes. Idaho Power proposes an amortization  
25 period of 10 years that would not begin until rates are

1 adjusted to reflect such amortization and no earlier than  
2 April 2018 when western EIM participation is expected to  
3 commence.

4 Q. Why does the Company believe a 10-year  
5 amortization period is appropriate?

6 A. Once the Company has made the initial  
7 investments in start-up costs, software integration, and  
8 metering upgrades, Idaho Power's participation in the  
9 western EIM is indefinite, providing opportunities for  
10 potential benefits for years to come. Using a 10-year  
11 amortization period will result in a proper matching of  
12 expenses and benefits and is projected to ensure that  
13 annual revenue requirements in 2018 and beyond reflect only  
14 net positive benefits for customers.

15 Q. Does the Company have a proposed rate  
16 mechanism under which it would ultimately collect these  
17 deferred upfront costs and the software and metering  
18 investments?

19 A. No. Idaho Power is not proposing the method  
20 under which the upfront and ongoing incremental costs would  
21 be collected from customers at this time. Over the long  
22 term, the Company envisions that 100 percent of both the  
23 costs and benefits associated with EIM participation would  
24 be reflected in base rates as addressed in a general rate  
25 case. However, because the timing of the Company's next

1 general rate case is not known, it may be necessary to  
2 implement an interim rate mechanism for cost recovery to  
3 provide for proper matching of costs and benefits in  
4 customer rates.

5 Q. You mentioned that 95 percent of the Idaho  
6 jurisdictional share of NPSE benefits will automatically  
7 flow to customers through the PCA. Why then is the Company  
8 proposing to defer 100 percent of the Idaho jurisdictional  
9 share of the incremental costs?

10 A. As discussed previously, the Company's  
11 preference is to reflect 100 percent of both costs and  
12 benefits of participation in the western EIM in base rates  
13 over the long run. However, because the timing of the next  
14 general rate case is not known, an interim recovery method  
15 may be necessary. The Company fully anticipates that any  
16 such interim recovery solution would appropriately match  
17 the level of cost recovery with the provision of benefits.  
18 That is, if customers are to receive 95 percent of benefits  
19 through the PCA, the Company believes it would only be  
20 entitled to recovery of 95 percent of the associated annual  
21 expense from customers in the event that interim rate  
22 recovery is necessary because benefits are flowing to  
23 customers prior to the inclusion of all associated costs of  
24 participation in a general rate case.

25

1           Q.       What is Idaho Power's proposed accounting for  
2 the deferral and amortization of the incremental costs in a  
3 regulatory asset?

4           A.       Idaho Power proposes to record the deferred  
5 costs to Federal Energy Regulatory Commission ("FERC")  
6 Account 182.3, Other Regulatory Assets. The Company will  
7 record amortization of the deferred amounts to FERC Account  
8 407.3, Regulatory Debits. The Company is proposing to  
9 apply a carrying charge to the regulatory asset at the  
10 Commission-authorized deposit rate until amortization of  
11 deferred amounts begins, at which time the unamortized  
12 balance would earn the Company's current Idaho authorized  
13 rate of return, similar to the treatment of Idaho Power's  
14 other rate base items.

15          Q.       Why is Idaho Power seeking authorization to  
16 recover in a future rate proceeding the estimated costs of  
17 joining the western EIM?

18          A.       As noted above, the Company will incur  
19 approximately \$11.09 million in upfront costs required for  
20 participation in the western EIM. Of the \$11.09 million,  
21 the Company anticipates deferring start-up expenses and  
22 ongoing incremental labor under its proposed methodology,  
23 with the remainder of the expected incremental costs  
24 reflecting capital expenditures that will close to plant  
25 upon completion of the project in April 2018. As a result

1 of this investment, the Company expects to achieve the  
2 benefits detailed in the E3 study presented in the  
3 testimony of Ms. Anderson, notable as an expected reduction  
4 in annual NPSE ranging from \$4.1 million to \$5.1 million.  
5 Under the Company's existing PCA mechanism, 95 percent of  
6 the NPSE benefits resulting from EIM participation will  
7 automatically flow to customers through the PCA, resulting  
8 in costs initially borne by shareowners and creating  
9 benefits that automatically flow to customers. While the  
10 Company envisions that ultimately a general rate case is  
11 the recovery mechanism that will properly match 100 percent  
12 of both the costs and benefits associated with EIM  
13 participation, that recovery mechanism will be decided in a  
14 future proceeding. Consequently, Idaho Power is seeking  
15 assurance that the upfront and ongoing costs will be  
16 eligible for recovery when requested and that the proper  
17 matching of costs and benefits occur to prevent  
18 generational inequities. Without this assurance,  
19 shareowners would unfairly bear the risk of cost recovery,  
20 while 95 percent of the benefits resulting from these  
21 investments would automatically be passed through to  
22 customers. The Company's requested authorization for  
23 future cost recovery appropriately assigns the risk  
24 associated with investment in the western EIM to those who  
25 stand to receive the majority of the benefits.

1 Q. Does Idaho Power believe that the amounts  
2 listed in Table 1 include the total upfront project costs  
3 for which the Company anticipates it will seek recovery in  
4 a future rate proceeding?

5 A. Yes. As shown in Table 1, Idaho Power  
6 estimates the total costs of participation in the western  
7 EIM by 2020 to be \$15.77 million. Given the anticipated  
8 operational and financial benefits of EIM participation  
9 that will ultimately serve to reduce costs for customers,  
10 the Company requests the Commission's assurance that Idaho  
11 Power's prudently incurred expenses related to its  
12 participation in the western EIM will be recoverable in  
13 rates at a future date.

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

16 A. No, the Company is not requesting to change  
17 customer rates at this time. The intent of the deferral is  
18 to better match the costs of participation in the western  
19 EIM with the benefits when they are achieved upon  
20 participation beginning in April 2018. Therefore, the  
21 Company will not propose to change rates until a time when  
22 those benefits begin flowing to customers.

23 Q. Why should the Commission approve the  
24 Company's request in this case?

25

1           A.     Approval of the ability to defer the start-up  
2 expenses to a regulatory asset and the requested assurance  
3 of cost recovery of both the upfront and ongoing  
4 incremental costs will position the Company to pursue long-  
5 term net cost savings for customers while keeping Idaho  
6 Power's earnings neutral.

7           Q.     Do you believe that approval of the Company's  
8 request in this case will serve the public interest and  
9 provide Idaho Power a reasonable opportunity to recover its  
10 prudently incurred costs related to participation in the  
11 western EIM?

12          A.     Yes, I do.

13          Q.     Does this complete your testimony?

14          A.     Yes, it does.

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**ATTESTATION OF TESTIMONY**

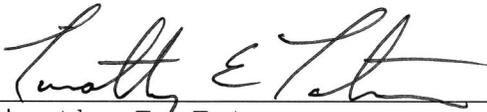
STATE OF IDAHO )  
                  ) ss.  
County of Ada )

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

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

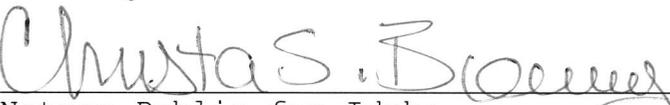
I declare under penalty of perjury of the laws of the state of Idaho that the foregoing pre-filed testimony and exhibits are true and correct to the best of my information and belief.

DATED this 19<sup>th</sup> day of August 2016.

  
\_\_\_\_\_  
Timothy E. Tatum

SUBSCRIBED AND SWORN to before me this 19<sup>th</sup> day of August 2016.



  
\_\_\_\_\_  
Notary Public for Idaho  
Residing at: Boise, Idaho  
My commission expires: 02/04/2021

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-16-19**

**IDAHO POWER COMPANY**

**TATUM, DI  
TESTIMONY**

**EXHIBIT NO. 1**

**Idaho Power Company  
EIM Participation**

**Idaho Jurisdictional Revenue Requirement**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>RATE BASE</b>										
1 Electric Plant in Service	0	0	5,220,884	7,541,278	7,541,278	7,541,278	7,541,278	7,541,278	7,541,278	7,541,278
2 Intangible Plant	0	0	979,649	1,415,048	1,415,048	1,415,048	1,415,048	1,415,048	1,415,048	1,415,048
3 Production Plant	0	0	6,200,533	8,956,326	8,956,326	8,956,326	8,956,326	8,956,326	8,956,326	8,956,326
4 Total Electric Plant in Service	0	0	31,074	75,958	120,841	165,725	210,609	255,493	300,377	345,261
5 Less: Accumulated Depreciation	0	0	745,841	1,823,166	2,900,491	3,977,817	5,055,142	6,132,467	7,209,793	7,541,278
6 Less: Amortization of Other Plant	0	0	5,423,619	7,057,202	5,934,993	4,812,784	3,690,574	2,568,365	1,446,155	1,069,787
7 Net Electric Plant in Service	0	0	634,133	1,347,521	1,505,159	1,528,077	1,283,277	903,926	523,310	273,253
8 Less: Accumulated Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0
9 Add: Conservation - Other Deferred Prog	0	0	4,789,486	5,709,681	4,429,834	3,284,706	2,407,297	1,664,438	922,845	796,533
10 <b>TOTAL COMBINED RATE BASE</b>	0	0	4,134,737	5,512,983	5,512,983	5,512,983	5,512,983	5,512,983	5,512,983	5,512,983
<b>NET INCOME</b>										
11 Operating Revenues	0	0	2,379,389	2,800,211	2,846,783	2,894,751	2,944,158	2,995,046	3,047,460	3,101,445
12 Sales Revenues	0	0	31,074	44,884	44,884	44,884	44,884	44,884	44,884	44,884
13 Operating Expenses	373,099	1,165,391	0	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325
14 Operation and Maintenance Expenses	0	0	745,841	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325
15 Depreciation Expenses	0	0	30,684	44,542	44,765	44,989	45,214	45,440	45,667	45,895
16 Amortization of Limited Term Plant	0	0	1,268,267	158,509	156,768	(110,931)	(378,670)	(380,031)	(381,201)	(118,912)
17 Taxes Other Than Income	(122,358)	(382,190)	(988,956)	297,090	283,294	505,753	727,775	712,226	696,010	679,116
18 Provision for Deferred Income Taxes	(23,505)	(73,420)	2,563	(8,886)	(11,329)	63,240	137,730	134,904	131,929	128,801
19 Federal Income Taxes	227,236	709,781	3,468,859	4,413,675	4,442,490	4,570,011	4,598,416	4,629,794	4,662,073	4,712,714
20 State Income Taxes	(227,236)	(709,781)	665,878	1,099,308	1,070,493	992,972	914,567	883,189	850,909	1,300,269
21 Total Operating Expenses	0	0	0	0	0	0	0	0	0	0
22 Operating Income	(227,236)	(709,781)	665,878	1,099,308	1,070,493	992,972	914,567	883,189	850,909	1,300,269
23 Add: IERCO Operating Income	0	0	0	0	0	0	0	0	0	0
24 <b>Consolidated Operating Income</b>	(227,236)	(709,781)	665,878	1,099,308	1,070,493	992,972	914,567	883,189	850,909	1,300,269
25 Authorized Rate of Return	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%
26 Earnings Impact	227,236	709,781	(289,424)	(650,527)	(722,308)	(734,794)	(725,354)	(752,364)	(778,374)	(1,237,661)
27 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
28 <b>Revenue Requirement</b>	373,122	1,165,461	(475,235)	(1,068,165)	(1,186,030)	(1,206,532)	(1,191,030)	(1,235,381)	(1,278,090)	(2,032,240)

29 **NPV OF REV REQ IMPACT - 10 YRS** \$ (4,375,102)

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-16-19**

**IDAHO POWER COMPANY**

**TATUM, DI  
TESTIMONY**

**EXHIBIT NO. 2**

**Idaho Power Company**  
**EIM Participation - Earnings Impact**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>RATE BASE</b>										
1 Electric Plant in Service	0	0	5,220,884	7,541,278	7,541,278	7,541,278	7,541,278	7,541,278	7,541,278	7,541,278
2 Intangible Plant	0	0	979,649	1,415,048	1,415,048	1,415,048	1,415,048	1,415,048	1,415,048	1,415,048
3 Production Plant	0	0	6,200,533	8,956,326	8,956,326	8,956,326	8,956,326	8,956,326	8,956,326	8,956,326
4 Total Electric Plant in Service	0	0	31,074	75,958	120,841	165,725	210,609	255,493	300,377	345,261
5 Less: Accumulated Depreciation	0	0	745,841	1,823,166	2,900,491	3,977,817	5,055,142	6,132,467	7,209,793	7,541,278
6 Less: Amortization of Other Plant	0	0	5,423,619	7,057,202	5,934,993	4,812,784	3,690,574	2,568,365	1,446,155	1,069,787
7 Net Electric Plant in Service	0	0	634,133	1,347,521	1,505,159	1,528,077	1,283,277	903,926	523,310	273,253
8 Less: Accumulated Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0
9 Add: Conservation - Other Deferred Prog	0	0	4,789,486	5,709,681	4,429,834	3,284,706	2,407,297	1,664,438	922,845	796,533
10 <b>TOTAL COMBINED RATE BASE</b>	0	0	206,737	275,649	275,649	275,649	275,649	275,649	275,649	275,649
<b>NET INCOME</b>										
11 Operating Revenues	373,099	1,165,391	1,492,090	1,617,145	1,663,717	1,711,686	1,761,092	1,811,980	1,864,394	1,918,380
12 Sales Revenues	0	0	31,074	44,884	44,884	44,884	44,884	44,884	44,884	44,884
13 Operating Expenses	0	0	745,841	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325	1,077,325
14 Operation and Maintenance Expenses	0	0	30,684	44,542	44,765	44,989	45,214	45,440	45,667	45,895
15 Depreciation Expenses	0	0	1,268,267	158,509	156,768	(110,931)	(378,670)	(380,031)	(381,201)	(118,912)
16 Amortization of Limited Term Plant	0	0	(122,358)	(382,190)	(1,986,154)	(1,032,507)	(1,046,303)	(823,844)	(617,372)	(633,587)
17 Taxes Other Than Income	(23,505)	(73,420)	(189,001)	(264,305)	(266,748)	(192,179)	(117,689)	(120,515)	(123,490)	(126,618)
18 Provision for Deferred Income Taxes	227,236	709,781	1,392,798	1,645,594	1,674,408	1,751,979	1,830,334	1,861,713	1,893,992	1,444,632
19 Federal Income Taxes	(227,236)	(709,781)	(1,186,062)	(1,369,945)	(1,398,759)	(1,476,280)	(1,554,685)	(1,586,064)	(1,618,343)	(1,168,983)
20 State Income Taxes	0	0	0	0	0	0	0	0	0	0
21 Total Operating Expenses	(227,236)	(709,781)	(1,186,062)	(1,369,945)	(1,398,759)	(1,476,280)	(1,554,685)	(1,586,064)	(1,618,343)	(1,168,983)
22 Operating Income	0	0	0	0	0	0	0	0	0	0
23 Add: IERCO Operating Income	0	0	0	0	0	0	0	0	0	0
24 <b>Consolidated Operating Income</b>	0	0	0	0	0	0	0	0	0	0
25 Authorized Rate of Return	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%	7.86%
26 Earnings Impact	(227,236)	(709,781)	(1,562,515)	(1,818,726)	(1,746,944)	(1,734,458)	(1,743,899)	(1,716,888)	(1,690,878)	(1,231,591)
27 <b>NPV OF EARNINGS IMPACT - 10 YRS</b>	<b>\$ (9,105,775)</b>									
28 CUSTOMER BENEFIT THROUGH PCA @ 95%	0	0	3,040,702	4,054,268	4,054,268	4,054,268	4,054,268	4,054,268	4,054,268	4,054,268
29 <b>NPV OF CUSTOMER BENEFIT - 10 YRS</b>	<b>\$ 19,325,623</b>									