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January 4, 2008

Jean Jewell
IPUC Commission Secretary
P.O. Box 83720
Boise, Idaho 83720-0084

Re: *IPC-E-07-08*

Dear Mrs. Jewell:

Enclosed for filing you will find the original and eight copies of the Rebuttal Testimony of Anthony Yankel. A compact disk containing the Rebuttal Testimony in a searchable format will follow under separate cover.

Thank you for your assistance.

Sincerely,



ERIC L. OLSEN

ELO:kb
Enclosures
c: Service List

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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-07-08

IDAHO IRRIGATION PUMPERS

REBUTAL TESTIMONY

OF

ANTHONY J. YANKEL

JANUARY 4, 2008

ORIGINAL

1 Q. PLEASE STATE YOUR NAME, ADDRESS, AND EMPLOYMENT.

2

3 A. I am Anthony J. Yankel. I am President of Yankel and Associates,
4 Inc. My address is 29814 Lake Road, Bay Village, Ohio, 44140.

5

6 Q. ARE YOU THE SAME ANTHONY J. YANKEL THAT HAS
7 PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?

8

9 A. Yes.

10

11 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

12

13 A. My rebuttal testimony is limited to addressing the cost of service
14 testimony of the following witnesses:

15 Department of Energy witness Dennis Goins

16 Staff witness Keith Hessing

17 Micron witness Dennis Peseau

18 Industrial Customers witness Don Reading

19

20 Q. WHAT ARE YOUR CONCLUSIONS AND RECOMMENDATIONS
21 REGARDING COST OF SERVICE AFTER READING THE TESTIMONY OF
22 THE OTHER PARTIES?

23

1 A. As outlined in my direct testimony, there is a major problem with
2 allocating the cost of growth between classes. Although the problem impacts all
3 classes, it impacts none more than it impacts the Irrigation customers—who have not
4 grown over the last 25 years, but find themselves being allocated a large portion of
5 the cost of growth which they do not cause. In Case No. IPC-E-04-23 the
6 Commission ordered that a workshop be conducted to look into cost of service issues.
7 Among other things, the workshop participants addressed the equitable allocation of
8 the cost of growth. The workshop participants agreed that there was something
9 inherently troubling with the way costs associated with growth were allocate, but
10 were unable to agree upon an allocation procedure to recognized these problems.

11 Since that time, the Company had another rate case (IPC-E-05-28) where the
12 cost of growth was incorporated into rates. Although a small victory compared to the
13 Company's cost of service results in that case, the Irrigator rates were increased only
14 by the amount of the system average—even though the Irrigators did not contribute to
15 that growth.

16 In this case, several parties recognize that the Company's cost of service
17 studies are not reflections of what various parties believe to be cost causation,
18 especially as it relates to the cost of growth. There is a new call for additional study
19 of the issue—outside the confines of this rate case. I agree that additional review
20 could (not would) be helpful. However, it has not worked in the past. I admit that the
21 cost of service results contained in my direct testimony do not fully address the cost
22 of growth between classes, including the cost of new Distribution which has been the
23 largest item of plant growth on the system. More work needs to be done.

1 Because of the large disparity in cost allocation that occurs when just a
2 correction is made to Production related plant, I continue to support no cost increase
3 to the Irrigators. For the other customer classes, an equal sharing of the increase
4 would be appropriate, and a new investigation initiated to better address the cost of
5 growth on the system. If the Commission were to have the Irrigators share equally in
6 the present rate increase, it would just be encouraging parties to continue to
7 procrastinate regarding developing a solution to solve the issue of reflecting the cost
8 of growth in the Company's cost of service studies. Recognition of the actual cost of
9 growth is beneficial to all customers, as it sends an appropriate price signal to those
10 customers causing the increased costs and thus giving customers information upon
11 which to make their decisions to use electricity.

12

13 Q. IS IT APPROPRIATE TO RECOGNIZE GROWTH IN A COST OF
14 SERVICE STUDY; OR ARE THERE PROHIBITIONS AGAINST SUCH
15 RECOGNITION?

16

17 A. A cost of service study should be what it claims to be, a study to
18 determine the cost causation that should be assigned/allocated to various groups of
19 customers. The cost of growth clearly comes at marginal and higher prices than the
20 historic/average system costs. Growth is not limited to increases in the number of
21 customers, but it includes increased usage by existing customers as well. Those
22 customer groups whose loads are rapidly growing are clearly causing higher costs to
23 be incurred on the system than a customer group that is (for all practical purposes) not

1 growing, and thus, not requiring the Company to incur higher marginal costs to meet
2 their load. This is a well recognized fact. It would be discriminatory to not address
3 this recognized inequity of disproportionate cost causation between classes that has
4 been at issue before this Commission for several years. If a cost of service study is
5 truly to be a reflection of cost causation, then it must address the costs that are
6 incurred because of increased load and which customer groups are causing those costs
7 to be incurred.

8 It is my understanding that it is unlawful to charge similarly situated
9 customers different rates, based upon the time when the customer came to the system.
10 We are not addressing such a concept here. I am proposing (as well as others) that
11 there is a need to reflect the cost of increased usage in a cost of service study. Cost of
12 service studies are designed to reflect differences in cost causation between customer
13 classes, while reflecting as a group the costs they bring to the system (growth as well
14 as non-growth costs). It is my understanding that the Commission can (and should)
15 consider many factors in a cost of service study, including; the nature of the use, the
16 reasonable efficiency and economy of operation/costs, and the differences in the
17 customers being serviced. The Workshop initiated as a result of the last case stated:

18 The parties agreed that there was something inherently troubling with
19 the way costs, associated with growth, were allocated. This is evidenced
20 by the relatively large increase in revenue requirement allocated to
21 customers whose load and energy requirements were unchanged or grew
22 only slightly.

23 Many witnesses in this case provide evidence that the Company's cost of service
24 study does not address growth and thus results in inappropriate assignment of costs.

25 It would be unjust and unreasonable to allocate costs in this case, based upon a cost of

1 service study that did not consider the lopsided growth on the system and the impact
2 the Company's cost of service study has on the customer classes not growing.

3

4 Department of Energy witness Dennis Goins

5 Q. DOES DEPARTMENT OF ENERGY WITNESS DENNIS GOINS
6 ADDRESS THE GROWTH ISSUE IN HIS TESTIMONY?

7

8 A. No. Dr. Goins is the only witness that never addressed growth in spite
9 of the fact that: (1) the impact of growth has been a major issue in the Company's last
10 few rate cases, and (2) growth was a major focus of the workshop that was ordered as
11 a result of the last contested rate case (IPC-E-03-13). In fact, Dr. Goins' testimony
12 only mentioned growth in two places¹, but only for the limited purpose of recognizing
13 that it was Idaho Power's justification for proposing the 3CP/12CP method.

14

15 Q. DOES DR. GOINS' TESTIMONY ADD ANY INFORMATION TO
16 GUIDE THE COMMISSION REGARDING THE RELATIONSHIP BETWEEN
17 COST CAUSATION AND GROWTH?

18

19 A. No. Dr. Goins testimony provides neither an economic or engineering
20 rationale (or even concern) regarding the all important issue of growth. Dr. Goins
21 testimony only deals with developing classification schemes or allocation factors that
22 will put his client's costs in a better light. His testimony may be of value in a

¹ Page 6 line 10 and page 18 line 14 of Mr. Goins testimony

1 different jurisdiction, but in the Idaho Power service area where most customer
2 classes are concerned about how to get their arms around the all encompassing issue
3 of growth, his comments add little to the issue at hand.

4

5 Staff witness Keith Hessing

6 Q. DOES STAFF WITNESS KEITH HESSING ADDRESS THE
7 GROWTH ISSUE IN HIS TESTIMONY?

8

9 A. Yes, to a limited extent. Although Mr. Hessing addresses growth far
10 more than Mr. Goins, his discussion is still limited. On page 9 of his direct testimony
11 he state that:

12 Load growth, substantially in the residential class, has occurred in record
13 amounts. The cost of power supply to meet the growing load has been
14 much higher than it used to be, approximately 6 cents/kWh.

15 Mr. Hessing goes on to state on page 11 of his direct testimony:

16 The explanation that I have provided addresses the trend of
17 disproportionate increases to the high load factor classes observed in
18 the IPC-E-05-28 case and the current case.

19 Thus, although Mr. Hessing recognizes that there is substantial and disproportionate
20 growth taking place within the Residential class, he has limited his observations only
21 to the impact that the Residential growth is having on cost assignment to the high
22 load factor customers (Special Contract Customers and Schedule 19), but he does not
23 make any observations regarding the Irrigators who have virtually not grown at all in
24 the last 25 years.

25

1 Q. DOES MR. HESSING'S TESTIMONY ADD ANY INFORMATION
2 TO GUIDE THE COMMISSION REGARDING THE RELATIONSHIP OF COST
3 CAUSATION AND GROWTH?

4

5 A. Yes. Although Mr. Hessing's testimony does not go into a discussion
6 of the full extent of the problems associated with the cost of growth in one class being
7 allocated to other classes, his testimony does recognize that the problem is occurring.
8 He goes on² to make an observation that is quite accurate for the present situation:

9 In general, I propose that Cost of Service results be used as a guide in
10 establishing class revenue requirements for the various rate classes. I
11 view Cost of Service results as an imprecise science that is
12 appropriately used as a starting point in revenue allocation.

13 Although I agree with Mr. Hessing that the present cost of service results are quite
14 imprecise, I believe that they could be greatly improved with some non-parochial
15 effort on the part of the parties.

16 However, I find Mr. Hessing's revenue allocations to be contrary to his
17 observations regarding the imprecise nature of the Company's cost of service study
18 and the inability to prevent the cost of growth from being allocated to classes that are
19 not substantially growing or not growing at all. Given the fact that the Irrigators have
20 not grown for the last 25 year (not just the last two years since the IPC-E-05-28 case
21 addressed by Mr. Hessing), while the Residential class has demonstrated substantial
22 load growth, his proposal to increase Irrigation rates 10%, while only increasing
23 Residential rates 1.37% appears completely counter to his own testimony.

24

² Page 11 line 21 through page 12 line 1

1 Micron witness Dennis Peseau

2 Q. DOES MICRON WITNESS DENNIS PESEAU ADDRESS THE
3 GROWTH ISSUE IN HIS TESTIMONY?

4

5 A. Yes. Dr. Peseau makes numerous mention of the growth on the
6 system. His focus seems to be on peak growth³ as opposed to overall energy growth.
7 Admittedly, peak is growing faster than energy. As would be expected, Dr. Peseau's
8 testimony is focused on the problem that load growth is having on the cost
9 assignment/allocation to his client Micron. He also is only focusing on the last four
10 years as he stated:

11 First, with respect to customer usage, it is quite clear that the high load
12 factor customers are not growing appreciably. There appears to have
13 been some modest growth in industrial load, but the contract
14 customers' consumptions is essentially unchanged from four years
15 ago. Consequently, a change in these customers' usage cannot account
16 for huge swing in cost of service results. (Emphasis added)

17

18 Q. DO YOU AGREE WITH DR. PESEAU'S TESTIMONY AS IT
19 APPLIES TO THE GROWTH EXPERIENCED BY MICRON OVER THE LAST
20 FOUR YEARS SINCE THE 03-13 CASE?

21

³ See generally Dr. Peseau's testimony at pages 38, 39, 46, 52, 54, and 56.

1 A. No. I do not know what data Dr. Peseau relied upon as the basis for
 2 the above statement, but it certainly does not reflect the growth in load and certainly
 3 not the coincident peak load experienced by Micron since the 03-13 case. As a basis
 4 of comparison it should be noted that the sum of the 12-coincident peaks for the
 5 system grew 10% over these four years between these cases and that the Irrigation
 6 contribution to those 12 coincident peaks actually shrunk 14%⁴. The July system
 7 peak only increased 5% between these cases. Compared to the system growth (and
 8 the Irrigation shrinkage) in peak load, the following growth is listed for Micron:

	Coincident kW IPC-E-03-13	Coincident kW IPC-E-07-08	Demand Growth
11	Jan 71,882	84,280	17%
	Feb 72,155	84,414	17%
	Mar 72,243	83,985	16%
12	Apr 71,599	84,101	17%
	May 77,652	90,029	16%
13	Jun 81,681	91,257	12%
	Jul 81,580	93,589	15%
14	Aug 78,238	92,357	18%
	Sep 78,774	90,754	15%
15	Oct 75,147	85,478	14%
	Nov 74,449	86,235	16%
16	Dec 74,884	86,047	15%
17	Tot 910,284	1,052,526	16%

18 Clearly, an average increase in Micron’s coincident peak load of 16% compared to a
 19 system increase of 10% does not reflect Dr. Peseau’s statement that; “There appears
 20 to have been some modest growth in industrial load, but the contract customers’
 21 consumptions is essentially unchanged from four years ago.” The fact that Micron’s
 22 contribution to the July coincident peak increased 15% compared to the system

⁴ Company Exhibit 55 page 1 of this case lists the individual monthly coincident peak data for the system and the Irrigators. Company Exhibit 40 page 1 of case IPC-E-03-13 lists the individual

1 increase of only 5% is also extremely counter to Dr. Peseau's suggestion that
2 Micron's contribution to peak load "is essentially unchanged from four years ago."

3

4 Q. HAS MICRON'S ENERGY USAGE INCREASED ALSO OR IS
5 MICRON'S GROWTH LIMITED TO PEAK USAGE?

6

7 A. Micron has experienced growth in overall energy consumption as well.
8 Like the rest of the system (except the Irrigators), the growth in energy consumption
9 has generally lagged that of peak growth. Compared to the 5% reduction in energy
10 usage that the Irrigators experienced between this case and the 03-13 case, Micron's
11 energy growth has been:

	Energy IPC-E-03-13	Energy IPC-E-07-08	Energy Growth
Jan	55,383	61,451	11%
Feb	49,820	55,492	11%
Mar	54,862	61,502	12%
Apr	53,366	59,749	12%
May	56,436	62,480	11%
Jun	55,787	60,977	9%
Jul	58,361	64,672	11%
Aug	57,734	64,374	12%
Sep	55,611	60,878	9%
Oct	57,554	62,557	9%
Nov	56,098	60,455	8%
Dec	57,804	62,660	8%
Tot	668,816	737,247	10%

12

13 Instead of pointing at others for causing the growth problem, Micron should first
14 recognize its own contribution to the problem.

15

monthly coincident peak data for the system and the Irrigators from four years ago.

1 Q. IN YOUR DIRECT TESTIMONY, YOU ASSIGNED VERY LITTLE
2 GROWTH TO MICRON. WHY WAS THAT THE CASE?

3
4 A. In my direct case, I developed Production related allocation factors
5 that reflect the 10-year growth found in Idaho Power's 2006 IRP. The projected
6 growth rate I used for Micron was that for the entire class of special contract
7 customers and was not specific to Micron. Perhaps it would be better to use historic
8 growth data to accomplish the same purpose, where growth that has caused the
9 increase in costs that we are presently experiencing can be more accurately
10 quantified.

11
12 Q. DOES DR. PESEAU'S TESTIMONY ADD ANY INFORMATION TO
13 GUIDE THE COMMISSION REGARDING THE RELATIONSHIP OF COST
14 CAUSATION AND GROWTH?

15
16 A. Although Dr. Peseau's testimony adds additional information
17 regarding the problems associated with growth, his attempt to advocate on behalf of
18 his client has gotten in the way of presenting appropriate recommendations regarding
19 the spread of the revenue requirement to the respective customer classes. After
20 recognizing that growth is the single largest issue that is driving the rate increase, Dr.
21 Peseau recommends that the Irrigators get a disproportionately large increase (in spite
22 of not growing) and he further recommends that Micron get a less than average
23 increase (in spite of the fact that since the 03-13 case Micron has grown as fast or

1 faster than the system average). His revenue spread proposal is completely counter to
2 the logic he presented and the facts in this case.

3 On the last two pages of his testimony, Dr. Peseau expresses concern that
4 “Idaho Power’s accelerating peak load growth and deteriorating load factor are
5 sufficiently alarming” that he recommends an investigation into the problem and its
6 solution. I concur with this recommendation, yet have reservations about its
7 effectiveness. It has been four years since the problem of allocating the cost of
8 customer classes that are growing disproportionately has been brought before the
9 Commission. We have had a workshop that has concluded that:

10 The parties agree that there was something inherently troubling with
11 the way costs, associated with growth were allocated. This is
12 evidenced by the relatively large increase in revenue requirement
13 allocated to customers whose load and energy requirements were
14 unchanged or grew only slightly. While there was agreement that the
15 cost of growth did not necessarily get allocated to the customer classes
16 that grew, we were unable to devise a technical remedy to the
17 allocation procedure that would also satisfy the courts.

18 Dr. Peseau’s testimony is typical of the problem with outside investigations.
19 Although everyone may agree that a problem exists, no customer or customer class is
20 willing to shoulder responsibility for their own growth. If the Commission wants to
21 advance the discussion regarding the problem of properly assigning the cost of
22 growth, it should give the Irrigators no increase in this case and give an even spread
23 to all other customer classes. Without defining a specific allocation methodology, no
24 increase to the Irrigators would be well within the Commission’s rate setting
25 authority. Once it has been recognized that the Commission is no longer going to
26 continue to spread the cost of growth upon the one class that is not growing, it will be
27 much easier to develop a solution to the problem. Until this is done, there will

1 continue to be the urge to pawn-off as many costs as possible to the Irrigation
2 customers.

3

4 Industrial Customers witness Dr. Don Reading

5 Q. DOES INDUSTRIAL CUSTOMERS WITNESS DON READING
6 ADDRESS THE GROWTH ISSUE IN HIS TESTIMONY?

7

8 A. Yes. Dr. Reading recognizes that there is upward pressure on costs
9 that is driven primarily by the residential and small commercial customers⁵. Like Dr.
10 Peseau, he advocates on behalf of his clients and proposes a number of changes that
11 he believes will more appropriately align cost responsibility with those causing the
12 costs to be incurred. Like Dr. Peseau, his proposed changes that are designed to
13 remedy the counterintuitive results of the Company's cost of service study with
14 respect to the cost of growth are more counterintuitive than those of the Idaho
15 Power's study. Idaho Power's study found that the Irrigators should be given a
16 42.6% increase in spite of the lack of growth, yet Dr. Readings study suggests that the
17 increase to Irrigators should be almost double that at 72.1%. Basically, the studies
18 developed by Dr. Reading and Dr. Peseau are putting band aids on a process that
19 requires major surgery.

20

⁵ Reading testimony page 13 and 14

1 Q. DOES DR. READING'S TESTIMONY ADD ANY INFORMATION TO
2 GUIDE THE COMMISSION REGARDING THE RELATIONSHIP OF COST
3 CAUSATION AND GROWTH?

4

5 A. Yes. Like Dr. Peseau, Dr. Reading recognizes that there is a problem
6 with the allocation of the cost of growth. However, unlike Dr. Peseau, Dr. Reading
7 recognizes that there is still something inherently wrong with the results of his study
8 as it does not send the correct price signals. Dr. Reading appropriately sums up the
9 problem:

10 The irrigation class has the misfortune of having their need for power
11 during summer peak which is when the Company's system needs are
12 growing the fastest. Unlike the residential class, the Irrigation class is not
13 growing. Yet due to increasing residential and commercial demand in the
14 summer, the irrigation class' allocations increase their share of Company
15 costs. (Emphasis added)

16 In light of the above, Dr. Reading recommends that all classes (including the
17 Irrigators) get an even spread in the rates and that an investigation be initiated to
18 address what he refers to as the perverse results coming from the cost of service
19 studies. I believe that Dr. Reading has moved this discussion further than any of the
20 other witnesses that I have addressed. However, I do not believe that an even spread
21 to the Irrigators (although better than a 43% or a 72% increase) is appropriately
22 addressing the fact that by now should be obvious to all—the Irrigators are not
23 growing, have not been growing, and should not be required to pickup the costs of
24 that growth. The continued spreading (even on an across-the-board basis) of rate
25 increases associated with system growth to the Irrigators is discriminatory on its face.
26 The rate increase in this case should not be large, and thus it would be a good time to

1 send a signal to the other classes that the Commission is not going to straddle the
2 Irrigators with the cost of growth of others.

3 I continue to recommend no increase to the Irrigators in this case and believe
4 that a separate investigation (as called for by other witnesses) would be appropriate.
5 However, I also believe that that investigation will not lead to any significant
6 improvement without strong Commission direction in this case.

7

8 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

9

10 A. Yes.