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July 23, 2009

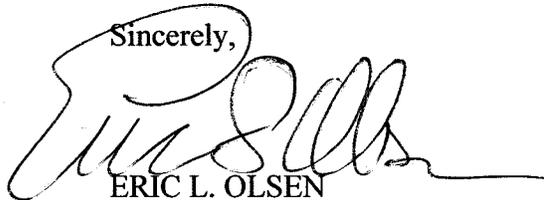
Jean Jewell  
IPUC Commission Secretary  
PO Box 83720  
Boise, Idaho 83720-0084

Re: *PAC-E-08-08 / Peak Rewards Program Petition*

Dear Mrs. Jewell:

Enclosed for filing you will find the original and nine copies of the Direct Testimony of Anthony Yankel, along with a Certificate of Service. We are also submitting a searchable CD with the testimony.

Sincerely,



ERIC L. OLSEN

ELO:nj  
Enclosures  
c: Service List

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Attorneys for Intervenor  
Idaho Irrigation Pumpers Association, Inc.

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION )  
OF ROCKY MOUNTAIN POWER FOR ) CASE NO. PAC-E-08-08  
APPROVAL OF AN ENERGY COST ) CERTIFICATE OF  
ADJUSTMENT MECHANISM ) SERVICE  
\_\_\_\_\_ )

I HEREBY CERTIFY that on this 23<sup>rd</sup> day of July, 2009, I served a true and correct copy of IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.'S DIRECT TESTIMONY OF ANTHONY J. YANKEL upon the following named parties by the method indicated below, and addressed to the following:

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ERIC L. OLSEN

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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IDAHO PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF ROCKY MOUNTAIN POWER FOR )  
APPROVAL OF AN ENERGY COST )  
ADJUSTMENT MECHANISM )  
\_\_\_\_\_ )

CASE NO. PAC-E-08-08

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.

DIRECT TESTIMONY

OF

ANTHONY J. YANKEL

July 23, 2009

1 Q. PLEASE STATE YOUR NAME, ADDRESS, AND EMPLOYMENT.

2

3 A. I am Anthony J. Yankel. I am President of Yankel and Associates, Inc. My  
4 address is 29814 Lake Road, Bay Village, Ohio, 44140.

5

6 Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL  
7 BACKGROUND AND PROFESSIONAL EXPERIENCE?

8

9 A. I received a Bachelor of Science Degree in Electrical Engineering from Carnegie  
10 Institute of Technology in 1969 and a Master of Science Degree in Chemical Engineering from  
11 the University of Idaho in 1972. From 1969 through 1972, I was employed by the Air  
12 Correction Division of Universal Oil Products as a product design engineer. My chief  
13 responsibilities were in the areas of design, start-up, and repair of new and existing product lines  
14 for coal-fired power plants. From 1973 through 1977, I was employed by the Bureau of Air  
15 Quality for the Idaho Department of Health & Welfare, Division of Environment. As Chief  
16 Engineer of the Bureau, my responsibilities covered a wide range of investigative functions.  
17 From 1978 through June 1979, I was employed as the Director of the Idaho Electrical Consumers  
18 Office. In that capacity, I was responsible for all organizational and technical aspects of  
19 advocating a variety of positions before various governmental bodies that represented the  
20 interests of the consumers in the State of Idaho. Since 1979, I have been in business for myself.  
21 I am a registered Professional Engineer. I have presented testimony before the Federal Energy  
22 Regulatory Commission (FERC), as well as the State Public Utility Commissions of Idaho,  
23 Montana, Ohio, Pennsylvania, Utah, and West Virginia.

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Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Idaho Irrigation Pumpers Association, Inc.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to support the Stipulation in this case regarding the application by Rocky Mountain Power (a division of PacifiCorp) for approval of an Energy Cost Adjustment Mechanism (ECAM). This Stipulation has been entered into by Rocky Mountain Power (“the Company”), Staff of the Idaho Public Utilities Commission (“Staff”), the Idaho Irrigation Pumpers Association (“Irrigators”), and Monsanto Company. Collectively, I will refer to this group that has signed the Stipulation as “the Parties”. I will provide from the Irrigator’s perspective an overview of why the Irrigators believe that the Stipulation is fair, just, and reasonable and in the best interest of the ratepayers. As such, I recommend that the Idaho Public Utilities Commission (“Commission”) approve the Stipulation and all of its terms and conditions.

## Background

1  
2  
3 Q. DOES THE COMPANY HAVE AN ENERGY COST ADJUSTMENT  
4 MECHANISM IN THE OTHER STATE JURISDICTIONS IN WHICH IT OPERATES?  
5

6 A. At this time, the Company has an energy cost adjustment mechanism in four out  
7 of the six state jurisdictions in which it operates. If this Stipulation is approved, then Idaho will  
8 be the fifth state, leaving Utah as the sole state in which the Company does not have such a  
9 mechanism.

10 Approximately 20 years ago and operating under the name of Utah Power & Light, the  
11 Company did have such an adjustment mechanism in Utah. After several years, the mechanism  
12 that existed at that time was found to be faulty by the Utah Commission and was abandoned.  
13

14 Q. IS THE ENERGY COST ADJUSTMENT MECHANISM THAT THE  
15 COMPANY HAS IN OTHER STATES THE SAME AS THAT PROPOSED HERE IN THIS  
16 STIPULATION?  
17

18 A. No. The mechanisms are all different in each of the states in which the Company  
19 operates. Although it is somewhat of an administrative burden for the Company to have four or  
20 five different power cost adjustment clauses, each Commission is thus able to have a power cost  
21 adjustment mechanism that fits its own unique circumstances and requirements.  
22

1 Q. DO THE OTHER INVESTOR OWNED ELECTRIC UTILITIES THAT  
2 OPERATE IN IDAHO HAVE A POWER COST ADJUSTMENT MECHANISM?

3  
4 A. Yes. Both Avista and Idaho Power have such mechanisms. I have worked with  
5 the Idaho Power mechanism (Power Cost Adjustment or PCA) since its inception in 1992. The  
6 Company the only investor owned utility in Idaho that at this time does not have such a  
7 mechanism.

8  
9 Q. SHOULD EVERY INVESTOR OWNED UTILITY HAVE AN ENERGY COST  
10 ADJUSTMENT MECHANISM AS PROPOSED IN THIS CASE?

11  
12 A. Not necessarily. The fact that Avista and Idaho Power have similar mechanisms  
13 is no basis to conclude that the Company should have a similar mechanism. Both Avista and  
14 Idaho Power rely on a tremendous amount upon hydro power for purposes of their own  
15 generation. While the "fuel" cost of hydro power is essentially zero, hydro power has some  
16 drawbacks. By its very nature, it is dependent upon weather conditions; specifically, dry or wet  
17 periods which can greatly impact the amount of generation that is available for Company use. If  
18 drought conditions occur, other sources of power must be sought/utilized and the company's  
19 "fuel" expense goes from near zero to something substantial. It is this volatility in the cost of  
20 producing energy for a hydro based utility that makes the use of an energy cost adjustment  
21 mechanism desirable for hydro utilities. Although the Company has some limited hydro  
22 generation, its dependence upon this source of energy does not rise to the level of concern that  
23 would be associated with a predominantly hydro based utility.

1 Q. ARE THERE OTHER REASONS FOR HAVING AN ENERGY COST  
2 ADJUSTMENT MECHANISM?

3

4 A. Yes. In a case where a utility sells and/or buys a great deal of energy in the  
5 market, and where market prices can widely fluctuate, an energy cost adjustment mechanism  
6 may be of value in adjusting the utility's rates on more of a real-time basis in order to follow  
7 costs that are being incurred on the system. This is generally the case with the Company where a  
8 large percentage of its load is served by not only its own generation, but by purchased power as  
9 well, while at the same time, the Company sells a great deal of power into the markets as well.

10

11 Q. HOW HAVE THE COMPANY'S NET POWER COSTS VARIED OVER THE  
12 LAST FEW YEARS?

13

14 A. In the Company's 2007 general rate case, it filed for a test year net power cost of  
15 approximately \$862 million. In the 2008 general rate case, it filed for a test year net power cost  
16 that was \$120 million greater or \$982 million. Its actual net power costs for the twelve months  
17 ended December 31, 2008 were \$118 million greater than the 2008 test year amount, or \$1.1  
18 billion.

19

20 Q. IF THE COMMISSION ADOPTS AN ENERGY COST ADJUSTMENT  
21 MECHANISM IN THIS CASE, WILL THE COMMISSION BE REQUIRED TO KEEP SUCH  
22 A MECHANISM IN PLACE?

23



1 Q. WILL THE ENERGY COST ADJUSTMENT MECHANISM BE EQUALLY  
2 BENEFICIAL TO BOTH THE COMPANY AND TO THE CUSTOMERS?

3 A. Yes. The mechanism is designed to be symmetrical. That is, the customers will  
4 be accountable for 90% of the difference between the actual net power costs and the modeled net  
5 power costs that were developed in the last general rate case. The Company will be responsible  
6 for the other 10%. What this means is that if power costs are greater than forecast in the last  
7 general rate case, then customers will be responsible for 90% of this difference. By the same  
8 token, if the costs are lower than forecast, the customers will be given 90% of this difference as  
9 well.

10  
11 Q. IDAHO POWER'S PCA HAS A SIMILAR SYMMETRICAL SHARING  
12 BAND, BUT THE PERCENTAGE WAS RECENTLY RAISED FROM 90% UP TO 95%.  
13 WHY IS THE SHARING BAND IN THIS STIPULATION SET AT ONLY 90%?

14  
15 A. The simplest reason would be that Idaho Power and Rocky Mountain Power are  
16 not the same. Idaho Power has had a PCA for almost 20 years and the Irrigators and Staff are  
17 very familiar with it—there is no such familiarity regarding the Company. Idaho Power has to  
18 function in the same volatile energy market as does the Company, but Idaho Power has the  
19 additional volatility of being a hydro system. For now, a 90% sharing mechanism is more  
20 appropriate for the Company than a 95% sharing mechanism.

21  
22 Q. HOW OFTEN WILL THE RATES BE ADJUSTED TO REFLECT THE  
23 WORKINGS OF THE ENERGY COST ADJUSTMENT MECHANISM?

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A. The adjustments will be made annually. New rates (adjustments either up or down) will be made each April 1<sup>st</sup>. These new rates will go into effect based upon a filing that the Company will make with the Commission two months before (February 1st), so that Staff and other parties have time to review the data and raise any concerns before the rates go into effect. The actual timeframe over which the data will be collected and analyzed would be December 1st through November 30th of the following year.

Q. HAS A LOAD GROWTH ADJUSTMENT RATE (LGAR) BEEN INCLUDED IN THE STIPULATION?

A. Yes. In the past, the LGAR has been somewhat controversial in the Idaho Power cases. The Stipulation in this case establishes the LGAR at \$17.48 per MWH for all incremental load that occurs compared to the last base rate case where the base load will be established. The same LGAR will apply if the incremental load is positive or negative.

Q. WHY IS THERE A "STAY-OUT" PROVISION UNTIL MAY 1, 2010 IN THE STIPULATION?

A. The Company has been proposing an ECAM for several years. The Company has seen the ECAM as being very beneficial to it, or it would not have been so persistent in its attempt to establish such a mechanism. Although the Irrigators (and presumably other parties)

1 saw some benefit to an ECAM, the benefits were not as compelling or as concrete as those that  
2 motivated the Company. Therefore, the Irrigators resisted adoption of such a mechanism.

3           Simply put, in order to entice the Irrigators and others to the negotiation table, the  
4 Company had to offer some concrete benefits to its proposal from the beginning. The Company  
5 had already filed its notice of a proposed general rate case with the Commission. The Company  
6 is going through a major building phase, causing annual or near annual general rate cases to be  
7 initiated. We had a general rate case in 2007 and in 2008. It was believed that the Company's  
8 notice of a new general rate case this year was legitimate. In order to bring the Irrigators and  
9 others to the table, the Company's opening offer with respect to its ECAM proposal was to  
10 postpone any general rate case for at least a year. The postponement of such a case has a  
11 concrete and positive benefit to the Irrigators and other customers<sup>1</sup>. The "stay-out" provision  
12 that prevents the Company from filing a general rate case prior to May 1, 2010 is not just an  
13 important element of the Stipulation—without this provision, any offer by the Company would  
14 have been a "no-starter".

15

16           Q.     PLEASE EXPLAIN WHAT THE "RENEWABLE GENERATION  
17 INVESTMENT OFFSET ADJUSTMENT" IS AND HOW IT CAME ABOUT.

18

19           A.     As indicated above, early in the Settlement discussions, it was made clear to the  
20 Company that there would not be a settlement if there was not a "stay-out" provision. Although  
21 the Company understood the need for stay-out provision and so made that offer, it also made the  
22 case that it was bringing on-line a large amount of renewable wind generation that it wanted in

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<sup>1</sup> There is no benefit at this time to Monsanto and Agrium because both have a special contract under which there rates are frozen/prescribed as provided in the Stipulation approved in Case No. PAC-07-05.

1 rate base with associated rate making treatment. From the Company's perspective, this new  
2 generation would provide energy at essentially zero variable costs. If the Company did not put  
3 these investments into rate base (because of the stay-out provision), customers would not only  
4 benefit by the stay-out provision, but they would also be getting a reduction in their overall  
5 power costs because of the additional energy being provided at zero variable cost. From the  
6 Irrigators perspective, the inclusion of these generation resources in rate base and thus rates,  
7 would have essentially negated the stay-out provision.

8 A compromise was reached between the position of the Company regarding these new  
9 facilities and the Irrigator's and other Parties' concerns for a "true" stay-out provision. This  
10 compromise is contained in Paragraph No. 8 of the Stipulation. Essentially, any output from  
11 new, renewable resources will be treated as a power cost at \$55.00 per MWh. This compromise  
12 gives the Company a significant payment for the output of these resources, while not burdening  
13 the ratepayers with the full (fixed) cost of those resources.

14  
15 Q. ARE THERE ANY OTHER ISSUES IN THE STIPULATION THAT WERE OF  
16 PARTICULAR INTEREST TO THE IRRIGATORS?

17  
18 A. Yes, there was one other major issue in which the Irrigators took particular  
19 interest. The Company's original proposal was to treat all sales the same on a per kWh basis by  
20 adding any surcharge or refund to customers on an equal cents per kWh basis as a result of the  
21 ECAM. The Irrigators (as well as Monsanto Company) took the position that such treatment is  
22 in contrast to the way costs are incurred, rates are designed, and costs are allocated. It is a well  
23 accepted premise that a kWh for sale at the secondary distribution level is not equivalent to a

1 kWh for sale at the primary distribution or transmission level. There are losses involved, with  
2 more losses taking place at the secondary level than at the primary or transmission level. If the  
3 Company incurs fewer losses to serve a primary or a transmission customer than it does to serve  
4 a customer on the secondary distribution system, then those customers should not pay the same  
5 rate for the ECAM adjustment. Losses are built into the cost of fuel, purchased power, etc.,  
6 found in base rates, and they should also be incorporated into the ECAM adjustment.

7 Although the Stipulation does not specifically calculate the impact of losses on the  
8 ECAM adjustment, it does provide in paragraph 11 for the parties to work together to develop  
9 such a rate/procedure. If an appropriate procedure cannot be developed, we will bring the matter  
10 to the Commission's attention.

11

12 Q. FROM THE IRRIGATORS' STANDPOINT, ARE THERE ANY OTHER  
13 MAJOR ISSUES CONTAINED IN THE STIPULATION?

14

15 A. No. These are the major issues that the Irrigators pursued either independently or in  
16 conjunction with others. There are other issues that are addressed in the Settlement that were  
17 pursued more by Staff than by the Irrigators. I will leave it to the Staff to address those issues.

18

19 Q. DO THE IRRIGATORS BELIEVE THAT THE STIPULATION PRESENTS A  
20 FAIR, JUST AND REASONABLE COMPROMISE OF THE ISSUES AND IS IN THE  
21 PUBLIC INTEREST?

22

23 A. Yes