



**Department of Energy**  
Washington, DC 20585

RECEIVED  
2008 JAN -7 AM 9:54  
IDAHO PUBLIC  
UTILITIES COMMISSION

January 4, 2008

**VIA FEDERAL EXPRESS**

Ms. Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, ID 83720-0074

**RE: Case No. IPC-E-07-8**

Dear Ms. Jewell:

Enclosed please find an original and ten (10) copies of the Rebuttal Testimony and Exhibits of Dennis W. Goins on behalf of the United States Department of Energy in the above-captioned proceeding. Also enclosed is an additional copy of each of these items that I request be date-stamped and returned in the enclosed postage paid envelope. If you have any questions concerning this filing, please contact me at (202) 586-3409.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Arthur Perry Bruder".

Arthur Perry Bruder, Esq.  
Office of the General Counsel  
United States Department of Energy  
1000 Independence Avenue  
Washington, D.C. 20585  
Arthur.Bruder@hq.doe.gov  
(202) 586-3409



**CERTIFICATE OF SERVICE - CASE NO. IPC-E-07-8**

I hereby certify that I have , this 4<sup>th</sup> day of January, 2008, served or caused to be served a true and correct copy of the attached Rebuttal Testimony and Exhibits of Dennis W. Goins on Behalf of the United States Department of Energy upon each of the parties listed below, by placing the same in the United States Mail, postage prepaid.

Barton L. Kline  
Lisa D. Nordstrom  
Idaho Power Company  
1221 W. Idaho St. (83702)  
P.O. Box 70  
Boise, ID 83707-0070

John R. Gale  
Vice President, Regulatory Affairs  
Idaho Power Company  
1221 W. Idaho St. (83702)  
P.O. Box 70  
Boise, ID 83707-0070

Weldon Stutzman  
Neil Price  
Deputy Attorneys General  
Idaho Public Service Commission  
472 W. Washington (83702)  
PO Box 83720  
Boise, ID 83720-0074

Peter J. Richardson  
Richardson & O'Leary  
515 N. 27<sup>th</sup> St.  
P.O. Box 7218  
Boise, ID 83702

Dr. Don Reading  
Ben Johnson Associates  
6070 Hill Road  
Boise, ID 83703

Eric L. Olsen  
Racine, Olson, Nye, Budge &  
Bailey, Chartered  
P.O. Box 1390;  
201 E. Center  
Pocatello, ID 83204-1391

Anthony Yankel  
29814 Lake Road  
Bay Village, OH 44140

Michael Kurtz, Esq.  
Kurt J. Boehm, Esq.  
Boehm, Kurtz & Lowry  
36 E. Seventh Street, Suite 1510  
Cincinnati, OH 45202

Conley E. Ward  
Michael Creamer  
Givens Pursley LLP  
601 W. Bannock Street  
PO Box 2720  
Bois, ID 83701-2720

Dennis E. Peseau, Ph.D.  
Utility Resources, Inc.  
1500 Liberty Street, Suite 250  
Salem, OR 97302



Arthur Perry Bruder, Esq.  
Office of the General Counsel  
United States Department of Energy  
Washington, DC 20585

RECEIVED

2008 JAN -7 AM 9: 54

IDAHO PUBLIC  
UTILITIES COMMISSION

---

**STATE OF IDAHO  
BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

---

**CASE NO. IPC-E-07-08**

---

**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**

---

**REBUTTAL TESTIMONY OF  
DR. DENNIS W. GOINS  
ON BEHALF OF THE  
U.S. DEPARTMENT OF ENERGY**

---

**January 4, 2008**

---

**TABLE OF CONTENTS**

	<b>Page</b>
<b>INTRODUCTION.....</b>	<b>1</b>
<b>CONCLUSIONS.....</b>	<b>2</b>
<b>RECOMMENDATIONS.....</b>	<b>3</b>

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**  
3 **ADDRESS.**

4 **A.** My name is Dennis W. Goins. I operate Potomac Management Group, an  
5 economic and management consulting firm. My business address is 5801  
6 Westchester Street, Alexandria, Virginia 22310.

7 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS CASE?**

8 **A.** Yes. I filed direct testimony on December 10, 2007, on behalf of the U.S.  
9 Department of Energy (DOE) representing the Federal Executive Agencies (FEA),  
10 which is comprised of all Federal facilities served by Idaho Power Company  
11 (IPC). Two of the larger FEA facilities are the Department of Energy's Idaho  
12 National Laboratory (DOE/INL) and Mountain Home Air Force Base.

13 **Q. DID YOU REVIEW THE DIRECT TESTIMONY FILED BY OTHER**  
14 **PARTIES RELATED TO COST-OF-SERVICE AND REVENUE SPREAD**  
15 **ISSUES?**

16 **A.** Yes. I reviewed direct testimony concerning these issues filed by Staff witness  
17 Keith D. Hessing, Micron witness Dr. Dennis E. Peseau, Industrial Consumers of  
18 Idaho Power (IICP) witness Dr. Don C. Reading, and Idaho Irrigation Pumpers  
19 (Irrigators) witness Anthony J. Yankel.

20 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

21 **A.** The purpose is to respond briefly to Staff witness Hessing's testimony related to  
22 his proposed revenue spread and the cost-of-service study on which the spread is  
23 based. In addition, on the basis of my review of the testimony I just cited, I have  
24 concluded that any revenue increase that Idaho Power Company (IPC) receives in

1 this case should be spread among customer classes on an across-the-board basis.  
2 In my direct testimony, I recommended a different revenue spread.

3 **CONCLUSIONS**

4 **Q. WHAT CONCLUSIONS HAVE YOU REACHED?**

5 **A.** On the basis of my review and evaluation of the direct testimony filed by  
6 witnesses Hessing, Peseau, Reading, and Yankel, I have concluded the following:

7 1. Cost of Service. Each witness discusses the dramatic shifts in interclass  
8 class cost allocations that have occurred in cost studies IPC has filed in  
9 recent rate cases. Unfortunately, there is no uniformity among the  
10 witnesses regarding either the causes of these dramatic shifts, or the proper  
11 methods to ensure that IPC's costs are properly allocated. As a result, we  
12 now have in this case at least six different recommended cost-of-service  
13 studies and six different recommended revenue spreads.<sup>1</sup> The cost-of-  
14 service studies filed by Staff and intervenors produce significantly  
15 different cost allocations and implied revenue spreads among customer  
16 classes compared to IPC's recommended 3CP/12CP cost study. These  
17 different results arise from the different approaches each party has taken to  
18 address critical deficiencies in IPC's cost analyses—for example, IPC's  
19 use of a future test year or improper classification of selected production  
20 costs.

21 2. Revenue Spread. Staff recommends an overall 2.82 percent revenue  
22 increase for IPC. Using results from its cost study, Staff proposes a  
23 revenue spread with nonuniform class increases ranging from zero percent  
24 to ten percent. The cost study on which Staff relies for its revenue spread  
25 is characterized by many of the same deficiencies as IPC's recommended

---

<sup>1</sup> These counts include not only the four different cost studies and revenue spreads recommended by Staff, Micron, IICP, and the Irrigators, but also the cost studies and revenue spreads proposed by IPC and DOE.

1 cost study. In particular, Staff improperly classified IPC's production  
2 plant and FERC Account 555 purchased power costs—that is, Staff  
3 classified these costs the same as IPC classified them.<sup>2</sup> These improper  
4 classifications produced cost allocations that led Staff to recommend  
5 increases for special contract customers that ranged from nearly 130  
6 percent to more than 200 percent above Staff's recommended 2.82 percent  
7 overall increase. Such increases are not supported by a cost study in which  
8 IPC's production plant and Account 555 costs are properly classified.  
9 Staff also recommends recovering its assigned class rate increases (with  
10 the exception of the Irrigation Schedule 24) via increases in energy (kWh)  
11 rates.

12 **RECOMMENDATIONS**

13 **Q. DO YOU HAVE ANY ADDITIONAL RECOMMENDATIONS ON THE**  
14 **BASIS OF THESE CONCLUSIONS?**

15 **A.** Yes. I continue to support the recommendations cited in my direct testimony,  
16 subject to the following additions and/or modifications:

- 17 1. Reject Staff's cost-of-service study. The study reflects the same improper  
18 classifications of IPC's production plant and Account 555 purchased  
19 power costs that I discussed in my direct testimony.
- 20 2. Reject Staff's proposed revenue spread, which is based on its flawed cost  
21 study results.
- 22 3. Reject Staff's proposal to recover any approved class rate increases solely  
23 through kWh charges. Instead, rate increases for classes with demand  
24 charges should be recovered through increases in non-energy (kW) prices.  
25 Demand is a primary driver behind IPC's growing revenue requirements.

---

<sup>2</sup> I discussed the deficiencies in IPC's classification of these costs in my direct testimony at pages 11 - 17.

1 Providing proper price signals implies strengthening the linkage between  
2 customer demands and customer prices. For customers served under rates  
3 with non-energy charges, this means recovering all—or at least most—of  
4 any allowed increase through higher demand charges.

5 4 Spread any allowed rate increase uniformly across all customer classes. In  
6 my direct testimony (pages 20-21), I presented a 4-step approach for  
7 allocating any revenue increase that IPC receives. However, after  
8 reviewing testimony filed by other parties, I am convinced that an across-  
9 the-board spread is the fairest and most reasonable method to recover any  
10 rate increase that the Commission grants IPC. In my opinion, the  
11 Commission faces an impossible task trying to resolve the widely  
12 divergent costing approaches and revenue spreads proposed in this case  
13 within the time constraints imposed by the current procedural schedule.  
14 These major differences cannot be properly resolved without further in-  
15 depth investigation by the Commission and interested stakeholders. I  
16 recommend that the Commission defer decisions on the various cost  
17 classification and allocation issues raised in this case to IPC's next rate  
18 case or to a separate proceeding that focuses solely on how IPC's costs  
19 should be classified and allocated. If the Commission agrees, then an  
20 across-the-board revenue spread is the most equitable approach for  
21 allocating any Commission-approved increase in this case.

22 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

23 **A. Yes.**