BEFORE THE

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IDAHO PUBLIC
UTILITIES COMMISSION

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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-08-10

DIRECT TESTIMONY OF CECILY VAUGHN

IDAHO PUBLIC UTILITIES COMMISSION

OCTOBER 24, 2008

Q. Please state your name and business address for the record.

A. My name is Cecily Vaughn. My business address is 472 West Washington Street, Boise, Idaho.

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

A. I am employed by the Idaho Public Utilities Commission (Commission) as an auditor in the Utilities Division.

Q. What is your educational and experience background?

A. I graduated from Washington State University in 1974 with a Bachelors of Science degree in Veterinary Science; I received my degree as a Doctor of Veterinary Medicine at the same time. I practiced as a veterinarian in the State of Washington until approximately 1987. From 1993 until 1996 I attended the College of Business and Economics at the University of Arkansas in Fayetteville, Arkansas. From 1996 until 1997 I studied at the College of Business at Boise State University with an emphasis in accounting. I passed the Uniform CPA exam in the fall of 1997; I am currently a licensed CPA in the State of Idaho.

I was employed as a financial analyst by Hewlett Packard from 1998 until 2000. In this position I provided sole financial support for the HP test lab located in Boise, a cost center with an annual budget in excess of

$50 million. I was solely responsible for coordinating the semi-annual budgeting process, for developing and implementing the allocation system used to distribute costs to multiple profit centers, and for ensuring that costs incurred were appropriate and met budgetary goals. During this time I also served as inventory analyst for the Personal LaserJet Division, a $2 billion per year profit center. In this role, I was responsible for accurate valuation of worldwide inventory and for removal of intracorporate profit included in inventory value.

From 2000 until 2003 I was employed as Grants Accountant (Financial Specialist) for the Center for Geophysical Investigation of the Shallow Subsurface at Boise State University; I was promoted to Senior Financial Specialist in 2002. In this role, I was responsible for all aspects of grant accounting for the Center, including budgeting, submission, and ensuring that grant funds were expended and accounted for in accordance with funding agency regulations. I also assisted in the preparation of the BSU F&A (Facilities and Administration) request used to set the overhead rate applied to all Federal Grants awarded the University.

I have been employed by the Commission as an auditor since June 2007. I attended the annual regulatory studies program sponsored by the National Association of

Regulatory Utilities Commissioners (NARUC) at Michigan State University in August 2007.

SUMMARY

Q. Would you please summarize Staff's recommendations in those areas of the rate case that you personally reviewed?

A. Staff recommends use of a 2008 test year based on adjustments to a 2007 base year. Staff's recommendations in the areas I personally reviewed with the effect on the revenue requirement are as follows:

(1) Idaho Power Company proposed using a 2008 forecast test year for this rate case. To develop this test year, the Company escalated 2007 expenditures for Operations and Maintenance (O&M) activity based upon a calculated 5-year growth rate. However, it is Staff's position that the forecast O&M is overstated and should be reduced. The Company requested an increase to O&M expense of $15,985,407. Staff recommends that O&M expense be escalated by $1,750,020, thus decreasing both expense and revenue requirement by $14,235,387.

(2) In its forecast test year, Idaho Power Company requested an increase of $6,617,514

for Plant Materials and Supplies. Staff recommends maintaining the 2007 base year level and removing this escalated amount from rate base. This decreases revenue requirement by $780,024.

(3) In this rate case, Idaho Power Company proposed including a portion of the Construction Work in Progress (CWIP) associated with the Hells Canyon Relicensing Project in rates. Staff agrees that there is explicit evidence showing that including the annual carrying charge on CWIP in rates serves the public interest. However, Staff believes that the amount to be included in rates should be reduced by $2,881,849.

(4) As a result of a series of FERC settlements related to the 2003 billing, Idaho Power Company received a credit in the amount of $3,266,010. Staff recommends amortizing this credit over five years, thus decreasing the annual revenue requirement by $653,202.

(5) Based on an audit of P-card expenditures, Staff recommends reducing the 2007 base

year expenses and revenue requirement by $884,787 to remove expenditures that are either excessive or that do not directly benefit the customer.

Q. How were you able to determine the revenue requirement effect of each of Staff's recommendations?

A. I determined what accounts in the rate case would be changed by each adjustment. Using the Jurisdictional Separation Study (JSS) and Revenue Requirement Model, I then determined the effect on revenue requirement resulting from each adjustment.

Q. Are you sponsoring any additional testimony?

A. Yes. I am sponsoring testimony that summarizes the adjustments recommended by all Staff witnesses. In addition, I am sponsoring testimony that describes the Jurisdictional Separation Study, a model that develops the Idaho revenue deficiency as well as the revenue increase needed to meet that deficiency. The JSS shows an Idaho Revenue Deficiency of $9,681,345 and results in an Idaho required revenue increase of 1.44%

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring Exhibit Nos. 119 through 127.

COST ESCALATION OF OPERATIONS AND MAINTENANCE EXPENSES

Q. Please summarize the method used by Idaho Power to escalate 2007 O&M costs to develop the 2008 test year.

A. Idaho Power developed Compound Annual Growth Rates (CAGR) that it applied to specific FERC O&M "account groupings". These account groupings are (1) Steam Power Production (Accounts 500-515), (2) Hydro Power Production (Accounts 535-545), (3) Other Power Production (Accounts 546-557), (4) Transmission (Accounts 560-574), (5) Distribution (Accounts 580-598), Customer Accounting, Service, and Selling (Accounts 901-917 excluding DSM), and Administrative and General (Accounts 920-935). A different CAGR was calculated and applied to each account grouping and was applied to all accounts within that grouping with the exception of Accounts 501 and 547 (Fuel), 555.1 and 555.2 (Purchased Power), 565 (Transmission of Electricity by Others), 924 (Property Insurance), and 928.101 (FERC Administrative & Miscellaneous Expenses).

Q. How did you evaluate the reasonableness of this escalation methodology?

A. I evaluated the escalation as follows: (1) I looked at the accounts escalated to determine if escalation of the specific accounts was reasonable; (2) I looked at the development of the CAGR to determine if the methodology was reasonable and tested the model using data supplied by the Company; (3) I evaluated the data provided by the Company and determined which account groups showed a consistent trend and developed a reasonable escalation amount for those accounts.

Q. Did you have any concerns regarding escalation of specific accounts or account groupings?

A. I had two major concerns regarding the escalation of specific accounts and account groupings.

First, labor is included in many different accounts in all account groupings. However, labor is also escalated via the payroll annualization/structured salary adjustment (SSA) as described by Ms. Smith in her direct testimony at page 29, lines 12-17. Thus labor costs are escalated by two different methods in the Company's case. I believe it is inappropriate to escalate labor costs using the CAGR when 2008 labor costs are more directly escalated elsewhere. Payroll annualization and SSA has been addressed previously by Staff witness Leckie in his direct testimony.

Second, General and Administrative (G&A) Accounts 920-935 are increased using a 5-year CAGR of 9.41%. However, when the data used by the Company to develop the CAGR for G&A expenses are examined, it is apparent that G&A expense is essentially flat until 2006 with an average G&A expense of $73,500,068 for the period 2004-2006. However, G&A Expense in 2007 is equal to

$91,097,520, an increase of $17,597,452 from the 2004-2006 average expense. This data is shown in Exhibit No. 119, Columns 3-6, lines 72-77. This increase is coincident with IDACORP divestiture of multiple subsidiaries. This divestiture resulted in reallocation of more corporate expenses to Idaho Power Company. Staff believes it is unreasonable to further escalate G&A expense when it is apparent that the growth in G&A is the result of one-time corporate divestitures.

Q. Please describe how the Company developed its escalation model?

A. Yes. Exhibit No. 119 was provided by the Company in response to Audit Request No. 53 and shows the data used by the Company to develop its CAGR. This data shows financial data organized by account group and by cost element (Labor, Materials, Purchased Services, Accounting Entries, and Other Expenses). This data is provided for the years 2003-2007. The CAGR formula used to analyze this data is shown in Exhibit No. 120. An example of how the formula is applied is shown in Exhibit No. 120 as well.

Q. Do you have any concerns regarding the method used by the Company to develop the CAGR escalation model?

A. Yes. I have two major concerns regarding the method used by the Company to develop its escalation methodology.

First, it is apparent from Exhibit No. 120 that the formula applied to develop the CAGR is developed from only two data points, the beginning and ending values. There are an infinite number of formulas that can be used to describe the relationship between two data points. Choosing a Compound Annual Growth Rate to escalate expenses is an arbitrary choice on the part of the Company. From a mathematical modeling standpoint, the CAGR is no more valid than any other escalation methodology such as average growth rate.

Second, the Company did not test its model against actual data. As stated by Ms. Smith in her testimony at page 22, lines 17-18, the model as used "smoothes out uneven amounts within these years." However, it is apparent from casual inspection of the data, that there is considerable variation in expenses year-to-year. For example, Materials Expense in Hydro Production (Exhibit No. 119, line 15, Columns 2-10) swings from $1.6 million in 2004 to $2.3 million in 2005 to $2.8 million in 2006 to $2.6 million in 2007. The 5-year CAGR shows a growth of 15.25% in this category, but it is obvious from the actual data that there is no consistent trend in growth.

Q. How did you evaluate the data to determine a reasonable increase in O&M expense?

A. In consultation with Staff witness Carlock I determined that the following method was most appropriate to escalate 2007 O&M expense to develop the 2008 test year. First I consolidated the data used by the Company as shown in Exhibit No. 119 to eliminate labor and all Administrative and General Expense. For the purpose of this analysis, I combined Steam, Hydro, and Other Power Generation to evaluate expense growth. This consolidated data is shown in Exhibit No. 121.

I then examined the cost elements Materials, Purchased Services, and Other Expenses for each account group and determined whether year-to-year trending showed consistent growth or whether there was no consistent pattern. My determination is shown in Exhibit No. 121, Column 12. The two cost elements that showed consistent growth were Power Generation Other Expense and Distribution Other Expense. In each case, I believe a modest 5% growth escalation is reasonable because the Company has some discretion over Other Expense spending. Using this factor, the total gross escalation is $2,876,561 (Exhibit No. 121, Column 12, line 42).

"Accounting Entries" is a cost element that represents intracompany expense transfers and includes such items as Amortization Expense. This expense category is not directly related to any growth factors and any change in the G&A account group does not appear to be related to subsidiary divestiture by IDACORP. In order to address this cost element group, I summed the total Accounting Entries Expense for the years 2003 through 2007, averaged 3 years of year-to-year change, and reflected this in the gross escalation. By accounting convention, in this case the average Accounting Entries adjustment to O&M escalation reduces the escalation amount. (See Exhibit No. 122). As a result of these calculations, the net escalation Staff believes is reasonable and recommends be used to develop the 2008 test year is calculated to be $1,750,020.

PLANT MATERIALS AND SUPPLIES (RATE BASE—WORKING CAPITAL)

Q. Please summarize the method used by Idaho Power to escalate 2007 Materials and Supplies to develop the 2008 test year.

A. Account 154 (Plant Materials and Supplies) is the inventory of materials used for the construction, operation, and maintenance of the entire utility plant operated by Idaho Power. Account 163 is a clearing account used to capitalize the expenses that are directly related to inventory/storeroom maintenance. In its development of the 2008 test year, the Company escalated Account 154 using a 3-year CAGR equal to 16.38% and escalated Account 163 using a 3-year CAGR equal to 4.31%. (See Smith Exhibit No. 34, page 15.) The total increase in rate base using this methodology is equal to $6,617,514.

Q. Do you agree with this escalation?

A. No. I believe that Plant Materials and Supplies (including the portion due to stockroom management) is dependent upon current conditions for which there is no accurate predictor. Thus I believe that the Company's projected increase cannot be considered known and measurable with any degree of certainty. Further, I believe that adequate planning, ordering, and inventory management will allow inventory levels to be maintained at 2007 levels. Therefore, I recommend removing the $6,617,514 escalation from rate base, thus decreasing revenue requirement by $780,024.

AFUDC ON THE HELLS CANYON RELICENSING PROJECT

Q. Please describe the Company's proposal to include the current AFUDC portion of CWIP relative to the Hells Canyon relicensing project.

A. The Company has requested recovery of the currently accruing AFUDC for the Hells Canyon relicensing project as part of this rate case. AFUDC for this project has accrued since 1999, but the Company is only asking to include the AFUDC that is forecast to accrue in 2009. In large part, Staff agrees with the Company's proposal set forth in direct testimony by Ms. Miller (Miller direct testimony at page 3, lines 1-5)

> "The purpose of my testimony is to request that the Allowance for Funds Used During Construction ("AFUDC") component of Construction Work in Progress ("CWIP") for the Hells Canyon relicensing project be included in base rates."

This potential inclusion of CWIP/AFUDC in base rates is an option the Commission may utilize based on a recent change in Idaho Code.

In 1984 Idaho Legislature enacted *Idaho Code* § 61-502A to read

> "Except upon its finding of an extreme emergency, the [Public Utilities] Commission is hereby prohibited in any order issued after the effective date of this act, from setting rates for any utility that grants a return on construction work in progress… or property held for future use and which is not currently used and useful in providing utility service."

However, in 2006 this section was amended to read

> "Except upon its *explicit* finding *that the public interest will be served thereby*, the Commission is hereby prohibited in order issued after the effective date of this act, from setting rates for any utility that grants a return on construction work in progress or property held for future use and which is not currently used and useful in providing utility service." (Emphasis indicates amended language.)

Construction Work in Progress (CWIP) including

AFUDC may be considered in the determination of rates upon a finding that the public interest will be served. Staff believes that this case provides an appropriate opportunity where the Commission can find that the public interest will be served by the inclusion of the currently accruing AFUDC on the Hells Canyon relicensing project.

Staff agrees with the Company's concern that AFUDC related to the Hells Canyon relicensing project is growing at an alarming rate. If AFUDC is allowed to accrue using normal regulatory accounting procedures and assuming no additional expenses are incurred during the relicensing project, the direct costs for the project would equal $67,682,931 and the AFUDC would equal $42,703,648 by the end of 2009. By the end of 2012, the direct costs of relicensing would still be $67,682,931 and the AFUDC would have grown to $69,188,894. This growth in AFUDC is clearly demonstrated in Exhibit No. 123. Staff believes that this enormous growth in AFUDC provides the basis for an explicit finding that it is in the public interest to include AFUDC in base rates using the current annual AFUDC amount and thereby prevent the further accumulation of AFUDC accruing on AFUDC.

Q. Did Staff adjust the amount of AFUDC to be included in based rates?

A. Yes. Staff calculated the amount of AFUDC to be included in base rates as follows: (1) First, the actual AFUDC monthly rates were applied sequentially to the prior month's ending CWIP balance. For example, the January 2008 AFUDC rate of 6.6520% was applied to the known and measurable December 2007 CWIP balance of $95,642,535 resulting in the January 2008 ending CWIP balance of $96,148,803. The February AFUDC rate of 5.5920% was then applied to the January 2008 ending CWIP balance to arrive at the February 2008 ending CWIP balance. The AFUDC rates for January through August of 2008 were supplied by the Company in response to Audit Request No. 86(d); the rate for September through December of 2008 was estimated using the average rate for the period January through August of 2008. (2) Second, the December 2008 AFUDC of $396,191 was multiplied by twelve in order to forecast the AFUDC for 2009. The forecast AFUDC for 2009 was determined to be $4,754,292. This resulted in an adjustment of $2,881,849 and an equivalent decrease in revenue requirement. See Exhibit No. 124.

Q. Does Staff recommend any additional modifications to the Company's proposal?

A. Yes. Staff proposes the following to limit escalation of AFUDC related to the Hells Canyon relicensing project.

(1) The Company proposes accounting for AFUDC

amounts recovered in base rates on the Hells Canyon relicensing project as an Account 254 Regulatory Liability. (See Miller direct testimony at page 13, lines 3-13.) For financial accounting purposes, AFUDC will continue to accrue as CWIP using normal accounting procedures. Once the Hells Canyon relicensing project is capitalized in rate base, the regulatory liability will reduce the total amount of CWIP that is moved to electric plant in service.

Staff agrees with the Company's proposal to account for the funds related to recovery of AFUDC as a Regulatory Liability. Additionally, Staff believes these funds should accrue interest at the same rate as the AFUDC booked as CWIP for financial accounting purposes. This will prevent further compounding of AFUDC on the accumulated project costs. Accounting detail is shown in the workpapers.

(2) Staff believes that including AFUDC in base rates should be limited to the current rate case. Even though compounding of AFUDC on accumulated project costs will effectively cease December 2008, this new mechanism for inclusion of AFUDC in base rates must be examined. The FERC license on Hells Canyon may be issued as soon as January of 2009 and the final accounting will be examined in the next case. If the license has not been awarded,

the Regulatory Liability and accounting records for the CWIP and Regulatory Liability accounts must still be examined to correct any flaws in the methodology proposed in this case.

Q. Does Staff have any further recommendations concerning overall cost control related to the Hells Canyon relicensing project?

A. Yes. Staff believes it is in the best interest of customers to control the total cost of the Hells Canyon relicensing project. If FERC grants a permanent license in January 2009, costs will be finalized as soon as the Hells Canyon relicensing project is placed in rate base. Inclusion of the current AFUDC amount in base rates provides the Company with cash flow at a grossed-up level. With the additional cash flow, the Company has less of an incentive to push for completion of the relicensing. To make sure the incentive for completion remains as strong as it was before this case, Staff recommends AFUDC stop at December 2009. All AFUDC funding recovered in rates will continue to be booked as a Regulatory Liability to offset Hells Canyon relicensing CWIP once the project is placed in rate base. Idaho Power may file a separate case to request the Hells Canyon relicensing project be evaluated for ongoing rate treatment. This filing should provide sufficient documentation and review of expenditures for prudence prior to placing the project in rate base.

Q. Why should the Commission consider allowing the Hells Canyon relicensing project to be placed in base rates before a permanent license is granted by the FERC?

A. Although there are limited situations where public is served by placing CWIP in rate base, the Hells Canyon relicensing project is different from other construction projects for several reasons. First, "project completion" is determined when the FERC grants a permanent license. Because of the large number of stakeholders involved in relicensing and because of the ever-shifting political environment, project completion is largely beyond the Company's direct control. A permanent license could be granted as early as January 2009 or it could be delayed for many years. Second, it is unlikely that the permanent license will not be granted. At the present time, Idaho Power is operating the Hells Canyon dam complex under annual licensing. Because the Hells Canyon complex is fully operational and power generation is not curtailed, Staff argues that the relicensing investment is essentially used and useful at the present time, even in the absence of a permanent license.

FERC CREDIT ADJUSTMENT

Q. Will you please explain the adjustment to revenue requirement related to the FERC credit?

A. In 2006, Idaho Power Company received a series of credits from a settlement involving both FERC administration and Other Federal Agency (OFA) charges. Based on data received from Idaho Power Company in response to Audit Request Nos. 133 and 134 made during general rate case IPC-E-07-08, it was determined that the total amount of the credits equalled to $3,266,010. Since Idaho Power accrued these fees beginning in 2003, they were included in rates paid by the customer in both the 2003 and 2005 rate cases. Therefore, I believe that the customer should receive benefit from the credit received by Idaho Power. I believe that this credit should be amortized over a five-year period since this approximates the timeframe during which Idaho Power over-accrued FERC/OFA fees. This results in a negative adjustment to regulatory fee expense of $653,202, thus decreasing revenue requirement by $653,202.

ACCOUNTS PAYABLE ONE CARD (P-CARD) ADJUSTMENT

Q. Will you please describe Exhibit No. 125?

A. Exhibit No. 125 lists amounts by FERC account that should be moved below the line for ratemaking purposes. The total adjustment is $884,787 and results in a revenue requirement decrease of $884,787.

Q. How did you arrive at this adjustment?

A. In the spring of 2008, Staff conducted an extensive audit of expenditures charged to Accounts Payable One Cards (P-cards) by Idaho Power employees.

Q. How are P-cards used by Idaho Power employees?

A. The Company uses P-cards issued to employees to manage the purchase and reimbursement of relatively small, business-related expenses. As of June 30, 2007, the Company employed 1977 individuals; 1818 individuals (92%) of these individuals were issued P-cards. In 2007, the total amount of employee P-card expenditures was approximately equal to $11,212,016. Each month, individual employees reconcile their P-card expenditures by entering a justification for each expenditure on-line in "PassPort" and enclosing receipts or other supporting documentation in a reconciliation envelope. These envelopes are filed alphabetically by employee each month; approximately 1500 P-card reconciliations are filed each month.

Q. What was the objective of Staff's audit of Idaho Power employee P-cards?

A. The objectives of the Staff audit were to examine receipts for appropriate detail, to evaluate cash control, and to determine whether those expenditures are appropriately the responsibility of Idaho Power's customers. This audit also allowed Staff to examine the processes used to track P-card expenditures and to ensure that expenditures were booked to the appropriate accounts for ratemaking purposes. The audit allowed Staff to evaluate Company policies that govern P-card expenditures and to determine whether the expenditures were made for prudent and reasonable business purposes that directly benefit the customer.

Q. How did Staff plan and conduct the audit?

A. The P-card audit conducted during the audit associated with general rate case IPC-E-07-08 was limited by time and resources. In order to fully evaluate the propriety of P-card expenditures for ratemaking purposes, a more extensive audit was employed for the purposes of the current rate case. The audit was conducted as follows:

(1) Approximately 75 envelopes were audited for each month of 2007. The envelopes were chosen by assigning each envelope a number from 1-1500 (approximately); the 75 envelopes were chosen by generating 75 random numbers using Microsoft Excel©.

(2) Each envelope was examined for original supporting documentation, adequate matching of on-line (Passport) justification with the documentation contained in the envelope, and to ensure that there was appropriate approval of expenditures by a third party.

(3) The Company provided a Microsoft Excel©

list of all P-card expenditures that included FERC account, vendor, and business justification for each expenditure. A line-by-line examination of all expenditures was performed by Commission Staff. Each expenditure was classified by Staff as Gifts/Awards, Restaurant, Cell Phone, Coffee/Water, Donations, Political, SB IPC, or "ok"; other expenditure classifications were considered acceptable for the purpose of this audit. "Gifts/Awards" included parties, celebrations, greeting cards, gifts, and awards. "Restaurant" included in-state restaurant meals, food and related items purchased in grocery stores, and treats for Company staff meetings; out-of-state meal purchases and expenditures clearly identified as "per diem" were classed as "ok." "Cell phone" included monthly cell phone fees as well as cell phone accessories. "Coffee/water" included bottled water purchased for office locations, breakroom coffee supplies, and local newspaper subscriptions; food purchases for cafeteria resale were not included. "Donations" and "Political" included various charitable donations and other expenditures that should have been moved below the line for ratemaking purposes. "SB IPC" included expenditures similar to those removed by the Company subsequent to its "keyword" search as described in Ms. Smith's direct testimony at pages 14-15 and detailed in Company Exhibit 30, pages 2-9.

It should be noted that the Company removed $195,563 in memberships and donations and $18,675 in other expenditures from the 2007 base year. Staff made every attempt to avoid duplication of these exclusions in its audit of P-card expenditures.

It should also be noted that the classification system used by Staff is purposely broad; as a result, some expenditures were arbitrarily assigned to one category rather than another. For example a celebration dinner may have been assigned to the "restaurant" category rather than "Gifts/Awards". Because the individual transactions were small, the impact of any discrepancy in expenditure classification is immaterial.

I believe this audit addressed concerns expressed by the Company in the prior rate case – specifically (1) sample size, (2) selection methodology, (3) incomplete evaluation of findings, (4) monthly/seasonal variation, and (5) weighting percentage of expenditures moved below the line based on total dollar value audited.

Q. Please describe Exhibit No. 125.

A. Exhibit No. 125 consists of two pages and lists expenditures by FERC account and by expense classification. Columns 1-8 list the expense classifications used by Staff; line 58 shows the amounts for each classification that should be moved below the line for ratemaking purposes. These amounts are (1) $247,339 for Gifts/Awards, (2) $236,274 for restaurant expenditures, (3) $306,475 for cell phone related expenditures, (4) $61,729 for bottled water, coffee, and newspapers, (5) $17,606 for charitable donations, (6) $7,999 for political activity, and (7) $7,366 for expenditures that should have been removed by the Company keyword search. The total amount that I believe should be moved below the line is $884,787. The individual expenditures are provided electronically in the workpapers.

Q. What criteria were used by Staff to classify expenditures as "Gifts/Awards" as shown in Column 1?

A. Vendor and business justification were the criteria used to identify items classified as Gifts/Awards. Expenditures classified as Gifts/Awards included Christmas parties, gift certificates, greeting cards, team celebrations, and flowers. Specific examples include a $390 retirement gift, $200 in gift cards as an appreciation gift, and $1800 for an adult Christmas party. The total of all expenditures classified as Gifts/Awards totals $247,339. I believe that these expenditures, though allowable as traditional business expenditures, do not benefit the customer and therefore 100% of the expenditures for Gifts/Awards should be moved below the line for ratemaking purposes. A complete list of expenditures classified as "Gifts/Awards" is shown in the workpapers.

Q. What criteria were used by Staff to classify expenditures as "Restaurant" as shown in Column 2?

A. Vendor and business justification were the criteria used to identify expenditures classified as "Restaurant." Expenditures included purchases made at coffee shops, restaurants, and grocery stores located in southern Idaho and western Oregon; similar purchases made outside these areas were considered to be travel-related and therefore were considered "ok." Cash advances clearly identified as per diem and purchases for cafeteria resale were also excluded from the "Restaurant" category. Expenditures excluded by the Company were also excluded from this category. Restaurant expenditures totaled $472,547; $236,274 or 50% was moved below the line for ratemaking purposes.

Q. Why did Staff move only 50% of the expenditures classified as Restaurant below the line?

A. The total number of accounting entries exceeded 150,000 rows; 17,787 lines of data were classified as "Restaurant" expenditures. Because of this large amount of data, it was clearly impossible for Staff to review all supporting documentation and to determine whether a given expenditure should be moved below the line for ratemaking purposes. However, I do believe that the total amount of expenditures classified as "Restaurant" is excessive. Of course, many of these "Restaurant" expenditures were incurred in the course of in-state travel and reasonably incurred business meals such as those related to fire suppression. The 50% of all expenditures that Staff allowed as reasonable O&M expense provides for these reasonable and prudent business expenditures. However, Staff also believes that many of the expenditures were neither a reasonable nor necessary expense for a regulated utility. Worrisome examples include $41.64 at Elmers Pancake House for a team meeting, $53.05 described as "meet with contractor", $10.89 with another employee justified as "employment review stuff", and $34.43 "coffee/cookies for meeting". Staff does not believe it is necessary for customers to provide food for meetings, to pay for a restaurant meal for two Company employees, or to entertain a contractor when the Company is not competing for business with another supplier of power. Therefore, I moved 50% of all expenditures classified as "Restaurant" below the line to eliminate expenditures that are believed to be excessive.

I do not contend that any of these restaurant-type expenditures are violations of Company policy; in fact, Company policy permits meal reimbursement if Company business is conducted during the meal. However, I believe that Company policy is overly permissive regarding expenditures for restaurant meals and other food provided for its employees. Since the Company has put forth a cost containment initiative in the current rate case as filed (see Smith direct testimony at pages 29-30), I believe the Company should consider tightening its policy regarding food-related expense rather than continually increasing rates. Cost containment is discussed further in Staff witness Joe Leckie's testimony.

Q. What criteria were used by Staff to classify expenditures as "Cell Phone" shown in Column 3?

A. Vendor and business justification were the criteria used to identify expenditures classified as "Cell Phone." Expenditures included purchases for monthly charges from known providers such as Verizon and AT&T/Cingular, as well as expenditures for cell phone holsters, headsets and similar accessories. Staff did not include any employee reimbursement for personal cell phone charges in this total. The total amount of "Cell Phone" O&M expense was $539,959; I believe this amount is excessive and moved $306,475 below the line for ratemaking purposes.

Q. Please discuss your rationale for this adjustment.

A. The total amount of "Cell Phone" expense charged to P-cards was $793,855. Of this amount, $539,959 was allocated to O&M expense and the rest was allocated to construction or other accounts. I believe this cell phone-related expense to be excessive for two reasons. (1) The total expenditure of $793,855 was calculated to pay for an estimated 1,300 cell phones ($793,855 divided by 12 months divided by $50 per month); in other words, the Company provides cell phones for an estimated 66% of employees (1300 cell phones/2000 employees). I believe it is excessive to provide cell phones for this many employees. (2) $145,981 (27%) of the total O&M cell phone expense is charged directly to A&G (FERC account 921, A&G Office Supplies and Expense). I believe it is excessive to incur this expense since most A&G employees are employed at Company central headquarters.

To adjust for this apparent excess, I removed 75% of the cell phone expense charged to A&G and 50% of all remaining cell phone expense. I estimated $233,484 (43%) of the original $539,959 to be reasonable and prudent O&M expense.

I recognize that cell phones are an important aspect of every-day business communication. I also recognize that, given the wide-spread and often remote work areas of Company employees, reasonable cell phone communication expense should be included in rates. I am concerned that cell phone charges may be greater than necessary because rates, providers, and calling plans vary widely among employees. Given the large total expense incurred by the Company for cell phone-related costs and because the Company stated in testimony the importance of cost containment, I believe the Company should investigate a cell phone practice that reduces cost and is more equitable for the customer.

Q. What criteria were used by Staff to classify expenditures shown in Column 4-7 of Exhibit No. 125?

A. Column 4 lists expenditures for bottled water, coffee, newspapers, and other items that Staff considers to be luxury items that do not directly benefit the customer. The total amount classified as Coffee/Water is $61,729. Although expenditure for these items are generally allowed for business purposes, I believe these expenses should be moved below the line for ratemaking purposes since they do not directly benefit the customer.

Column 5 lists Donations totaling $17,606. Column 6 lists various expenditures related to political activity and lobbying in the amount of $7,999. These expenses are traditionally moved below the line for ratemaking purposes. These expenditures were coded to the wrong expense account and were adjusted as a result of Staff audit of all 2007 P-card expenditures.

Column 7 lists a number of expenditures that were similar in nature to "keyword" adjustments made by the Company. The total of these adjustments is $7,366.

Q. Please summarize the impact of the adjustment to O&M expense resulting from the P-card audit.

A. The total of all O&M expenditures (FERC accounts 500 through 935, excluding DSM and General Advertising) made using Company P-cards was equal to $6,585,793 in 2007. As a result of Staff's P-card audit, $884,787 (13.43%) was moved below the line for ratemaking purposes; additional expense of approximately $273,489 (4.15%) was removed by the Company. After removing these recommended Staff adjustments plus the Company adjustments, $5,699,390 in P-card purchases remain included by Staff as O&M expense in the calculation of the Company's revenue requirement.

Q. Did Staff observe adequate accounting controls during its audit of P-card reconciliation?

A. During its audit of Company P-card reconciliation practices, Staff learned that the Company makes every effort at the accounting level to ensure that appropriate documentation and approval is provided for every expenditure, particularly for cash advances.

In addition, although there is a Company policy suggesting pre-approval in the case of questionable expenditures, Staff found no documentation supporting such pre-approval attached to the P-card reconciliation. For most purchases, it is my belief that the system is based on approval after-the-fact. As a practical matter, I believe it is much easier for an employee to provide documentation after-the-fact to justify an expenditure than it is to obtain prior approval for the expenditure.

Q. Do you have any additional concerns that are related to P-card expenditures?

A. Yes. I have several specific areas of concern related to the extensive use of P-cards at Idaho Power Company.

First, the Company seems to have minimal interest in effective cost containment in certain areas. The amount spent on Gifts/Awards and food-related expense is excessive. Additionally, the policy regarding meal and other receipts seems lax. Receipts are not required for meals costing less than $75 paid for by P-card or for meals paid for with cash costing less than $25. Non-itemized receipts, e.g. duplicate credit card receipts, are acceptable as a receipt with some written notation of purpose. There is no evidence that this is an abuse of Company policy in these areas because these expenditures are either explicitly allowed in the Company handbook or implicitly allowed due to supervisor approval. I believe Gifts/Awards and Restaurant-type expenses offer fertile ground for the Company to tighten policy and practice effective cost containment.

Second, P-cards seem to be used in lieu of standard business purchasing practices. For example, office supplies are purchased with P-cards rather than through a general Company account and/or rate that is negotiated at the Company level by a qualified purchasing professional. In addition, Cell Phone fees, phones, and accessories are purchased and paid for by individuals using Company P-cards. If the current magnitude of cell phone expense is truly a Company necessity, a Company level contract should be professionally negotiated with a cell phone service provider. I believe it is possible that using established purchasing practices for large Company-wide purchase contracts could result in significant cost containment.

Third, it is possible for P-cards to be used for personal expenses. Further, P-cards can be used for cash advances without pre-approval, thus allowing employees direct access to the most liquid of Company assets: cash. It is evidence of poor cash management if an employee can use his P-card for personal expenses or a cash advance similar to a "payday loan". Although the Company reconciles documentation for all cash advances, this practice is essentially the equivalent of giving any employee with a P-card unfettered access to a petty cash fund of $5000 or more. I believe this exposes the Company to unnecessary financial risk that could be addressed by modifying the policies and practices related to P-card use.

Q. In its audit, did Staff find any direct evidence of employee abuse of the P-card system?

A. No. However, the widespread use of P-cards and the ability for an employee to take cash withdrawals to self-reimburse for expenditures prior to approval opens the door to the possibility of employee abuse. It should be noted that there are three conditions typically present when examples of the type of employee abuse described above have occurred: (1) motivation, (2) opportunity, and (3) an attitude that rationalizes such abusive behavior. Although motivation is an individual factor, the Idaho Power P-card practices in place provide the opportunity for excessive spending using Company P-cards. Further, the widespread use of P-cards for Gifts/Awards, meals, and other expenditures that do not directly benefit the customer certainly enables or creates an environment where an employee could easily rationalize and/or justify excessive spending behavior.

The Company has stated that a P-card review is scheduled as part of its ongoing policy review. These areas of Staff concern should be considered for modification in the review process. I believe that if the Company is truly committed to cost containment, modification of policies and practices related to P-card usage is clearly indicated. Staff witness Joe Leckie addresses cost containment by the Company in his testimony.

STAFF ADJUSTMENT SUMMARY AND REVENUE REQUIREMENT

Q. Please describe the method by which Idaho Power developed its forecast test year.

A. As described at length in Ms. Smith's direct testimony, Idaho Power developed its 2008 test year based on 2007 historical data in a series of sequential steps. (1) 2007 actual data was modified by routine regulatory and normalization adjustments to develop the 2007 base year. (2) Various 2007 base year accounts were escalated using various escalation methods to develop the 2008 base year. (3) The 2008 forecast test year was finally developed by adding various normalizing and annualizing factors to the 2008 base year data. The model for the development of the historical test year is shown in the electronic workpapers provided with this testimony.

Q. Please explain how Staff audited and made adjustments to the Company forecast test year.

A. The Company developed its 2008 test year using the Jurisdictional Separation Study model (JSS). Because of the multi-step method used by the Company to develop its revenue requirement, Staff audited and adjusted the JSS in two phases in order to develop Staff's recommended revenue requirement. First, Staff audited the 2007 base year data and made adjustments that were used to develop the 2007 base year. Second, Staff tested the various escalation factors as well as the various forecast data supplied and made separate adjustments to the 2008 base year in the JSS. The various adjustments are described previously in testimony.

Summary of Adjustments

Q. Please explain Exhibit No. 126.

A. Exhibit No. 126 illustrates my calculation of the revenue requirement and rate increase and compares Staff's case to the case filed by Idaho Power. Staff's revenue requirement is based on an Idaho rate base of $2,087,973,882, total operating revenues of $816,477,779 and total operating expenses of $656,100,873 for the Idaho jurisdiction. Column 3 shows Staff's calculated results for the total system. Column 3, line 39, shows a system revenue deficiency of $27,579,373; Column 3, line 41, shows a system revenue requirement of $737,651,947; and Column 3, line 42, shows a required system increase in revenues of 3.88%. Column 4 shows Staff's calculated revenue deficiency, revenue requirement, and required rate increase for the Idaho jurisdiction. Column 4, line 39, shows an Idaho revenue deficiency of $9,681,345; Column 4, line 40, shows an Idaho revenue requirement of $682,850,886; and Column 4, line 41, shows an Idaho required rate increase of 1.44%.

Q. Please explain Exhibit No. 127.

A. Exhibit No. 127 summarizes the adjustments made to the Company's 2008 forecast test year to obtain the final numbers included in Staff's revenue requirement. Lines 1-16 outline the proposed rate base on which the Company should earn a return. Column 1 represents the 13-month average rate base presented by the Company in its case. Column 2, line 7 shows a decrease in Allowance for Accumulated Depreciation. Column 3, line 13 adjusts working capital for escalated Materials and Supplies. Staff witness Joe Leckie is the primary rate base witness and the adjustment to Allowance for Accumulated Depreciation is discussed in greater detail in his testimony. I am the primary witness addressing escalation factors and the adjustment to Materials and Supplies as discussed previously in my testimony.

Q. What adjustments were made to the test year O&M expenses?

A. The Company made a number of adjustments to develop the 2007 regulatory base year. These are the standard Commission adjustments arising from previous orders. In addition, the Company made a series of annualizing adjustments as well as adjustments reflecting known and measurable revenues and expenses that affect 2008 and 2009. Except as specifically noted in testimony, Staff agrees with the Company on these adjustments. The sum total of these adjustments is reflected on Exhibit No. 127, Column 1, lines 17-34; Column 1, lines 17-34 summarizes net income components as presented by the Company's case as filed.

Q. Did Staff make additional adjustments to the Company's case as filed.

A. Yes. For ease of presentation, Staff adjustments to both the 2007 base year and to the 2008 test year are combined. Combination of these two adjustment components did not impact the final revenue requirement.

Q. Please describe the adjustments shown in Column

2 of Exhibit No. 127?

A. Adjustments shown in Column 2 include adjustments to forecast 2008 revenues, to salary expense, and to depreciation expense. Staff witness Joe Leckie discusses these adjustments in his testimony.

Q. What adjustments are made to revenues?

A. The Company reduced 2007 Miscellaneous Service Revenues by 13.99% in its development of the 2008 test year. Staff witness Joe Leckie removed this reduction, thus increasing revenues by $566,667. This adjustment is discussed in his testimony.

Q. What adjustments are made to O&M expense?

A. Staff witness Joe Leckie removed a total of $7,872,605 from O&M expenses for payroll expense, incentives, attorney fees and interest on directors' fees. These adjustments are discussed in great detail in Mr. Leckie's testimony.

Q. Please describe the adjustments shown in Column 3.

A. The adjustments to Operations and Maintenance expense were made by me and are summarized in Column 3. In total these adjustments reduce O&M expense by $15,774,714.

Q. Please describe these adjustments.

A. These adjustments consist of $14,236,725 related to reducing O&M expenses that were escalated in forecasting the 2008 test year; $653,202 is due to amortization of a credit that related to overbilling by FERC; and $884,787 due to moving certain P-card expenditures below the line for ratemaking purposes. These adjustments are discussed previously in detail in my testimony.

Q. Please describe the adjustments shown in Column 4 of Exhibit No. 127.

A. Staff witness John Nobbs has removed $666,950 of miscellaneous administrative expenses from O&M expense. Mr. Nobbs' adjustments are discussed in detail in his testimony.

Q. Please describe the adjustments shown in Column 5 of Exhibit No. 127.

A. Adjustments to O&M Expense shown in Column 5 are the power supply adjustments. Staff witness Rick Sterling discusses the normalizing of power supply expenses and Aurora modeling in his testimony.

Q. Please describe the adjustment shown on Exhibit No. 127, lines 33-34, Column 3.

A. The Company requested that a portion of the AFUDC related to the Hells Canyon relicensing project be included in base rates. The Company showed this AFUDC as a direct adjustment to revenue requirement. I adjusted the amount of AFUDC included in rates by $2,881,849; this adjustment is shown in Column 3, line 34.

CAPITAL STRUCTURE AND COST OF CAPITAL

Q. Please summarize the capital structure and cost of capital.

A. The capital structure of Idaho Power reflected in the Staff's revenue requirement consists of approximately 51% debt and 49% common equity. Staff uses an overall cost of capital of 8.057% to calculate the Company's revenue requirement. This amount is based on a cost of debt of 5.927%, and a return on equity of 10.25% as mentioned previously. Staff witness Carlock addresses these items.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes, it does.

Idaho Power Company
Idaho Power Calculation of Compound Annual Growth Rate (CAGR)
Summary excluding (DSM, Pension, Incentive and Third Party Transmission)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		Steam (500-515)					CAGR Growth				Apply Annual Growth to 2007	
(1)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(2)	Labor	$ 197,540	$ 186,634	$ 193,065	$ 244,112	$ 273,993	12.24%	19.13%	13.65%	8.52%		
(3)	Materials	1,463	183	1,918	56	234		-65.06%	8.63%	-36.76%		
(4)	Purchased Services	159,516	(41,351)	159,767	50,340	136,877	171.90%	-7.44%		-3.75%		
(5)	Accounting Entries	(50,363)	(25,836)	1,839	(13,197)	(7,241)						
(6)	Other Expenses	36,456,810	38,674,891	41,800,607	45,685,195	48,048,190	5.17%	7.21%	7.50%	7.15%		
(7)	Total Steam	$ 36,764,966	$ 38,794,521	$ 42,157,195	$ 45,966,506	$ 48,452,053	5.41%	7.21%	7.69%	7.14%	$ 51,943,646	$ 51,913,665
(8)												
(9)		Hydro					CAGR				Apply Annual	
(10)		(535-545)					Growth				Growth to 2007	
(11)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(12)	Labor	$ 12,725,076	$ 14,853,095	$ 14,777,526	$ 16,346,582	$ 17,398,280	6.43%	8.51%	5.41%	8.13%		
(13)	Materials	1,490,725	1,629,630	2,312,604	2,795,991	2,630,395	-5.92%	6.65%	17.30%	15.25%		
(14)	Purchased Services	4,757,852	5,893,610	5,577,369	4,701,121	5,180,612	10.20%	-3.62%	-4.21%	2.15%		
(15)	Accounting Entries	2,305,542	2,409,246	2,560,401	3,843,035	3,952,824	2.86%	24.25%	17.94%	14.43%		
(16)	Other Expenses	2,606,274	2,124,653	2,916,391	2,907,858	3,368,413	15.84%	7.47%	16.60%	6.62%		
(17)	Total Hydro	$ 23,885,470	$ 26,910,234	$ 28,144,292	$ 30,594,587	$ 32,530,523	6.33%	7.51%	6.53%	8.03%	$ 34,973,686	$ 35,142,314
(18)												
(19)		Other Generation					CAGR				Apply Annual	
(20)		(546-557)					Growth				Growth to 2007	
(21)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(22)	Labor	$ 2,126,628	$ 2,535,045	$ 2,686,139	$ 2,717,284	$ 3,283,599	20.84%	10.56%	9.01%	11.47%		
(23)	Materials	111,051	117,827	244,862	234,926	259,013	10.25%	2.85%	30.02%	23.58%		
(24)	Purchased Services	604,337	490,733	281,425	393,575	531,013	34.92%	37.36%	2.66%	-3.18%		
(25)	Accounting Entries	-	-	-	-	4,481						
(26)	Other Expenses	72,966	75,394	417,085	440,974	469,522	6.47%	6.10%	83.98%	59.27%		
(27)	Total Other Generation	$ 2,914,981	$ 3,218,999	$ 3,629,511	$ 3,786,758	$ 4,547,629	20.09%	11.94%	12.21%	11.76%	$ 5,090,418	$ 5,082,441
(28)												

Idaho Power Company
Idaho Power Calculation of Compound Annual Growth Rate (CAGR)
Summary excluding (DSM, Pension, Incentive and Third Party Transmission)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Transmission (560-574)					CAGR Growth				Apply Annual Growth to 2007	
	2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
Labor	$ 8,593,983	$ 9,197,588	$ 8,353,396	$ 9,752,738	$ 9,706,284	-0.48%	7.79%	1.81%	3.09%		
Materials	712,643	849,288	642,374	827,140	813,276	-1.68%	12.52%	-1.43%	3.36%		
Purchased Services	2,081,010	1,925,868	2,285,406	2,723,562	2,617,978	-3.88%	7.03%	10.78%	5.91%		
Accounting Entries	(2,607)	64,660	139,710	65,131	252,844	288.21%	34.53%	57.55%			
Other Expenses	2,266,046	3,058,729	2,605,318	2,249,982	2,564,478	13.98%	-0.79%	-5.71%	3.14%		
Total Transmission	$ 13,651,075	$ 15,096,133	$ 14,026,203	$ 15,618,554	$ 15,954,860	2.15%	6.65%	1.86%	3.98%	$ 17,016,468	$ 16,589,165
	Distribution (580-598)					CAGR Growth				Apply Annual Growth to 2007	
	2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
Labor	$ 24,999,053	$ 23,375,661	$ 22,425,981	$ 24,389,221	$ 26,163,152	7.27%	8.01%	3.83%	1.14%		
Materials	3,858,952	2,676,002	2,621,810	2,894,234	3,080,006	6.42%	8.39%	4.80%	-5.48%		
Purchased Services	12,242,671	9,729,779	9,037,757	9,742,988	10,059,185	3.25%	5.50%	1.12%	-4.79%		
Accounting Entries	(3,024,634)	(1,387,660)	(847,013)	(827,644)	(967,423)						
Other Expenses	4,696,833	4,200,438	4,263,418	4,753,809	5,645,096	18.75%	15.07%	10.36%	4.70%		
Total Distribution	$ 42,772,874	$ 38,594,221	$ 37,501,952	$ 40,952,607	$ 43,980,015	7.39%	8.29%	4.45%	0.70%	$ 47,627,318	$ 44,287,086
	Customer Accounting, Service, and Selling (901-917) (Excl DSM in 2007)					CAGR Growth				Apply Annual Growth to 2007	
	2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
Labor	$ 13,461,229	$ 14,243,009	$ 13,897,133	$ 15,225,478	$ 14,823,390	-2.64%	3.28%	1.34%	2.44%		
Materials	206,594	185,590	337,598	303,750	225,908	-25.63%	-18.20%	6.77%	2.26%		
Purchased Services	2,922,477	3,990,340	4,224,015	4,565,195	1,994,083	-56.32%	-31.29%	-20.64%	-9.11%		
Accounting Entries	7,280,717	6,291,311	4,817,422	6,103,850	5,272,286	-13.62%	4.61%	-5.72%	-7.75%		
Other Expenses	1,384,004	672,702	1,928,827	2,128,921	3,001,726	41.00%	24.75%	64.63%	21.36%		
Total Customer	$ 25,255,022	$ 25,382,951	$ 25,204,993	$ 28,327,193	$ 25,317,394	-10.63%	0.22%	-0.09%	0.06%	$ 25,373,782	$ 25,333,011

Idaho Power Company
Idaho Power Calculation of Compound Annual Growth Rate (CAGR)
Summary excluding (DSM, Pension, Incentive and Third Party Transmission)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(59)		Administration and General					CAGR				Apply Annual	
(60)		(920-935) (Excl Incentive)					Growth				Growth to 2007	
(61)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(62)	Labor	$ 31,450,200	$ 37,133,438	$ 34,731,385	$ 38,177,763	$ 42,105,503	10.29%	10.11%	4.28%	7.57%		$ 46,066,702
(63)	Materials	4,822,271	$ 5,786,013	4,224,027	3,925,684	3,837,163	-2.25%	-4.69%	-12.79%	-5.55%		4,198,155
(64)	Purchased Services	12,767,882	13,444,258	12,704,573	14,216,888	21,192,531	49.07%	29.16%	16.38%	13.51%		23,186,281
(65)	Accounting Entries	436,703	190,299	507,803	(4,164,044)	(832,380)			-263.54%			(910,688)
(66)	Other Expenses	14,101,918	16,634,781	21,558,274	21,429,063	24,794,702	15.71%	7.24%	14.23%	15.15%		27,127,337
(67)	Total Adminstration & Ge	$ 63,578,974	$ 73,188,789	$ 73,726,063	$ 73,585,353	$ 91,097,520	23.80%	11.16%	7.57%	9.41%	$ 101,262,655	$ 99,667,787
(68)												
(69)		Total Company (adjusted)					CAGR				Apply Annual	
(70)							Growth				Growth to 2007	
(71)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(72)	Labor	$ 93,553,710	$ 101,524,471	$ 97,064,624	$ 106,853,178	$ 113,754,202	6.46%	8.26%	3.86%	5.01%		
(73)	Materials	11,203,700	11,244,534	10,385,193	10,981,781	10,845,996	-1.24%	2.19%	-1.20%	-0.81%		
(74)	Purchased Services	35,535,745	35,433,235	34,270,311	36,393,669	41,712,278	14.61%	10.32%	5.59%	4.09%		
(75)	Accounting Entries	6,945,357	7,542,019	7,180,162	5,007,131	7,675,390	53.29%	3.39%	0.59%	2.53%		
(76)	Other Expenses	61,584,850	65,441,588	75,489,919	79,595,800	87,892,128	10.42%	7.90%	10.33%	9.30%		
(77)	Total Company (adjustec	$ 208,823,362	$ 221,185,847	$ 224,390,209	$ 238,831,560	$ 261,879,994	9.65%	8.03%	5.79%	5.82%	$ 282,912,105	$ 277,129,738
(78)												
(79)	Steam	$ 36,764,966	$ 38,794,521	$ 42,157,195	$ 45,966,506	$ 48,452,053	5.41%	7.21%	7.69%	7.14%		
(80)	Hydro	23,885,470	26,910,234	28,144,292	30,594,587	32,530,523	6.33%	7.51%	6.53%	8.03%		
(81)	Other Generation	2,914,981	3,218,999	3,629,511	3,786,758	4,547,629	20.09%	11.94%	12.21%	11.76%		
(82)	Tranmission	13,651,075	15,096,133	14,026,203	15,618,554	15,954,860	2.15%	6.65%	1.86%	3.98%		
(83)	Distribution	42,772,874	38,594,221	37,501,952	40,952,607	43,980,015	7.39%	8.29%	4.45%	0.70%		
(84)	Customer Accounting, Se	25,255,022	25,382,951	25,204,993	28,327,193	25,317,394	-10.63%	0.22%	-0.09%	0.06%		
(85)	Administration and Gene	63,578,974	73,188,789	73,726,063	73,585,353	91,097,520	23.80%	11.16%	7.57%	9.41%		
(86)		$ 208,823,362	$ 221,185,847	$ 224,390,209	$ 238,831,560	$ 261,879,994	9.65%	8.03%	5.79%	5.82%		
(87)												
(88)	G&A Average 2004 - 2006					$ 73,500,068						
(89)	2007 G&A Increase Over 2004-2006 Average					$ 17,597,452						
(90)												
(91)												
(92)	Labor less Incentive	98,310,285	104,803,843	100,625,227	111,373,984	$ 116,504,434						
(93)	Labor less Incentive and	93,553,710	101,524,471	97,064,624	106,853,178	$ 113,754,202						
(94)		95.16%	96.87%	96.46%	95.94%	97.64%						

Excludes 3rd Party Trans; Pension; incentive, and DSM

Exhibit No. 119
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Idaho Power Company
Compound Annual Growth Rate (CAGR)
Formula and Example Calculation

Compound Annual Growth Rate (CAGR) Formula

$$\text{CAGR} = \left\{ \frac{\text{Ending Value}}{\text{Beginning Value}} \right\}^{1/\text{number of years}} -1$$

Example Calculation Using Data from Exhibit 119

Column Number Line Number	1	2	3	4	5	6
		Steam (500-515)				
1		2003	2004	2005	2006	2007
4	Purchased Services	159,516	(41,351)	159,767	50,340	136,877

$$\text{5 Year CAGR} = \left\{ \frac{136{,}877}{159{,}516} \right\}^{1/(2007-2003)} -1 = -3.75\%$$

Exhibit No. 120
Case No. IPC-E-08-10
C. Vaughn, Staff
10/24/08

Idaho Power Company
Staff Analysis of Growth Rates by Account Group and Cost Element
Consolidated Summary Data Excluding DSM, Pension, Incentive and Third Party Transmission

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		All Power Generation (500-557)					CAGR Growth				Staff Determination	
(1)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	Trend	Escalation
(2)	Materials	1,603,239	1,747,640	2,559,384	3,030,973	2,889,643	-4.66%	6.26%	18.25%	15.87%	Variable	0.00%
(3)	Purchased Services	5,521,705	6,342,991	6,018,561	5,145,036	5,848,502	13.67%	-1.42%	-2.67%	1.45%	Variable	0.00%
(4)	Accounting Entries	2,255,179	2,383,409	2,562,240	3,829,838	3,950,063	3.14%	24.16%	18.34%	15.04%	N/A	Address Separately
(5)	Other Expenses	39,136,050	40,874,938	45,134,083	49,034,026	51,886,125	5.82%	7.22%	8.28%	7.30%	Increasing	5.00%
(6)	Total Other Generation	$ 46,260,994	$ 48,965,569	$ 53,712,028	$ 57,210,036	$ 60,624,269	5.97%	6.24%	7.38%	6.99%		$ 2,594,306
(7)												
(8)		Transmission					CAGR				Apply Annual	
(9)		(560-574)					Growth				Growth to 2007	
(10)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	Trend	Escalation
(11)	Materials	712,643	849,288	642,374	827,140	813,276	-1.68%	12.52%	-1.43%	3.36%	Variable	0.00%
(12)	Purchased Services	2,081,010	1,925,868	2,285,406	2,723,562	2,617,978	-3.88%	7.03%	10.78%	5.91%	Variable	0.00%
(13)	Accounting Entries	(2,607)	64,660	139,710	65,131	252,844	288.21%	34.53%	57.55%		N/A	Address Separately
(14)	Other Expenses	2,266,046	3,058,729	2,605,318	2,249,982	2,564,478	13.98%	-0.79%	-5.71%	3.14%	Variable	0.00%
(15)	Total Transmission	$ 5,059,699	$ 5,833,885	$ 5,533,097	$ 5,800,684	$ 5,995,732	3.36%	4.10%	0.92%	4.33%		
(16)												
(17)		Distribution					CAGR				Apply Annual	
(18)		(580-598)					Growth				Growth to 2007	
(19)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	Trend	Escalation
(20)	Materials	3,858,952	2,676,002	2,621,810	2,894,234	3,080,006	6.42%	8.39%	4.80%	-5.48%	Variable	0.00%
(21)	Purchased Services	12,242,671	9,729,779	9,037,757	9,742,988	10,059,185	3.25%	5.50%	1.12%	-4.79%	Variable	0.00%
(22)	Accounting Entries	(3,024,634)	(1,387,660)	(847,013)	(827,644)	(967,423)					N/A	Address Separately
(23)	Other Expenses	4,696,833	4,200,438	4,263,418	4,753,809	5,645,096	18.75%	15.07%	10.36%	4.70%	Increasing	5.00%
(24)	Total Distribution	$ 20,798,456	$ 16,606,219	$ 15,922,985	$ 17,391,031	$ 18,784,286	8.01%	8.61%	4.19%	-2.51%		$ 282,255

Idaho Power Company
Staff Analysis of Growth Rates by Account Group and Cost Element
Consolidated Summary Data Excluding DSM, Pension, Incentive and Third Party Transmission

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(25)												
(26)		Customer Accounting, Service, and Selling					CAGR				Apply Annual	
(27)		(901-917) (Excl DSM in 2007)					Growth				Growth to 2007	
(28)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(29)	Materials	206,594	185,590	337,598	303,750	225,908	-25.63%	-18.20%	6.77%	2.26%	Overall Decrease	0.00%
(30)	Purchased Services	2,922,477	3,990,340	4,224,015	4,565,195	1,994,083	-56.32%	-31.29%	-20.64%	-9.11%	Overall Decrease	0.00%
(31)	Accounting Entries	7,280,717	6,291,311	4,817,422	6,103,850	5,272,286	-13.62%	4.61%	-5.72%	-7.75%	Overall Decrease	0.00%
(32)	Other Expenses	1,384,004	672,702	1,928,827	2,128,921	3,001,726	41.00%	24.75%	64.63%	21.36%	Overall Decrease	0.00%
(33)	Total Customer	$ 4,513,076	$ 4,848,631	$ 6,490,439	$ 6,997,866	$ 5,221,718	-25.38%	-10.30%	2.50%	3.71%	$ -	$ -
(34)												
(35)		Total Company (adjusted)					CAGR				Apply Annual	
(36)							Growth				Growth to 2007	
(37)		2003	2004	2005	2006	2007	2Y	3Y	4Y	5Y	3Y	5Y
(38)	Materials	6,381,428	5,458,521	6,161,166	7,056,097	7,008,833	-0.67%	6.66%	8.69%	2.37%		
(39)	Purchased Services	22,767,863	21,988,978	21,565,739	22,176,782	20,519,747	-7.47%	-2.46%	-2.28%	-2.57%		
(40)	Accounting Entries	6,508,655	7,351,720	6,672,358	9,171,175	8,507,770	-7.23%	12.92%	4.99%	6.93%		
(41)	Other Expenses	47,482,933	48,806,807	53,931,645	58,166,738	63,097,426	8.48%	8.16%	8.94%	7.37%		
(42)	Total Company (adjusted)	$ 83,140,879	$ 83,606,025	$ 88,330,908	$ 96,570,792	$ 99,133,775	2.65%	5.94%	5.84%	4.50%		$ 2,876,561
(43)												
(44)	All Power Generation	46,260,994	48,965,569	53,712,028	57,210,036	60,624,269	5.97%	6.24%	7.38%	6.99%		
(45)	Tranmission	5,059,699	5,833,885	5,533,097	5,800,684	5,995,732	3.36%	4.10%	0.92%	4.33%		
(46)	Distribution	20,798,456	16,606,219	15,922,985	17,391,031	18,784,286	8.01%	8.61%	4.19%	-2.51%		
(47)	Customer Accounting, Service & Selling	4,513,076	4,848,631	6,490,439	6,997,866	5,221,718	-25.38%	-10.30%	2.50%	3.71%		
(48)		$ 76,632,224	$ 76,254,305	$ 81,658,550	$ 87,399,617	$ 90,626,006	3.69%	5.35%	5.92%	4.28%		

Idaho Power Company
Staff Calculation of 2007 O Escalation to 2008 Test Year

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	**Account Classification**	Cost Element	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	3 yr Average Growth
(2)	PWR PRODUCTION	Accounting Entries	$2,255,179	$2,383,409	$2,562,240	$3,829,838	$3,950,063	
(3)	TRANSMISSION	Accounting Entries	-$2,607	$64,660	$139,710	$65,131	$252,844	
(4)	DISTRIBUTION	Accounting Entries	-$3,024,634	-$1,387,660	-$847,013	-$827,644	-$967,423	
(5)	A&G	Accounting Entries	-$1,762,665	-$3,650,981	-$3,106,338	-$4,003,345	-$4,427,687	
(6)	**Total Accounting Entries**		**-$2,534,727**	**-$2,590,571**	**-$1,251,401**	**-$936,020**	**-$1,192,203**	**-$1,126,541**
(7)	Gross Escalation from Exhibit 121, Column 12 , Line42							$2,876,561
(8)	**Net Escalation of O&M Expense Included in JSS**							**$1,750,020**

Exhibit No. 122
Case No. IPC-E-08-10
C. Vaughn, Staff
10/24/08

Idaho Power Company
Financing Costs Related to Hells Canyon Relicensing
Actual December 31, 2007 and Projected December 31, 2008-2012

Acct. and Description	Dec. 31, 2007	Projected Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2012
Acct. 107 - Hells Canyon Relicensing:	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931
Acct. 107 - Hells Canyon Relicensing AFUDC	27,959,604	27,959,604	35,067,507	42,703,648	59,720,600
AFUDC Basis	$ 95,642,535	$ 95,642,535	102,750,438	110,386,579	127,403,531
AFUDC Additions		$ 7,107,903	7,636,141	8,203,640	9,468,294
Acct. 107 - Hells Canyon Relicensing	95,642,535	102,750,438	110,386,579	118,590,219	136,871,825
Total AFUDC	27,959,604	35,067,507	42,703,648	50,907,288	69,188,894
Direct Relicensing Costs	67,682,931	67,682,931	67,682,931	67,682,931	67,682,931
AFUDC as a % of Total Relicensing Costs	29.23%	34.13%	38.69%	42.93%	50.55%

(1) For the purposes of this analysis, no projections for future spending were included.
(2) The 2007 average AFUDC rate of 7.19% was used to project AFUDC additions.

Idaho Power Company
Calculation of Financing Costs Related to Hells Canyon Relicensing
Actual December 31, 2007, Projected December 31, 2008 and Annualized for 2009

CALCULATION OF ADJUSTMENT TO JSS

Acct. and Description	Dec. 31, 2007	Idaho Power Projected Dec. 31, 2008	Staff Projected Dec. 31, 2008	Difference	Idaho Power Projected Dec. 31, 2009	Staff Annualized Dec. 31, 2009	Staff Adjustment to JSS
Acct. 107 - Hells Canyon Relicensing:							
Beginning Balance		$ 67,682,931	$ 67,682,931	-	$ 67,682,931		
CWIP Additions (1)		0	0	-	0		
Ending Balance	67,682,931	67,682,931	67,682,931	-	67,682,931		
Acct. 107 - Hells Canyon Relicensing AFUDC		0			0		
Beginning Balance		27,959,604	27,959,604	-	35,067,507		
AFUDC Additions (2)		7,107,903	**4,651,996**	(2,455,907)	**7,636,141**	**4,754,292**	**(2,881,849)**
Ending Balance	27,959,604	35,067,507	32,611,600	(2,455,907)	42,703,648		
Total CWIP	$ 95,642,535	$ 102,750,438	$ 100,294,531	(2,455,907)	$ 110,386,579		

CALCULATION OF 2008 FORECAST AFUDC AND 2009 ANNUALIZED AFUDC

AFUDC Rate	January 31, 2008	February 29, 2008	March 31, 2008	April 30, 2008	May 31, 2008	June 30, 2008	July 31, 2008	August 31, 2008	Average Rate
from Idaho Power Audit Response No. 86	6.3520%	5.5920%	4.1110%	4.1360%	3.6960%	3.0160%	4.8940%	6.2760%	4.7591%

Acct. and Description	Dec. 31, 2007	Projected Dec. 31, 2008	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08
Acct. 107 - Hells Canyon Relicensing:	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931
Acct. 107 - Hells Canyon Relicensing AFUI	27,959,604	27,959,604	27,959,604	28,465,872	28,913,925	29,244,850	29,578,928	29,878,495
AFUDC Basis	95,642,535	95,642,535	95,642,535	96,148,803	96,596,856	96,927,781	97,261,859	97,561,426
AFUDC Additions		4,651,996	506,268	448,053	330,925	334,078	299,567	245,204
Acct. 107 - Hells Canyon Relicensing	95,642,535	100,294,531	96,148,803	96,596,856	96,927,781	97,261,859	97,561,426	97,806,630

	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931	$ 67,682,931
	30,123,699	30,522,587	31,036,202	31,427,716	31,820,783	32,215,409
	97,806,630	98,205,518	98,719,133	99,110,647	99,503,714	99,898,340
	398,888	513,615	391,514	393,067	394,626	396,191
	98,205,518	98,719,133	99,110,647	99,503,714	99,898,340	100,294,531

(1) For the purposes of this analysis, no projections for future spending were included.
(2) The 2008 actual AFUDC rates for January-August was used to project AFUDC additions; an average rate of 4.76% was used for September through December, 2008.

Exhibit No. 124
Case No. IPC-E-08-10
C. Vaughn, Staff
10/24/08

Idaho Power Company
P-Card Adjustments
IPC-E-08-10

		IPUC Expense Category							
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	FERC Account	Gifts Awards	Restaurant	Cell Phone	Coffee Water	Donations	Political	SB IPC	Total
(1)	500		$31	$120					$151
(2)	535	$6,319	$14,002	$8,338	$30	$189		$62	$28,940
(3)	536	$299	$869	$988	$116			$92	$2,365
(4)	537	$2,309	$22,311	$10,412	$199	$105		$1,015	$36,351
(5)	538	$471	$480	$1,292	$154				$2,397
(6)	539	$11,008	$8,828	$16,632	$628	$1,022		$273	$38,391
(7)	541	$695	$2,858	$1,839	$33	$500			$5,925
(8)	542	$362	$656	$1,223	$84				$2,325
(9)	543		$131						$131
(10)	544	$406	$1,695	$119					$2,220
(11)	545	$2,296	$2,294	$5,145		$47			$9,782
(12)	546	$106	$479	$878	$207				$1,670
(13)	548	$90	$339	$1,908					$2,337
(14)	549	$277	$1,738	$46	$231				$2,293
(15)	552		$63		-$85				-$22
(16)	553		$190						$190
(17)	554	$36	$195						$231
(18)	557	$47	$309	$428	$1,151			$188	$2,123
(19)	560	$5,172	$5,989	$7,341	$3,429	$277	$17	$50	$22,273
(20)	561	$235	$520	$1,249				$52	$2,057
(21)	562	$2,783	$2,426	$7,092	$2,394	$78		$178	$14,951
(22)	563	$141	$774	$2,066				$17	$2,998
(23)	566	$2,651	$1,474	$768	$69	$22			$4,984
(24)	568	$1,182	$703	$216	$4			$144	$2,248
(25)	569	$238	$151	$1,802					$2,190
(26)	570	$2,113	$2,367	$2,220	$314	$124		$16	$7,154
(27)	571	$13	$3,526	$866			$11		$4,417
(28)	580	$14,964	$13,598	$8,053	$4,379	$122	$46	$827	$41,989
(29)	581	$126	$1,014	$643					$1,783
(30)	582	$2,192	$4,294	$4,910	$66			$60	$11,520
(31)	583	$491	$22,903	$2,668	$4			$563	$26,629
(32)	584	$189	$5,558	$35				$193	$5,976
(33)	585		$5						$5
(34)	586	$5,487	$2,466	$11,340	$445	$58			$19,795
(35)	587	$1,423	$3,910	$3,941	$11	$22		$192	$9,498

Idaho Power Company
P-Card Adjustments
IPC-E-08-10

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	FERC Account	**Gifts Awards**	**Restaurant**	**Cell Phone**	**Coffee Water**	**Donations**	**Political**	**SB IPC**	**Total**
(36)	**588**	$31,517	$21,899	$22,954	$12,863	$183		$663	**$90,078**
(37)	**590**	$226	$151		$6				**$383**
(38)	**592**	$3,504	$2,646	$5,768	$1,327	$93		$77	**$13,415**
(39)	**593**	$1,619	$4,409	$4,310	$305	$37		$303	**$10,983**
(40)	**594**	$299	$2,917	$3,043				$256	**$6,515**
(41)	**595**				$12				**$12**
(42)	**596**		$27	$0				$4	**$31**
(43)	**597**	$1,027	$774	$374	$833				**$3,009**
(44)	**598**		$20					$0	**$21**
(45)	**901**	$330	$389	$60	$1,246				**$2,025**
(46)	**902**	$6,060	$3,458	$17,738	$857	$123		$53	**$28,288**
(47)	**903**	$11,651	$2,769	$12,646	$1,251	$367		$24	**$28,708**
(48)	**907**	$2,699	$1,722	$314	$139	$11			**$4,884**
(49)	**908**	$6,905	$9,918	$10,824	$783	$4,575	$86	$253	**$33,345**
(50)	**910**	$1,016	$1,536	$2,234		$478			**$5,265**
(51)	**921**	$70,074	$49,656	$112,132	$11,472	$7,441	$3,687	$1,309	**$255,770**
(52)	**923**		$1,142	$90					**$1,232**
(53)	**924**	$498	$242	$273					**$1,013**
(54)	**925**	$76	$167	$133					**$377**
(55)	**926**	$44,737	$459		$14,472	$131		$503	**$60,302**
(56)	**930**	$524	$127	$422		$1,409	$4,153		**$6,634**
(57)	**935**	$455	$2,694	$8,583	$2,303	$194			**$14,230**
(58)	**Grand Total**	**$247,339**	**$236,274**	**$306,475**	**$61,729**	**$17,606**	**$7,999**	**$7,366**	**$884,787**

Idaho Power Company
Summary of Revenue Requirement
IPC-E-08-10

		(1)	(2)	(3)	(4)
		IDAHO POWER		IPUC STAFF	
	RATE BASE	**System**	**Idaho**	**System**	**Idaho**
	Electric Plant in Service:				
(1)	Intangible Plant	52,688,392	49,329,350	52,688,392	49,329,350
(2)	Production Plant	1,717,540,443	1,632,332,243	1,717,540,443	1,632,332,243
(3)	Transmission Plant	748,808,817	635,774,871	748,808,817	635,774,871
(4)	Distribution Plant	1,211,361,073	1,138,670,034	1,211,361,073	1,138,670,034
(5)	General Plant	244,433,778	226,426,590	244,433,778	226,426,590
(6)	Total Electric Plant in Service	3,974,832,504	3,682,533,088	3,974,832,504	3,682,533,088
(7)	Less: Accumulated Depreciation	1,622,092,878	1,508,811,671	1,621,357,284	1,508,128,065
(8)	Less: Amortization of Other Plant	18,760,605	17,564,561	18,760,605	17,564,561
(9)	Net Electric Plant in Service	2,333,979,020	2,156,156,856	2,334,714,614	2,156,840,462
(10)	Less: Customer Adv for Construction	(25,864,547)	(25,825,992)	(25,864,547)	(25,825,992)
(11)	Less: Accum Deferred Income Taxes	(197,764,597)	(183,195,480)	(197,764,597)	(183,195,480)
(12)	Add: Plant Held for Future Use	1,824,928	1,705,126	1,824,928	1,705,126
(13)	Add: Working Capital	64,689,305	60,113,857	58,071,791	54,005,119
(14)	Add: Conservation - Other Deferred Progı	6,242,295	6,078,983	6,242,295	6,078,983
(15)	Add: Subsidiary Rate Base	82,675,160	78,365,663	82,675,160	78,365,663
(16)	**TOTAL COMBINED RATE BASE**	**2,265,781,563**	**2,093,399,014**	**2,259,899,644**	**2,087,973,882**

		IDAHO POWER		IPUC STAFF	
	NET INCOME	**System**	**Idaho**	**System**	**Idaho**
	Operating Revenues:				
(17)	Sales Revenues	816,258,286	778,983,386	822,616,428	785,010,105
(18)	Other Operating Revenues	39,878,362	30,908,600	40,445,029	31,467,673
(19)	Total Operating Revenues	856,136,648	809,891,986	863,061,457	816,477,779
	Operating Expenses:				
(20)	Operation & Maintenance Expenses	561,090,864	522,734,309	531,904,088	495,616,167
(21)	Depreciation Expenses	98,414,708	91,344,227	96,943,520	89,976,868
(22)	Amortization of Limited Term Plant	7,313,778	6,847,503	7,313,778	6,847,503
(23)	Taxes Other Than Income	20,084,333	18,157,046	20,084,333	18,157,046
(24)	Regulatory Debits/Credits				
(25)	Provision For Deferred Income Taxes	(12,251,171)	(13,385,776)	(12,251,171)	(12,783,906)
(26)	Investment Tax Credit Adjustment	2,567,366	2,805,135	2,567,366	2,679,006
(27)	Federal Income Taxes	17,446,663	19,062,433	29,771,934	31,066,549
(28)	State Income Taxes	(3,351,124)	(3,661,478)	(983,409)	(1,026,172)
(29)	Total Operating Expenses	715,817,760	670,674,951	699,852,781	656,100,873
(30)	Operating Income	140,318,888	139,217,035	163,208,676	160,376,906
(31)	Add: IERCO Operating Income	6,828,651	6,472,703	6,828,651	6,472,703
(32)	**Consolidated Operating Income**	**147,147,539**	**145,689,738**	**170,037,327**	**166,849,610**
(33)	Rate of Return as filed	6.49%	6.96%	7.52%	7.99%
(34)	Proposed Rate of Return	8.5500%	8.5500%	8.0570%	8.0570%
(35)	Earnings Deficiency	46,576,785	33,295,877	12,041,916	1,377,640
(36)	Add: Construction Work in Progress	7,636,142	7,257,308	4,754,292	4,518,429
(37)	Earnings Deficiency w/CWIP	54,212,927	40,553,186	16,796,208	5,896,069
(38)	Net-to-Gross Tax Multiplier	1.642	1.642	1.642	1.642
(39)	**Revenue Deficiency**	**89,017,625**	**66,588,331**	**27,579,373**	**9,681,345**
(40)	Firm Jurisdictional Revenue	710,072,574	673,169,540	710,072,574	673,169,540
(41)	**REVENUE REQUIREMENT**	**799,090,199**	**739,757,872**	**737,651,947**	**682,850,886**
(42)	**Percentage Increase Required**	**12.54%**	**9.89%**	**3.88%**	**1.44%**

	NET POWER SUPPLY COSTS				
(43)	Acct. 447/Surplus Sales	110,210,425	104,465,634	116,568,567	110,492,354
(44)	Acct. 501/Fuel-Thermal Plants	133,418,084	126,463,579	133,454,723	126,498,308
(45)	Acct. 547/Fuel-Other	7,086,867	6,717,460	6,125,177	5,805,898
(46)	Acct. 555/Non-Firm Purchases	61,178,040	57,989,095	57,231,921	54,248,670
(47)	Sub-Total NPSC Less CSPP	91,472,566	86,704,499	80,243,254	76,060,522
(48)	Acct. 555/CSPP Purchases	63,269,889	59,978,985	63,269,889	59,978,985
(49)	Total Power Supply Costs	154,742,455	146,683,484	143,513,143	136,039,507

Exhibit No. 126
Case No. IPC-E-08-10
C. Vaughn, Staff
10/24/08

Idaho Power Company
Summary of Adjustments
IPC-E-08-10

RATE BASE	(1) Idaho Power Case as Filed-- Total System	(2) Joe Leckie's Adjustments	(3) Cecily Vaughn's Adjustments	(4) John Nobb's Adjustments	(5) Rick Sterling's Adjustments	(6) Total System	(7) Idaho Jurisdiction
Electric Plant in Service:							
Intangible Plant	52,688,392					52,688,392	49,329,350
Production Plant	1,717,540,443					1,717,540,443	1,632,332,243
Transmission Plant	748,808,817					748,808,817	635,774,871
Distribution Plant	1,211,361,073					1,211,361,073	1,138,670,034
General Plant	244,433,778					244,433,778	226,426,590
Total Electric Plant in Service	3,974,832,503					3,974,832,503	3,682,533,088
Less: Accumulated Depreciation	(1,622,092,878)	735,594				(1,621,357,284)	(1,508,128,064)
Less: Amortization of Other Plant	(18,760,605)					(18,760,605)	(17,564,561)
Net Electric Plant in Service	2,333,979,020	735,594				2,334,714,614	2,156,840,463
Less: Customer Adv for Construction	(25,864,547)					(25,864,547)	(25,825,992)
Less: Accum Deferred Income Taxes	(197,764,597)					(197,764,597)	(183,195,480)
Add: Plant Held for Future Use	1,824,928					1,824,928	1,705,126
Add: Working Capital	64,689,305		(6,617,514)			58,071,791	54,005,119
Add: Conservation - Other Deferred Progra	6,242,295					6,242,295	6,078,983
Add: Subsidiary Rate Base	82,675,160					82,675,160	78,365,663
TOTAL COMBINED RATE BASE	**2,265,781,563**	**735,594**	**(6,617,514)**			**2,259,899,644**	**2,087,973,882**
NET INCOME							
Operating Revenues:							
Sales Revenues	816,258,286				6,358,142	822,616,428	785,010,105
Other Operating Revenues	39,878,362	566,667				40,445,029	31,467,674
Total Operating Revenues	856,136,648	566,667			6,358,142	863,061,457	816,477,779
Operating Expenses:							
Operation & Maintenance Expenses	561,090,864	(7,872,605)	(15,774,714)	(666,950)	(4,871,169)	531,905,426	495,616,167
Depreciation Expenses	98,414,708	(1,471,188)				96,943,520	89,976,868
Amortization of Limited Term Plant	7,313,778					7,313,778	6,847,503
Taxes Other Than Income	20,084,333					20,084,333	18,157,046
Regulatory Debits/Credits						0	0
Provision For Deferred Income Taxes	12,251,171					12,251,171	12,783,906
Investment Tax Credit Adjustment	2,567,366					2,567,366	2,679,006
Federal Income Taxes	17,446,663					29,771,934	31,066,549
State Income Taxes	(3,351,124)					(983,409)	(1,026,172)
Total Operating Expenses	715,817,759	(9,343,793)	(15,774,714)	(666,950)	(4,871,169)	685,161,133	656,100,873
Operating Income	140,318,889	9,910,460	15,774,714	666,950	11,229,311	177,900,324	160,376,906
Add: IERCO Operating Income	6,828,651					6,828,651	6,472,703
Consolidated Operating Income	**147,147,540**	**9,910,460**	**15,774,714**	**666,950**	**11,229,311**	**184,728,975**	**166,849,609**
REVENUE REQUIREMENT							
CWIP/AFUDC Related to Hells Canyon Relicensing	$ 7,636,142		$ (2,881,849)			4,754,293	4,518,429

Exhibit No. 127
Case No. IPC-E-08-10
C. Vaughn, Staff
10/24/08

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 24TH DAY OF OCTOBER 2008, SERVED THE FOREGOING **DIRECT TESTIMONY OF CECILY VAUGHN,** IN CASE NO. IPC-E-08-10, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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