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2005 APR 15 PM 3:45

IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR )  
AUTHORITY TO IMPLEMENT POWER )  
COST ADJUSTMENT (PCA) RATES FOR )  
ELECTRIC SERVICE FROM JUNE 1, 2005 )  
THROUGH MAY 31, 2006 )  

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CASE NO. IPC-E-05-15

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           A.        I will summarize the June 1, 2005 rate  
2 impacts of two revenue requirement cases currently before  
3 the Commission that are unrelated to the Power Cost  
4 Adjustment ("PCA"). I will also describe the Company's  
5 proposal to mitigate the overall impact of the June 1, 2005  
6 PCA rate adjustment on customers.

7           Q.        Please summarize the applications that the  
8 Company has made this spring that will impact customer  
9 rates and charges beginning June 1, 2005, that are  
10 unrelated to the June 1, 2005 PCA rate adjustment.

11          A.        In Case No. IPC-E-05-10, the Company  
12 requested a June 1, 2005 overall ongoing 1.84 uniform  
13 percentage increase applied to the demand and energy  
14 components of all customer classes to reflect the addition  
15 of the Bennett Mountain power plant to the Company's  
16 resources. Bennett Mountain will be an especially valued  
17 resource this summer as drought conditions persist.

18                    In Case No. IPC-E-05-14, the Company  
19 requested a June 1, 2005 overall 4.45 percent increase in  
20 rates (2.25 percent ongoing and an additional 2.20 percent  
21 for one year) to comply with Commission Order No. 29601  
22 that addresses resolution of the Company's income tax  
23 issues in Case No. IPC-E-03-13. For the ongoing portion of  
24 the income tax-related increase the Company proposed a

1 uniform percentage increase of 2.25 percent applied to the  
2 demand and energy components of all customer classes in the  
3 same manner as the Bennett Mountain-related rate increase.  
4 For the one-year portion of the income tax-related increase  
5 the Company proposed a uniform percentage increase to the  
6 customer classes with a uniform cents per kilowatt-hour  
7 within the class.

8 Q. Please describe the June 1, 2005 PCA rate  
9 adjustment.

10 A. The June 1, 2005 PCA rate increase, as  
11 computed by Ms. Schwendiman and described in her direct  
12 testimony in this case, would be a 4.75 percent increase to  
13 current rates to be implemented by an equal 0.2296 cents  
14 per kWh increase applied to the energy component of all  
15 customer classes for one year.

16 Q. What would be the cumulative rate impact of  
17 the three filings you have just described on the Company's  
18 customers?

19 A. In order to represent the impact of these  
20 three filings in comparable terms, I first need to express  
21 the impact of the PCA in terms of an increase from base  
22 rates, since both the Bennett Mountain and the income tax  
23 filings are expressed in terms of changes from the base  
24 rates. In order to determine the PCA impact from base

1 rates, the incremental change to the PCA rate of 0.2296  
2 cents per kWh was multiplied by the 2003 test year sales  
3 utilized in both the Bennett Mountain and income tax  
4 filings. When expressed in terms of an increase from base  
5 rates, the impact of the PCA is a 5.42 percent overall  
6 increase in customer rates. The cumulative impact of these  
7 three filings would be an overall increase of 11.71 percent  
8 with ongoing impacts affecting both energy and demand  
9 components and one-year impacts affecting only energy  
10 components.

11 Q. Have you supervised the preparation of an  
12 exhibit to show the specific class impacts of the combined  
13 Bennett Mountain, income tax, and PCA filings?

14 A. Yes, I supervised the development of Exhibit  
15 7 that details the specific class impacts of the combined  
16 Bennett Mountain, income tax, and PCA filings. The overall  
17 percentage increase associated with the three filings is  
18 11.71 percent. Individual classes experience differing  
19 percentage increases due to the uniform cents per kWh  
20 treatment associated with the PCA.

21 Q. Does the Company have a proposal as to the  
22 implementation of the PCA rate adjustment that would reduce  
23 the overall effect of the combined rate increase associated

1 with the three revenue requirement filings: (1) Bennett  
2 Mountain, Case No. IPC-E-05-10, (2) income tax compliance,  
3 Case No. IPC-E-05-14, and (3) PCA computations in this  
4 case?

5 A. Yes. The Company has a proposal that would  
6 result in no increase in overall PCA rates this year  
7 thereby reducing the combined rate increase on June 1, 2005  
8 to 6.29 percent of base rates (1.84 percent for Bennett  
9 Mountain and 4.45 percent for income tax compliance).

10 Q. What is the current PCA rate?

11 A. Without taking into consideration individual  
12 class variation due to one-year class specific credits, the  
13 overall PCA rate is 0.6039 cents per kWh. The components  
14 of the overall PCA rate are the true-up component rate of  
15 0.3540 cents per kWh and the projection component rate of  
16 0.2499 cents per kWh.

17 Q. Please describe the Company's proposal to  
18 maintain the current overall PCA rate of 0.6039 cents per  
19 kWh.

20 A. First, the Company would recommend  
21 acceptance of Ms. Schwendiman's forecast computation of  
22 0.4288 cents per kWh. Second, the Company would use a  
23 reduced PCA true-up component of 0.1751 cents per kWh in  
24 order to hold the overall PCA rate at 0.6039 cents per kWh.

1 Q. What is the impact of maintaining the 0.6039  
2 cents per kWh PCA rate rather than utilizing the 0.8335  
3 cents per kWh PCA rate as computed by Ms. Schwendiman?

4 A. Based upon the estimate that Idaho  
5 jurisdictional sales during June 1, 2005 through May 31,  
6 2006 will be 12,453,880 MWh, the 0.2296 cents per kWh  
7 difference between Ms. Schwendiman's 0.8335 cents per kWh  
8 computation and the Company's proposal to hold at the  
9 current 0.6039 cents per kWh PCA rate that I am presenting  
10 in my testimony, the Company is offering to under-recover  
11 its PCA expenses by \$28.6 million during June 1, 2005  
12 through May 31, 2006.

13 Q. How would this under-recovery eventually be  
14 collected by the Company?

15 A. From June 1, 2005 through May 31, 2006 the  
16 PCA true-up of the true-up balance would normally be  
17 expected to reduce to zero; however, for this year I am  
18 proposing that it in essence reduce to \$28.6 million plus  
19 carrying charges at the PCA rate of 2 percent.  
20 Effectively, the \$28.6 million will be postponed for an  
21 additional year.

22 Q. Have you supervised an exhibit to show the  
23 specific class impacts of the combined Bennett Mountain and  
24 income tax filings with the Company's proposal to keep the

1 PCA rate at 0.6039 cents per kWh by postponing the recovery  
2 of the \$28.6 million?

3 A. Yes. I supervised the preparation of  
4 Exhibit 8 that details the specific class impacts of the  
5 combined Bennett Mountain and income tax filings with the  
6 Company's proposal to keep the PCA rate at 0.6039 cents per  
7 kWh.

8 Q. Do you believe Idaho Power's retail  
9 customers will value the postponement of a portion of the  
10 2005-2006 PCA?

11 A. Yes. I believe that customers will welcome  
12 the 5.42 percent rate relief this year.

13 Q. In your opinion, will postponement of the  
14 PCA recovery of \$28.6 million until next year create an  
15 undue hardship on customers next year?

16 A. No. I believe that the \$28.6 million impact  
17 next year will be mitigated by future PCA credits and the  
18 cessation of the one-year income tax rate change.

19 Q. Please describe the PCA credits that will  
20 mitigate the impact of deferring \$28.6 million to next  
21 year's PCA.

22 A. In Order No. 29600, the Commission  
23 established 24 months of PCA credits to be included in PCA  
24 true-up computations through May 2006. From June 1, 2005

1 through May 31, 2006, these PCA credits will amount to  
2 \$9,650,000 and effectively offset a portion of the \$28.6  
3 million deferral leaving a net remaining amount of  
4 approximately \$19 million.

5 Q. Please describe why the cessation of the  
6 one-year income tax increase will also mitigate next year's  
7 deferral-related rate increase.

8 A. As I mentioned, due to the Commission  
9 established PCA credits, the effective net remaining  
10 deferral is approximately \$19 million that would indicate a  
11 PCA rate increase next year. However, independent from the  
12 PCA, rates will decrease by \$11.5 million next year as a  
13 result of the cessation of the one-year income tax rate  
14 adjustment. This would result in combination as only a  
15 \$7.5 million net rate adjustment next year rather than a  
16 \$28.6 million increase due to PCA credits and the cessation  
17 of the one-year income tax adjustment.

18 Q. Have you prepared an exhibit that details  
19 the cumulative effect of the Company's requested change in  
20 rates for the Bennett Mountain and income tax filings with  
21 the Company's proposal to keep the PCA rate at 0.6039 cents  
22 per kWh for the period June 1, 2005 through May 31, 2005?

23 A. Yes. Exhibit 9 includes the Company's  
24 tariff sheets reflecting the cumulative effect of the

1 Bennett Mountain, income tax, and PCA filings with the  
2 proposal to keep the PCA at 0.6039 cents per kWh. This  
3 exhibit is provided for informational purposes and is  
4 intended to detail the class specific rates that would  
5 become effective with approval by the Commission of all  
6 three filings.

7 Q. Does this conclude your testimony?

8 A. Yes, it does.