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IDAHO PUBLIC
UTILITIES COMMISSION

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May 29, 2009

Via Hand Delivery

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, Idaho 83720

Re: Idaho Forest Group LLC.
Case No. AVU-E-09-01

Dear Ms. Jewell:

Enclosed for filing, are nine (9) copies of the Testimony and exhibit of Larry A. Crowley, with a copy designated as "Reporter's Copy". A computer disc containing the testimony and exhibit is also enclosed.

Kindly return a file stamped copy of this letter and Testimony.

Very Truly Yours,

McDevitt & Miller LLP



Dean J. Miller

DJM/hh
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for *Idaho Forest Group, LLC*.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE
APPLICATION
OF AVISTA CORPORATION FOR THE
AUTHORITY TO INCREASE ITS RATES
AND CHARGES FOR ELECTRIC AND
NATURAL GAS SERVICE TO
ELECTRIC AND NATURAL GAS
CUSTOMERS IN THE STATE OF
IDAHO.

Case No. AVU-E-09-01

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF LARRY A. CROWLEY

May 29, 2009

1 Q. Please state your name and business address.

2 A. My name is Larry Crowley and my business address is 5549 South Cliffsedge
3 Avenue, Boise, Idaho 83716.

4 Q. By whom are you employed and in what capacity?

5 A. I am the founder and Director of The Energy Strategies Institute, Inc., a
6 consulting company consisting of a network of experienced professionals with
7 diverse experience and interests, specializing in energy and utility matters. The
8 Institute is dedicated to developing and implementing practical solutions for
9 energy service providers and customers. The Institute provides regulatory and
10 litigation support, industry restructuring support including economic and financial
11 analysis, and business and organizational development analysis and
12 implementation support. The Institute also offers assistance and facilitation with
13 energy and utility strategic planning initiatives, resource planning studies, and
14 strategic, financial and feasibility studies for mergers and acquisitions and new
15 business development. Regulatory services include costing/pricing studies,
16 preparation of direct testimony and testifying in support of the studies provided.
17 The Institute offers regulatory expertise with the preparation of exhibits and
18 testimony for jurisdictional separation and revenue requirement studies, class cost
19 of service studies, unbundled cost studies, and rate design studies. Major clients
20 include the Idaho Forest Group, Grangeville, Idaho; The Washington Group
21 International, Boise, Idaho; Wisconsin Electric Power Company, Milwaukee,
22 Wisconsin; Duquesne Light Company, Pittsburgh, Pennsylvania; Montana-
23 Dakota Utilities, Bismarck, North Dakota; The US Department of Energy, Office

1 of Renewable Energy and Energy Efficiency, Washington, D.C.; The
2 International Energy Agency, Paris, France; and The World Bank, Washington,
3 DC.

4 Q. Please describe your educational background and professional experience.

5 A. I have a Bachelor of Science degree in Economics from the University of
6 Maryland, College Park, Maryland. My professional experience consists of over
7 30 years of senior-level positions with a number of electric or dual fuel utilities.
8 During that time, I testified as an expert witness before the Idaho Public Utilities
9 Commission, the Oregon Public Utilities Commission, the Nevada Public Service
10 Commission, the Colorado Public Utilities Commission, the Wisconsin Public
11 Utilities Commission, the Michigan Public Service Commission, the North
12 Dakota Public Service Commission, the Montana Public Service Commission, the
13 Texas Public Utility Commission, the Pennsylvania Public Utility Commission,
14 and the Federal Energy Regulatory Commission. A summary of my professional
15 experience is attached to this testimony as Exhibit 201.

16 Q. On whose behalf are you testifying in this proceeding?

17 A. I am testifying on behalf of the Idaho Forest Group (IFG), a Schedule 25
18 customer of Avista Utilities.

19 Q. Please describe IFG's operations in Avista's electric service area.

20 A. IFG operates a large lumber mill in Grangeville, Idaho. Through its predecessor
21 corporation, Bennett Forest Industries, it began its operation at the Grangeville
22 location in 1995, and expanded its facilities in 2005/2006. IFG currently employs
23 160 persons, making it the largest private employer in the Grangeville area, and

1 consequently, IFG is an important contributor to the economy of Idaho County
2 and the surrounding area. For example, it purchases approximately 24,000
3 truckloads of logs per year from various state, federal and private landowners and
4 it provides approximately 6,500 truckloads of chips and sawdust per year to the
5 Clearwater Pulp Mill in Lewiston, Idaho. In calendar year 2008, IFG purchased
6 almost 23,220,000 kWh of electric energy from Avista at a cost of almost
7 \$1,084,000.

8 Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to recommend that a uniform percentage increase
10 (or decrease) be applied to any increase (or decrease) ultimately approved by the
11 Commission in this proceeding.

12 Q. Please explain your reasons for recommending a uniform percentage increase (or
13 decrease) in this proceeding.

14 A. The Company's last rate case was approved by the Commission in its Order No
15 30647 dated September 30, 2008. The approved rates became effective on
16 October 1, 2008. In its order, the Commission noted that "neither Avista nor Staff
17 believes major changes in rate design are warranted given the imprecise and dated
18 nature of the Company's cost of service studies." With the exceptions of
19 increasing the residential monthly basic charge from \$4.00 to \$4.60 per month
20 and the smaller percentage increase to Schedule 25P, all other "rate components
21 are (were) increased by a uniform percentage to generate the required revenue."

22 Q. Did Order No. 30647 provide further guidance to Avista regarding cost of
23 service?

1 A. Yes, the Order provides, “We direct the Company in its next general rate case to
2 provide updated load data as part of its COS study, or in the alternative, show
3 how the lack of such an update affect COS-based revenue allocations to customer
4 classes” (pg. 13).

5 Q. Has Avista filed more precise cost of service studies in this proceeding?

6 A. No. However, Avista has stated that it is in the process of developing or
7 acquiring updated class load data which will allow it to prepare more precise class
8 cost of service studies in future rate cases. Until such time as the Company has
9 more precise or updated class load information, a uniform percentage increase (or
10 decrease) would maintain the current relative rate differentials among the
11 Company’s rate classes.

12 Q. How would the uniform percentage increase (or decrease) be applied in the
13 proceeding?

14 A. I am proposing that essentially the same approach the Commission approved in
15 the Company’s last rate case be applied only without any exceptions previously
16 noted. That would result in all rate components in all rate schedules being
17 increased (or decreased) by a uniform percentage adequate to generate the
18 required revenue in this proceeding.

19 Q. Does that conclude your testimony?

20 A. Yes it does.

**Larry A. Crowley, President and Director
The Energy Strategies Institute, Inc.**

PROFESSIONAL EXPERIENCE

I have 30 years of senior-level utility operating, planning and regulatory experience. My regulatory experience includes the preparation of exhibits and testimony for jurisdictional separation and revenue requirement studies, class cost of service studies, unbundled cost studies, and rate design studies for filing before various regulatory commissions. I have appeared as an expert witness before the Idaho Public Utilities Commission, the Oregon Public Utilities Commission, the Nevada Public Service Commission, the Colorado Public Utilities Commission, the Wisconsin Public Utilities Commission, the Michigan Public Service Commission, the North Dakota Public Service Commission, the Montana Public Service Commission, the Texas Public Utility Commission, the Pennsylvania Public Utility Commission, and the Federal Energy Regulatory Commission.

My principal clients include Wisconsin Electric Power Company, Milwaukee, Wisconsin; Montana-Dakota Utilities Company, Bismarck, North Dakota; Duquesne Light Company, Pittsburgh, PA; The US Department of Energy, Office of Renewable Energy and Energy Efficiency, Washington, D.C.; The Washington Group International, Boise, Idaho; The J.R. Simplot Company, Boise, Idaho; the Idaho Forest Group, Hayden, Idaho; United Electric Co-op, Heyburn, Idaho; Lost River Electric Cooperative, Mackay, ID; Eagle Water Company, Eagle, Idaho; Sithe Global Power, LLC, Houston, TX; Idaho Power Company, Boise, Idaho; The Electric Department of the City of Weiser, Idaho; The International Energy Agency, Paris, France; The World Bank, Washington, DC; Teton Springs Water & Sewer Company, Victor, ID; The Solar Electric Power Association, Washington, DC; and the German Development Bank, (KfW), Berlin, Germany.

**The Energy Strategies Institute, Inc.
Present**

October 1999 to

Founder and Director of a consulting company and network of experienced professionals with diverse interests specializing in energy and utility rate and regulatory matters, dedicated to developing and implementing practical solutions for energy service providers and customers. The Institute provides regulatory and litigation support, industry restructuring support including economic and financial analysis, and business and organizational development analysis and implementation support. The Institute also offers assistance and facilitation with energy and utility strategic planning initiatives, resource planning studies, and strategic, financial and feasibility studies for mergers and acquisitions. The Institute delivers value through the application of senior-level industry experience and a team-based philosophy that result in the development and transfer of knowledge to its clients.

Idaho Power Resources Corporation

July 1996 to October

1999

A wholly owned subsidiary of Idaho Power Company, responsible for developing domestic and international non-regulated business initiatives to provide future revenue and earnings growth.

President

Established, organized and led a new independent business division including establishment of the entity, selection and training of staff, systems implementation and day-to-day management of the entity. The entity consisted of eight engineers, economists and technologists. I was also responsible for \$3.5 million annual operating budget for preparation of strategic plans, business plans including due diligence and analysis for mergers and acquisitions, and research, development and deployment

of new technologies such as PEM fuel cells and solar energy systems.

- Developed extensive business plans for energy-related projects in Brazil, Argentina, Peru and Indonesia, including acquisitions of operating electric distribution systems, new and existing hydroelectric generating projects, information and communication technologies, and the application of renewable energy technologies in remote areas of developing countries. Plan formulation was accomplished by identification of specific and unique market opportunities through personal contacts and research.
- Marketed the capabilities of Idaho Power Company and its subsidiaries to various South American entities resulting in first year sales of \$4.5 million.
- Responsible for formulating strategies and directing the due diligence related to the acquisition of various unregulated subsidiaries with annual revenues in excess of \$18.0 million.
- Negotiated a Memorandum of Understanding with the Ministry of Energy of Brazil to examine the possibilities of developing large-scale electrification projects in the remote areas of Brazil.
- Negotiated an exclusive Memorandum of Understanding with the Government of Indonesia for the provision of energy services in the remote areas of Indonesia under the jurisdiction of the Ministry of Transmigration.
- Participated in a number of high-level trade missions to South America representing domestic energy interests. These trips to Brazil, Argentina, Bolivia and Peru were sponsored by the US Agency for International Development and other industry-specific trade associations such as the US National Hydropower Association and the US Export Council for Renewable Energy.

Honors

- Invited by the Minister of Energy of Brazil to attend the first annual conference held in Brazil on renewable energy and energy efficiency and to participate as a panelist at that conference.
- Co-hosted the 1997 Renewable Energy in the Americas Conference (REIA 97) with the Minister of Energy of Brazil. This conference was held in Rio de Janeiro in July 1997 and attended by over 350 senior representatives for North, Central and South American energy companies, utilities, government agencies, NGOs and multilateral financing organizations.
- Invited by the US Department of Energy and then-Secretary of Energy Hazel O'Leary to participate as a panelist/presenter at the Second Annual Meeting of the Energy Ministers of the Western Hemisphere - August 1997.
- Invited to travel with US Secretary of Commerce (Daley) as a member of a trade mission to Brazil, Argentina and Chile - May 1997.
- Invited to travel with the US Secretary of Energy (Pena) to the Third Annual Meeting of the Energy Ministers of the Western Hemisphere held in Caracas, Venezuela in January 1998, and to participate on various discussion panels during the conference.
- Invited to participate at a number of international renewable energy conferences hosted by The World Bank and the US Agency for International Development.

Idaho Power Company

March 1979 to October 1999

Idaho Power Company is the largest investor-owned electric utility serving in Idaho with 2004 revenues of \$844.5 million, total plant investment of approximately \$3.2 billion and over 440,000 customers.

Senior Manager, Strategic Planning

January 1991 to October
1999

As Senior Manager of Strategic Planning, I reported directly to the Chairman of the Board and CEO of the company. I was responsible for directing all corporate strategic planning activities of the company, including regulatory initiatives and merger and acquisition activities. I was responsible for the preparation of the annual economic forecast used by the major business units of the company in the preparation of their annual business plans, operating budgets and capital requirements. I was also responsible for overseeing the company's research and development programs and projects

dealing with new technologies or improvements in operating practices.

- Developed a rate mechanism that tracks and recovers changes or fluctuations in the company's cost of production (PCA), including formulation of the concept, plan and the regulatory strategy to secure approval of the regulatory commissions having jurisdiction over the company.
- Directed the litigation team that participated in the PacifiCorp/Utah Power merger appearing before the Idaho PUC and the Federal Energy Regulatory Commission. Negotiated the settlement agreement between the parties, resulting in significant benefits to Idaho Power Company including firm transmission service in Utah, ownership of a major strategic substation, additional transmission revenue and favorable resolution of a number of pending regulatory disputes.
- Negotiated a comprehensive transmission services agreement between the company and Bonneville Power Administration that resulted in annual revenues of approximately \$1.5 million.
- Identified new business opportunities for the company and prepared the requisite business plans and analysis.
- Responsible for the acquisition and integration of the Prairie Power Electric Coop assets and service territory with the Idaho Power system.

Honors

- Recognized for developing Idaho Power Company's innovative "first-of-its-kind" solar energy program that won unanimous approval from the regulatory commissions. This effort established Idaho Power as a domestic and international leader with renewable energy technologies.
- Selected by the IEA Executive Committee to chair the Organizing Committee for the highly acclaimed 1995 International Executive Conference on Photovoltaics (Solar Energy) sponsored by the International Energy Agency and hosted by Idaho Power Company.
- Selected by the US Department of Energy to represent the United States on the Organizing Committee for the 1999 International Executive Conference on Photovoltaics that was organized under the auspices of the International Energy Agency.

Manager, Power Management

1986 to 1991

- Responsible for the management of a department consisting of 45 senior level engineers, analysts and technical experts dealing with generation resource planning, transmission system planning, wholesale power marketing and wholesale bilateral contract development and administration.
- Responsible for directing all regulatory activities with the Federal Energy Regulatory Commission dealing with wholesale power and transmission services rates, terms and conditions and related contract approvals.
- Responsible for negotiating wholesale power contracts and transmission service agreements that generated \$40MM in annual revenues and rates of return for Idaho Power exceeding the average ROR for the company by 500 to 600 basis points.

Manager of Rates and Regulatory Affairs

1979 to 1986

- Responsible for preparing all materials required for the company's rate filings before the Idaho, Oregon and Nevada state regulatory commissions having jurisdiction over the company, as well as the Federal Energy Regulatory Commission.
- Developed a multi-jurisdictional cost-of-service/revenue requirements model that was accepted by all state and federal commissions having jurisdiction over the company.
- Developed a series of innovative class cost of service and rate design models.
- Developed and directed a load research program for the company.

Wisconsin Electric Power Company

1978 to 1979

Project Coordinator, Rate Department

I was responsible for all rate and regulatory filings before the Wisconsin and Michigan Public Utility Commissions and the Federal Energy Regulatory Commission. These activities included preparing

jurisdictional separation and revenue requirement studies, cost-of-service studies, rate design studies, load research information and the testimony related to these studies as required by the commissions in support of retail and wholesale rate filings. I developed the first computerized cost-of-service model for the company that was accepted by all three commissions having jurisdiction over the company.

Southeast Colorado Power Association

1971 to 1978

General Manager

I was the Chief Operating Officer of an electric distribution cooperative with 50 employees. Responsible to the Board of Directors for all matters relating to the operation of the cooperative including financial planning, marketing, budgeting, quality of service and all regulatory proceedings before the Colorado Public Utilities Commission.

EDUCATION

Bachelor of Science - Economics, *University of Maryland*, College Park, Maryland

LANGUAGE SKILLS

Fluent in Spanish, (FSI rating of 4)

CONTACT INFORMATION

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