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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	
APPLICATION OF ROCKY)	CASE NO. PAC-E-07-05
MOUNTAIN POWER FOR APPROVAL)	
OF CHANGES TO ITS ELECTRIC)	Rebuttal Testimony
SERVICE SCHEDULES)	of Mark T. Widmer

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-07-05

October 2007

1 **Q. Please state your name, business address and present position with the**
2 **Company (also referred to as Rocky Mountain Power).**

3 A. My name is Mark T. Widmer, my business address is 825 N.E. Multnomah, Suite
4 800, Portland, Oregon 97232, and my present title is Director, Net Power Costs.

5 **Q. Are you the same Mark T. Widmer that previously submitted testimony in**
6 **this proceeding?**

7 A. Yes.

8 **Summary of Testimony**

9 **Q. Will you please summarize your testimony?**

10 A. I present an update to the Company's proposed net power costs. In addition, my
11 testimony:

- 12 • Rebutts Mr. Timothy Shurtz's recommendation to update natural gas expense,
13 and
- 14 • Provides the net power cost impact of Mr. Michael Gorman's proposal to
15 remove generation assets that were or are planned to be placed in service
16 during calendar year 2007.

17 **Net Power Cost Update**

18 **Q. Please describe the updates proposed by the Company.**

19 A. The Company proposes three updates to net power costs. Those updates include
20 the correction of a natural gas swap error, removal of demand side management
21 costs, and an adjustment to remove the Goodnoe Hills wind project. The impact
22 of these updates on revenue requirement in this case is provided in the rebuttal
23 testimony of Company witness Mr. Steven R. McDougal.

1 **Q. Please explain the natural gas swaps error?**

2 A. Based on a review subsequent to our filing, the Company determined that natural
3 gas swap sales were incorrectly coded as purchases, due to a data system error.
4 The Company notified the Commission Staff and other parties of the error. As
5 correctly noted by Commission Staff in its testimony, correction of this error
6 reduces net power costs by approximately \$34.7 million on a total Company basis
7 and \$2.4 million on an Idaho basis.

8 **Q. Please explain the demand side management program adjustments.**

9 A. During the discovery process the Company discovered that certain demand side
10 management expenses were double counted because they were included in net
11 power costs as well as FERC account 557, other power supply expense which is
12 not a component of net power costs. This adjustment removes the expense from
13 net power costs because the Company's actual accounting includes the expense in
14 account 557. This adjustment reduces net power costs by \$1.0 million total
15 Company or \$63,064 Idaho.

16 **Q. Please explain the Goodnoe Hills wind project adjustment?**

17 A. As explained by Company witness Mr. McDougal, the Goodnoe Hills wind
18 project is being removed due to the uncertainty of the number of turbines that will
19 be placed in service prior to December 31, 2007. This adjustment is consistent
20 with Staff's proposal to remove all resources that are not placed in service by
21 December 31, 2007, and it increases net power costs by \$2.5 million total
22 Company or \$163,051 Idaho. This adjustment increases net power costs because
23 the zero cost Goodnoe energy is principally replaced with market purchases.

1 **Shurtz Natural Gas Expense**

2 **Q. Please explain Mr. Shurtz's natural gas expense concerns?**

3 A. Mr. Shurtz is concerned that the Company has not reflected the market price
4 decline of natural gas that occurred subsequent to the Company's filing and
5 requests that the Commission determine whether the decline should be included in
6 the Company's results.

7 **Q. Do you agree with Mr. Shurtz's assumption that the decline in natural gas
8 market prices translates into a decline in the Company's net power costs?**

9 A. No. Natural gas is hedged on a forward basis to insulate customers from exposure
10 to significantly higher net power costs as experienced by the Company during the
11 2000/2001 California energy crisis. While hedging protects customers from price
12 increases, it also prevents customers and the Company from benefiting from price
13 decreases.

14 **Q. Have you calculated the impact of updating natural gas prices?**

15 A. Yes. The Company's original filing used market prices based on the Company's
16 March 30, 2007 official forward price curve. Updating natural gas fuel prices to
17 the June 29, 2007 official forward price curve actually increases net power costs
18 by \$4.2 million on a total Company basis and \$276,431 on an Idaho basis. This is
19 an example of the result when market prices drop below the hedge price.

20 **Gorman Exclusion of 2007 Generation Plant**

21 **Q. Did Monsanto calculate the net power cost impact of Mr. Gorman's
22 recommendation to eliminate all 2007 plant additions?**

23 A. No.

1 **Q. Have you calculated the net power cost impact of Mr. Gorman's**
2 **recommendation?**

3 A. Yes. The impact of removing the Lake Side combined cycle combustion turbine,
4 Marengo wind project, and Blundell bottoming cycle increases net power costs by
5 \$40.2 million on a total Company basis and \$2.6 million on an Idaho basis. The
6 Goodnoe Hills wind project was excluded from this calculation because it is being
7 removed from the Company's filing as discussed above. If the Commission
8 adopts Mr. Gorman's recommendation to remove all plant additions placed in
9 service during 2007, net power costs must be updated by this amount to properly
10 match the costs and benefits related to new plant.

11 **Q. Does this conclude your rebuttal testimony?**

12 A. Yes.