

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 ELECTRIC CUSTOMERS IN THE STATE )  
OF IDAHO. )  
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CASE NO. IPC-E-05-28

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

J. LAMONT KEEN

1 Q. Please state your name and business address.

2 A. My name is J. LaMont Keen and my business  
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. What is your position at Idaho Power Company?

5 A. I am the President and Chief Operating  
6 Officer of Idaho Power Company.

7 Q. What is your educational background?

8 A. I graduated magna cum laude in 1974 from the  
9 College of Idaho in Caldwell, Idaho now called Albertson  
10 College of Idaho, receiving a Bachelor of Business  
11 Administration Degree in Accounting. In 1994, I completed  
12 the Advanced Management Program at the Harvard Graduate  
13 School of Business. I also have also attended many utility  
14 management-training programs, including the Stone & Webster  
15 Utility Management Development Program, the University of  
16 Idaho Public Utilities Executive's Course and the Edison  
17 Electric Institute Executive Leadership Program.

18 Q. Please outline your business experience.

19 A. I have worked in the electric utility  
20 industry at Idaho Power Company for over 30 years, the last  
21 17 years as an officer of the Company. I joined the Company  
22 in 1974 and advanced through several accounting, analyst and  
23 management positions. In July 1988 I was promoted to  
24 Controller. In November 1991 I was appointed Vice President  
25 of Finance and Chief Financial Officer and served in that

1 capacity until March of 1999 when I was also given  
2 responsibility for all of the administrative areas of the  
3 Company as Senior Vice President of Administration and Chief  
4 Financial Officer. In March of 2002, I was appointed  
5 President and Chief Operating Officer where I have  
6 responsibility for the Company's operating units. I either  
7 have or have had responsibility for virtually all aspects of  
8 the Company's operations at some point in my career. In  
9 July of 2004 I was elected to the Board of Directors of  
10 IDACORP, Inc. and Idaho Power Company.

11 Q. What are your duties as President and Chief  
12 Operating Officer of Idaho Power Company?

13 A. I am responsible for the general oversight of  
14 all utility operations including all power supply, delivery,  
15 and customer service activities.

16 Q. What is the purpose of your testimony in this  
17 proceeding?

18 A. My purpose is to provide the Commission with  
19 an Idaho Power operating and financial update since the last  
20 general rate case filed two years ago and to answer any  
21 policy-related questions the Commission may have.

22 Q. Please describe Idaho Power's operational  
23 changes since 2003, which was the test year used for the  
24 Company's last general rate case.

25 A. Because ours is one of the fastest growing

1 regions in the country, the Company continues to grow at a  
2 brisk pace. Our customer numbers have increased and so has  
3 the construction investment necessary to provide reliable  
4 service. This investment is occurring in every major asset  
5 category.

6 Q. Please describe the growth in customers.

7 A. In 2004, Idaho Power saw its highest one-year  
8 gain, 13,809 customers. So far this year, the Company is on  
9 track to set a new record as 12,002 new accounts have been  
10 added during the first nine months. These new accounts  
11 include 10,566 residential customers and 1,118 commercial  
12 customers.

13 Q. What are the Company's plans for additional  
14 resources in the face of the load growth you have described?

15 A. The Company endeavors to add resources  
16 consistent with our Integrated Resource Plan (IRP). The  
17 most recently acknowledged plan, the 2004 IRP, calls for in  
18 the near-term, 200 MW of wind resources, a combustion  
19 turbine peaking resource, the Borah-West transmission  
20 upgrade, increased demand-side measures, 12 MW of combined  
21 heat and power, and 100 MW of geothermal resources.

22 Specifically addressing the demand-side  
23 management component, we have expanded our program offerings  
24 and have been provided the funding necessary to do so  
25 through the Energy Efficiency Rider. Mr. Baggs elaborates



1 agreements on the Company should be addressed.

2 Q. Please provide an update of Idaho Power's  
3 efforts to relicense the Hells Canyon Complex.

4 A. Idaho Power is currently engaged in  
5 proceedings before the Federal Energy Regulatory Commission  
6 (FERC) to relicense the Hells Canyon Complex. This project,  
7 under normal stream flow and snow pack conditions, provides  
8 approximately two-thirds of Idaho Power's hydroelectric  
9 generating capacity and 40 percent of its total generating  
10 capacity. Idaho Power filed its license application with  
11 the FERC in July 2003 and the initial license for the Hells  
12 Canyon Complex expired at the end of July 2005. Idaho Power  
13 now operates the project under an interim license issued by  
14 the FERC, which will be renewed annually until a new multi-  
15 year license is issued.

16 The FERC's current schedule calls for the  
17 issuance of a draft Environmental Impact Statement by the  
18 end of May 2006 and a Final EIS by the end of November 2006.  
19 Under the FERC schedule, a license could be issued for the  
20 Hells Canyon Complex as early as the middle of 2007. While  
21 Idaho Power intends to comply with the FERC schedule, the  
22 Company considers the schedule to be optimistic given the  
23 number and complexity of the issues involved.

24 Q. How has Idaho Power's distribution system  
25 changed since the last general rate case?





1 long term electric needs. The roster of this advisory  
2 committee includes members of the public, mayors,  
3 planning/zoning commissioners, city planners, and business  
4 representatives. This effort is designed to engage the  
5 community in advising Idaho Power in the development of a  
6 25-year blueprint for the electrical system in the Treasure  
7 Valley.

8 Q. What does the continued record growth mean to  
9 the Company's expenditures?

10 A. Both O&M and capital expenditures have been  
11 ramping up to serve our growing customer base and to  
12 reinforce our system reliability.

13 Q. Based on your knowledge and experience, how  
14 will the Company's 2005 actual O&M expenditures compare to  
15 those represented in the Company's filing?

16 A. Obviously, the Commission, through its Staff,  
17 will be able to audit the 2005 actual numbers prior to  
18 issuing a final order in this proceeding. However, at this  
19 time (October 2005), I believe the O&M expenditures  
20 represented in the test year are a reasonable representation  
21 of 2005 and appropriate for ratemaking purposes.

22 Q. Looking forward, what trends do you see for  
23 the Company's O&M budgets?

24 A. At the time of this testimony, the Company is  
25 in the process of preparing the 2006 O&M budget. There is

1 tremendous upward pressure on O&M that will increase these  
2 expenditures materially from 2005 levels. The pressure is  
3 coming from the cost of operating a larger and more complex  
4 transmission and distribution system; increased maintenance  
5 costs at the Company's thermal plants; hydroelectric plant  
6 relicensing costs; costs of complying with federal laws and  
7 regulations such as the Sarbanes-Oxley Act, the Energy  
8 Policy Act of 2005, and the FERC Standards of Conduct;  
9 rising insurance costs; and labor wage pressures caused by  
10 inflation, an aging work force and the need to keep wages  
11 for our skilled electrical utility craft workers in line  
12 with comparable wages elsewhere in the Northwest. For these  
13 reasons, I believe the aggregate O&M cost levels included in  
14 this filing are lower than those expected to occur in 2006.

15 Q. Also, based on your knowledge and experience,  
16 how do you think the Company's 2005 actual capital  
17 expenditures will compare to those represented in the  
18 Company's filing?

19 A. Again, the actual numbers will be available  
20 prior to a final order in this proceeding. However, at this  
21 time (October 2005), I believe the capital expenditures,  
22 including the known and measurable changes, are a reasonable  
23 representation of 2005 and appropriate for ratemaking  
24 purposes.

25 Q. What are the Company's projections for



1 compared to the currently authorized 10.25 percent.

2 Q. Why do you believe Idaho Power has been  
3 unable to earn its authorized rate of return?

4 A. The primary reason the Company has been  
5 unable to earn its authorized rate of return is the lag  
6 between incurring increasing O&M costs and making plant  
7 investments and the time when they are included in rates.  
8 The drought has also cut into the Company's earnings for six  
9 straight years because of the shareholders' absorption of  
10 that portion of increased power supply costs not included in  
11 the PCA.

12 Q. Has Idaho Power modified its approach to rate  
13 requests since filing its last general rate case?

14 A. Yes. In the past, Idaho Power had some very  
15 good reasons to delay filing for a general rate case  
16 (significant corporate restructuring, a rate moratorium, and  
17 the energy crisis), which I described in detail in my  
18 testimony in the last case. However, staying out for  
19 prolonged periods caused its own set of problems, including  
20 a double-digit rate request and regulatory lag. Following  
21 the last general rate case, the Company decided that  
22 smaller, more frequent rate filings would be more  
23 appropriate for the Company and its customers. Accordingly,  
24 Idaho Power intends to file for general rate relief more  
25 frequently, to hopefully alleviate large percentage changes

1 and reduce the regulatory lag.

2 Q. Did you provide any specific direction  
3 regarding the current application for general rate relief?

4 A. Yes. Given that our request comes on the  
5 heels of Case No. IPC-E-03-13 orders, including the  
6 settlement order, I asked our staff to present a  
7 straightforward case that mirrored the Company's 2003 test  
8 year approach while addressing the concerns raised by the  
9 Commission in its final Order No. 29505.

10 Q. Why is timely rate relief important to Idaho  
11 Power and its customers?

12 A. Timely rate relief is necessary to maintain  
13 the credit rating agencies and the overall investment  
14 community's confidence in Idaho Power's ability to meet its  
15 financial obligations and earn a fair return on its  
16 investments. This is especially important to our customers  
17 during a period of rapid system growth, as the Company is  
18 experiencing now. Without this confidence, the overall cost  
19 of acquiring capital will be higher and this ultimately  
20 results in higher rates for Idaho Power customers. It is  
21 also important to provide the equity investors in Idaho  
22 Power the opportunity to earn a fair return on their  
23 investment in the Company. During periods of escalating O&M  
24 and capital costs, timely rate relief is essential.

25 Q. Does this conclude your testimony?

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A. Yes, it does.