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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC SERVICE)
TO TAKE INTO ACCOUNT INCOME TAXES)
IN COMPLIANCE WITH ORDER NO. 29601)

CASE NO. IPC-E-05-14

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

JOHN R. GALE

1 Q. Please state your name and business address.

2 A. My name is John R. Gale and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

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

6 A. I am employed by Idaho Power Company (Idaho
7 Power or the Company) as the Vice President of Regulatory
8 Affairs.

9 Q. Please describe your work experience.

10 A. In October 1983, I accepted a position as
11 Rate Analyst with Idaho Power Company. I was promoted to
12 Manager of Rates in 1991 and to General Manager of Pricing
13 and Regulatory Services in 1997. In March of 2001, I was
14 promoted to Vice President of Regulatory Affairs. As Vice
15 President of Regulatory Affairs, I am responsible for the
16 overall coordination and direction of the Pricing &
17 Regulatory Department, including development of
18 jurisdictional revenue requirements and class cost-of-
19 service studies, preparation of rate design analyses, and
20 administration of tariffs and customer contracts. In my
21 current position, I am responsible for policy matters
22 related to the economic regulation of Idaho Power Company.

23 Q. What is the purpose of your testimony in
24 this case?

1 requirement was increased by \$11,504,677 above the level
2 set in Order Nos. 29505 and 29547. Second, for the period
3 of time June 1, 2004 through May 31, 2005, the Company was
4 directed to compute and record each month the additional
5 revenue the Company would have received, based upon an
6 incremental rate of \$0.92209 per MWh, in a regulatory asset
7 account that would accrue interest at the PCA carrying
8 charge rate, which was 1 percent during the relevant time
9 period. The regulatory asset account would be reversed
10 during the June 1, 2005 through May 31, 2006 time frame
11 simultaneously with a one-year rate adjustment to recover
12 the amount of the regulatory asset. Third, ongoing rates
13 to recover the \$11,504,677 incremental income tax impact of
14 reflecting statutory income tax rates in the Company's
15 revenue requirement would also become effective on June 1,
16 2005.

17 Q. Have you supervised the preparation of an
18 exhibit to show the accumulated regulatory asset amount
19 based upon the Idaho jurisdictional sales during the June
20 1, 2004 through May 31, 2005 period of time, the \$0.92209
21 per MWh rate, and the 1 percent interest rate?

22 A. Yes. Exhibit 3 shows the monthly
23 accumulation of revenues that would have been collected
24 from customers based upon actual Idaho jurisdictional sales

1 from June 1, 2004 through March 31, 2005, estimates of the
2 April and May 2005 Idaho jurisdictional sales, the \$0.92209
3 per MWh rate, and the 1 percent interest rate. April and
4 May 2005 actual Idaho jurisdictional sales levels are not
5 known at the time of this filing. Exhibit 3 shows a total
6 regulatory asset of \$11,638,229 to be recovered from June
7 1, 2005 through May 31, 2006.

8 Q. What rate design are you proposing for the
9 one-year rate adjustment?

10 A. I propose applying a uniform percentage
11 increase to each customer class with a uniform cents per
12 kilowatt-hour within each class.

13 Q. Have you computed class specific rates that
14 will allow the Company to recover the \$11,638,229
15 regulatory asset amount?

16 A. Yes. For purposes of one-year adjustments,
17 such as PCA computations, the Company estimates the next
18 year's Idaho jurisdictional sales. This year the Company
19 estimates that the June 1, 2005 through May 31, 2006 Idaho
20 jurisdictional sales level will be 12,453,880 MWh, which is
21 the normalized Idaho jurisdictional firm sales updated to
22 year-end 2004. In order to arrive at a uniform percentage
23 increase by class, the \$11,638,229 regulatory asset was
24 allocated to classes based upon revenues associated with

1 the estimated June 1, 2005 through May 31, 2006 Idaho
2 jurisdictional sales level. The allocated revenue increase
3 was then divided by class specific sales values to arrive
4 at class specific rates. Exhibit 4 details the class
5 specific rates which result from this computation as well
6 as the revenue impact for each class.

7 Q. Because you have estimated April and May
8 2005 Idaho jurisdictional sales for purposes of quantifying
9 the regulatory asset and because you have estimated the
10 June 1, 2005 through May 31, 2006 Idaho jurisdictional
11 sales for determining the appropriate one-year incremental
12 energy rate to recover the regulatory asset, do you have a
13 proposal to address any under-collection or over-collection
14 of the appropriate regulatory asset?

15 A. Yes. First, I recommend that the Company
16 provide quantification of the actual regulatory asset
17 account accumulation as of June 1, 2005. Second, I
18 recommend that the Company track the collection of the
19 regulatory asset in a manner similar to PCA true-up revenue
20 collection tracking (the true-up of the true-up). Finally,
21 I recommend that any difference in actual revenue
22 collection greater than or less than the regulatory asset
23 be added to the true-up of the true-up balance in next
24 year's PCA computations. I recognize that this amount is

1 not a PCA item; however, the true-up of the true-up
2 provides a convenient mechanism for clearing the account
3 and the amount should be relatively small.

4 Q. What rate design are you proposing for the
5 ongoing rate adjustment?

6 A. I propose applying a uniform percentage
7 increase to each customer class with a uniform percentage
8 increase to the demand and energy billing components where
9 applicable.

10 Q. Have you determined the appropriate
11 incremental rate adjustments necessary to recover the
12 \$11,504,667 of incremental revenue requirement associated
13 with statutory income tax rates on an ongoing basis?

14 A. Yes. The appropriate incremental rate
15 associated with the ongoing income tax adjustment was
16 derived by allocating the \$11,504,667 on a uniform
17 percentage basis to each customer class based upon revenues
18 associated with the 2003 test year used in the Company's
19 last general rate case. An adjustment was then made on a
20 uniform basis to both the demand and energy components,
21 where applicable, to recover the allocated revenue.
22 Exhibit 5 details the revenue impact by customer class of
23 the ongoing rate adjustment.

24 Q. Have you prepared an exhibit that shows the

1 combined impact to customer classes of both the one-year
2 tax adjustment and the ongoing adjustment?

3 A. Yes. Exhibit 6 details the combined impact
4 to each customer class of both tax adjustments. In order
5 to show the impact of both adjustments on a comparable
6 basis, the impact to customer classes is reflected in
7 Exhibit 6 utilizing the sales from the 2003 test year.

8 Q. Have you prepared tariffs that reflect both
9 the one-year rate adjustment and the ongoing rate
10 adjustment.

11 A. Yes, Exhibit 7 includes the Company's
12 tariffs reflecting the combined impact of both tax
13 adjustments. The tariffs are provided in both "final" and
14 "legislative" format

15 Q. Does this conclude your testimony?

16 A. Yes, it does.