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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Micron Technology, Inc.
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF IDAHO POWER COMPANY FOR
AUTHORITY TO INCREASE ITS INTERIM
AND BASE RATES AND CHARGES FOR
ELECTRIC SERVICE

Case No. IPC-E-03-13

REBUTTAL TESTIMONY OF
DENNIS E. PESEAU
ON BEHALF OF
MICRON TECHNOLOGY, INC.

March 19, 2004

ORIGINAL

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Dennis E. Peseau. My business address is Suite 250, 1500 Liberty Street,
3 S.E., Salem, Oregon 97302.

4

5 Q. ARE YOU THE SAME DENNIS PESEAU WHO PREVIOUSLY FILED DIRECT
6 TESTIMONY IN THIS PROCEEDING?

7 A. Yes, I am.

8

9 Q. WHAT COST OF SERVICE AND RATE DESIGN ISSUES DOES YOUR REBUTTAL
10 TESTIMONY ADDRESS?

11 A. I will briefly address the cost of service and rate design issues raised by Idaho Irrigation
12 Pumpers' witness, Anthony Yankel. I address his issues only briefly because his
13 conclusions and recommendations in regard to cost of service and rate design are so
14 deviant from every other party in these proceedings. All other parties, whether or not
15 they agree precisely with Idaho Power's cost of service studies, recognize the general
16 reliability of the Company's studies, as well as the fact that, with one exception I
17 discussed in my direct testimony, they follow prior Commission-approved
18 methodologies.

19 Mr. Yankel's testimony, on the other hand, professes confusion about the
20 Company's study to such a degree that he claims he has no other choice but to fall back
21 on his recommendation to raise each customer class' rates by a uniform average
22 percentage.

23

1 Q. WHAT IS THE REAL ISSUE HERE?

2 A. Mr. Yankel is facing the imposing task of having to deny what is evident and obvious to
3 everyone – that irrigation pumpers have been receiving huge and growing rate subsidies
4 for many years. These subsidies have been paid by residential, commercial, industrial
5 and special contract customers. From my reading of other parties’ testimony, I conclude
6 that all customer classes want this subsidy to cease and allow such customers’ rates to be
7 based on the respective costs of serving them.

8

9 Q. WHAT SPECIFIC PORTIONS OF MR. YANKEL’S TESTIMONY DO YOU
10 ADDRESS?

11 A. I address his allegations wherein:

12 1. Mr. Yankel claims that Idaho Power’s “...cost-of-service study produces
13 erroneous and unreliable results...” (pg 3, lines 4-5) and Idaho Power’s study has
14 modeling problems because “...the Company’s cost-of-service model is little
15 better than a “Black Box”...” (pg 23, lines 13-14).

16 2. Mr. Yankel implies that a differential growth rate among customer classes is a
17 legitimate basis for attributing costs of service.

18 3. Mr. Yankel’s suggests that returning to a distant policy of allocating demand costs
19 on the basis of an average 12-CP is somehow superior to the more recent but
20 longstanding policy of using a weighted 12-CP allocator.

21

22

23

1 Q. DID YOU FIND THE COMPANY'S COST OF SERVICE MODEL TO BE EITHER
2 ERRONEOUS AND UNRELIABLE, OR MYSTERIOUS?

3 A. No. As I concluded in my direct testimony "...In general, I conclude that Idaho Power's
4 cost of service study is consistent with sound costing methods and prior Commission
5 orders..." (Peseau, pg 19 lines 9-10). From my brief review of other parties' testimony,
6 all others but the irrigation pumpers concluded the same. Furthermore, I disagree with
7 Mr. Yankel's assertion that Idaho Power's cost of service study is an unintelligible
8 "Black Box." I encountered no difficulties in independently changing assumptions in the
9 Company's model and re-running it to test its veracity and reasonableness of the results.

10

11 Q. WHAT IS THE ISSUE WITH RESPECT TO MR. YANKEL'S TESTIMONY ON
12 DIFFERENTIAL GROWTH RATES AMONG IDAHO POWER'S CUSTOMER
13 CLASSES?

14 A. On page 21, lines 4-18 of Mr. Yankel's testimony, he suggests that irrigation loads are
15 not "...fueling the need for a rate increase...". While it may be tempting to attribute
16 blame for rate increases on relative customer growth rates, it is not valid to do so.
17 Customers that place demands on Idaho Power's system disproportionately in high-cost
18 peak load periods cause higher costs to be incurred whether or not the particular class is
19 growing.

20 Any new capital expenditures made by Idaho Power, in the course of its cost of
21 service study, are allocated according to the relative customer demands by season.
22 Irrigation loads contribute relatively more to coincident system peak due to their
23 concentration of demand in the high cost summer season.

1 Q. MR. YANKEL PROPOSES ON PAGE 3, LINES 6-8 OF HIS TESTIMONY THAT
2 THE COMMISSION USE AN AVERAGE 12-CP ALLOCATOR BECAUSE AN
3 AVERAGE 12-CP ALLOCATOR IS USED IN THE COMPANY'S JURISDICTIONAL
4 STUDY. DOES CONSISTENCY REQUIRE THIS?

5 A. No, absolutely not. The average 12-CP allocator referenced in the jurisdictional study is
6 often required by FERC. But even at FERC, after a jurisdictional separation is made, the
7 actual allocation of transmission demand costs is required to be made on any number of
8 CP allocators, including a 1-CP, 2-CP, 3-CP, 4-CP or other coincident peak basis. I
9 recently filed testimony before FERC where a 4-CP transmission cost allocator is
10 proposed in spite of a 12-CP jurisdictional allocator.

11 Further, I recommend that this Commission remain with the weighted 12-CP on
12 the basis of merit and not defer this important issue to FERC.

13

14 Q. DO YOU HAVE ANY OTHER NEW OBSERVATIONS ABOUT THE IRRIGATION
15 SERVICE ISSUES?

16 A. I am offering two exhibits that explain how my proposed deferred regulatory asset or
17 Subsidy Account would work if the Commission accepted the Staff's proposed revenue
18 requirement in this case.

19

20 Q. WOULD YOU PLEASE EXPLAIN THE TWO EXHIBITS?

21 A. Exhibit 709 summarizes the effects of a 5-year recovery of this account. Irrigation
22 customers would experience a 15% increase in the first year and 13.21% each year
23 thereafter, until reaching parity. Exhibit 710 contains the same calculations with a 10

1 year deferral. In this alternative, the initial 15% increase would be followed by annual
2 6.11% increases.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes.

6

7

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 18th day of March 2004, I caused to be served a true and correct copy of the foregoing by the method indicated below, and addressed to the following:

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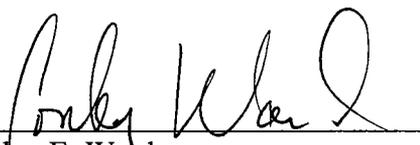
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Conley E. Ward

Idaho Power Company
5 Year Recovery of Deferred Irrigation Rate Subsidy

Year	Irrigation Kwh	Irrigation Revenue	Irrigation Cost	Beginning Irrigation Subsidy	Change in Subsidy	Carrying Charge	Ending Irrigation Subsidy	Irrigation Revenue Change	Percent Change
Existing	1,620,930,931	60,397,510	88,761,866	28,364,356				0	
1	1,620,930,931	69,457,137	88,761,866	0	19,304,730	738,406	20,043,135	9,059,627	15.00%
2	1,620,930,931	78,632,107	88,761,866	20,043,135	10,129,759	1,920,763	32,093,657	9,174,971	13.21%
3	1,620,930,931	89,019,049	88,761,866	32,093,657	(257,183)	2,445,328	34,281,802	10,386,942	13.21%
4	1,620,930,931	100,778,059	88,761,866	34,281,802	(12,016,193)	2,162,938	24,428,547	11,759,010	13.21%
5	1,620,930,931	114,090,381	88,761,866	24,428,547	(25,328,515)	899,968	0	13,312,321	13.21%
6	1,620,930,931	88,761,866	88,761,866	0	0	0	0	(25,328,515)	-22.20%

Idaho Power Company
10 Year Recovery of Deferred Irrigation Rate Subsidy

Year	Irrigation Kwh	Irrigation Revenue	Irrigation Cost	Beginning Irrigation Subsidy	Change in Subsidy	Carrying Charge	Ending Irrigation Subsidy	Irrigation Revenue Change	Percent Change
Existing	1,620,930,931	60,397,510	88,761,866	28,364,356				0	
1	1,620,930,931	69,457,137	88,761,866	0	19,304,730	738,406	20,043,135	9,059,627	15.00%
2	1,620,930,931	73,698,053	88,761,866	20,043,135	15,063,813	2,109,491	37,216,439	4,240,917	6.11%
3	1,620,930,931	78,197,913	88,761,866	37,216,439	10,563,953	3,251,129	51,031,521	4,499,859	6.11%
4	1,620,930,931	82,972,524	88,761,866	51,031,521	5,789,342	4,125,354	60,946,216	4,774,612	6.11%
5	1,620,930,931	88,038,664	88,761,866	60,946,216	723,202	4,690,048	66,359,466	5,066,140	6.11%
6	1,620,930,931	93,414,133	88,761,866	66,359,466	(4,652,267)	4,898,550	66,605,749	5,375,469	6.11%
7	1,620,930,931	99,117,818	88,761,866	66,605,749	(10,355,952)	4,699,225	60,949,022	5,703,684	6.11%
8	1,620,930,931	105,169,758	88,761,866	60,949,022	(16,407,892)	4,034,998	48,576,129	6,051,940	6.11%
9	1,620,930,931	111,591,218	88,761,866	48,576,129	(22,829,352)	2,842,851	28,589,628	6,421,460	6.11%
10	1,620,930,931	118,404,759	88,761,866	28,589,628	(29,642,893)	1,053,266	1	6,813,542	6.11%
11	1,620,930,931	88,761,866	88,761,866	0	0	0	0	(29,642,893)	-25.04%