

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. )  
\_\_\_\_\_)

CASE NO. IPC-E-05-28

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

PETER PENGILLY

1 Q. Please state your name, address, and present  
2 occupation.

3 A. My name is Peter Pengilly. My business  
4 address is 1221 West Idaho Street, Boise, Idaho.

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

7 A. I am employed by Idaho Power Company as a  
8 Senior Pricing Analyst.

9 Q. Please describe your educational background.

10 A. In May of 1976 I received a Bachelor of  
11 Science Degree in Anthropology from University of Idaho,  
12 Moscow, Idaho. In 1986, I began attending Boise State  
13 University and in 1992 I received Bachelor of Science Degree  
14 in Mathematics. I continued at Boise State University  
15 after graduation as an adjunct professor in mathematics  
16 while taking courses specializing in statistics.

17 I have since attended numerous seminars and  
18 conferences on statistical analysis and on pricing issues  
19 related to the utility industry and have attended seminars  
20 and courses involving public utility regulation. These  
21 courses include Edison Electric Institute's (EEI) Advance  
22 Rate Course and New Mexico States University's Center for  
23 Public Utilities Rates Course and The Restructuring Electric  
24 Industry Course.

25 Q. Please describe your work experience.

1           A.           From 1976 until 1986 I worked as an  
2 archaeological technician on contract with various  
3 universities, government agencies, and private contractors.  
4 At the same time, I was involved in managing a small family-  
5 owned business. From 1986 until 1992 I was employed by the  
6 Idaho State Historical Society managing their Archaeology  
7 laboratory. In 1992, I went to work as a Research Analyst  
8 for the Idaho Department of Correction. In 1993, I  
9 transferred to the Idaho Department of Labor as a Research  
10 Analyst Supervisor under the auspices of the Bureau of Labor  
11 Statistics. This position included supervising a staff as  
12 well as performing a variety of economic and statistical  
13 analyses and reporting. I started employment with Idaho  
14 Power Company in December of 1999 as a Senior Pricing  
15 Analyst in the Pricing and Regulatory Services Department.  
16 My duties as a Senior Pricing Analyst include the  
17 development of alternative pricing structures, management of  
18 pricing programs, the analysis of the impact on customers of  
19 rate design changes, and the administration of the Company's  
20 tariffs. I have also helped develop several demand response  
21 programs.

22           Q.           What is the scope of your testimony in this  
23 proceeding?

24           A.           My testimony shall address the Company's rate  
25 design proposals and summarize the impacts of the rate

1 design for the tariff and special contract customers.

2 Q. How did you arrive at the proposed rate  
3 design presented in this case?

4 A. The design of this rate proposal was  
5 accomplished through analysis and input from the Pricing and  
6 Regulatory Services Department and consultation with Ms.  
7 Brilz, the Company's Pricing Director, Mr. Gale, the  
8 Company's Vice President of Regulatory Affairs, and the  
9 Company's legal staff. For changes to specific schedules, I  
10 also consulted with teams from many different departments  
11 within the Company including Meter Support, Load Research,  
12 Customer Billing Support, Data Warehouse Management,  
13 Customer Relations and Research, and Customer Service.

14 Q. What are your overall objectives in arriving  
15 at the proposed rate designs for the Company's various  
16 service schedules?

17 A. My first objective is to move the individual  
18 rate components closer to the costs of providing electric  
19 service by emphasizing increases in the demand and customer  
20 components and the inclusion of fewer non-energy-related  
21 costs in the energy charges. This movement toward more  
22 emphasis on the fixed billing components is supported by the  
23 results of the Company's class cost-of-service study. My  
24 second objective is to maintain the existing relationship  
25 between the summer and non-summer billing components on the

1 metered service schedules, and re-establish the billing  
2 component relationship between Schedule 9, Large General  
3 Service, and Schedule 19, Large Power Service. My third  
4 objective is to address the redesign of the Schedule 9 -  
5 Secondary Service Level rate schedule and the resulting  
6 impact on Schedule 7, Small General Service, customers. My  
7 fourth objective is to minimize rate design changes to the  
8 metered rate schedules. As part of the Company's last  
9 general rate case, Case No. IPC-E-03-13, the Commission  
10 authorized several major changes to the Company's rate  
11 design, including seasonal rates for all metered service  
12 schedules, tiered summer rates for residential and small  
13 commercial customers and mandatory time-of-use rates for  
14 large power customers. By minimizing changes to rate design  
15 in this proceeding, the Company will provide its customers  
16 with rate design stability and billing continuity.

17 Rate Design

18 Q. What are the major changes to the current  
19 rate design you are proposing?

20 A. I am proposing very few changes in the  
21 overall rate design currently in place. I am proposing  
22 changes to Schedule 9 - Secondary Service Level and I am  
23 also recommending slight changes to Schedule 24,  
24 Agricultural Irrigation Service, Schedule 25, Agricultural  
25 Irrigation Service - Time-of-Use Pilot Program, and Schedule

1 41, Street Lighting Service.

2 Q. What changes are you proposing for the  
3 Schedule 9 - Secondary Service Level rate design?

4 A. To address what I call the Schedule  
5 7/Schedule 9 solution, I am proposing a change to the  
6 Schedule 9 - Secondary Service Level rate design which  
7 affects the eligibility requirements and the rate  
8 components. The change in the eligibility requirements will  
9 require some current Schedule 7 customers to transfer to  
10 Schedule 9. The Company's goal is to align Schedule 7 and  
11 Schedule 9 - Secondary Service Level such that the rates and  
12 overall bills for the Schedule 9 customer, whose energy  
13 usage is near the eligibility threshold, will be more  
14 closely aligned to the rates and overall bills for Schedule  
15 7.

16 Q. What changes are being proposed for Schedule  
17 24 and Schedule 25?

18 A. The Company is proposing eliminating the out-  
19 of-season Demand Charge for the irrigation schedules and is  
20 once again requesting authorization to move non-agricultural  
21 customers to the appropriate general service schedule.

22 Q. What changes are you proposing to Schedule  
23 41?

24 A. To address an issue that has been identified  
25 since the last general rate case, I am proposing a new

1 temporary schedule, Schedule 39, Street Lighting Service  
2 Supplemental Seasonal or Variable Energy, which provides the  
3 service terms and conditions for supplemental energy used  
4 under the non-metered Customer-Owned option on Schedule 41,  
5 Street Lighting Service.

6 I will describe all of these changes in more  
7 detail later in my testimony.

8 Q. Are you proposing any changes to Idaho  
9 Power's tariffs that could affect more than one rate  
10 schedule?

11 A. Yes, I am proposing changing the Schedule 24  
12 and Schedule 25 Fractional Period Minimum Billing Charge  
13 from \$3.00 to \$1.50. This proposed charge will set the  
14 minimum Service Charge amount at fifty percent of the  
15 proposed out-of-season Service Charge for Schedule 24 and  
16 Schedule 25. This relationship between the Service Charge  
17 and the Fractional Period Minimum Billing Charge, enables  
18 Idaho Power's billing system to ensure that no more than the  
19 full monthly Service Charge is billed for fractional billing  
20 periods greater than 33 days.

21 Q. Was a change to the Fractional Period Minimum  
22 Billing Charge required for other schedules?

23 A. No, the Fractional Period Minimum Billing  
24 Charges on all other metered service schedules are already  
25 fifty percent or less of the proposed Service Charge.

1 Q. Throughout your testimony and in your  
2 exhibits, what are you specifying as base rates?

3 A. Consistent with the normalizing adjustment  
4 made by Ms. Schwendiman to test year revenues, the base  
5 rates in my exhibits and used throughout my testimony  
6 exclude the one-year tax adjustment as authorized in  
7 Commission Order No. 29789. I have included details of the  
8 adjustments made to the base rates of individual schedules  
9 in my workpapers.

10 Q. Are you proposing any changes not directly  
11 related to the Company's rate design?

12 A. Yes. Based on previous Commission Orders,  
13 the pricing under Schedule 89, Unit Avoided Energy Cost for  
14 Cogeneration and Small Power Production, is to be adjusted  
15 during the course of every Idaho Power general rate  
16 proceeding. Using the methodology previously ordered by the  
17 Commission, I have adjusted the unit-avoided energy cost  
18 utilizing updated variable operation and maintenance costs  
19 and variable fuel costs for the Valmy plant. I have  
20 included details of these adjustments in my workpapers.

21 Q. Have you prepared or participated in the  
22 preparation of certain exhibits relating to your testimony?

23 A. Yes. I am sponsoring the following exhibits  
24 relating to rate design:

25

1	<u>Exhibit</u>	<u>Description</u>
2	Exhibit No. 50	Summary of Revenue Impact and
3		Calculation of Proposed Rates
4	Exhibit No. 51	Billing Comparisons and Rate Design
5		Impact of Proposed Rates
6	Exhibit No. 52	Service Schedules in Legislative
7		Format
8	Exhibit No. 53	Proposed Tariff

9 Q. Please describe Exhibit No. 50.

10 A. Page 1 of Exhibit No. 50 is titled Summary of  
11 Revenue Impact. Each service schedule and special contract  
12 customer is listed with its number of customers, energy  
13 sales, and current revenue level. Column 5 shows the  
14 revenue adjustment to each customer class. Column 6 shows  
15 the revenue to be recovered by the rate design proposals  
16 based on the 2005 test year. Page 1 also lists the average  
17 mills per kWh and percentage change in revenue for each  
18 customer class and special contract customer.

19 Pages 2 through 23 of Exhibit No. 50 indicate  
20 the rate calculations made, by billing component, for each  
21 service schedule and special contract customer.

22 Q. Please describe Exhibit No. 51.

23 A. Exhibit No. 51 shows the impact to customers'  
24 bills under the proposed rate designs for Schedules 1, 7, 9,  
25 19, 24, and 25.

1 Q. Please describe Exhibit No. 52 and Exhibit  
2 No. 53.

3 A. Exhibit No. 52 includes the Company's rules,  
4 regulations, and service schedules indicating in legislative  
5 format the changes made to those rules, regulations, and  
6 schedules. Exhibit No. 53 is the proposed Idaho Public  
7 Utilities Commission No. 28, Tariff No. 101. This exhibit  
8 contains all the changes to the Tariff proposed by the  
9 Company in this proceeding.

10 Q. How have you organized your discussion of the  
11 Company's rate design proposals?

12 A. I have divided my discussion of the Company's  
13 proposed rate designs into five sections. The first section  
14 includes the discussion for the proposed rate structures for  
15 the Company's non-demand-metered schedules. The second  
16 section addresses the Company's proposals for demand-metered  
17 schedules. The third section includes the discussion for  
18 the proposed rate structures for the Company's non-metered  
19 schedules. The fourth section addresses the Company's  
20 proposals for its special contracts. The final section  
21 addresses miscellaneous issues.

22 NON-DEMAND-METERED SERVICE SCHEDULES

23 Q. What are the Company's non-demand-metered  
24 service schedules?

25 A. Residential Service and Small General

1 Service, Schedule 1 and Schedule 7 respectively, are metered  
2 for kilowatt-hour (kWh) use only. Although some Schedule 7  
3 customers do have demand meters, these customers are billed  
4 only for energy, not demand.

5 Q. What is the present rate structure for  
6 Residential Service under Schedule 1?

7 A. Presently, residential customers pay a  
8 monthly Service Charge of \$3.30 all year. During the summer  
9 months, June through August, they pay a base Energy Charge  
10 of 5.3069¢ per kWh for the first 300 kWh used (First Block),  
11 and 5.9725¢ for all kWh over 300 used (Second Block).  
12 During the non-summer months, September through May, they  
13 pay 5.3069¢ per kWh for all kWh used.

14 Q. What is the revenue requirement to be  
15 recovered from Residential Service customers taking service  
16 under Schedule 1?

17 A. The annual revenue requirement for Schedule 1  
18 customers as shown in Ms. Brilz's Exhibit No. 49 is  
19 \$278,646,766.

20 Q. Please describe the rate design proposal for  
21 Schedule 1.

22 A. The rate design proposal for Schedule 1 is  
23 included on page 2 of Exhibit No. 50. Under the proposed  
24 rate design, Schedule 1 customers will pay a \$6.00 per month  
25 Service Charge every month. During the summer months they

1 will pay a base Energy Charge of 5.4942¢ per kWh for the  
2 First Block kWh used and 6.1836¢ for all Second Block kWh  
3 used. During the non-summer months they will pay 5.4942¢  
4 per kWh for all kWh used.

5 Q. What impact does this rate design have on  
6 Residential Service customers?

7 A. The typical monthly billing comparison for  
8 Residential Service customers appear on page 1 of Exhibit  
9 No. 51.

10 Q. Are you proposing any other changes to  
11 Schedule 1?

12 A. No.

13 Q. What is the present rate structure for Small  
14 General Service under Schedule 7?

15 A. Customers taking service under Schedule 7 pay  
16 a Service Charge of \$3.30 every month. During the summer  
17 months they pay a base Energy Charge of 6.3870¢ per kWh for  
18 the First Block kWh used (first 300 kWh) and 7.1927¢ for all  
19 Second Block kWh used (over 300 kWh). During the non-summer  
20 months they pay 6.3870¢ per kWh for all kWh used. Demand is  
21 not billed for Schedule 7 customers.

22 Q. What is the revenue requirement to be  
23 recovered from Small General Service customers taking  
24 service under Schedule 7?

25 A. The annual revenue requirement for Schedule 7

1 customers as shown in Ms. Brilz's Exhibit No. 49 is  
2 \$22,357,053. As I will explain later in my testimony, this  
3 revenue requirement was adjusted as part of the Schedule 7  
4 /Schedule 9 solution.

5 Q. Please describe the rate design proposal for  
6 Schedule 7.

7 A. The rate design proposal for Schedule 7 is  
8 included on page 3 of Exhibit No. 50. Under the proposed  
9 rate design, Schedule 7 customers will pay a Service Charge  
10 of \$6.00 every month. During the summer months they will  
11 pay a base Energy Charge of 6.5566¢ per kWh for the First  
12 Block kWh used and 7.3837¢ for all Second Block kWh used.  
13 During the non-summer months they will pay 6.5566¢ per kWh  
14 for all kWh used.

15 Q. What is the impact of this rate design on  
16 Small General Service customers?

17 A. Page 2 of Exhibit No. 51 shows the billing  
18 comparison between the existing rates and rate structure and  
19 the proposed rates and rate structure for typical billing  
20 levels.

21 Q. Are you proposing other changes to  
22 Schedule 7?

23 A. Yes. I am proposing changing the eligibility  
24 criteria for Schedule 7. Currently, Schedule 7 is available  
25 to customers whose energy usage is 3,000 kWh or less per

1 billing period for ten or more billing periods during the  
2 most recent 12 consecutive billing periods. I am proposing  
3 that the energy threshold be reduced from 3,000 kWh to 2,000  
4 kWh. I am proposing this change be in conjunction with  
5 several changes to Schedule 9 - Secondary Service Level that  
6 will affect some customers currently taking service under  
7 Schedule 7. I will discuss those changes more specifically  
8 when I address the rate design for Schedule 9.

9 DEMAND-METERED SCHEDULES

10 Q. What are the Company's demand-metered  
11 schedules?

12 A. The Company's demand-metered schedules are  
13 Large General Service, Large Power Service, and Agricultural  
14 Irrigation Service, which are Schedule 9, Schedule 19, and  
15 Schedule 24, respectively. In addition, Schedule 25,  
16 Agricultural Irrigation Service Time-of-Use Pilot Program,  
17 while not open to new participants, is still available to  
18 those who were taking service as of October 1, 2002.

19 Q. Are you proposing any changes to the  
20 eligibility criteria for the Company's demand-metered  
21 customers?

22 A. I am not proposing any changes to the  
23 eligibility criteria for Schedule 19, Schedule 24, or  
24 Schedule 25. For Schedule 9, I am proposing to change the  
25 eligibility criteria such that Schedule 9 is applicable to

1 customers whose metered energy usage exceeds 2,000 kWh,  
2 rather than 3,000 kWh, per billing period for a minimum of  
3 three billing periods during the most recent 12 consecutive  
4 billing periods.

5 Q. What is the present rate structure for  
6 Schedule 9?

7 A. Service under Schedule 9 is taken at  
8 Secondary Service Level, Primary Service Level, or  
9 Transmission Service Level. There are approximately 121  
10 customers taking service under Schedule 9 - Primary Service  
11 Level, 1 customer taking service under Schedule 9 -  
12 Transmission Service Level, and 17,134 customers taking  
13 service under Schedule 9 - Secondary Service Level. All  
14 customers taking service under Schedule 9 pay an Energy  
15 Charge, a Demand Charge, a Basic Charge, and a Service  
16 Charge. Customers taking Primary or Transmission service may  
17 also pay a Facilities Charge.

18 Q. Earlier in your testimony you mentioned the  
19 Schedule 7/Schedule 9 solution. How will the proposed  
20 design address this issue?

21 A. The proposed rate design changes the  
22 eligibility requirements for both Schedule 7 and Schedule 9,  
23 aligns the energy charges for customers near the eligibility  
24 threshold for both schedules, prevents customers from moving  
25 to Schedule 7 after they once qualify for Schedule 9, and

1 eliminates the economic incentives for Schedule 7 customers  
2 to move to Schedule 9.

3 Q. At what service level on Schedule 9 do most  
4 customers who transfer from Schedule 7 take service under?

5 A. Customers who transfer from Schedule 7 to  
6 Schedule 9 generally take service at the Secondary Service  
7 Level.

8 Q. Please describe the proposed rate design for  
9 Schedule 9 - Secondary Service Level?

10 A. I am proposing to implement a two-tier  
11 declining energy block rate along with a block Demand and  
12 Basic Charge. Under Schedule 9 - Secondary Service Level,  
13 the first energy block rate applies to the customer's first  
14 2,000 kWh (First Block) and the second energy block rate  
15 applies to all energy usage above 2,000 kWh (Second Block).  
16 The proposed First Block summer Energy Charge is priced at  
17 6.9874¢ per kWh and the Second Block summer Energy Charge is  
18 priced at 3.1315¢ per kWh. The non-summer Energy Charges  
19 are priced at 6.2330¢ per kWh and 2.7934¢ per kWh for the  
20 First and Second Blocks, respectively. There is no charge  
21 for the first 20 kW of Billing Demand and Basic Load  
22 Capacity. The Basic Charge for each kW of Basic Load  
23 Capacity greater than 20 kW is .62¢ in both summer and non-  
24 summer. The Demand Charge is \$3.59 and \$2.97 for the summer  
25 and non-summer, respectively, for each kW of Billing Demand

1 greater than 20 kW. The proposed Service Charge for all  
2 months is \$12.00. The rate design proposal for Schedule 9 -  
3 Secondary Service Level is included on pages 4 through 6 of  
4 Exhibit No. 50.

5 Q. Could you describe in detail the current  
6 eligibility requirements to receive or continue service  
7 under Schedule 9 and explain your proposed changes to these  
8 criteria?

9 A. Yes. Currently, customers taking service  
10 under Schedule 7 become eligible for service under  
11 Schedule 9 when their monthly energy usage exceeds 3,000 kWh  
12 for three or more billing periods during the most recent 12  
13 consecutive billing periods. Upon approval by the Commission  
14 of Tariff Advice No. 05-05 effective on June 16, 2005,  
15 customers currently taking service under Schedule 9 remain  
16 eligible for continued service under Schedule 9 provided  
17 their monthly energy usage does not fall below 2,500 kWh for  
18 ten or more billing periods in the most recent 12  
19 consecutive billing periods. As stated in Tariff Advice No.  
20 05-05, the Company views the change in eligibility to 2,500  
21 kWh as a intermediate measure to address the Schedule 7 /  
22 Schedule 9 issue, whereas the Company considers the proposed  
23 rate design in this proceeding as a long-term solution.  
24 Under the proposed Schedule 9 rate design, customers will be  
25 eligible for service under Schedule 9 if their monthly kWh

1 usage is 2,000 or greater for three or more billing periods  
2 over 12 consecutive billing periods. Once customers qualify  
3 for service under Schedule 9, they will remain on Schedule 9  
4 even if their usage falls below the energy threshold.

5 Q. Why is the Company recommending these changes  
6 to the Schedule 9 - Secondary Service Level rate design?

7 A. Over time, the pricing relationship between  
8 Schedule 7 and Schedule 9 - Secondary Service Level has  
9 become increasingly misaligned causing a greater economic  
10 disparity between the two schedules. This pricing disparity  
11 greatly impacts those customers that transition between the  
12 two schedules simply because their energy usage is near the  
13 rate schedule eligibility threshold. In 2004, there were  
14 approximately 4,100 customer transitions between Schedule 7  
15 and Schedule 9 - Secondary Service Level. Many of the  
16 customers who moved from Schedule 9 Schedule 7 received an  
17 increase to their monthly bill of more than 100 percent.

18 The pricing disparity between Schedule 7 and  
19 Schedule 9 - Secondary Service Level has also enhanced the  
20 incentive for some customers to artificially adjust their  
21 energy consumption in order to remain above the 2,500 kWh  
22 threshold currently needed to maintain eligibility for  
23 service under Schedule 9. In some cases customers taking  
24 service under Schedule 9 are compelled to artificially  
25 increase their monthly energy usage in order to remain

1 eligible for service under that schedule. Other customers  
2 taking service under Schedule 9 - Secondary Service Level  
3 are simply discouraged from implementing conservation or  
4 energy efficiency measures that may reduce their usage and  
5 compromise their eligibility status.

6 Q. Why is the Company recommending reducing the  
7 eligibility requirements for continued service under  
8 Schedule 9 from 2,500 kWh to 2,000 kWh?

9 A. The recently revised eligibility requirements  
10 for service under Schedules 9, with the approval of Tariff  
11 Advice No. 05-05, has reduced the level of customer movement  
12 between Schedule 7 and Schedule 9. However, the current  
13 level of customer movement continues to negatively impact  
14 customers. Under the proposed rate design there will be  
15 very little difference between the billing for a Schedule 7  
16 customer and the billing for a small Schedule 9 customer  
17 whose usage hovers near the eligibility threshold.

18 Q. How did the Company determine that 2,000 kWh  
19 is the appropriate energy level for the eligibility  
20 threshold?

21 A. The vast majority of current Schedule 7  
22 customers do not exceed 2,000 kWh for three or more billing  
23 periods over 12 consecutive billing periods. In fact, from  
24 July 1, 2004 through June 30, 2005 only 13 percent of the  
25 customers actively taking service under Schedule 7 exceeded

1 2,000 kWh for three or more billing periods over 12  
2 consecutive billing periods. Setting the energy threshold  
3 at 2,000 kWh will require an estimated 13 percent of the  
4 current Schedule 7 customers, who account for approximately  
5 27 percent of the overall Schedule 7 revenue, to be  
6 transferred to Schedule 9. The remaining customers taking  
7 service under Schedule 7 are a more homogeneous group based  
8 on their usage characteristics and facility requirements.

9           The implementation of a 2,000 kWh energy  
10 threshold also allows movement to be made toward creating  
11 one general service schedule, which is the preferred  
12 permanent solution to the issues customers face as they  
13 transition between the two schedules. The Company considers  
14 the proposed rate design and revisions to the eligibility  
15 requirements as a substantial first step in moving in that  
16 direction.

17           Q.       Please explain how the Company's proposed  
18 rate design and revised eligibility requirements address the  
19 issues customers face under the current Schedules 7 and 9  
20 Secondary?

21           A.       The proposed rate design coupled with a lower  
22 rate schedule qualification energy threshold for Schedules 7  
23 and Schedule 9 will serve to address many of the issues  
24 currently faced by the Company's small and large general  
25 service customers.

1                   First, the proposed rate design better aligns  
2 the pricing between Schedules 7 and Schedule 9 - Secondary  
3 Service Level. The relationship between the First Block  
4 rates on Schedule 9 - Secondary Service Level and the energy  
5 rates on Schedule 7 combined with removing the Demand Charge  
6 and Basic Charge for 20 kW and below will serve to smooth  
7 the pricing transition between the two schedules. The  
8 proposed pricing relationship for Schedule 7 and Schedule 9  
9 - Secondary Service Level is set to result in a similar bill  
10 amount under either schedule for customers with energy usage  
11 near 2,000 kWh.

12                   Second, the implementation of the provision  
13 allowing customers currently taking service under Schedule 9  
14 to remain eligible for service under Schedule 9, even if  
15 their energy usage falls below the threshold, will serve to  
16 reduce customer movement between rate schedules. Continuity  
17 on the same service schedule reduces the potential for  
18 customers to be confused by their billings, since the  
19 billing components and charges remain the same.

20                   Third, the alignment of the pricing near the  
21 2,000 kWh energy threshold removes the incentive for  
22 customers to artificially adjust energy consumption.  
23 Customers are not any better off financially on either  
24 Schedule 7 or Schedule 9 when energy consumption is near the  
25 threshold. And fourth, this rate design continues to move

1 general service customers' rates closer to the cost of  
2 service.

3 Q. Do you believe the new rate design and  
4 eligibility requirements will decrease some of the  
5 challenges caused by the current rate design of the  
6 Schedule 9 - Secondary Service Level?

7 A. Yes, if the complete design is approved and  
8 implemented, it will help minimize the challenges that the  
9 Company and customers are now experiencing under the current  
10 pricing structure. However, all of the components of this  
11 design are interrelated. The eligibility criteria, the  
12 energy and demand blocks, and the component pricing are all  
13 designed to work together. If any of these components are  
14 changed without consideration of the others, the Company's  
15 objectives will not be fulfilled.

16 Q. How does the Company propose to transfer the  
17 current Schedule 7 customers to Schedule 9 - Secondary  
18 Service Level that will be eligible for Large General  
19 Service with the adoption of the revised eligibility  
20 criteria?

21 A. Upon approval by the Commission, the Company  
22 will move the qualifying Schedule 7 customers to Schedule 9  
23 - Secondary Service Level coincident with each customer's  
24 first regular billing cycle following the effective date of  
25 the approved revisions. This process will allow for the

1 efficient management of the workforce needed to implement  
2 the change and reduce billing confusion for the customers.  
3 For example, provided the Commission authorizes the revised  
4 rates to become effective June 1, 2006, a customer taking  
5 service under Schedule 7 that qualifies for service under  
6 Schedule 9 and is scheduled to bill on June 5, 2006 will be  
7 billed under Schedule 7 on June 5, 2006 and will be billed  
8 under Schedule 9 for all subsequent bills beginning with the  
9 ending meter reading used to calculate the June 5, 2006  
10 bill.

11 Q. What is the revenue requirement to be  
12 recovered from Schedule 9?

13 A. Based on Ms. Brilz's Exhibit No. 49, the  
14 total annual revenue to be collected from customers taking  
15 service under Schedule 9 is \$130,579,886.

16 Q. Does the new rate design for Schedule 9 -  
17 Secondary Service Level have any effect on the revenue  
18 requirement for Schedule 9 or Schedule 7?

19 A. Yes. Since the new design for Schedule 9  
20 Secondary will require approximately 3,900 customers to  
21 transfer from Schedule 7 to Schedule 9 - Secondary Service  
22 Level, it is necessary to make an adjustment for the number  
23 of billings, Basic Load Capacity kilowatts, Demand  
24 kilowatts, Energy kilowatt-hours, and associated revenues  
25 for both Schedule 7 and Schedule 9 - Secondary Service

1 Level. These adjustments are included on Exhibit No. 50,  
2 pages 3 through 6. I have included the details of these  
3 adjustments in the workpapers filed with my testimony.

4 Q. What is the billing impact of your proposed  
5 rate design on the customers currently receiving service  
6 under Schedule 9 - Secondary Service Level?

7 A. Page 3 of Exhibit No. 51 shows the billing  
8 comparison between the existing rates and the proposed rates  
9 for customers currently receiving service under Schedule 9 -  
10 Secondary Service Level. This comparison is based on actual  
11 usage data for the July 2004 through June 2005 time period.

12 Q. Please describe the rate design proposal for  
13 Schedule 9 customers receiving service at the Primary and  
14 Transmission Service Levels.

15 A. The Company is proposing increases to the  
16 Service Charge, the Basic Charge, the summer Demand Charge,  
17 and both the summer and the non-summer Energy Charges for  
18 Schedule 9 - Primary Service Level and Schedule 9 -  
19 Transmission Service Level customers. For the Schedule 9 -  
20 Primary Service Level customers, I am proposing a \$200  
21 Service Charge, an \$0.89 Basic Charge in both summer and  
22 non-summer, Demand Charges of \$3.54 and \$2.96 for summer and  
23 non-summer, respectively, and Energy Charges of 2.7654¢ and  
24 2.4366¢ for summer and non-summer, respectively. For the  
25 Schedule 9 - Transmission Service Level customers, I am

1 proposing a \$200 Service Charge, a \$.46 Basic Charge in both  
2 summer and non-summer, Demand Charges of \$3.47 and \$2.90 for  
3 summer and non-summer, respectively, and Energy Charges of  
4 2.7164¢ and 2.3961¢ for summer and non-summer, respectively.  
5 As I mentioned earlier in my testimony, these charges re-  
6 establish the service level relationship with the Schedule  
7 19 service levels. I will discuss this in more detail in my  
8 description of Schedule 19 charges.

9 Q. What is the billing impact to the customers  
10 receiving service under Schedule 9 - Primary Service Level  
11 and Schedule 9 - Transmission Service Level?

12 A. Page 4 of Exhibit No. 51 shows the billing  
13 comparison between the existing rates and the proposed rates  
14 for Schedule 9 - Primary Service Level customers and  
15 Schedule 9 - Transmission Service Level customers. These  
16 comparisons are based on actual billing data for the July  
17 2004 through June 2005 time period.

18 Q. What is the present rate structure for  
19 Schedule 19?

20 A. Currently, service under Schedule 19 is  
21 provided under Secondary, Primary, or Transmission Service  
22 Levels. All customers taking service under Schedule 19 pay  
23 an Energy Charge based on time-of-use, a Demand Charge, a  
24 summer On-Peak Demand Charge, a Basic Charge, and a Service  
25 Charge. Customers taking service under Schedule 19 - Primary

1 Service Level or Schedule 19 - Transmission Service Level  
2 may also pay a Facilities Charge. In addition, Schedule 19  
3 includes a 1,000 kW minimum Billing Demand and Basic Load  
4 Capacity.

5 Q. How are Schedule 9 and Schedule 19  
6 interrelated?

7 A. Both Schedule 9 and Schedule 19 provide  
8 service at Secondary, Primary, and Transmission Service  
9 Levels. As customers' loads change, they can transfer  
10 between Schedule 9 and Schedule 19 while continuing to take  
11 service at the same service level. Both Schedule 9 and  
12 Schedule 19 have a Demand Charge and a Basic Charge. In  
13 addition Schedule 19 has an On-Peak Demand Charge in the  
14 summer. The Billing Demand is the average kW supplied  
15 during the 15-consecutive-minute period of maximum use  
16 during the billing period, adjusted for Power Factor. The  
17 On-Peak Billing Demand for the Schedule 19 customers is the  
18 average kW supplied during the 15-minute period of maximum  
19 use during the billing period for the on-peak time period.  
20 The Basic Load Capacity is the average of the two greatest  
21 monthly Billing Demands established during the 12-month  
22 period which includes and ends with the current billing  
23 period.

24 Q. What is the current relationship between  
25 prices on Schedule 9 and Schedule 19?

1           A.           Prior to the Company's last general rate  
2 case, Case No. IPC-E-03-13, the Basic Charge, the Demand  
3 Charge, and with a slight deviation, the Service (formerly  
4 Customer) Charge were the same within service levels for  
5 both Schedule 9 and Schedule 19. Currently the rate  
6 components for these two schedules are similar but they vary  
7 inconsistently between schedules and service levels. For  
8 example the Service Charges are the same between service  
9 levels, and the Basic Charges are the same for Schedule 9 -  
10 Secondary Service Level and Schedule 19 - Secondary Service  
11 Level. However, none of the other rate components are  
12 aligned between the rate schedule service levels.

13           Q.           How are the service levels defined?

14           A.           The service levels were first defined in Case  
15 No. IPC-E-94-05 and are defined in the Company's Tariff Rule  
16 B. Secondary Service is service taken at 480 volts or less,  
17 or where the definitions of Primary Service and Transmission  
18 Service do not apply. Primary Service is service taken at  
19 12,500 volts or 34,500 volts. Transmission Service is  
20 service taken at 44,000 volts or higher.

21           Q.           Why was the relationship established between  
22 service levels?

23           A.           This relationship was established to be  
24 reflective of cost and to facilitate customer transitions  
25 between rate schedules. As stated in Ms. Brilz's testimony

1 in Case No. IPC-E-94-05:

2                   The Company is proposing to add service  
3 levels for several reasons. First, the costs of providing  
4 service are associated with the voltage level at which  
5 service is received. For example, customers receiving  
6 service at transmission voltage do not impose the same  
7 distribution-related costs on the Company's system that  
8 customers receiving service at primary voltage impose. As a  
9 result, the prices charged to Transmission Service customers  
10 should reflect the differences in costs. The Company's  
11 current practice of giving high voltage customers a credit  
12 on their billed demand does not adequately reflect the  
13 differences in the costs of providing service at  
14 transmission versus distribution voltage. By establishing  
15 service levels based on voltage, prices can be established  
16 which more accurately and fairly reflect the costs of  
17 providing service.

18                   Second, establishing voltage based service  
19 levels will improve the Company's ability to provide  
20 services to customers both from an administrative and  
21 customer service perspective. As a result, transitions  
22 between Schedules 9 and 19, as customers' loads change, will  
23 be simplified since customers will move to the same service  
24 level under the appropriate schedule.

25                   Q.           Does the Company's rate design proposal for

1 Schedule 9 and Schedule 19 customers re-establish this  
2 pricing relationship between schedules?

3           A.       Yes. The rate design proposal for Schedule 9  
4 and Schedule 19 realigns the service level relationship  
5 between the Service Charge, the Basic Charge and the Demand  
6 Charge on each of the schedules. Since the vast majority of  
7 the Schedule 19 customers' On-Peak Billing Demand is equal  
8 to their Billing Demand and because Schedule 19 has an On-  
9 Peak Summer Demand Charge and Schedule 9 does not, the  
10 summer Demand Charge for Schedule 9 was set at the sum of  
11 the Schedule 19 On-Peak Demand and Demand Charges. The  
12 energy charges for Schedule 9 and Schedule 19 customers were  
13 a little more difficult to establish because Schedule 19 has  
14 a time-of-use component to the Energy Charges. However, by  
15 using the average summer and non-summer Energy Charges for  
16 the Schedule 19 customers, it can be seen that the proposed  
17 Schedule 19 - Primary Service Level and Transmission Service  
18 Level Energy Charges are approximately five percent lower  
19 than the comparable Schedule 9 - Primary Service Level and  
20 Schedule 9 - Transmission Service Level Energy Charges. I  
21 have tried to keep the energy prices as closely aligned as  
22 possible to prevent causing an incentive for Schedule 9  
23 customers to artificially increase their demand in order to  
24 be placed on Schedule 19.

25                       As expressed in Ms. Brilz's testimony in Case

1 No. IPC-OE-94-05:

2                   The Company wants to ensure that a price  
3 signal be given to customers so there is limited incentive  
4 to use additional energy in order to qualify for Schedule  
5 19. The Energy Charge was set at 5 percent over the  
6 Schedule 19 Service Energy Charge to provide a differential  
7 in prices between the two schedules (Schedule 9 and Schedule  
8 19) which, when considered with the minimum billing Demand  
9 and Basic Load Capacity provisions under Schedule 19,  
10 provides the appropriate price signal.

11           Q.        Would you describe the process that was used  
12 to realign the Schedule 9 and Schedule 19 charges?

13           A.        The first step was to align the charges for  
14 the Primary Service Level customers. I achieved this by  
15 setting the proposed Schedule 19 - Primary Service Level  
16 non-summer Demand Charge equal to the current Schedule 9 -  
17 Primary Service Level non-summer Demand Charge. By matching  
18 the two non-summer Demand Charges, the Schedule 9 - Primary  
19 Service Level non-summer Demand Charge remains at its  
20 current level and the proposed Schedule 19 - Primary Service  
21 Level non-summer Demand Charge is raised about ten percent.  
22 To align the summer Demand Charges the Schedule 19 and  
23 Schedule 9, the Schedule 19 - Primary Service Level On-Peak  
24 Demand Charge was increased by 7.9 percent and the summer  
25 Demand charge was increased by 7.6 percent. The sum of the

1 Schedule 19 - Primary Service Level summer Demand Charge and  
2 On-Peak Demand Charge was utilized to set the Schedule 9 -  
3 Primary Service Level summer Demand Charge. The Basic  
4 Charge was increased to \$0.89 for both schedules. The  
5 Service Charges were set at \$200 for both the Schedule 9 and  
6 Schedule 19, moving them both closer to the customer-  
7 component cost shown on Ms. Brilz's Exhibit No. 40, page 5,  
8 line 480, column J. The time-of-use Energy Charges for  
9 Schedule 19 - Primary Service Level were used to balance the  
10 revenue requirement and maintain the current relationship  
11 between on-, off-, and mid-peak energy prices. The  
12 Schedule 9 - Primary Service Level Energy Charges were then  
13 set to be approximately 5 percent higher than the average  
14 Schedule 19 - Primary Service Level Energy Charges.  
15 Secondly, the component charges for Schedule 9 -  
16 Transmission Service Level and Schedule 19 - Transmission  
17 Service Level were based on the Primary Service Level  
18 charges and held proportionately to what they are currently.  
19 The Secondary Service Level charges under Schedule 19 and  
20 the Second Block charges under Schedule 9 were set to match  
21 the current proportions between Schedule 9 - Secondary  
22 Service Level and Schedule 19 - Secondary Service Level.

23 Q. Is the Company proposing any changes to the  
24 rate structure for Schedule 19?

25 A. No. The Company is not proposing any changes

1 to the rate structure for Schedule 19.

2 Q. What are your goals for the proposed charges  
3 for Schedule 19 customers?

4 A. As stated earlier in my testimony, my goals  
5 in setting the charges for Schedule 19 customers are three-  
6 fold. First, I want to re-establish the relationship  
7 between Schedule 9 and Schedule 19 service level charges was  
8 established in Case No. IPC-E-94-5. Secondly, I want to  
9 maintain the existing relationship between the pricing  
10 components of the three service levels for Schedule 19 which  
11 reflects the variation in costs for each level of service.  
12 And third, consistent with the Company's overall objectives,  
13 I propose moving the individual rate components closer to  
14 the costs of providing service.

15 Q. What are the proposed charges for Schedule 19  
16 customers?

17 A. The Service Charge for Schedule 19 - Primary  
18 Service Level and Schedule 19 - Transmission Service Level  
19 is \$200. The Schedule 19 - Secondary Service Level Service  
20 Charge is \$12.00. The Basic Charges for Schedule 19 are  
21 \$0.62, \$0.89, and \$0.46 for the Secondary, Primary, and  
22 Transmission Service Levels, respectively. The summer On-  
23 Peak Demand Charge is \$0.41 for all service levels. The  
24 summer Demand Charges are \$3.18, \$3.13, and \$3.06 and the  
25 non-summer Demand Charges are \$2.97, \$2.96, and \$2.90 for

1 the Secondary, Primary, and Transmission Service Levels,  
2 respectively.

3 Q. What are the specific proposed energy prices  
4 for Schedule 19 customers?

5 A. The Energy Charges by service level and time  
6 period for each season are:

<u>Time</u>	<u>Service Level</u>		
<u>Period</u>	<u>Secondary</u>	<u>Primary</u>	<u>Transmission</u>
<u>Summer</u>			
On-Peak	3.3586¢	2.8847¢	2.8463¢
Mid-Peak	3.1911¢	2.6039¢	2.5690¢
Off-Peak	2.9741¢	2.4269¢	2.3945¢
<u>Non-Summer</u>			
Mid-Peak	2.8709¢	2.3556¢	2.3194¢
Off-Peak	2.7411¢	2.2474¢	2.2129¢

16 Q. What is the total annual revenue requirement  
17 to be collected from the Schedule 19, Large Power Service,  
18 customers?

19 A. Based on Ms. Brilz's Exhibit No. 49, the  
20 total annual revenue requirement to be collected from  
21 Schedule 19 is \$ 66,392,217.

22 Q. What is the impact of the rate design on  
23 Large Power Service customers?

24 A. The bill impact on Schedule 19 customers can  
25 be seen on page 5 of Exhibit No. 51.

1           Q.       Have you achieved your goals in setting the  
2 rates for Schedule 19 customers?

3           A.       Yes. I have maintained the relationship  
4 between the Energy Charges for the Primary, Secondary, and  
5 Transmission Service Level customers under Schedule 19  
6 within the time-of-use structure established in the  
7 Company's last general rate case. I have also maintained  
8 the relationship between the Service Charges for the three  
9 service levels. I have re-established the rate component  
10 relationship between the service levels offered under  
11 Schedule 9 and Schedule 19 and moved the individual rate  
12 components closer to the costs of providing service.

13          Q.       What is the current rate structure for  
14 Schedule 24, Agricultural Irrigation Service?

15          A.       Service under Schedule 24 is classified as  
16 being either "in-season" or "out-of-season". The in-season  
17 for each customer begins with the customer's meter reading  
18 for the May billing period and ends with the customer's  
19 meter reading for the September billing period. The out-of-  
20 season encompasses all other billing periods.

21                   Currently, customers pay both an Energy  
22 Charge and a Demand Charge for the metered usage for both  
23 in-season and out-of-season. For the in-season, customers  
24 are subject to a \$12.00 Service Charge. The Service Charge  
25 during the out-of-season is \$3.00.

1                   Both Secondary and Transmission Service  
2 Levels are available under Schedule 24, although no  
3 customers are currently taking service under at Transmission  
4 Service Level.

5           Q.        Are you proposing any changes to the Schedule  
6 24 and Schedule 25 rate design?

7           A.        I am proposing to keep the majority of the  
8 rate structure for Schedule 24 and Schedule 25 as it is  
9 currently with the exception of removing the out-of-season  
10 Demand Charge from both schedules. In conjunction with  
11 removing the out-of-season Demand Charge, I am proposing a  
12 differential between in-season and out-of-season Energy  
13 Charges in order to help the Company collect its fixed costs  
14 through the Energy Charge in the out-of-season. I am also  
15 proposing transferring to a general service schedule  
16 customers now taking service under Schedules 24 and Schedule  
17 25 who are not agricultural-use customers irrigating  
18 "agricultural crops or pasturage" and therefore do not meet  
19 the eligibility criteria.

20          Q.        When were the out-of-season Demand Charges  
21 for Schedule 24 and Schedule 25 irrigation customers first  
22 implemented?

23          A.        In the Company's last general rate case, the  
24 Commission's Order No. 29505 directed the Company to  
25 implement an out-of-season Demand Charge for its Idaho

1 irrigation customers. As part of the same order, the  
2 Commission approved a uniform year-round energy rate for  
3 these customers thereby removing the historical in-season  
4 and out-of-season energy differential.

5 Q. What has been the Company's experience since  
6 the adoption of out-of-season Demand Charges?

7 A. The implementation of an out-of-season Demand  
8 Charge has resulted in several challenges that were not  
9 foreseen at the time of implementation. The majority of  
10 these challenges relate to the Company's ability to  
11 appropriately bill customers for the out-of-season Demand  
12 Charge. For example, the Company has approximately 954  
13 customers with installed motors of five horsepower or less  
14 for whom a demand meter is not installed. For these  
15 customers, the Billing Demand is set equal to the number of  
16 horsepower. During regular in-season operation of these  
17 small pumps, customers are billed based on the total  
18 horsepower plus the amount of kilowatt-hours registered by  
19 the meter. However, in the out-of-season period, customers  
20 often use only a few kWh of energy. In this situation,  
21 customers are billed for the total amount of connected  
22 horsepower, or Demand, since there is no means to capture  
23 actual Demand. During the 2004-2005 out-of-season period,  
24 the Company received calls from several customers who were  
25 upset they were billed for up to five kW when their energy

1 usage was as small as ten, five, or even only two kWh.

2 Q. Do you have any other examples of challenges  
3 related to the Company's ability to appropriately bill  
4 customers for out-of-season Demand?

5 A. Yes. During the out-of-season, the Company  
6 often encounters conditions such as too much snow, ice, or  
7 mud, that prevent access to irrigation meters. In addition,  
8 some customers request we not drive on the dirt roads that  
9 provide access to meters in order to prevent damage to the  
10 roads. These access issues to irrigation meters during the  
11 out-of-season create challenges to billing out-of-season  
12 Demand Charges.

13 Q. What kinds of problems are created when these  
14 situations arise?

15 A. When they are read, demand meters are reset  
16 so that the peak Demand during the upcoming billing cycle  
17 can be appropriately registered. If the meters are not  
18 reset for each billing cycle, the Demand reading will  
19 reflect the highest kW for the ongoing period. When the  
20 Company is unable to gain access to an irrigation meter  
21 during the out-of-season, it is impossible to determine when  
22 the Demand reading was established. When access to the  
23 meters is finally gained, the Company must use its judgment  
24 to determine how many kW to bill for each of the months that  
25 the meter was not read. Invariably, the process results in

1 time-consuming dialog between the Company and the customer  
2 as the parties try to determine the appropriate billing  
3 amount. To treat all parties equitably and consistently  
4 under these conditions is extremely challenging, if not  
5 impossible.

6 Q. What other issues have arisen with the  
7 implementation of the out-of-season Demand Charge.

8 A. The absence of an out-of-season Demand Charge  
9 was initially designed to accommodate customers who need to  
10 use energy during the out-of-season period for minor  
11 purposes, such as testing pumps, performing maintenance, or  
12 repositioning pivots. The low energy consumption associated  
13 with these minor purposes was billed the higher out-of-  
14 season Energy Charge, but did not include a charge for the  
15 Demand, ostensibly because the low usage generally occurred  
16 during the time of year when capacity costs are lowest,  
17 i.e., spring and fall. With the implementation of an out-  
18 of-season Demand Charge, customers are now charged for the  
19 peak Demand when they test their pumps or move their pivots.  
20 Consequently, the Demand Charge is disproportionately high  
21 compared to the energy charge. The Company received an  
22 influx of calls from customers this past spring who were  
23 dissatisfied with the high Demand Charges relative to the  
24 small amount of energy used.

25 Q. Does the Company have a proposal that would

1 address the multiple issues described above?

2           A.           Yes. The Company proposes the out-of-season  
3 Demand Charge be eliminated and differentiated in-season and  
4 out-of-season energy rates be reinstated. First of all,  
5 customers would not be disproportionately affected when  
6 there is intermittent use in the out-of-season period. In  
7 addition, estimated bills could more easily be prepared for  
8 those months when the meter cannot be accessed to be read.  
9 Upon the next actual meter read, a true-up bill based on the  
10 actual energy consumption could then be prepared with no  
11 need to determine when or how much Demand was used. Neither  
12 the customer nor the Company would be permanently advantaged  
13 or disadvantaged over the timing of the meter read.

14           Q.           How would the adoption of the proposal affect  
15 customer satisfaction within the Company's agricultural  
16 irrigation class?

17           A.           Eliminating the out-of-season Demand Charge  
18 and replacing it with increased out-of-season Energy Charges  
19 will resolve many of the equity issues already discussed  
20 above. When customers are treated more evenhandedly, both  
21 the Company and its customers benefit.

22           Q.           Are you proposing any changes to the  
23 eligibility criteria for Schedule 24 and Schedule 25?

24           A.           No. However, I am adding language to  
25 Schedule 24 and Schedule 25 that will require customers

1 currently receiving service under these schedules who do not  
2 meet the eligibility criteria to be transferred to a general  
3 service schedule by November 1, 2006.

4 Q. Why is Idaho Power proposing this additional  
5 language to Schedule 24 and Schedule 25?

6 A. It has become problematic for the Company to  
7 comply with the tariff provisions and directives authorized  
8 in the last rate case while also treating its Customers in a  
9 consistent fashion. The Company is proposing a solution  
10 that will be discussed more fully in my testimony. However,  
11 it is important to note in advance that the Company's  
12 proposal addresses the equity issue, is essentially revenue-  
13 neutral and will also benefit a majority of the effected  
14 customers.

15 Q. What are the current Commission-authorized  
16 eligibility criteria for the Company's Agricultural  
17 Irrigation Service, Schedule 24 and Schedule 25?

18 A. Service under these schedules is applicable  
19 to power and energy supplied to "agricultural use customers  
20 operating water pumping or water delivery systems to  
21 irrigate agricultural crops or pasturage".

22 Q. In what ways did the irrigation service  
23 eligibility criteria change in the Company's last general  
24 rate case?

25 A. Previous to the Company's last general rate

1 case, irrigation service was applicable to power and energy  
2 supplied to "farm customers and organizations". Although  
3 the Company believes that Schedule 24 and Schedule 25 were  
4 always intended to be available only to agricultural  
5 customers, the wording led to various interpretations. As a  
6 result, over the years some non-agricultural customers were  
7 permitted to take service on Schedule 24 and Schedule 25.

8                   To remove the ambiguity regarding the type of  
9 service eligible for Schedule 24 and Schedule 25, the  
10 Company in the last case, requested the Applicability  
11 sections of Schedules 24 and schedule 25 specify that  
12 service is applicable exclusively to agricultural-use  
13 customers for the purpose of irrigating "agricultural crops  
14 or pasturage". The Company also requested the name of the  
15 schedules be changed to include "Agricultural Irrigation  
16 Service". The Commission agreed and these changes became  
17 effective with the implementation of the revised rates  
18 authorized by the Commission in its Order No. 29505.  
19 Nonetheless, the Commission explicitly denied the Company's  
20 request to transfer existing of non-agricultural customers  
21 from the irrigation schedules to the appropriate general  
22 service schedules.

23                   Q.           Did the Commission state its reasons for  
24 denying the request?

25                   A.           Yes. In Order No. 29505, the Commission

1 states, "The Company did not provide evidence of the revenue  
2 impact of restricting Schedule 24 to agricultural use, nor  
3 did it provide any justification for creating a distinction  
4 between different types of irrigation customers. The  
5 Commission denies the Company this proposed restriction for  
6 Schedule 24 customers without further evidence that  
7 distinguishes these uses from agriculture."

8 Q. How many customers currently receive service  
9 under Schedule 24 and Schedule 25 that would no longer be  
10 eligible for irrigation service under these rate schedules  
11 if the current applicability language provisions were  
12 applied uniformly?

13 A. There are approximately 680 customers  
14 currently receiving service under Schedule 24 and  
15 Schedule 25 that would no longer be eligible if the  
16 eligibility criteria were applied uniformly. The majority  
17 of these customers utilize electric service for community  
18 water pumping systems or the non-agricultural irrigation of  
19 golf courses, cemeteries, parks, school grounds, and common  
20 areas in subdivisions.

21 Q. Is there a revenue impact of restricting  
22 Schedule 24 and Schedule 25 to agricultural use and  
23 transferring non-agricultural service onto a general service  
24 schedule?

25 A. The revenue impact of limiting Schedule 24

1 and Schedule 25 to agricultural use and transferring the  
2 non-agricultural services onto a general service schedule is  
3 minimal. On an aggregate basis, the overall revenue  
4 collected by the Company would decrease by approximately  
5 \$46,000. Of the 680 non-agricultural customers currently  
6 receiving irrigation service, 359 would have bills decrease  
7 and the other 321 customers would have bills increase under  
8 a general service schedule.

9 Q. Are the eligibility provisions of Schedule 24  
10 and Schedule 25 being applied uniformly and equitably to all  
11 customers?

12 A. No. The revised eligibility criteria  
13 previously approved by the Commission required all "new"  
14 customers who irrigate for non-agricultural purposes to take  
15 service under the appropriate general service schedule. At  
16 the same time, the Commission's denial of the Company's  
17 request to transfer existing non-agricultural customers off  
18 of Schedule 24 or Schedule 25 allows "old" customers to  
19 continue to receive Schedule 24 or Schedule 25 service. The  
20 result is an inconsistent treatment of customers based  
21 solely on the timing of when they became a customer.

22 Q. Besides the Idaho Commission's authorization  
23 to make irrigation schedules applicable to "agricultural use  
24 customers operating water pumping or water delivery systems  
25 to irrigate agricultural crops or pasturage", is there any

1 other precedent for the proper assignment of customers to  
2 the irrigation rate class?

3           A.           Yes. For example, a residential and a small  
4 commercial customer may both be utilizing electricity  
5 primarily for lighting, heating, and air conditioning. In  
6 addition, both may have exactly the same electric  
7 consumption and usage pattern. Nonetheless, the  
8 Commission's authorized rate class eligibility criteria will  
9 separate each customer into a different rate class. Because  
10 the tariff rates are different between the two classes, the  
11 electric charges for these two customers will not be  
12 identical. Rate class, as opposed to grouping customers  
13 just sharing similar energy utilization, provides the  
14 rational basis for determining billing charges. Therefore,  
15 it is important to ensure that customers have been properly  
16 assigned to an appropriate and unambiguous rate class  
17 category.

18           Q.           Can the Company easily distinguish between  
19 agricultural and non-agricultural customers on Schedule 24  
20 and Schedule 25?

21           A.           Yes. Agricultural-use customers taking  
22 service under Schedules 24 and Schedule 25 are identified  
23 through a specific designation in the Company's customer  
24 information system. This designation is intended to ensure  
25 that "farm" customers who are eligible for the Bonneville

1 Power Administration's (BPA) Federal Columbia River Benefits  
2 (BPA credits) receive those benefits.

3 Q. What is the Company's plan for transferring  
4 non-agricultural irrigation and water pumping customers to  
5 appropriate retail rate schedules?

6 A. The Company will contact each affected non-  
7 agricultural customer and give each one the choice of  
8 either: (1) transferring their electric service to the  
9 applicable general service schedule, or (2) continuing to  
10 receive electric service under Schedule 24 or Schedule 25  
11 through October 31, 2006. Effective November 1, 2006, any  
12 non-agricultural customers still receiving service under  
13 Schedule 24 or Schedule 25 would be transferred to the  
14 applicable general service schedule.

15 Q. To what general service schedule would these  
16 non-agricultural irrigation customers be transferred?

17 A. Currently, out of the 680 effected non-  
18 agricultural irrigation customers, 308 would be transferred  
19 to Small General Service, Schedule 7. The other 372  
20 customers would be transferred to Large General Service,  
21 Schedule 9 - Secondary Service Level.

22 Q. What incentives have been in place that would  
23 make a non-agricultural customer eager to be provided  
24 electric service under irrigation rates?

25 A. Historically, there has been a distinct

1 economic incentive for customers to have their electric  
2 usage charged under the rates offered to the irrigation  
3 customers. In the past, anyone pumping water for any reason  
4 would have an incentive to request irrigation electric  
5 rates.

6 Q. Would accepting the Company's proposal that  
7 Schedule 24 and Schedule 25 non-agricultural irrigation  
8 customers be transferred to other appropriate electric rate  
9 schedules help to remedy the inconsistent application of the  
10 eligibility criteria?

11 A. Yes. The Commission-authorized tariffs  
12 already state that the only customers eligible for  
13 Agricultural Irrigation Service are agricultural use  
14 customers irrigating crops or pasturage. The Company's  
15 proposal is not to change the criteria but simply to request  
16 authorization to apply the eligibility criteria consistently  
17 to all customers. Acceptance of the Company's proposal will  
18 result in consistent treatment of both existing and new  
19 customers in terms of how the eligibility criteria are  
20 applied.

21 Q. What are the proposed charges for Schedule 24  
22 - Secondary Service Level?

23 A. I am proposing an in-season Service Charge of  
24 \$17.50 and an out-of-season Service Charge of \$3.00, a  
25 Demand Charge of \$5.00 per kW for the in-season, and Energy

1 Charges of 3.4516¢ per kWh and 4.3937¢ per kWh for the in-  
2 season and out-of-season, respectively.

3 Q. How did you determine the out-of-season  
4 Energy Charges?

5 A. Since I am proposing elimination of the out-  
6 of-season Demand Charges, the out-of-season Energy Charges  
7 are intended to collect the fixed as well as the variable  
8 components in the out-of-season. The proposed out-of-season  
9 Energy Charge was determined by re-establishing the  
10 relationship between the in-season and out-of-season energy  
11 rates that were in place prior to the Company's last general  
12 rate case.

13 Q. How were the rates for Schedule 24 -  
14 Transmission Service Level determined?

15 A. Once the component rates for Schedule 24 -  
16 Secondary Service Level were determined, the charges for  
17 Schedule 24 - Transmission Service Level were established to  
18 maintain the same relationship between service levels as  
19 currently exists.

20 Q. What is the revenue requirement to be  
21 recovered from customers taking service under Schedule 24?

22 A. The annual revenue requirement for Schedule  
23 24 customers as shown in Ms. Brilz's Exhibit No. 49 is  
24 \$74,995,347.

25 Q. What is the impact of this rate design on

1 customers taking service under Schedule 24 and Schedule 25?

2 A. Pages 6 and 7 of Exhibit No. 51 show the  
3 billing comparison between the existing rates and rate  
4 structure and the proposed rates and rate structure for  
5 customers taking service under Schedule 24 and Schedule 25.

6 NON-METERED SCHEDULES

7 Q. What are the Company's non-metered service  
8 schedules?

9 A. The Company's non-metered schedules are Dusk-  
10 to-Dawn Customer Lighting, Unmetered General Service, Street  
11 Lighting Service, and Traffic Control Signal Lighting  
12 Service, which are Schedule 15, Schedule 40, Schedule 41,  
13 and Schedule 42, respectively.

14 Q. Are you proposing any changes to the  
15 Company's non-metered schedules?

16 A. I am proposing only minor changes to these  
17 unmetered rate schedules with one exception. As I have  
18 mentioned earlier in my testimony, I am proposing adding a  
19 new temporary Schedule 39 that will be applicable to certain  
20 customers now taking service on Schedule 41.

21 Q. What is the present rate structure for Dusk-  
22 to-Dawn Customer Lighting on Schedule 15?

23 A. Customers taking service under Schedule 15  
24 are charged on a per lamp basis. Lamps currently served  
25 under Schedule 15 include 100, 200, and 400 watt high

1 pressure sodium vapor area lighting, 200 and 400 watt high  
2 pressure sodium vapor flood lighting, and 400 and 1,000 watt  
3 metal halide flood lighting.

4 Q. What is the revenue requirement to be  
5 recovered from customers taking service under Schedule 15?

6 A. The annual revenue requirement for Schedule  
7 15 customers as shown in Ms. Brilz's Exhibit No. 49 is  
8 \$938,956.

9 Q. Is the Company proposing a change in rates  
10 for customers receiving service under Schedule 15?

11 A. As shown in Ms. Brilz's Exhibit No. 49, the  
12 Company is not proposing to change the rates for Schedule  
13 15.

14 Q. Please describe the rate design proposal for  
15 Schedule 15.

16 A. The rate design proposal for Schedule 15 is  
17 included on page 9 of Exhibit No. 50. All charges for  
18 schedule 15 remain the same as they currently are.

19 Q. What is the present rate structure for  
20 Unmetered General Service under Schedule 40?

21 A. Customers taking service under Schedule 40  
22 pay a flat Energy Charge based on estimated usage. Demand  
23 and customer-related costs are recovered through the Energy  
24 Charge. The minimum bill for service under Schedule 40 is  
25 \$1.50 per month.

1 Q. What is the revenue requirement to be  
2 recovered from customers taking service under Schedule 40?

3 A. Based on Ms. Brilz's Exhibit No. 49, the  
4 annual revenue to be recovered from Schedule 40 customers is  
5 \$873,387.

6 Q. Please describe the rate design proposal for  
7 Schedule 40.

8 A. The rate design proposal for Schedule 40 is  
9 included on page 16 of Exhibit No. 50. All charges for  
10 schedule 40 remain the same.

11 Q. Is the Company proposing any changes to the  
12 service provisions for Schedule 40, Unmetered General  
13 Service?

14 A. Yes, the Company is proposing one minor  
15 change. There have been occasions when unmetered service  
16 has been placed on premises which have metered service. An  
17 example would be an unmetered school signboard placed in the  
18 yard of a metered school building. Even though there may  
19 have been utilitarian and functional reasons for this type  
20 of unmetered service in the past, the Company is committed  
21 to metering these services in the future. I have added  
22 language to Schedule 40 that states that on or after June 1,  
23 2006, new service under this schedule is also not applicable  
24 to the customer's loads on premises which have metered  
25 service.

1 Q. What is the present rate structure for Street  
2 Lighting Service, Schedule 41?

3 A. Charges for Street Lighting Service are based  
4 on a per lamp or per pole basis. Street Lighting is divided  
5 into two types: 1) Company-Owned, and 2) Customer-Owned.  
6 These two types are currently each divided into metered and  
7 non-metered service.

8 Q. Is the Company proposing any changes to  
9 Schedule 41, Street Lighting Service?

10 A. Yes. In the Company's last general rate case  
11 the option was added to require metered service for street  
12 lighting systems constructed, operated, or modified in such  
13 a way as to allow for the potential or actual variation in  
14 energy usage, such as through the use of wired outlets or  
15 useable plug-ins. Since that time, it has been determined  
16 that the Company-owned street lighting systems do not have  
17 wired outlets or useable plug-ins. Therefore, there is no  
18 potential for seasonal or other variation in energy usage.  
19 It is the Company's intention to maintain this policy and to  
20 not offer Company-owned street lighting systems capable of  
21 variable usage either now or in the future. Therefore, the  
22 Company is proposing that all references to potential  
23 variable usage in Company-owned systems be deleted. I am  
24 also removing Incandescent 2,500 Lumen Lamps from  
25 Schedule 41 because the Company no longer has any of these

1 lamps in service and no new 2,500 Lumen Lamps will be  
2 installed.

3 Q. Does the Company propose to continue offering  
4 a Company-owned metered street lighting service?

5 A. No. Since there is no potential for seasonal  
6 or variable usage, there is no need to offer the option of  
7 Company-owned metered service.

8 Q. Will the metered option still be available on  
9 Customer-owned street lighting systems?

10 A. Yes.

11 Q. Why is metering under Schedule 41 important?

12 A. The Company's street lighting charges recover  
13 costs for lighting system investment, maintenance and fixed  
14 amounts of energy. If a plug-in on the unmetered street  
15 light system is used to energize seasonal lights, water  
16 amenities, etc., the additional energy used is not  
17 identified and is not included in the customer billing.  
18 Metering is necessary in this case to accurately bill the  
19 customer for the service taken.

20 Q. Are there any Customer-owned street lighting  
21 systems, with the potential for seasonal or variations in  
22 energy usage, still receiving non-metered street lighting  
23 service?

24 A. Yes. Since June 2004, when the metered  
25 option was added to street lighting service, Company

1 representatives have met with municipalities and other  
2 government agencies with vintage street lighting systems to  
3 discuss converting to metered service. As a result of these  
4 detailed discussions, it was determined that these entities  
5 often confront various technical, financial, or operational  
6 challenges that must be resolved before they are able to  
7 come into compliance with current tariff provisions  
8 regarding metered service.

9 Q. How does the Company propose to facilitate  
10 the process?

11 A. The Company is proposing the initiation of a  
12 temporary tariff, Schedule 39 - Street Lighting Service,  
13 Supplemental Seasonal or Variable Energy. Upon approval of  
14 Schedule 39, Company representatives will meet with each  
15 street lighting customer to identify facilities with  
16 variable use and determine an estimated annual number of kWh  
17 used as seasonal or variable usage. The only customers  
18 eligible to take service under this temporary schedule are  
19 those receiving non-metered service under Schedule 41 prior  
20 to June 1, 2004, the effective date of the Company's tariffs  
21 in the last rate case. The Company is proposing that  
22 eligible customers may continue to receive this supplemental  
23 energy service only until May 31, 2011.

24 Q. Are eligible Schedule 39 customers required  
25 to take supplemental energy service under this schedule

1 until it expires on May 31, 2011?

2 A. No. Customers will remain on Schedule 39  
3 only until: (1) there is no potential for seasonal or  
4 variations in usage, (2) the street lighting service is  
5 converted to Metered Service, or (3) May 31, 2011, whichever  
6 is sooner.

7 Q. For eligible customers, is Schedule 39 a  
8 supplement to or a replacement of Schedule 41?

9 A. Schedule 39 is supplemental to the street  
10 lighting service received under Schedule 41. A  
11 participating Schedule 41 customer will receive a single  
12 bill that will include a separate charge designating  
13 Schedule 39 Energy Charges.

14 Q. What other assistance is the Company offering  
15 eligible Schedule 39 customers?

16 A. Company representatives will meet with each  
17 customer eligible for Schedule 39 and offer technical  
18 assistance to either enable conversion of the lighting  
19 system to a Metered Service or discuss the options to remove  
20 the potential for seasonal or variations in usage.

21 Q. How will the monthly charge under Schedule 39  
22 be determined?

23 A. After the estimated annual number of kWh used  
24 as seasonal or variable usage has been determined, the  
25 estimate will be divided by 12 to determine the estimated

1 monthly kWh energy usage. The monthly supplemental Energy  
2 Charge will be computed by multiplying the estimated monthly  
3 kWh energy usage times the Schedule 39 Energy Charge. This  
4 charge is the same as that billed to customers receiving  
5 service under Schedule 40, Unmetered General Service.

6 Q. What is the revenue requirement to be  
7 recovered from customers taking service under Schedule 41?

8 A. The annual revenue requirement for  
9 Schedule 41 customers as shown on Ms. Brilz's Exhibit No. 49  
10 is \$2,041,445.

11 Q. How will the additional revenue be recovered  
12 from customer's taking service under Schedule 41?

13 A. In general, I have applied a uniform increase  
14 to all charges. Because of rounding the percentage increase  
15 varies slightly from charge to charge.

16 Q. What is the present rate structure for  
17 Traffic Control Signal Lighting Service, Schedule 42?

18 A. Customers taking service under Schedule 42  
19 pay a flat Energy Charge for each kWh of estimated energy  
20 use for non-metered systems or for each kWh of actual usage  
21 for metered systems. For non-metered systems, usage is  
22 estimated based on the number and size of lamps burning  
23 simultaneously in each signal and the average number of  
24 hours per day the signal is operated. There is no minimum  
25 charge under Schedule 42.

1 Q. What is the revenue requirement to be  
2 recovered from customers taking service under Schedule 42?

3 A. Based on Ms. Brilz's Exhibit No. 49, the  
4 annual revenue requirement for Schedule 42 is \$282,154.

5 Q. Please describe the rate design proposal for  
6 Schedule 42.

7 A. The rate design proposal for Schedule 42 is  
8 included on page 20 of Exhibit No. 50. The Energy Charge is  
9 increased from 3.336¢ per kWh to 3.598¢ per kWh.

10 SPECIAL CONTRACT CUSTOMERS

11 Q. What are the Company's rate design proposals  
12 for its special contract customers: Micron Technology, Inc.,  
13 Boise, Idaho (Micron), J.R. Simplot Company, Pocatello,  
14 Idaho (Simplot), and United States Department of Energy,  
15 Idaho Operations Office (DOE/INL)?

16 A. The Company is not proposing any changes to  
17 the rate structures for Micron, Simplot, or DOE/INL.  
18 Accordingly, the existing rates for the special contract  
19 customers are simply increased uniformly to recover the  
20 revenue requirement as shown on Ms. Brilz's Exhibit No. 49.  
21 The rates for Micron, Simplot, and DOE/INL are shown on  
22 pages 21, 22, and 23 of Exhibit No. 50, respectively.

23 STANDBY AND ALTERNATE DISTRIBUTION SERVICE

24 Q. Are any customers currently taking service  
25 under Schedule 45, Standby Service?

1           A.           No. There are no customers taking Schedule 45  
2 service.

3           Q.           Are any revisions to Schedule 45 being  
4 proposed?

5           A.           The Schedule 45 charges are being revised to  
6 reflect the updated cost information resulting from the  
7 cost-of-service study. The updated charges have been  
8 derived using the same methodology approved by the  
9 Commission in the Company's last two general rate cases,  
10 Case No. IPC-E-94-5 and Case No. IPC-E-03-13. I have  
11 included the details of these updated costs in the  
12 workpapers filed with my testimony. No other changes are  
13 being made to Schedule 45.

14           Q.           Are any customers currently taking service  
15 under Schedule 46, Alternate Distribution Service?

16           A.           No.

17           Q.           What changes are being made to Schedule 46,  
18 Alternate Distribution Service?

19           A.           The Schedule 46 Capacity Charge is being  
20 updated from \$1.30 per kW to \$1.25 per kW to reflect the  
21 current cost of providing Alternate Distribution Service.  
22 The \$1.25 amount is derived by summing the Distribution  
23 Demand revenue requirement for Substations, Primary Lines,  
24 and Primary Transformers for Schedule 19 shown on page 5 of  
25 Ms. Brilz's Exhibit No. 40 (\$1,619,867; \$3,322,406; and

1 \$199,562, respectively) and dividing this sum by the total  
2 billed kW of 4,128,168. This methodology is the same as  
3 that approved by the Commission in the Company's last two  
4 general rate cases, Case No. IPC-E-94-5 and Case No. IPC-E-  
5 03-13.

6 MISCELLANEOUS CONTRACTS

7 Q. What are the miscellaneous contracts under  
8 which the Company is providing service?

9 A. The Company has entered into a contract with  
10 one customer to provide customized service otherwise  
11 provided under standard service schedules. The Company is  
12 providing standby service to the Amalgamated Sugar Company  
13 under the provisions of a Standby Electric Service Agreement  
14 dated April 6, 1998. This agreement has been approved by  
15 the Commission.

16 Q. Are you proposing any changes to the standby  
17 charges under the Standby Electric Service Agreement with  
18 the Amalgamated Sugar Company?

19 A. Yes. I am revising the charges to reflect  
20 the updated cost information resulting from the cost-of-  
21 service study. The methodology used to update the charges  
22 is the same methodology used to establish the currently  
23 approved charges. Page 144 of Exhibit No. 52 shows the  
24 revisions to Schedule 31 to reflect these updated charges.  
25 I have included details on the derivation of the updated

1 charges in my workpapers.

2 MISCELLANEOUS ISSUES

3 Q. Why are Schedule 4 and Schedule 5 excluded  
4 from your Exhibits?

5 A. Schedule 4, the Energy Watch Pilot Program,  
6 and Schedule 5, the Time-of-Day Pilot Program, are excluded  
7 from my exhibits because they will expire on April 1, 2006.

8 Q. Does this conclude your testimony?

9 A. Yes, it does.