

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR A) CASE NO. IPC-E-22-05
DETERMINATION VALIDATING THE)
NORTH VALMY POWER PLANT BALANCING)
ACCOUNT TRUE-UP.)
)
)
)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

COURTNEY WAITES

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 Courtney Waites. My business
5 address is 1221 West Idaho Street, Boise, Idaho 83702. I
6 am employed by Idaho Power as a Regulatory Consultant in
7 the Regulatory Affairs Department.

8 Q. Please describe your educational background.

9 A. In December of 1998, I received a Bachelor of
10 Arts degree in Accounting from the University of Alaska in
11 Anchorage, Alaska. In 2000, I earned a Master of Business
12 Administration degree from Alaska Pacific University. I
13 have attended New Mexico State University's Center for
14 Public Utilities and the National Association of Regulatory
15 Utility Commissioners "Practical Skills for the Changing
16 Electric Industry" conference, the Electric Utility
17 Consultants, Inc.'s "Introduction to Rate Design and Cost
18 of Service Concepts and Techniques for Electric Utilities"
19 conference, Edison Electric Institute's "Introduction to
20 Public Utility Accounting" course, Edison Electric
21 Institute's "Electric Rates Advanced" course, SNL Knowledge
22 Center's "Essentials of Regulatory Finance" course, and the
23 Financial Accounting Institute's "Utility Finance and
24 Accounting" seminar.

1 Q. Please describe your work experience with
2 Idaho Power.

3 A. I began my employment with Idaho Power in
4 December 2004 in the Accounts Payable Department. In 2005,
5 I accepted a Regulatory Accountant position in the Finance
6 Department where one of my tasks was to assist in
7 responding to regulatory data requests pertaining to
8 financial issues. In 2006, I accepted a Regulatory Analyst
9 position in the Regulatory Affairs Department and in 2014
10 was promoted to my current position, Regulatory Consultant.
11 My duties as a Regulatory Consultant include providing
12 support for the Company's various regulatory activities,
13 including tariff administration, regulatory ratemaking, and
14 compliance filings, and the development of various pricing
15 strategies and policies. In January 2014, I was promoted to
16 Senior Regulatory Analyst where my responsibilities
17 expanded to include the development of complex cost-related
18 studies and the analysis of strategic regulatory issues.

19 **I. OVERVIEW**

20 Q. What is the purpose of this case?

21 A. The purpose of this case is to present to the
22 Idaho Public Utilities Commission ("Commission"), as

1 directed by Order No. 34349,¹ (1) the quantification of the
2 Valmy balancing account true-up with the inclusion of
3 actual costs through December 31, 2021, and forecasted
4 investments through December 31, 2025, and (2) an update
5 to decommissioning costs, if applicable.

6 Q. What specific action is the Company requesting
7 of the Commission in this case?

8 A. The Company is requesting the Commission: (1)
9 find that all actual North Valmy Power Plant ("Valmy")
10 investments during the January 1, 2019, through December
11 31, 2021, time period were prudently incurred, (2) validate
12 that Idaho Power has accurately quantified the Valmy
13 balancing account true-up as a result of the inclusion of
14 actual costs through December 31, 2021, and updated
15 forecasted investments through December 31, 2025, and (3)
16 confirm this request satisfies the annual reporting
17 required by Commission Order No. 34349. Although Order No.
18 34349 requires the Company's filing to include a rate
19 change effective June 1, 2022, for reasons discussed in my
20 testimony, the Company is not proposing to adjust customer
21 rates at this time. However, the Company's filing includes
22 a quantification of the necessary rate change resulting

¹ *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant*, Case No. IPC-E-19-08, Order No. 34349 (May 31, 2019).

1 from the updated incremental annual levelized revenue
2 requirement if the Commission ultimately determines that a
3 June 1, 2022 rate change is appropriate.

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

5 A. My testimony begins with a quantification of
6 the true-up of the Valmy balancing account as a result of
7 the inclusion of actual costs through December 31, 2021,
8 and forecasted investments through December 31, 2025, as
9 required by Order No. 34349 issued in Case No. IPC-E-19-08.
10 My testimony summarizes the changes to the Valmy levelized
11 revenue requirement, including: (1) necessary actual
12 investments made through December 31, 2021, and forecasted
13 through December 31, 2025, and (2) savings resulting from
14 operations and maintenance ("O&M") reductions that have
15 occurred and are expected through 2025. My testimony
16 concludes with a quantification of the resulting
17 incremental levelized revenue requirement and the Company's
18 recommendation that customer rates are not changed at this
19 time.

20 The direct testimony of Company witness Lindsay
21 Barretto discusses the necessary actual investments made at
22 the Valmy plant that have added to the associated plant
23 balances since January 1, 2019, and those necessary future
24 investments at the plant to ensure Unit 2 continues to be
25 available for reliable load service through the end of

1 2025.

2 Q. Do you have any exhibits?

3 A. Yes. Exhibit No. 1 to my testimony provides a
4 summary of the updated levelized revenue requirement
5 calculations by cost category as compared to the levelized
6 revenue requirement amounts included in customer rates
7 approved with Order Nos. 33771², 34071³, and 34349, and as a
8 result of the true-up to the Valmy balancing account due to
9 the inclusion of actual costs through December 31, 2021,
10 and forecasted investments through December 31, 2025.

11 Q. Please summarize the Company's last update to
12 base rates associated with Valmy.

13 A. With respect to base rates, Order No. 34349,
14 in Case No. IPC-E-19-08: (1) deemed all actual Valmy
15 investments through December 31, 2018, were prudently
16 incurred, (2) allowed investments at Valmy forecasted
17 through December 31, 2025, to be included in the levelized
18 revenue requirement mechanism, and (3) adjusted customer
19 rates to recover the associated Idaho jurisdictional
20 incremental annual levelized revenue requirement of \$1.21
21 million effective June 1, 2019.

² *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant*, Case No. IPC-E-16-24, Order No. 33771 (May 31, 2017).

³ *In the Matter of the Investigation into the Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking*, Case No. GNR-U-18-01, Order No. 34071 (May 31, 2018).

1 Q. Did Order No. 34349 direct Idaho Power to file
2 with the Commission any updates to the levelized revenue
3 requirement tracked in the Valmy balancing account?

4 A. Yes. Order No. 34349 required the Company (1)
5 file annual reports detailing the amounts recorded to the
6 Valmy balancing account, and (2) to submit a filing no
7 later than February 28, 2022, to true-up the balancing
8 account with forecast-to-actuals, with rates to become
9 effective June 1, 2022.

10 Q. Did the Company file Valmy Levelized Revenue
11 Requirement Balancing Account annual reports with the
12 Commission?

13 A. Yes. On December 31, 2020, Idaho Power filed
14 its Valmy Levelized Revenue Requirement Balancing Account
15 2019 Annual Review and on December 29, 2021, the Company
16 filed its Valmy Levelized Revenue Requirement Balancing
17 Account 2020 Annual Review.

18 Q. Does Idaho Power anticipate filing a separate
19 Valmy Levelized Revenue Requirement Balancing Account 2021
20 Annual Review?

21 A. No. Because the Company has included in its
22 request in this case a quantification of the Valmy
23 balancing account true-up with forecast-to-actuals, as well
24 as a detailed description of investments made at Valmy
25 during the January 1, 2019, through December 31, 2021, time

1 period, Idaho Power is requesting the testimony and
2 exhibits in this case suffice as the Valmy Levelized
3 Revenue Requirement Balancing Account 2021 Annual Review.

4 **II. THE VALMY LEVELIZED REVENUE REQUIREMENT MECHANISM**

5 Q. Please provide an overview of the Company's
6 balancing account mechanism associated with the Valmy plant
7 and approved with Order No. 33771, and updated with Order
8 No. 34349.

9 A. The balancing account mechanism approved in
10 Case No. IPC-E-16-24 is designed to smooth revenue
11 requirement impacts associated with the shutdown of Valmy
12 and allow for full recovery of Valmy-related costs near the
13 plant's end-of-life. In addition, it more closely aligns
14 the cost recovery period with the remaining operating life
15 of the plant, resulting in a better matching of cost
16 recovery from customers who benefit from the plant's
17 operations while mitigating the risk of future customers
18 bearing the costs of a plant that will no longer be
19 providing service. With Order No. 33771, to help mitigate
20 the rate impact to customers, the Commission approved a
21 Valmy-related revenue requirement collection through 2028,
22 three years longer than Idaho Power's planned operational
23 life of the plant.

24 Q. What types of costs are recorded in the Valmy
25 balancing account?

1 A. There are four types of costs the Company
2 records to the balancing account: (1) the accelerated
3 depreciation associated with existing Valmy plant
4 investments, (2) the return on the undepreciated capital
5 investments at Valmy, (3) non-fuel O&M reductions, and (4)
6 decommissioning costs related to the Valmy shutdown. Under
7 the balancing account approach, the Company replaces the
8 base rate revenue recovery associated with Idaho Power's
9 existing investment in Valmy with a levelized revenue
10 requirement and tracks it in the Valmy balancing account.

11 Q. What is the current Valmy levelized revenue
12 requirement included in customer rates?

13 A. Order No. 34349 approved an Idaho
14 jurisdictional levelized revenue requirement of \$29.90
15 million, including all Valmy-related plant investments as
16 of December 31, 2018, projected additions to the Valmy
17 plant through 2025, current and future non-fuel O&M savings
18 through December 31, 2025, and projected decommissioning
19 costs.

20 Q. What is the updated levelized revenue
21 requirement based on the Valmy balancing account true-up of
22 forecast-to-actuals and update to forecast investments?

23 A. Updating Valmy-related plant investment
24 balances and actual O&M savings through December 31, 2021,
25 as well as the forecast of investments and O&M savings

1 through December 31, 2025, results in an annual levelized
2 revenue requirement of \$31.68 million on an Idaho
3 jurisdictional basis, or an incremental increase to the
4 Idaho jurisdictional levelized revenue requirement of \$1.78
5 million. Exhibit No. 1 summarizes the changes to the
6 levelized revenue requirement.

7 Q. Please describe the updates to the levelized
8 revenue requirement amount.

9 A. The levelized revenue requirement can be
10 separated into four components, (1) Component A - the
11 revenue requirement on actual existing investments at May
12 31, 2017, (2) Component B - the revenue requirement on
13 incremental investments after May 31, 2017,⁴ (3) Component C
14 - the revenue requirement associated with future
15 decommissioning costs, and (4) Component D - the revenue
16 requirement associated with non-fuel O&M savings.

17 Q. Were there any changes to Component A, the
18 revenue requirement on existing investments as of May 31,
19 2017?

20 A. No. The revenue requirement component related
21 to existing investments is based on the Valmy-related plant
22 balances in effect prior to the establishment of the Valmy

⁴ As presented on Exhibit No. 1, Component B consists of two subcomponents: 1) the revenue requirement of incremental investments at Unit 1 from June 1, 2017, through 2019, and 2) the revenue requirement on Valmy incremental investments beginning January 1, 2020.

1 balancing account, or existing investments as of May 31,
2 2017. Therefore, no update to the revenue requirement on
3 existing investments included in the levelized revenue
4 requirement calculation, which is \$32.28 million on an
5 Idaho jurisdictional basis, is required.

6 Q. Please describe the changes made to Component
7 B, the levelized revenue requirement on incremental
8 investments.

9 A. Component B, the levelized revenue requirement
10 on incremental investments can be summarized in two
11 subcomponents: (1) the revenue requirement on incremental
12 investments at Unit 1 from June 1, 2017, through December
13 31, 2019, and (2) the revenue requirement on Unit 2 and
14 common facility investments after May 31, 2017, including
15 the revenue requirement of Unit 1 beyond 2019. The first
16 update made was to subcomponent (1) to include actual Unit
17 1 investments for the January 1, 2019, through December 31,
18 2019, time period. Actual investments were slightly lower
19 than the forecast of investments. The resulting revenue
20 requirement of subcomponent (1) is \$91,923, or \$34,055
21 lower than the amounts currently included in customer
22 rates.

23 Q. What changes were made to Component B, the
24 levelized revenue requirement on incremental investments
25 subcomponent (2)?

1 A. Subcomponent (2) was updated to include actual
2 Unit 2 and common facility investments for the January 1,
3 2019, through December 31, 2021, time period, as well as
4 the Unit 1 investments of approximately \$47,000 that closed
5 to plant in 2020 for work performed in 2019 and therefore
6 is reflected in the revenue requirement of subcomponent
7 (2). In addition, subcomponent (2) was updated to include
8 the latest forecast for Unit 2 and common facility
9 investments for the January 1, 2022, through December 31,
10 2025, time period. The resulting revenue requirement of
11 subcomponent (2) is \$2,768,045, or \$1.56 million higher
12 than the levelized revenue requirement on incremental
13 capital from 2020 through 2025 currently included in
14 customer rates.

15 Q. What is driving the increase in the
16 incremental levelized revenue requirement of capital
17 investments made from 2020 through 2025?

18 A. The increase in the incremental levelized
19 revenue requirement of capital investments made at Valmy
20 between 2020 and 2025 is primarily driven by the forecast
21 for which rates were based in Case No. IPC-E-19-08. At the
22 time, forecasted expenditures at the plant were anticipated
23 to be approximately \$3.49 million. However, in 2021
24 forecasted expenditures totaled \$9.44 million.
25 Confidential Exhibit No. 3 to Company witness Ms.

1 Barretto's testimony details the Valmy forecasted
2 investments anticipated between the January 1, 2022, and
3 December 31, 2025 time period. In addition, in her
4 testimony, Ms. Barretto discusses the projects necessary to
5 ensure Valmy continues to provide safe, reliable service
6 through the end of 2025.

7 Q. Have any changes been made to Component C -
8 the revenue requirement associated with future
9 decommissioning costs?

10 A. No. Idaho Power continues to monitor and
11 review cost estimates for decommissioning activities
12 associated with the cessation of operations at Valmy. The
13 Company believes the decommissioning cost estimate included
14 in the levelized revenue requirement computation is the
15 best-known estimate at this time.

16 Q. Did Idaho Power update Component D - the
17 revenue requirement associated with O&M savings including
18 non-fuel O&M reductions?

19 A. Yes. Idaho Power has updated the revenue
20 requirement associated with O&M savings to include actual
21 Valmy-related non-fuel O&M amounts for the January 1,
22 2019, through December 31, 2021, time period, and updated
23 the forecast of non-fuel O&M savings for the January 1,
24 2022, through December 31, 2025, time period. O&M savings
25 over the life of the plant are less than originally

1 estimated, resulting in a reduction of approximately
2 \$342,000 to the expected O&M savings for a total Idaho
3 jurisdictional revenue requirement reduction of \$4.45
4 million.

5 Q. Did Idaho Power make any additional
6 adjustments to the Valmy levelized revenue requirement
7 quantification?

8 A. Yes. In addition to the four components
9 described above, the Company has computed the true-up
10 resulting from collections of levelized revenue requirement
11 amounts for the January 1, 2019, through December 31, 2021,
12 time period. Actual Idaho jurisdictional sales volumes were
13 higher than forecasted resulting in a total over
14 collection, including applicable carrying charges, of
15 \$703,749. The result is an over collection to be refunded
16 over the remaining recovery period through 2028 of \$110,501
17 per year. Adding this to the load variance true-up of
18 \$9,183 included in the June 1, 2019, rate change, results
19 in a refund of \$101,318 associated with the load variance
20 true-up of the levelized revenue mechanism.

21 Q. What is the resulting total levelized revenue
22 requirement?

23 A. The Company's proposed update to the levelized
24 revenue requirement associated with Valmy includes \$32.28
25 million associated with existing investments, \$2.86 million

1 related to incremental investments, \$1.10 million in
2 decommissioning costs, \$4.45 million in non-fuel O&M
3 savings, and a load variance over-collection of \$101,318,
4 for a total levelized revenue requirement of \$31,682,765 on
5 an Idaho jurisdictional basis.

6 Q. What is the existing revenue requirement
7 associated with Valmy that is currently included in the
8 Company's base rates?

9 A. The Idaho jurisdictional levelized revenue
10 requirement approved with Order Nos. 33771, 34071, and
11 34349 is \$29.90 million.

12 Q. How does the total levelized revenue
13 requirement compare to the existing levelized revenue
14 requirement currently in customer rates?

15 A. The total Idaho jurisdictional levelized
16 revenue requirement of \$31.68 million less the Idaho
17 jurisdictional share of the existing revenue requirement of
18 \$29.90 million, results in an incremental annual levelized
19 revenue requirement of approximately \$1.78 million on an
20 Idaho jurisdictional basis.

1 **IV. CONCLUSION**

2 Q. Please summarize your testimony.

3 A. As required by Order No. 34349, in Case No.
4 IPC-E-19-08, Idaho Power has quantified the Valmy balancing
5 account true-up as a result of the inclusion of actual
6 costs through December 31, 2021, and forecasted investments
7 through December 31, 2025, reflecting an increase in the
8 Valmy levelized revenue requirement of approximately \$1.78
9 million. The Company does not believe an adjustment to
10 customer rates to recover the incremental annual levelized
11 revenue requirement resulting from the Valmy balancing
12 account true-up is necessary at this time and is not
13 proposing an update to base rates. In addition to
14 validating the quantification of the Valmy balancing
15 account true-up, Idaho Power is requesting the Commission
16 find that all actual Valmy investments during the January
17 1, 2019, through December 31, 2021, time period were
18 prudently incurred.

19 Q. Does this complete your testimony?

20 A. Yes, it does.

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DECLARATION OF COURTNEY WAITES

I, Courtney Waites, declare under penalty of perjury under the laws of the state of Idaho:

1. My name is Courtney Waites. I am employed by Idaho Power Company as a Regulatory Consultant in the Regulatory Affairs department.

2. On behalf of Idaho Power, I present this pre-filed direct testimony and Exhibit No. 1 in this matter.

3. To the best of my knowledge, my pre-filed direct testimony and exhibit are true and accurate.

I hereby declare that the above statement is true to the best of my knowledge and belief, and that I understand it is made for use as evidence before the Idaho Public Utilities Commission and is subject to penalty for perjury.

SIGNED this 28th day of February 2022, at Boise, Idaho.

Signed:



**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-22-05

IDAHO POWER COMPANY

**WAITES
TESTIMONY**

EXHIBIT NO. 1

Levelized Revenue Requirement for the Valmy Plant 2021 Annual Update

Idaho Power ceased participation in U1 12-31-19; NV Energy operates U1 through 12-31-25; Both parties operate U2 through 12-31-25

	Component A	Component B		Component C	Component D	True-Up	SYSTEM Total
	Existing @ 5/31/2017	Incremental Capital Unit 1 2017- 2019	Incremental Capital 2020-2025	Decommissioning Costs	O&M Savings 2017-2025	Load Variance	
TOTAL SYSTEM							
Annual Levelized Revenue Requirement in Rates effective June 1, 2019	33,951,978	100,941	1,274,034	1,152,182	(5,046,137)	-	31,432,998
Incremental Change	-	(4,265)	1,637,143	-	360,071	-	1,992,950
New Levelized Revenue Requirement effective June 1, 2022	33,951,978	96,676	2,911,177	1,152,182	(4,686,066)	-	33,425,948

	Component A	Component B		Component C	Component D	True-Up	IDAHO Total
	Existing @ 5/31/2017	(1) Incremental Capital Unit 1 2017- 2019	(2) Incremental Capital 2020-2025	Decommissioning Costs	O&M Savings 2017-2025	Load Variance	
IDAHO JURISDICTIONAL							
Annual Levelized Revenue Requirement in Rates effective June 1, 2019	32,282,687	95,978	1,211,394	1,095,534	(4,796,353)	9,183	29,898,422
Incremental Change	-	(4,055)	1,556,651	-	342,248	(110,501)	1,784,343
New Levelized Revenue Requirement effective June 1, 2022	32,282,687	91,923	2,768,045	1,095,534	(4,454,106)	(101,318)	31,682,765

TOTAL INCREMENTAL CHANGE TO THE IDAHO JURISDICTIONAL LEVELIZED REVENUE REQUIREMENT FOR THE VALMY PLANT

1,784,343

1. On June 1, 2018, customer rates were reduced to reflect the impact of the federal Tax Cuts and Jobs Act of 2017, as directed by Order No. 34071. The computation of the incremental change in the levelized revenue requirement amounts are based on the corporate tax rate in effect in the respective years presented.