

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES) CASE NO. IPC-E-05-28
CHARGES FOR ELECTRIC SERVICE)
TO ELECTRIC CUSTOMERS IN THE STATE)
OF IDAHO)

IDAHO POWER COMPANY
DIRECT TESTIMONY
OF
CELESTE SCHWENDIMAN

1 Q. Please state your name and business address.

2 A. My name is Celeste Schwendiman, and my
3 business 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 as a
7 Senior Pricing Analyst in the Pricing and Regulatory
8 Services Department.

9 Q. Please describe your educational background.

10 A. In 1993, I received a Bachelor of Arts in
11 Psychology from Eastern Oregon University. In 1998, I
12 attended the Center for Public Utilities and National
13 Association of Regulatory Utility Commissioners Practical
14 Skills for a Changing Utility Environment conference in
15 Albuquerque, New Mexico. In 2000, I received a Master's
16 degree in Business Administration from Northwest Nazarene
17 University. In 2004, I attended the Edison Electric
18 Institute's Electric Rate Advanced Course in Madison,
19 Wisconsin.

20 Q. Please describe your work experience with
21 Idaho Power Company.

22 A. I became employed by Idaho Power Company in
23 1997 as a Research Assistant II in the Pricing & Regulatory
24 Services Department. I have been promoted as follows:
25 February 1998, Entry Analyst; August 1998, Analyst; and July

1 2001, Senior Analyst. One of my responsibilities within the
2 Pricing & Regulatory Services Department (from 1999 through
3 the current year) has been to assist in the preparation of
4 the Power Cost Adjustment (PCA) filings. Additionally, I
5 sponsored testimony before the Idaho Public Utility
6 Commission in Case No. IPC-E-05-15, the Company's 2005 PCA
7 filing.

8 Q. What is the scope of your testimony in this
9 proceeding?

10 A. I am sponsoring testimony in this proceeding
11 on the Idaho jurisdictional revenue requirement resulting
12 from the Jurisdictional Separation Study (JSS). My testimony
13 is outlined as follows:

14 First, I am offering testimony summarizing the
15 adjustments to total system test year data used by the
16 Company for purposes of restating the Company's rate base,
17 revenues, and expenses for the twelve months ending
18 December 31, 2005.

19 Second, I am offering testimony relative to a
20 jurisdictional separation study prepared using the adjusted
21 total system data for the twelve months ending December 31,
22 2005 for the purpose of determining the Idaho jurisdictional
23 revenue deficiency.

24 Q. Have you prepared exhibits for this
25 proceeding?

1 A. Yes. I have prepared the following exhibits:
2 Exhibit No. 27 Summary of Total Rate Base and Net
3 Income Adjustments
4 Exhibit No. 28 Summary of Adjustments - Electric
5 Plant In Service
6 Exhibit No. 29 Summary of Adjustments -
7 Accumulated Provision for Depreciation and Amortization
8 Exhibit No. 30 Summary of Adjustments - Additions
9 and Deductions to Rate Base
10 Exhibit No. 31 Summary of Adjustments - Operating
11 Revenues
12 Exhibit No. 32 Summary of Adjustments - Operation
13 and Maintenance Expenses
14 Exhibit No. 33 Summary of Adjustments -
15 Depreciation and Amortization Expense
16 Exhibit No. 34 Summary of Adjustments - Taxes
17 Other Than Income Taxes
18 Exhibit No. 32 Summary of Adjustments - Income
19 Taxes
20 Exhibit No. 33 Jurisdictional Separation Study -
21 Idaho Revenue Requirement
22 Exhibit No. 34 Development of Jurisdictional
23 Allocation Factors
24 Q. Please describe Exhibit No. 24.
25 A. Exhibit No. 24 consists of two pages and

1 identifies the development of the adjusted total electric
2 system rate base and the development of net income for the
3 twelve months ending December 31, 2005. The 2005 test year
4 values contained in column 1 of Exhibit No. 24 are the
5 unadjusted test year amounts. The adjustments proposed by
6 the Company for purposes of developing the 2005 adjusted
7 total electric system combined rate base and net income for
8 this proceeding are shown in columns 2 through 5 of Exhibit
9 No. 24. The unadjusted test year information and
10 adjustments, except as otherwise noted, were provided by Ms.
11 Smith. The total system adjusted test year rate base,
12 expenses and revenues are summarized in column 6 of Exhibit
13 No. 24.

14 Page 1 of Exhibit No. 24 summarizes the development
15 of rate base components for the twelve months ending
16 December 31, 2005. The total combined rate base prior to
17 adjustments is \$1,756,322,307 as seen on line 22 in column 1
18 on page 1 of Exhibit No. 24. The total combined rate base
19 increases to \$1,790,150,058 after all test year adjustments
20 have been included, and can be seen on line 22 in column 6
21 on page 1 of Exhibit No. 24.

22 Page 2 of Exhibit No. 24 presents the development of
23 the total system net income for the twelve months ending
24 December 31, 2005. Operating revenues are summarized on line
25 28 in columns 1 through 6. Total operating expenses are

1 summarized on line 38 in columns 1 through 6. The resulting
2 consolidated operating income is summarized on line 41 (in
3 columns 1 through 6) and increases from the test year level
4 of \$83,730,761 to \$116,219,458 after all ratemaking
5 adjustments have been included.

6 Q. Please describe the total test year 2005 rate
7 base, expenses and revenues found in column 1 of Exhibit No.
8 24.

9 A. Total test year amounts, before adjustment,
10 are presented in column 1 of Exhibit No. 24. With the
11 exception of test year firm operating revenues and test year
12 power supply expenses, the amounts in column 1 were provided
13 by Ms. Smith. Sales revenues, line 25, column 1, were
14 calculated using the June 2004 through May 2005 actual sales
15 and the current base rates which include PCA revenues. The
16 test year values for the Company's power supply accounts
17 (Surplus Sales Revenues-Account 447, Fuel-Accounts 501 and
18 547, Market Purchases-Account 555.1 and Purchases from
19 Qualifying Facilities-Account 555.2) are the April 2004
20 through March 2005 account balances from the most recent PCA
21 filing. A summary of these accounts is presented by FERC
22 account on lines 43 through 50 on page 2, of Exhibit No. 24.

23 Q. Why have the 2005 test period rate base,
24 revenues, and expenses been adjusted?

25 A. Test year information was adjusted to reflect

1 known changes to the test year data for determining the
2 Company's rates. Under this proposal, rates will reflect the
3 most current cost information available at the time they
4 become effective.

5 Q. Please explain what types of ratemaking
6 adjustments were made for the development of the Idaho
7 jurisdictional revenue requirement.

8 A. Ratemaking adjustments are generally one of
9 three types. First, normalizing adjustments are made to
10 those items that are influenced by weather. Mr. Said
11 discusses the normalization of the Company's net power
12 supply expenses in his testimony in this proceeding.
13 Normalizing adjustments are shown in column 2 of Exhibit No.
14 24.

15 Second, annualizing adjustments are made to reflect
16 changes that occur within the test year, but need to be
17 incorporated for the full year on an ongoing basis.
18 Annualizing adjustments are shown in column 3 of Exhibit No.
19 24.

20 Third, known and measurable adjustments proposed in
21 this filing reflect changes that will occur after December
22 31, 2005, but prior to or coincident with the effective date
23 of the new rates. Known and measurable adjustments are shown
24 in column 4, Exhibit No. 24.

25 Q. Please discuss the normalizing adjustments to

1 the rate base components summarized in column 2 of page 1 on
2 Exhibit 21.

3 A. The normalizing adjustment made to the total
4 system rate base is an increase of \$438,673 to fuel
5 inventory to reflect normalized operating criteria resulting
6 in required coal inventories of 170,000, 135,000 and 30,000
7 tons at Bridger, Valmy and Boardman. Mr. Said provided the
8 fuel inventory adjustment.

9 Q. Please discuss the annualizing adjustments to
10 the rate base components summarized in column 3 of page 1 of
11 Exhibit No. 24.

12 A. First, an annualizing adjustment of
13 \$19,079,615 was made to recover the investment the Company
14 has made in large transmission and distribution projects.
15 These projects are either online now or will be online and
16 serving customers before the end of 2005. This adjustment is
17 shown on line 12 of column 3. The second is an adjustment of
18 \$782,550 to accumulated provision for depreciation to
19 capture the rate base impact of the annualized adjustment to
20 depreciation expense. The third is an adjustment of \$89,686
21 to accumulated amortization annualized to the end of 2005.
22 Ms. Smith provided these adjustments.

23 Q. Please discuss the known and measurable
24 adjustments to rate base presented in column 4 on page 1 of
25 Exhibit No. 24.

1 A. Electric plant in service was increased by
2 \$15,421,000 to reflect investment in transmission and
3 distribution projects that are scheduled to be completed by
4 the time rates go into effect June 1, 2006. This adjustment
5 is shown on line 2, column 4. In addition, the accumulated
6 provision for depreciation reserve was increased by \$153,770
7 to reflect half of the annual depreciation expense known and
8 measurable adjustment.

9 Q. Have you included any other adjustments to
10 rate base other than the annualizing, and known and
11 measurable adjustments?

12 A. Yes, the one additional adjustment to rate
13 base, presented in column 5 on page 1 of Exhibit No. 24, is
14 a reduction of \$85,531 to subsidiary rate base associated
15 with an investment at the Company's Bridger plant that was
16 removed per Order No. 29505.

17 Q. Please recap the net effect of the
18 annualizing, known and measurable, and other adjustments to
19 rate base.

20 A. After the annualizing, known and measurable,
21 and subsidiary rate base adjustments are included, the
22 adjusted total electric system combined rate base for the
23 twelve months ending December 31, 2005, as shown on line 22
24 in column 6 of page 1 of Exhibit No. 24, is \$1,790,150,058.
25 This amount is \$33,827,751 more than the unadjusted number

1 in column 1.

2 Q. Please describe page 2 of Exhibit No. 24.

3 A. Page 2 of Exhibit No. 24 shows the
4 development of the adjusted total electric system net income
5 for the twelve months ending December 31, 2005.

6 Q. Please describe the Company's normalizing
7 adjustments to the net income components shown in column 2
8 on page 2 of Exhibit No. 24.

9 A. The normalizing adjustments in column 2 on
10 page 2 of Exhibit No. 24 are adjustments to both test period
11 revenues and expenses to remove the impact of weather and
12 temporary rate adjustments from the Company's revenues and
13 expenses.

14 The first adjustment is a reduction to the Company's
15 test period revenues of \$86,140,591 on line 25 of column 2.
16 Actual revenues for the twelve months ending May 31, 2005
17 were used as the base unadjusted revenues. The estimated
18 2005 test year firm sales were weather normalized and billed
19 out at base rates with PCA and the one year tax adjustment
20 removed. This reduced firm revenues by \$41,598,769. In
21 addition, system opportunity sales were adjusted by
22 \$44,541,822 to reflect the decreased level of opportunity
23 sales associated with the multiple historical water
24 conditions provided and discussed by Mr. Said in his
25 testimony in this proceeding.

1 A reduction to operation and maintenance expense in
2 the amount of \$138,034,402 reflects a net decrease in fuel
3 and purchase power expenses associated with multiple
4 historical water conditions as well as an increase in QF
5 expenses as quantified and discussed by Mr. Said in his
6 testimony in this proceeding.

7 Q. Please explain the Company's annualizing
8 adjustments to the statement of income in column 3 on page 2
9 of Exhibit No. 24.

10 A. The annualizing adjustments to the income
11 component, shown in column 3 on page 2 of Exhibit No. 24,
12 were made to reflect changes to expenses and revenues,
13 occurring within the test year that should be included for a
14 full year.

15 On Page 2 of Exhibit 21, the first annualizing
16 adjustment of \$1,394,017 is the revenue credit for the
17 transmission and distribution projects discussed previously.
18 Mr. Said provided this revenue credit.

19 Q. Please describe the annualizing adjustments
20 made to the operating expenses of the Company.

21 A. The annualizing adjustments to the Company's
22 operating expenses consist of the following four adjustments
23 presented in column 3 on page 2 of Exhibit No. 24. The
24 first is an increase of \$3,592,757 to operation and
25 maintenance expenses, which consists of an increase to

1 specific expense accounts to reflect an annualized payroll
2 adjustment of \$3,585,460, and an increase to property and
3 liability insurance of \$7,297. The second is an increase to
4 depreciation expense of \$1,564,787, which reflects the 2005
5 annualized depreciation. The third adjustment is an
6 increase of \$179,685 for amortization of limited term plant,
7 and the fourth adjustment is an increase of \$103,030 to
8 taxes other than income taxes to reflect the property tax
9 impact of the annualized plant additions.

10 Q. Please explain the known and measurable
11 adjustments to the statement of income presented in column 4
12 on page 2 of Exhibit No. 24.

13 A. The known and measurable adjustments to the
14 statement of income components are comprised of the
15 following five adjustments. The first is an adjustment of
16 \$444,870 to sales revenues for revenues on the new
17 transmission and distribution plant provided by Mr. Said.
18 The second is an adjustment of \$330,510 to other operating
19 revenues to recognize the impact of the continuous service
20 reversion charge proposed by Mr. Tatum. The third is an
21 increase of \$1,365,175 to specific expense accounts to
22 reflect the known and measurable payroll adjustment plus the
23 related insurance expense adjustment associated with the new
24 transmission and distribution projects. The fourth is an
25 increase of \$307,541 to annualized depreciation expense for

1 new transmission and distribution projects and the fifth is
2 an increase of \$83,274 to taxes other than income taxes.

3 Q. Please explain the other adjustments
4 presented in column 5 on page 2 of Exhibit No. 24.

5 A. Ms. Smith directed me to include a total
6 reduction of \$4,021,230 to operating and maintenance
7 expenses to reflect the removal of pension expense
8 \$3,507,603, general advertising expense \$136,520,
9 memberships and contributions \$273,365, office expense
10 \$8,271, and miscellaneous other exclusions \$4,340, that were
11 disallowed in past orders of this Commission and thus have
12 been removed from the 2005 test year operating expenses.
13 Additionally, FERC Account 908 was adjusted by \$91,131 to
14 reflect the authorized funding level for the LIWA program.

15 Q. Please describe Exhibit No. 25.

16 A. Exhibit No. 25 consists of two pages and
17 provides detail of the adjustments to the Company's electric
18 plant in service, by FERC account, used in this proceeding.

19 Q. Please describe Exhibit No. 26.

20 A. Exhibit No. 26 consists of two pages and
21 provides detail of the accumulated provision for
22 depreciation and amortization reserve.

23 Q. Please describe Exhibit No. 27.

24 A. Exhibit No. 27 is a two-page exhibit, which
25 provides detail of other additions to or deductions from the

1 Company's total combined rate base.

2 Q. Please describe Exhibit No. 28.

3 A. Exhibit No. 28 is a one-page exhibit, which
4 summarizes by FERC account the Company's operating revenues
5 for the test period used in this proceeding.

6 Q. Please describe Exhibit No. 29.

7 A. Exhibit No. 29 is a six-page exhibit, which
8 provides detail of unadjusted and adjusted test year
9 operation and maintenance expenses for the twelve months
10 ending December 31, 2005.

11 Q. Please describe Exhibit No. 30.

12 A. Exhibit No. 30 is a two-page exhibit, which
13 provides greater detailed information by FERC account of
14 depreciation and amortization expenses used in this
15 proceeding.

16 Q. Please describe Exhibit No. 31.

17 A. Exhibit No. 31 is a two-page exhibit, which
18 provides detailed information regarding taxes other than
19 income taxes and revenue credits and debits used in this
20 proceeding.

21 Q. Please describe Exhibit No. 32.

22 A. Exhibit No. 32 is a one-page exhibit, which
23 provides a detailed summary of the income tax related
24 adjustments that result in the adjusted tax expenses on
25 lines 34 through 37 of page 2 of Exhibit No. 24. The

1 Company's tax department provided these adjustments.

2 Q. Have you prepared an exhibit that sets forth
3 the Idaho jurisdictional revenue deficiency?

4 A. Yes. I have prepared Exhibit No. 33 titled
5 "Jurisdictional Separation Study - Idaho Revenue
6 Requirement" consisting of 32 pages.

7 Q. Please discuss the methodology used to
8 jurisdictionally separate costs in the preparation of this
9 study.

10 A. The cost of providing electric service is
11 measured using test year data as adjusted for the twelve
12 months ending December 31, 2005.

13 In order to establish a methodology for separating
14 costs among jurisdictions, a three-step process is generally
15 used. The steps are referred to as classification,
16 functionalization, and allocation of costs. In all three
17 steps, recognition is given to the way in which costs are
18 incurred by relating these costs to the way in which a
19 utility is operated to provide electrical service. The
20 methodology used to separate costs by jurisdiction and
21 calculate the Idaho jurisdictional revenue requirement in
22 the present case is the same methodology utilized by the
23 Company and accepted by the Commission in previous rate
24 cases.

25 Q. Would you please briefly explain the meaning

1 of classification, functionalization, and allocation?

2 A. Classification refers to the identification
3 of costs as being related to one of three components:
4 demand-related, energy-related or customer-related. In
5 addition to classification, costs are functionalized; that
6 is, identified with utility operating functions such as
7 generation, transmission and distribution. Individual plant
8 items are examined and, where possible, the associated
9 investment costs are assigned to one or more operating
10 functions. Once the Company's total system costs are
11 classified and assigned to the appropriate function they may
12 be allocated among jurisdictions.

13 The process of allocation is merely one of
14 apportioning the total system cost among jurisdictions by
15 introducing allocation factors into the process. An
16 allocation factor is nothing more than an array of numbers,
17 which specifies the jurisdictional value or share of the
18 total system quantity. For example, in the case of energy-
19 related costs, the allocation factor is annual
20 jurisdictional energy use, adjusted for losses.

21 Once individual accounts have been allocated to the
22 various jurisdictions, it is possible to summarize these
23 into total utility rate base and net income by jurisdiction.
24 The results are stated in a summary form to measure adequacy
25 of revenues for the jurisdiction under consideration. The

1 measure of adequacy is typically the rate of return earned
2 on rate base, which is compared to the requested rate of
3 return.

4 Q. How have the various functional plant and
5 cost items been allocated?

6 A. After classification and functionalization,
7 allocation factors based on demand and energy use were
8 determined. In order to allocate demand-related costs, the
9 average of the twelve monthly coincident peak demands was
10 used. The Company has used this allocation method for
11 jurisdictional separation purposes in all of its retail and
12 wholesale rate applications prepared over the past 25 years.
13 This allocation method has been adopted by this Commission
14 and accepted by the Oregon Public Utility Commission, and
15 the Federal Energy Regulatory Commission. The demand-
16 related allocation factors used in the study are designated
17 as D10, D11, and D60. The respective values used in these
18 demand allocation factors are shown at line numbers 968
19 through 970 on page 29 of Exhibit No. 33.

20 Q. What method was used to allocate general
21 plant and certain labor-related administrative and general
22 expenses?

23 A. In accordance with FERC procedures, general
24 plant and administrative and general expenses have been
25 allocated in accordance with functionalized wages and

1 salaries. These labor-related allocation factors are shown
2 on Table 13 of Exhibit No. 33, page 28.

3 Q. How were the energy-related expenses
4 allocated among jurisdictions?

5 A. Energy-related expenses were allocated based
6 on normalized jurisdictional kilowatt-hour sales, adjusted
7 for losses to establish energy requirements at the
8 generation level. The energy-related allocation factors used
9 in the study are designated as E10 and E99. The respective
10 values used in these energy allocation factors are shown on
11 Table 14 of Exhibit No. 33, page 29 lines 973 and 974,
12 respectively.

13 Q. What was the method by which you allocated
14 customer-related costs?

15 A. The principal customer-related expenses,
16 which require allocation, are Meter Reading Expenses-Account
17 902, and Customer Accounting and Billing-Account 903. These
18 accounts were allocated based upon a review of actual
19 Company practices in reading meters and preparing monthly
20 bills or statements.

21 Q. Please describe the derivation of the 2005
22 total system allocation factors used in this case.

23 A. The 2005 Jurisdictional Separation Study
24 utilizes 2004 data for most of the allocation factors with
25 some exceptions. The capacity or demand-related allocation

1 factors (D10, D11, and D60) were created with 2004
2 coincident peak information adjusted for known changes that
3 have occurred. The energy-related allocation factors (E10
4 and E99) are the 2005 normalized test year sales at
5 generation level, and directly assigned revenue accounts
6 were updated to reflect 2005 test year revenues.

7 Q. Please describe Exhibit No. 33.

8 A. Exhibit No. 33 is the complete Jurisdictional
9 Separation Study detailing allocation of each component of
10 rate base, operating revenues and expenses by FERC account
11 resulting in the Idaho jurisdictional revenue deficiency.
12 The JSS is organized as follows:

13 Summary of Results

14 Table 1 - Electric Plant in Service

15 Table 2 - Accumulated Provision for Depreciation and
16 Amortization

17 Table 3 - Additions and Deductions to Rate Base

18 Table 4 - Operating Revenues

19 Table 5 - Operation and Maintenance Expenses

20 Table 6 - Depreciation and Amortization Expense

21 Table 7 - Taxes Other Than Income Taxes

22 Table 8 - Regulatory Debits and Credits

23 Table 9 - Deferred Income Taxes and ITC

24 Table 10 - Federal Income Tax

25 Table 11 - State Income Tax - Oregon

- 1 Table 12 - State Income Tax - Idaho and Other
- 2 Table 13 - Development of Labor Allocator
- 3 Table 14 - Summary of Allocation Factors
- 4 Table 15 - Summary of Distribution/CIAC Allocation
- 5 Factors
- 6 Table 16 - Summary of Allocation Factors-Ratios

7 Q. Briefly describe the manner in which you
8 allocated electric plant in service as shown in Table 1 of
9 Exhibit No. 33.

10 A. Production plant has been allocated to all
11 jurisdictions based on the average of the twelve monthly
12 coincident peaks. The allocation of transmission and
13 distribution plant has been based on the same methodology.

14 Q. Would you describe the functional categories
15 used for allocation of transmission plant and distribution
16 substations?

17 A. A description of the functional categories
18 used for allocation of transmission and distribution
19 substations is as follows. First, transmission facilities
20 are the facilities that form the bulk power transmission
21 system together with transmission, step-up substation
22 facilities required to introduce the Company's generation
23 into the power supply system, which include facilities rated
24 at 500kv through 46kv. Second, distribution facilities
25 refer to lower voltage lines and substation facilities that

1 provide localized service and direct assignments refer to
2 facilities that are identified as serving and paid by a
3 specific customer.

4 Q. How have you allocated the accumulated
5 provision for depreciation and amortization of other utility
6 plant shown on Table 2 of Exhibit No. 33?

7 A. Accumulated provision for depreciation has
8 been allocated among jurisdictions as shown on Table 2 of
9 Exhibit No. 33. The accumulated totals for each type of
10 production plant and for each primary plant account in other
11 functional groups are allocated based on the related plant
12 account as allocated in Table 1. Amortization of other
13 utility plant has been functionalized and then allocated
14 based on the related plant items as allocated in Table 1.

15 Q. Please describe Table 3 of Exhibit No. 33.

16 A. Table 3 details the allocation of all other
17 additions to or deductions from rate base. Deductions from
18 rate base include customer advances for construction that
19 have been directly assigned to the customers (jurisdictions)
20 and accumulated deferred income taxes that are allocated by
21 plant. Additions consist of: (1) materials and supplies
22 which have been functionalized and allocated by the
23 respective plant allocators, (2) fuel inventory that has
24 been allocated on the basis of energy; components of IERCO,
25 the Company's fuel subsidiary that are allocated on the

1 basis of energy, and (3) the investment in conservation are
2 all Idaho programs and are directly assigned to the Idaho
3 jurisdiction.

4 Working cash allowance has been excluded from rate
5 base in accordance with the Commission's previous orders.

6 All rate base items, with the exception of
7 accumulated deferred income taxes and the investment in
8 conservation programs, reflect the average of 13 monthly
9 balances.

10 Q. Please describe Table 4 of Exhibit No. 33.

11 A. Table 4 indicates adjusted firm operating
12 revenues for each jurisdiction for the twelve months ending
13 December 31, 2005. Opportunity sales represent non-firm
14 energy sales to other utilities, the revenues from which are
15 credited to each jurisdiction in proportion to its
16 generation-level energy usage.

17 Other operating revenues are either allocated among
18 jurisdictions in a manner that offsets related allocations
19 of rate base or, where a particular revenue item may be
20 identified with a specific jurisdiction, it is directly
21 assigned to the appropriate jurisdiction.

22 Q. Briefly describe the methods by which
23 operation and maintenance expenses were allocated.

24 A. The allocation of each operation and
25 maintenance expense is detailed on Table 5 of Exhibit No.

1 33. In general, the basis for each allocation may be readily
2 interpreted from the exhibit, due to the fact that in most
3 cases either demands, those identified by a source code
4 beginning with a "D" prefix; energy use, those identified by
5 a source code beginning with an "E" prefix; or related
6 plant, those identified by a line number source code; serve
7 as a basis for the allocation. Customer-weighted allocation
8 factors, "CW", which recognize differences in customer
9 requirements, have been used in the allocation of certain
10 expense accounts.

11 Q. In what manner are supervision and
12 engineering expenses treated throughout the allocation of
13 operation and maintenance expenses?

14 A. For the applicable expense account in each
15 functional group, the labor component is separately
16 allocated in accordance with the detail provided on Table 13
17 of Exhibit No. 33. The total of allocated labor in each
18 functional group becomes the basis for the allocation of
19 supervision and engineering expense. Total allocated labor
20 expense serves the additional purpose of allocating employee
21 pensions and other labor-related taxes and expenses. Table
22 13 of Exhibit No. 33 details the development of all the
23 labor-related allocation factors used in this study.

24 Q. Please describe Table 6 of Exhibit No. 33.

25 A. The allocation of depreciation expense and

1 amortization of limited term plant is set forth on Table 6.
2 These expenses have been identified by type of production
3 plant or by primary plant account for other functional plant
4 groups. Allocation is then accomplished based on the related
5 plant account as previously allocated.

6 Q. Please describe Table 7 of Exhibit No. 33,
7 and the allocation of taxes other than income taxes.

8 A. Taxes other than income taxes are treated
9 individually and are allocated in a manner consistent with
10 the bases by which the respective taxes are assessed.

11 Q. Please describe Table 8 of Exhibit No. 33.

12 A. Table 8, of Exhibit 30, lists the regulatory
13 debits and credits for amortization of professional fees as
14 authorized in IPUC Order No. 29505.

15 Q. Please describe Table 9 of Exhibit No. 33.

16 A. The expenses shown on Table 9 consist of
17 deferred income taxes and the investment tax credit
18 adjustment. Both have been functionalized and allocated
19 based on total allocated plant. Also summarized on Table 9
20 are State and Federal income tax liabilities. The income
21 taxes shown on Tables 9 through 12 were obtained from the
22 Company's tax department.

23 Q. Please describe how you allocated Federal and
24 State income taxes shown on Tables 9 through 12 of Exhibit
25 No. 33.

1 A. Total income taxes have not been allocated,
2 per se. Instead, the respective tax bases have been
3 developed and taxes have been calculated directly for each
4 jurisdiction. Operating income before taxes represents
5 adjusted operating revenues less all adjusted operating
6 expenses treated heretofore with the exception of deferred
7 income taxes and investment tax credits. Adjusted long-term
8 and other interest expenses are allocated on total plant in
9 order to develop net operating income before taxes. From
10 that point forward, additions to or deductions from the
11 respective tax bases are allocated to each jurisdiction by
12 net income before taxes. In this manner, taxable income for
13 each jurisdiction is developed, and the appropriate tax rate
14 is applied. Final tax amounts result after the allocation of
15 adjustments and tax credits. All details relating to the
16 calculation of Federal, Oregon, Idaho and other state income
17 taxes are found on Tables 10, 11 and 12.

18 Q. Please describe Tables 13 through 16 of
19 Exhibit No. 33.

20 A. Tables 13 through 16 of Exhibit No. 33
21 contain a list of the allocation factors used in the
22 Jurisdictional Separation Study. Tables 13 through 16 of
23 Exhibit No. 33 contain the principal allocation factors used
24 in the study and the respective jurisdictional values for
25 each allocation factor. Table 15 of Exhibit No. 33 presents

1 the ratios of the principal allocation factors included in
2 Table 14.

3 Q. Please describe the development of the Idaho
4 Jurisdictional revenue deficiency.

5 A. The summary of results is presented on pages
6 1 and 2 of Exhibit No. 33. The development of the Idaho
7 jurisdictional revenue deficiency is presented in the column
8 entitled "IDAHO IPUC" on page 1 of Exhibit No. 33. As can be
9 seen from this exhibit the Idaho net income of \$112,523,318
10 on line 26 results in a return on rate base of 6.80 percent
11 on line 27. Based upon the rate of return of 8.42 percent
12 provided by Mr. Gribble, the Company's Idaho jurisdictional
13 net income should be \$139,288,354 on line 32. This results
14 in an earnings deficiency of \$26,765,036 on line 33.

15 Q. What net-to-gross or incremental income tax
16 factor did you use in developing the Idaho jurisdictional
17 revenue deficiency?

18 A. As indicated on line 35 on page 1 of Exhibit
19 No. 33, I used a composite incremental tax multiplier of
20 1.642 provided by the tax department, which represents the
21 use of the Federal effective tax rate of 35 percent, an
22 Idaho composite tax rate of 5.9 percent, an Oregon composite
23 tax rate of 0.3 percent and an other state composite tax
24 rate of 0.1 percent for purposes of determining the
25 Company's Idaho jurisdictional revenue.

1 Q. What is the resulting Idaho jurisdictional
2 revenue deficiency?

3 A. The results of the Jurisdictional Separation
4 Study as shown on line 36 on page 1 of Exhibit No. 33,
5 indicate a total revenue deficiency of \$43,948,189 for the
6 Idaho retail jurisdiction. This represents a required 7.82
7 percent increase in normalized Idaho jurisdictional
8 revenues.

9 Q. Please describe Exhibit No. 34.

10 A. Exhibit No. 34 is a three-page exhibit, which
11 provides a summary of allocation factors used in this
12 proceeding.

13 Q. Does this conclude your testimony?

14 A. Yes, it does.