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IDAHO PUBLIC UTILITIES COMMISSION

BARTON L. KLINE
Senior Attorney

August 11, 2008

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-08-16
Advanced Metering Infrastructure ("AMI") Technology

Dear Ms. Jewell:

Enclosed please find for filing an original and eight (8) copies of the Supplemental Direct Testimony of John R. Gale. One copy of the supplemental testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Gale's supplemental testimony has been provided for the Reporter and has been marked accordingly.

Finally, I would appreciate it if you would return a stamped copy of this letter for Idaho Power's file in the enclosed stamped, self-addressed envelope.

If you have any questions about the enclosed document, please do not hesitate to contact me.

Very truly yours,

Barton L. Kline
Senior Attorney for Idaho Power Company

BLK:csb
Enclosures

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UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-08-16
A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO)
INSTALL ADVANCED METERING)
INFRASTRUCTURE ("AMI") TECHNOLOGY)
THROUGHOUT ITS SERVICE TERRITORY)

IDAHO POWER COMPANY

SUPPLEMENTAL DIRECT TESTIMONY

OF

JOHN R. GALE

1 Q. Please state your name and business address.

2 A. My name is John R. Gale and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

4 Q. Are you the same John R. Gale that
5 previously filed direct testimony in this matter?

6 A. Yes.

7 Q. What is the scope and purpose of your
8 supplemental direct testimony?

9 A. My supplemental direct testimony clarifies
10 the Company's requested relief regarding accelerated
11 depreciation.

12 Q. Please explain the clarification.

13 A. The Company's Application for a Certificate
14 of Public Convenience and Necessity ("CPCN") to install
15 Advanced Metering Infrastructure ("AMI") technology
16 throughout its service territory asks the Commission to
17 issue its Order stating that, in the ordinary course of
18 events, Idaho Power can (1) expect to ratebase the prudent
19 capital costs of deploying AMI as it is placed in service,
20 (2) accelerate the depreciation of the existing metering
21 infrastructure replaced by AMI over the three-year
22 deployment, and (3) include the operation and maintenance
23 benefits in the accounting methodology.

1 As stated on page seven of my direct testimony for
2 this matter, "The accelerated depreciation of the old
3 metering equipment with the corresponding rate recovery is
4 a fundamental assumption in the Company's financial
5 analysis of the AMI deployment." What is implicit in that
6 statement, and what the Company wishes to clarify and make
7 explicit with this supplemental direct testimony, is that,
8 although the Company seeks approval of the accelerated
9 depreciation for the old metering infrastructure, the
10 timing of when that accelerated depreciation actually takes
11 place must coincide with the corresponding rate recovery in
12 order to avoid significant financial harm to the Company.

13 Q. Why is the synchronization of the
14 implementation of accelerated depreciation and rate
15 recovery of AMI costs important?

16 A. Because the Company is not asking for rate
17 recovery in this proceeding, if the accelerated
18 depreciation were approved and ordered to begin prior to
19 the corresponding rate recovery, the result would be a loss
20 to the Company of approximately \$767,700 per month until
21 rates went into place to recover the accelerated
22 depreciation expense. As stated on page nine of my prior
23 testimony:

1 Providing the Commission issues a
2 favorable order in the current CPCN
3 request, the Company will bring a separate
4 filing before the Commission to address
5 the cost recovery aspects of AMI. The
6 Company will propose a parallel cost
7 recovery track to the general rate case
8 and attempt to time the 2009 AMI rate
9 adjustments to coincide with the results
10 from the general rate case.

11 The Company does not propose to start the accelerated
12 depreciation until the corresponding rates are determined
13 as a result of this subsequent rate proceeding.

14 Q. Is the Company asking to modify its request
15 for relief in this proceeding?

16 A. No. This is strictly a timing
17 clarification. The Company does not wish to change the
18 requested relief in the Application. It does wish to
19 clarify that it is asking to begin the accelerated
20 depreciation of the old infrastructure at the same time it
21 begins rate recovery of the costs of its AMI investment.

22 Q. Does this conclude your testimony?

23 A. Yes, it does.