

RECEIVED

2020 JAN 14 PM 2:41

IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO MODIFY SCHEDULE 30,) CASE NO. IPC-E-20-01
ELECTRIC SERVICE RATE FOR THE)
UNITED STATES DEPARTMENT OF ENERGY)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MARK A. ANNIS

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 Mark A. Annis. My business address
5 is 1221 West Idaho Street, Boise, Idaho 83702. I am
6 employed by Idaho Power as a Senior Regulatory Analyst in
7 the Regulatory Affairs Department.

8 Q. Please describe your educational background.

9 A. I earned a Bachelor of Arts degree in Business
10 Administration (accounting emphasis) from the University of
11 South Dakota in May 1984. Also that year, I passed the
12 Uniform Certified Public Accounting ("CPA") exam and am
13 currently a licensed CPA in the state of Idaho. I have also
14 attended electric utility ratemaking and finance courses,
15 including "Introduction to Rate Design and Cost of Service"
16 presented by Electric Utilities Consultants, Inc. and the
17 Edison Electric Institute's "Advanced Rates Course."

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

20 A. I began my employment with Idaho Power in 1997
21 in the Company's Finance department as an Accountant II,
22 where I performed a variety of general and corporate
23 accounting duties, with a focus on external reporting and
24 accounting research. Over the next 18 years I held several
25 other positions within the Finance department, including

1 Business Analyst II, Technical Research Coordinator,
2 External Reporting Team Leader, and Financial Reporting and
3 Accounting Research Manager. In these positions I was
4 responsible for researching accounting policy issues and
5 implementing new accounting standards, including Federal
6 Energy Regulatory Commission ("FERC") accounting and
7 reporting issues, and the completion of the Company's
8 quarterly and annual reports filed with the Securities and
9 Exchange Commission and FERC.

10 In May 2016 I accepted a position as the Budget and
11 Revenue Manager in the Finance department. In this position
12 I acted as a liaison between the Regulatory Affairs and
13 Finance departments as well as overseeing aspects of the
14 Company's budgeting processes.

15 In March 2017 I went on a temporary duty assignment
16 in the Regulatory Affairs department, and in March 2018, I
17 transitioned full-time to Regulatory Affairs as a Senior
18 Regulatory Analyst. As a Regulatory Analyst, I provide
19 support for the Company's various regulatory activities,
20 including regulatory ratemaking and compliance filings.

21 Q. What is Idaho Power requesting in this docket?

22 A. Idaho Power is requesting approval to modify
23 Schedule 30, Electric Service Rate for United States
24 Department of Energy, Idaho Operations Office ("Schedule
25 30"), effective April 1, 2020, to reflect a new Antelope

1 Asset Charge ("AAC") related to transmission facilities
2 used to provide service to the U.S. Department of Energy
3 ("DOE").

4 Q. Is the Company requesting a rate change as part
5 of this filing?

6 A. No, other than the implementation of the DOE-
7 specific AAC.

8 Q. How is your testimony organized?

9 A. My testimony will begin with an overview of
10 Idaho Power's current special contract with the DOE that is
11 the basis for Schedule 30. Next, I will provide an overview
12 and history of the transmission facilities at the Antelope
13 Substation, a portion of which are used to provide service
14 to the DOE's load. I will then discuss the need to charge
15 the DOE for Idaho Power's costs of ownership and
16 maintenance of those facilities, which is the source of the
17 requested charge. Finally, I will describe the methodology
18 for calculating the charge for costs related to owning,
19 operating, and maintaining those facilities.

20 **I. IDAHO POWER'S CURRENT SPECIAL CONTRACT WITH THE DOE**

21 Q. Please describe the current special contract
22 between Idaho Power and the DOE.

23 A. The DOE, through its Idaho Operations Office,
24 operates the facilities at the Idaho National Laboratory
25 ("INL") site located approximately 50 miles west of Idaho

1 Falls, Idaho. Idaho Power serves the DOE under a special
2 contract in accordance with the rates and charges set forth
3 in Schedule 30.

4 The current special contract between Idaho Power and
5 the DOE, Contract No. GS-00P-09-BSD-0651 ("2016 Special
6 Contract"), was approved by the Idaho Public Utilities
7 Commission ("Commission") on October 13, 2016, in Order No.
8 33621 issued in Case No. IPC-E-16-18. The five-year term
9 of the 2016 Special Contract runs from September 15, 2016,
10 through September 14, 2021.

11 **II. ANTELOPE SUBSTATION FACILITIES**

12 Q. What prompted Antelope substation asset
13 transfer discussions among the DOE, Idaho Power, and
14 PacifiCorp?

15 A. The DOE no longer wishes to own, operate, and
16 maintain the Antelope transmission substation facilities
17 necessary for it to receive electric service. At DOE's
18 request, Idaho Power has agreed to assume ownership,
19 operation, and maintenance of the DOE's Antelope
20 transmission substation facilities. Idaho Power
21 concurrently will transfer partial ownership of DOE's
22 Antelope transmission substation facilities, and operation
23 and maintenance responsibilities of these facilities, to
24 PacifiCorp.

25

1 Q. Please provide an overview of the Antelope
2 Substation facilities.

3 A. The Antelope Substation currently consists of
4 assets jointly or individually owned by Idaho Power and
5 PacifiCorp, as well as assets owned by the DOE. Idaho Power
6 provides service to the DOE with the point of delivery
7 being the DOE-owned assets. For several of the assets
8 jointly owned by Idaho Power and PacifiCorp, the sole
9 function of Idaho Power's share is to provide service to
10 the DOE. For the sake of clarity, assets for which Idaho
11 Power currently possesses an ownership share are referred
12 to as the "2015 Assets," while assets currently owned by
13 the DOE are referred to as the "2019 Assets."

14 Q. How did Idaho Power initially acquire its
15 jointly-owned Antelope substation assets?

16 A. The Antelope Substation assets that are
17 currently jointly owned by Idaho Power and PacifiCorp
18 (i.e., the 2015 Assets) were acquired by Idaho Power from
19 PacifiCorp in a 2015 exchange transaction, through the
20 Joint Purchase and Sale Agreement ("JPSA"). The Commission
21 approved the JPSA, as well as the corresponding Joint
22 Ownership and Operating Agreement ("JOOA") between
23 PacifiCorp and Idaho Power in Order No. 33313 issued in
24 Case No. IPC-E-14-41 in October 2015.

25 Q. Which entity operates the Antelope substation?

1 Q. When did negotiations conclude concerning the
2 2019 Assets?

3 A. In August 2019, the DOE, Idaho Power and
4 PacifiCorp negotiated asset transfer agreements related to
5 the 2019 Assets. Under the asset transfer agreements,
6 which have been provided as Attachments 1 and 2 to the
7 Company's Application, (1) the DOE conveys its ownership
8 interest in the 2019 Assets to Idaho Power at zero cost and
9 (2) Idaho Power, in turn, transfers a portion of these same
10 assets to PacifiCorp at zero cost, with Idaho Power
11 retaining only the portion necessary to provide service to
12 the DOE.

13 In October 2019, FERC approved updates to the JOOA,
14 including the addition of the 2019 Assets subject to the
15 asset transfer agreements. After all necessary approvals
16 of the asset transfer are received, PacifiCorp will also
17 charge Idaho Power for its share of the O&M costs of the
18 2019 Assets, which is included as a pass-through component
19 of the AAC.

20 **III. ANTELOPE ASSET CHARGE**

21 Q. Please summarize the AAC that will be billed
22 to the DOE.

23 A. Exhibit No. 1 describes the various elements
24 of the AAC and other details of the calculations. Exhibit
25 No. 1 includes O&M costs (as the PacifiCorp pass-through

1 charge ("PPTC")), as well as Idaho Power Ownership Costs
2 ("OC").

3 Q. How are O&M costs to be charged to the DOE
4 determined?

5 A. As operator of the substation, PacifiCorp will
6 incur all O&M costs. O&M costs being charged to the DOE by
7 Idaho Power will equal the costs charged by PacifiCorp to
8 Idaho Power, as calculated in accordance with the FERC-
9 approved JOOA. This methodology includes O&M charges and a
10 proportionate share of common equipment costs, as described
11 on Exhibit No. 1.

12 Q. How are Idaho Power's ownership costs
13 determined?

14 A. Idaho Power incurs ownership costs related to
15 its share of the jointly-owned assets. As shown on Exhibit
16 No. 1, ownership costs include the return of and on
17 investment, property taxes and income taxes. Idaho Power
18 and the DOE have agreed to calculate ownership costs in a
19 manner similar to the method used to calculate the "Monthly
20 Common Equipment Charge" in the JOOA. Exhibit D of the JOOA
21 describes the ownership cost methodology in greater detail.
22 Idaho Power and the DOE determined two adjustments to the
23 JOOA methodology: (1) applying the currently-approved Idaho
24 retail rate of return rather than the rate of return
25 contained in the Company's Open Access Transmission Tariff

1 Formula Rate, and (2) applying Idaho Power's property tax
2 rate to the asset acquisition value rather than the net
3 book value.

4 Q. How will the AAC be updated in the future?

5 A. The AAC will be updated annually on October 1.
6 The JOOA prescribes annual June updates to PacifiCorp's
7 calculation of the substation O&M charges and common
8 facility charges, which are the charges to be passed
9 through from Idaho Power to the DOE in the PPTC. In its
10 annual update, PacifiCorp updates the O&M and common
11 facility charge formula with its latest FERC Form 1 data
12 and updated asset balances.

13 Idaho Power updates its JOOA formulas annually on
14 October 1 based on its latest FERC Form 1 data and updated
15 asset balances. These annual changes will impact the
16 calculation of ownership costs. With the October 1 update,
17 Idaho Power will true up any differences between amounts
18 charged by PacifiCorp and amounts billed to the DOE. Idaho
19 Power will also adjust its charges to the DOE upon the
20 effective date of an approved change to Idaho Power's
21 authorized rate of return within the state of Idaho.

22 **IV. IDAHO POWER'S PROPOSED ADDITION TO SCHEDULE 30**

23 Q. What change to Schedule 30 is Idaho Power
24 requesting?

25

1 A. The Company's proposed tariff changes for
2 Schedule 30 are reflected in Attachment 3 to the
3 Application. The costs to own, operate, and maintain the
4 Idaho Power assets specifically dedicated to providing
5 service to the DOE should be charged directly to the DOE.
6 Currently Schedule 30 does not provide for such a charge.
7 The Company is requesting that the Commission approve the
8 addition of the AAC to Schedule 30 to allow billing of
9 these costs to the DOE, ensuring other classes are not left
10 responsible for costs related to this specific customer.

11 **V. OTHER ADMINISTRATIVE MATTERS**

12 Q. Why has the Company not charged the DOE since
13 October 2015 for the costs of owning, maintaining, and
14 operating the DOE-related equipment?

15 A. The Company suspended the pass-through of the
16 PacifiCorp charges to the DOE beginning in November 2015,
17 pending resolution of the 2019 Asset transfer negotiations.
18 These multi-party negotiations between regulated entities
19 and the federal government have been complicated and have
20 taken several years to conclude. In an effort to simplify
21 Antelope facilities-related billing to the DOE, Idaho Power
22 and DOE agreed to suspend billing and payment of expenses
23 related to the 2015 and 2019 Assets until the Antelope
24 asset transfers received the required regulatory approvals
25 and the new Schedule 30 charge had commenced.

1 Q. What amount does Idaho Power estimate it will
2 collect from DOE for the time period spanning November 2015
3 to the effective date of the AAC?

4 A. The Company has recorded a \$288 thousand
5 receivable from the DOE reflecting charges from November
6 2015 through December 2019. It has provided periodic
7 updates to the DOE regarding the true-up balance.

8 Q. What is the estimated annual amount to be
9 collected from the DOE under the proposed AAC?

10 A. Based on currently available information (the
11 amounts provided in the 2019 JOOA update approved by FERC
12 in October 2019), the Company estimates that its annual AAC
13 will be approximately \$75,000. Of that, approximately
14 \$35,000 will be the pass-through of the amounts PacifiCorp
15 bills Idaho Power under the JOOA, and approximately \$40,000
16 represents Idaho Power's ownership costs of the facilities.
17 This calculation is described in greater detail in Exhibit
18 No. 1 to my testimony.

19 **VI. CUSTOMER COMMUNICATION**

20 Q. Did the Company consult with the customer
21 prior to the date of this filing?

22 A. Yes. As described previously in my testimony,
23 Idaho Power and the DOE have had multiple discussions
24 related to the terms of the asset transfer agreements and
25 the related AAC calculations.

1 Q. What feedback did Idaho Power receive from the
2 DOE?

3 A. The DOE indicated that it accepted the
4 proposed method of calculating the AAC and the true-up.

5 **VII. CONCLUSION**

6 Q. Please summarize the Company's request in this
7 proceeding.

8 A. Idaho Power is requesting that the Commission
9 issue an order authorizing the Company to modify Schedule
10 30 to include the AAC, in order to bill the DOE, a special
11 contract customer, for Idaho Power's costs of owning,
12 operating, and maintaining transmission equipment specific
13 to the provision of service to the DOE. The Company is also
14 requesting approval of a true-up to reflect costs incurred
15 between November 2015 and the effective date of the AAC.

16 Q. Why should the Commission approve the
17 Company's request?

18 A. The AAC reflects the recovery of costs
19 specific to providing service to the DOE, ensuring that
20 these costs are not shifted to other customer classes.

21 Q. Does this conclude your testimony?

22 A. Yes, it does.

23
24
25

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-20-01

IDAHO POWER COMPANY

**ANNIS, DI
TESTIMONY**

EXHIBIT NO. 1

CALCULATION OF ANTELOPE ASSET CHARGE

THE ANNUAL ANTELOPE ASSET CHARGE

The annual Antelope Asset Charge is the sum of the following cost factors applied to the Antelope Transmission Substation assets used to serve Idaho National Laboratory load. These assets ("Transmission Assets") were acquired as part of the Joint Purchase and Sale Agreement approved in 2015 and the Department of Energy ("DOE")/Idaho Power Transfer of Title Agreement ("Transfer of Title") signed in 2019. There are two factors that comprise this charge:

- 1) PacifiCorp Pass-Through Charge
- 2) Idaho Power Ownership Costs

Each cost factor is calculated by applying an annual percentage rate to Idaho Power's ownership share of the DOE-related Transmission Asset values as detailed below. The tables also include the source data used to determine each of the listed cost factors.

Asset Balance Definitions:

DOE Original Value – the cost to the DOE of the assets transferred to the utilities by the Transfer of Title.

Gross Asset Value (GAV) – the Joint-Owned Acquisition Value plus the DOE Original Value

Joint-Owned Acquisition Value (AV) – This amount includes the joint-owned acquisition value per the Joint Ownership and Operating Agreement ("JOOA"), which excludes the DOE Original Value, but includes costs incurred by the utilities to replace the DOE assets.

Net Rate Base Amount (NRBA) – Joint-Owned Acquisition Value less accumulated depreciation and accumulated deferred income taxes.

PacifiCorp Pass-Through Charge ("PPTC"): The PPTC is the allocation of the JOOA charges to Idaho Power from PacifiCorp for PacifiCorp's maintenance of the Transmission Assets. It is calculated as:

$$\text{PPTC} = (\text{O\&M} * \text{GAV}) + (\text{CEC}) \quad \text{Where:}$$

Rate Component	Description of Rate Component	Source(s)	Current Annual Rate	Applied to this Specified Asset Value
O&M	PacifiCorp O&M Expense	PacifiCorp OATT ¹ Formula Rate	1.17%	GAV
CEC	PacifiCorp Common Equipment Charge (CEC)	Monthly amount calculated per JOOA Exhibit D(4)(a)	N/A	DOE share of common equipment (currently 15.51%) ²

¹ Open Access Transmission Tariff.

² Idaho Power only passes on PacifiCorp Common Equipment Charges related to Antelope substation 161 kV and 138 kV equipment. The PacifiCorp Common Equipment Charges related to Antelope substation 230 kV equipment are not passed through to the DOE.

Idaho Power Ownership Costs ("OC"): The OC of the Transmission Assets include the recovery of capital, property taxes, return on capital, and income taxes. It is calculated as:

$$OC = (ROC*AV) + (PT*AV) + (ROR*NRBA) + (IT*NRBA) \quad \text{Where:}$$

Rate Component	Description of Rate Component	Source	Current Annual Rate	Applied to this Specified Asset Value
ROC	Recovery of Capital Rate	Idaho Power OATT Formula Rate	1.86%	AV
PT	Property Taxes Rate	Idaho Power Actual Property Tax Data	0.46%	AV
ROR	Return on Capital Rate	Current Authorized Idaho Retail Rate of Return	7.86%	NRBA
IT	Income Taxes Rate	Idaho Power OATT Formula Rate	1.93%	NRBA

THE MONTHLY ANTELOPE ASSET CHARGE

The Monthly Asset Charge is the annual Antelope Asset Charge divided by 12.

The Annual and Monthly Antelope Asset Charge will be updated:

1. Annually on October 1st to coincide with the effective date of Idaho Power's OATT Formula Rate update, where such annual change will also incorporate an annual true-up of the PPTC, or
2. Upon the effective date of an approved change to Idaho Power's authorized Rate of Return ("ROR") within the state of Idaho, or