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LOUIS F. RACINE (1917-2005)
WILLIAM D. OLSON, OF COUNSEL

June 19, 2009

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

Re: *IPC-E-09-03*

Dear Mrs. Jewell:

Enclosed for filing you will find the nine copies of the Direct Testimony of Anthony Yankel, with one copy being designated as the reporters copy. We are also submitting CD containing the testimony in MS Word format.

Thank you for your continuing assistance.

Sincerely,



ERIC L. OLSEN

ELO/nj

Enclosures

c: Service List (via mail and e-mail)

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ORIGINAL

IN THE MATTER OF THE POWER)
COMPANY'S APPLICATION FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE LANGLEY)
GULCH POWER PLANT)

CASE NO. IPC-E-09-03

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.

DIRECT TESTIMONY

OF

ANTHONY J. YANKEL

JUNE 19, 2009

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

2

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

5

6 Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL
7 BACKGROUND AND PROFESSIONAL EXPERIENCE?

8

9 A. I received a Bachelor of Science Degree in Electrical Engineering from Carnegie
10 Institute of Technology in 1969 and a Master of Science Degree in Chemical Engineering from
11 the University of Idaho in 1972. From 1969 through 1972, I was employed by the Air
12 Correction Division of Universal Oil Products as a product design engineer. My chief
13 responsibilities were in the areas of design, start-up, and repair of new and existing product lines
14 for coal-fired power plants. From 1973 through 1977, I was employed by the Bureau of Air
15 Quality for the Idaho Department of Health & Welfare, Division of Environment. As Chief
16 Engineer of the Bureau, my responsibilities covered a wide range of investigative functions.
17 From 1978 through June 1979, I was employed as the Director of the Idaho Electrical Consumers
18 Office. In that capacity, I was responsible for all organizational and technical aspects of
19 advocating a variety of positions before various governmental bodies that represented the
20 interests of the consumers in the State of Idaho. From July 1979 through October 1980, I was a
21 partner in the firm of Yankel, Eddy, and Associates. Since that time, I have been in business for
22 myself. I am a registered Professional Engineer in the states of Ohio and Idaho. I have
23 presented testimony before the Federal Energy Regulatory Commission (FERC), as well as the

1 State Public Utility Commissions of Idaho, Montana, Ohio, Pennsylvania, Utah, and West
2 Virginia.

3

4 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

5

6 A. I am testifying on behalf of the Idaho Irrigation Pumpers Association, Inc.
7 (Irrigators).

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

10 A. My testimony will address:

- 11 • Idaho Power's (IPCo or Company) forecasted load that serves as a basis for
- 12 the perceived need of the Langley Gulch facility by December 1, 2012;
- 13 • The economic change that has occurred since the forecasted loads were
- 14 established that were used to justify Langley Gulch;
- 15 • The Company's recent round of updated forecasts;
- 16 • System impacts if Langley Gulch is postponed; and
- 17 • How the new Company-Option Irrigation Peak Rewards Program will further
- 18 reduce peak demand requirements on the system.

19

20 Q. WHAT ARE YOUR CONCLUSIONS IN THIS CASE?

21 A. I make the following conclusions:

- 22 • The decision to build Langley Gulch was based upon data that is now
- 23 outdated and thus inappropriate;

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- There has been a significant economic downturn since the Company developed its load forecast data upon which its decision to build Langley Gulch was based;
- Given the recent quarterly economic forecasts made by the Idaho Division of Financial Management, the growth projections are such that Idaho Power likely will not encounter the forecasted loads that Idaho Power relied upon to justify the need for Langley Gulch in the time frame set out in this case;
- The data in the Company's three new forecasts have been only recently offered without support or explanation for peer review. Not only are these new forecasts not aligned with the economic downturn, but they are internally inconsistent and ignore the ability to import energy (as opposed to peaking capacity) on the system;
- There will be no adverse impact if Langley Gulch is postponed for 10 months, which is effectively what the Company did when it moved the on-line date of Langley Gulch from June 1 to December 1, 2012;
- The new Irrigation peak rewards program will significantly reduce summer peak demand; thus, further postponing the requirement for additional generation; and
- There is no need for Langley Gulch in the timeframe proposed by the Company in this case.

Q. WHAT ARE YOUR RECOMMENDATIONS IN THIS CASE?

1 A. Idaho Power has stated that it will be developing a new load forecast later this
2 year. Given the expected reductions in load growth, there may also be changes in the
3 Company's overall Integrated Resource Plan (IRP), which may further impact the need to
4 construct Langley Gulch. For these reasons, I recommend that the Commission postpone any
5 decision on the issuance of a Certificate of Public Convenience and Necessity for at least 10
6 months or until IPCo has updated its load forecast and all parties have had an opportunity to
7 review and comment on that data.

1 **COMPANY'S JUSTIFICATION FOR LANGLEY GULCH**
2 **(2006 IRP AND 2008 UPDATED IRP)**
3

4 Q. UPON WHAT BASIS DOES IDAHO POWER JUSTIFY ITS NEED FOR
5 AND THUS ITS REQUEST FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
6 FOR LANGLEY GULCH?

7 A. Primarily, the Company bases its need for Langley Gulch on the results of its
8 2006 IRP as well as its 2008 Updated IRP. Essentially, it is the Company's position that the
9 loads that are found in the 2006 IRP and the 2008 Updated IRP are best matched by the
10 resources in the 2008 Updated IPR, which includes a 300 MW combined cycle gas turbine such
11 as Langley Gulch.

12 My testimony will focus on the "need aspect" of the plant and more specifically
13 changes in the Company's load/resource balance since the 2006 IRP and the 2008 Updated
14 IRP. I will address the forecasted load growth that Langley Gulch is proposed to meet/offset. I
15 will also address the Company's new load/resource balances as they relate to the need for
16 Langley Gulch. I will not address the type of resource that could be developed.

17
18 Q. WILL LANGLEY GULCH SERVE BASE LOAD OR PEAK
19 REQUIREMENTS?

20 A. Generally speaking, Langley Gulch is capable of serving both peak as well as
21 base or the energy requirements of the system. However, a combined cycle plant is a plant that
22 is designed (from a cost standpoint) to focus more on supplying an energy need as opposed to a
23 peaking requirement. The Company has focused most of its attention on the fact that Langley
24 Gulch will be serving a base load requirement and that it is supposed to operate at a high

1 capacity factor. The Company's 2008 Updated IRP shows very little peaking requirements in
2 the near-term. The most recent updates to IRP data show even less of a need for peaking
3 capacity.¹

4
5 Q. IN THIS CASE, ARE THERE ANY SPECIFIC INACCURACIES THAT YOU
6 WISH TO ADDRESS WITH RESPECT TO THE FORMULATION OF THE 2006 IRP OR
7 THE 2008 UPDATED IRP?

8 A. My testimony does not address inaccuracies in these two IRP's, but it addresses
9 the appropriateness of using these IRP's in an economic environment that has so drastically
10 changed since the time that those IRP's were developed. Essentially, the IRP's are an attempt to
11 match resources with forecast load. Over the near term (the time it will take to build Langley
12 Gulch), the growth in load has greatly changed to the point where Langley Gulch will not be
13 needed in the timeframe specified by the IRP's.

14
15 Q. WHAT WERE THE GROWTH PROJECTIONS AND THUS THE LOAD
16 FORECAST IN THE 2006 IRP?

17 A. According to page 11 of the 2006 IRP, the Company's load was expected to
18 increase an average of 40 aMW per year through 2025 and the total number of retail customers
19 was expected to increase from 11,000—12,000 per year through 2025. The number of
20 residential customers was projected to increase from 8,600—10,700 customers per year between

¹ Later in my testimony, I will address the new, Company Option Peak Rewards Program for the Irrigators that is not included in the 2008 Updated IRP and was not fully included in the more recent update. This Company Option program will further reduce peaking requirements below those last addressed in any of the 2009 IRP data. For these reasons, my testimony will primarily address Langley Gulch on an energy as opposed to a peak load basis.

1 2006 and 2013². Commercial customers were projected to increase from 1,500—1,800 per year
2 between the 2006 and 2013 planning horizon³. The overall system load was projected to
3 increase between 22 and 37 aMW per year over the 2006—2013 timeframe⁴.

4

5 Q. WHAT DOES THE 2008 UPDATED IRP STATE ABOUT WHY
6 GENERATION RESOURCES MUST BE ADDED TO THE SYSTEM?

7 A. Absent additional conservation and/or DSM programs, the Company's 2008
8 Updated IRP states⁵ the obvious:

9 Customer growth is the primary factor leading to Idaho Power's need for
10 additional resources. Population growth throughout southern Idaho—specifically
11 in the Treasure Valley—requires additional resources to meet both the
12 instantaneous peak and the sustained energy needs of the new customers.
13

14 Q. WHAT WERE THE GROWTH PROJECTIONS AND THUS THE LOAD
15 FORECAST IN THE 2008 UPDATED IRP?

16 A. The 2008 Updated IRP projected more customer growth than did the 2006 IRP—
17 at between 12,500 and 13,000 total customers per year. At page 10 of the 2008 Updated IRP it
18 states:

19 Figure 1 shows a comparison of the 2006 and 2008 updated customer forecasts.
20 Figure 1 shows that there will be a greater number of retail customers than were
21 forecast in the 2006 IRP—nearly 26,000 more retail customers by 2027. The
22 additional 26,000 more retail customers represent a change in total customers of
23 almost 4% by the end of the 20-year planning period.

24 Somewhat offsetting this growth in the number of customers, the 2008 Updated IRP
25 demonstrates that at the end of the 20-year planning period that DSM and increases in retail
26 electric prices results in reductions in the use per customer such that the overall energy usage at

² See 2006 IRP, Appendix A, page 26.

³ See 2006 IRP, Appendix A, page 28.

1 the end of the 20-year planning horizon is less in the 2008 Updated IRP than in the 2006 IRP.
 2 However, this is after the 20-year planning period, but not what is forecasted to occur during the
 3 early years of the planning period.

4
 5 Q. HOW DOES THE OVERALL FORECASTED SYSTEM LOAD IN THE 2008
 6 UPDATED IRP COMPARE TO THE OVERALL FORECASTED SYSTEM LOAD FOR THE
 7 FIRST SEVERAL YEARS OF THE PLANNING PERIOD?

8 A. During the next several years (when the need for Langley Gulch is claimed to
 9 develop), the two IRP's contain the following forecasts for expected system sales:

	2006 IRP	2008 Update	
	<u>MWH</u>	<u>MWH</u>	<u>Change</u>
2008	14,855,104	14,773,134	-0.6%
2009	15,134,273	15,318,384	1.2%
2010	15,424,917	15,588,906	1.1%
2011	15,636,244	15,817,567	1.2%
2012	15,831,635	15,934,177	0.6%

15
 16 Q. HOW DOES THE FORECASTED RESIDENTIAL LOAD IN THE 2008
 17 UPDATED IRP COMPARE TO THE FORECASTED RESIDENTIAL LOAD FOR THE
 18 FIRST SEVERAL YEARS OF THE PLANNING PERIOD?

19 A. Like the total system load, the forecasted Residential load in the 2008 Updated
 20 IRP is greater than in the 2006 IRP. During the next several years (when the need for Langley
 21 Gulch is claimed to develop), the two IRP's contain the following forecasts for expected
 22 Residential sales:

⁴ See 2006 IRP, Appendix D, page 44.

	2006 IRP	2008 Update	
	<u>MWH</u>	<u>MWH</u>	<u>Change</u>
2008	5,273,003	5,406,449	2.5%
2009	5,364,603	5,519,177	2.9%
2010	5,464,619	5,607,822	2.6%
2011	5,525,263	5,704,610	3.2%
2012	5,561,958	5,759,539	3.6%

1

2

3 Q. WHEN WERE THE LOAD FORECASTS DEVELOPED FOR THE 2006 IRP
4 AND THE 2008 UPDATED IRP?

5 A. October 12, 2006 is listed as the date the revised 2006 IRP was issued. This is the
6 date of the 2006 IRP publication itself, but not the specific date when the forecast data was
7 formulated that went into the entire IRP. In fact, the forecast load data for that IRP was
8 developed at least a year prior to that revision date⁶.

9 Likewise, the 2008 Updated IRP was issued on June 25, 2008, but the customer
10 projections and load projections were updated in August 2007, almost a year before the updated
11 IRP was issued⁷. Thus, the load data in each of these IRP's can be considered somewhat stale,
12 but usable in an environment that is not undergoing major upheavals. However, under the
13 circumstances that have existed over the last year and a half, these historic projections are
14 essentially worthless.

⁵ IPCo's 2008 Integrated Resource Plan Update page 9.

⁶ The date provided in response to Staff Request 2 suggests that the forecasted load data came from at least as far back as October 26, 2005.

⁷ See 2008 Integrated Resource Plan Update, page 9.

CHANGE IN ECONOMIC OUTLOOK

1
2
3 Q. ALTHOUGH THERE MAY BE A HOST OF ANTIDOTAL EVIDENCE THAT
4 THE ECONOMY IS SLIPPING AND GROWTH ON THE IDAHO POWER SYSTEM MAY
5 BE GREATLY REDUCED, WHAT HARD EVIDENCE IS THERE TO DEMONSTRATE A
6 MAJOR ECONOMIC SHIFT HAS AND IS TAKING PLACE?

7 A. There are a couple of documents that quickly put into perspective how severe the
8 recent economic downturn has been and how it has impacted Idaho Power's customer count and
9 loads. In the Company's response to The Industrial Customers of Idaho Power's Request 19,
10 there is contained a listing of the Company's actual customer count during 2007 and 2008.
11 Although the 2006 IRP forecasted an increase during 2008 in its Residential customer count of
12 10,423⁸, the Residential customer count only increased 3,736 customers between 2007 and 2008.
13 The economic slowdown resulted in Idaho Power acquiring 6,687 fewer Residential customers
14 compared to that projected in the 2006 IRP. Only 35% of the forecasted 2008 growth in the
15 Residential customer count actually occurred.

16 That same data response contained the actual Commercial customer count during 2007
17 and 2008. The Commercial customer count only increased 1,360 customers between 2007 and
18 2008. By contrast, the forecasted increase in the Commercial customer count found in the 2006
19 IRP (based upon forecast data from 2005) predicted an increase of 1,785 customers⁹. The
20 economic slowdown resulted in Idaho Power acquiring 425 fewer Commercial customers
21 compared to that projected in the 2006 IRP.

22

⁸ See 2006 Integrated Resource Plan, Appendix A, page 26.

1 Q. WHAT IS THE IMPACT OF THE REDUCTION IN LOAD FROM THESE
2 CUSTOMERS NOT COMING ON TO THE SYSTEM IN 2008?

3 A. The Company's 2006 IRP put the weather normalized Residential usage for 2008
4 at 12,632 kWh per customer. With 6,687 Residential customers not materializing, this translates
5 into 84,500 MWH that did not need to be generated because of the impact upon the Residential
6 customer count in 2008 alone.

7 Likewise, the 2006 IRP put the weather normalized Commercial usage for 2008 at 64,834
8 kWh per customer. With 425 Commercial customers not materializing, this translates into
9 28,000 MWH that did not need to be generated because of the impact upon the Commercial
10 customer count in 2008 alone. When the loss of both new Residential and new Commercial
11 customers in 2008 are combined, approximately 100,000 MWH less electricity needs to be
12 generated over the year.

13
14 Q. WERE THE DECREASES IN CUSTOMER COUNT PROJECTIONS
15 BECAUSE OF THE PRESENT ECONOMIC CONDITIONS FACTORED INTO THE 2008
16 UPDATED IRP?

17 A. No. As pointed out above, the actual customer count and forecast information
18 that went into the 2008 Updated IRP were actually from August 2007—before the downturn
19 began. Although the impact of the economic downturn upon customer count and load was not
20 factored into the 2008 Updated IRP, there was a brief mention of a downturn in the write-up
21 itself. The 2008 Updated IRP merely stated on page 10:

22 The recent cyclical slowdown in customer growth, as indicated in the total
23 number of customers for year end 2007 is approximately three tenths of a percent

⁹ See 2006 Integrated Resource Plan, Appendix A, page 28.

1 lower than forecast (0.3%). The effect of the cyclical downturn on the longer
2 term trend will be evaluated for the 2009 IRP.
3 Thus, neither the forecast load data for the 2006 IRP nor the 2008 Updated IRP reflect any major
4 economic change. As pointed out above, the 2008 Updated IRP even showed an increase in
5 usage over the first several years of the planning horizon, which seemed to have still been the
6 Company's expectation regarding growth around the time that the 2008 Updated IRP was issued.
7 The obvious concern here is the fact that the decision to build Langley Gulch was predicated
8 upon the 2006 IRP as well as the 2008 Updated IRP—neither of which reflect the significant
9 downturn in the economy, new customer counts, and ultimately Idaho Power's anticipated load.

10

11 Q. ARE THERE OTHER SOURCES OF DATA THAT DEMONSTRATE HOW
12 THE IMPACT OF THIS SIGNIFICANT ECONOMIC DOWNTURN HAS OR IS EXPECTED
13 TO IMPACT IDAHO POWER'S FORECASTED NEW CUSTOMER GROWTH?

14 A. Yes, there is. The average number of customers added annually to the Idaho
15 Power system over the ten year period 1998—2007 was 11,869. As pointed out above, both the
16 2006 IRP and the 2008 Updated IRP (upon which the Langley Gulch decision was based)
17 projected increase customer growth at 11,000—12,000 customers per year (at historic levels) in
18 the case of the 2006 IRP, or at 12,500—13,000 customers per year (above historic levels) in the
19 case of the 2008 Updated IRP.

20 For comparative purposes, a publicly available source of data that comes out quarterly is
21 the *Idaho Economic Forecast* issued by the State's Division of Financial Management. This is
22 the State of Idaho's official economic forecast. This report contains both historic as well as
23 forecasted demographic data. The report only contains demographic data for Idaho as a whole,
24 but the Idaho Power service area covers the major part of the State and its demographics would

1 generally not be that different than the State's demographics as a whole. The *Idaho Economic*
2 *Forecast* contains data regarding housing starts, which is closely akin to new Residential
3 customer growth. I do not offer this data as a replacement for the Idaho Power data, but as a
4 basis for demonstrating what may have happened, had Idaho Power properly updated its forecast
5 data with what is now known to be a major economic downturn.

6 The average historic housing starts reported by the *Idaho Economic Forecast* over the ten
7 year period 1998—2007 was 14,956 units per year. In July 2007, the *Idaho Economic Forecast*
8 projected the following level of future housing starts:

9	2008	16,608
10	2009	17,350
11	2010	18,311

12 Essentially, the *Idaho Economic Forecast* in July 2007 projected over the next three years an
13 average¹⁰ of 16.5% more housing starts than the ten year historic average—similar to the August
14 2007 forecast of an increase in the rate of customer growth that was used by Idaho Power in its
15 2008 Updated IRP. Generally speaking, during the summer of 2007, both Idaho Power's
16 forecast data and the *Idaho Economic Forecast* were making similar projections.

17

18 Q. HOW DID IDAHO'S ECONOMY OUTLOOK CHANGE SINCE JULY 2007?

19 A. According to the *Idaho Economic Forecast*, the outlook for Idaho's economy
20 went into a downward spiral after the summer of 2007. A few quotes from several of these
21 quarterly reports will give a flavor of what is well known:

22 October 2007 Executive Summary: The Idaho economic outlook has been
23 ratcheted down slightly since this summer. This adjustment reflects the third time
24 this year we have reduced our employment forecast.

¹⁰ The average housing starts for these three years is 17,423.

1 April 2008 Executive Summary: Idaho's economic outlook has been scaled back
2 compared to the January 2008 *Idaho Economic Forecast*. This change largely
3 results from the anticipated weaker showing for the national economy. There are
4 about 7,800 fewer Idaho jobs in 2008 in the current forecast compared to the
5 previous one. This gap grows each of the next three years...

6 July 2008 Executive Summary: The outlook for Idaho's economy has been scaled
7 back to reflect more current Idaho historical data and the revised national forecast.
8 A review of new employment data shows the state's economy grew slower during
9 the first part of this year than had been anticipated in April 2008.

10 October 2008 Executive Summary: The next few years will be even more
11 challenging for the Idaho economy than had been previously thought.

12 January 2009 Executive Summary: A review of Idaho's economic performance last
13 year shows why we are glad it is behind us. The preponderance of evidence shows
14 it was one of the worst years in memory. ... The bad news is this year is expected to
15 be worse than last year. ... The economy is expected to begin moving forward in
16 2010, but the recovery will be modest.

17 April 2009 Executive Summary: This *Idaho Economic Forecast* lends credence to
18 the adage that bad news comes in threes. After several years of strong growth,
19 Idaho's economy shrank last year, and it is expected to turn in disappointing
20 performances in both this year and next.

21 Unlike this publicly available forecast that is updated every quarter (and that followed the
22 downturn and the degree of the downturn as it occurred), Idaho Power's 2006 IRP and its 2008
23 Updated IRP have not incorporated any of the significant economic impacts of recent events.
24 Langley Gulch was conceived under a very different set of assumptions than exists today.
25 Although we all hope for a turnaround in the economy (that may require future resources), the
26 present timing of Langley Gulch is out-of-sync with the present reality.

27

28 Q. CAN THE *IDAHO ECONOMIC FORECAST* BE USED TO DEMONSTRATE
29 HOW FAR OFF THE IDAHO POWER SUMMER OF 2007 FORECASTED LOAD GROWTH
30 MAY BE FROM WHAT IS OCCURRING TODAY?

1 A. Both the *Idaho Economic Forecast* and the forecast used by Idaho Power were in
2 sync during the summer of 2007. The only real difference is that the *Idaho Economic Forecast*
3 has been updated quarterly, while the Company used the summer of 2007 load forecast
4 information as the basis for its decision to build a natural gas-fired CCT located close to its
5 Treasure Valley load¹¹. In order to demonstrate an order of magnitude change in Idaho Power's
6 projected growth, one can simply look at the overall percentage of change in the forecasted and
7 actual results found in the *Idaho Economic Forecast*.

8 As stated above, the average historic housing starts reported by the *Idaho Economic*
9 *Forecast* over the ten year period 1998—2007 was 14,956 units per year. Also as stated above,
10 in July 2007, the *Idaho Economic Forecast* projected that the housing starts in the State would be
11 16.5% greater than this 10-year historic average. Reality fell far below these projections for
12 2008 and the forecast for the future has been greatly revised downward¹²:

13	2008	7,940 (actual)
14	2009	5,713
15	2010	8,445
16	2011	10,274
17	2012	13,070

18 The average housing start (actual or forecast) over this five year period is 9,088 per year, or only
19 61% of the 10-year historic period 1998—2007. This is a reduction of 39% of the growth
20 projections that were made during the summer of 2007. As an order of magnitude estimate, one
21 could assume that Idaho Power's summer of 2007 growth forecast fell by a similar amount.

22

23 Q. HOW CAN THIS ORDER OF MAGNITUDE REDUCTION BE USED TO
24 ESTIMATE THE IMPACT UPON IDAHO POWER'S LOAD GROWTH PROJECTIONS?

¹¹ See Response to Staff Request 2.

¹² *Idaho Economic Forecast* April 2009, page 33.

1 A. The Company's load levels in its 2008 Updated IRP (upon which the decision to
2 build Langley Gulch is based) projected an increase in average usage between 2007 and 2012 of
3 187 average megawatts¹³. If 39% of this growth does not take place (as in keeping with the
4 changed growth forecast in the *Idaho Economic Forecast*), then approximately 73 aMW will not
5 be required at the end of 2012, when Langley Gulch is expected to begin operation. This
6 reduction in growth would place the load requirement at 1,924 aMW, where the Company's
7 2008 Updated IRP places the load for 2009. The lack of adjusting Idaho Power's IRP load
8 forecasts for any of the downturn in the state and national economies that has taken in place
9 results in the the need for Langley Gulch being postponed several years.

¹³ Page 11 of the 2008 Updated IRP list under the 70th Percentile condition a 2012 load of 1,997 aMW and an actual 2007 load of 1,810 aMW for a difference of 187 aMW.

1 **ADDITIONAL FORECAST UPDATES**

2
3 Q. HAS IDAHO POWER UPDATED ITS LOAD FORECASTS SINCE THE
4 SUMMER OF 2007?

5 A. There was a load forecast prepared in September 2008 that served as the basis for
6 what has been referred to as the 2009 IRP. It should be noted that this 2009 IRP was never
7 finalized by the Company or approved/accepted by the Commission. In fact, the Company is not
8 planning to present to the Commission this IRP, but a different one to be filed in December
9 2009. In response to Request 20 of the Industrial Customers of Idaho Power, it was indicated
10 that the Company made adjustments to its load projections (prepared in September 2008) in
11 December 2008. Other than general statements such as “the decision was made to adjust the
12 residential and commercial sectors to reflect a prolonged slowdown in housing and consumer
13 spending”, the response gave very little detail regarding this December 2008 adjustment in the
14 load forecast.

15 Presumably this lack of detail is based upon the fact that the Company recognizes the
16 need to further update its forecast. The Response went on to state:

17 Currently, the load forecasting area is working on developing a new load forecast
18 that will be available in late summer of 2009. The load forecast will be reflective
19 of the most current economic forecast drivers, the most recent input from the
20 Company’s large power representatives and their contracts, energy efficiency
21 impacts, and the latest forecast of retail electricity prices.

22 According to the Company’s response to Staff Request 85, the Company “has prepared a
23 number of updated load forecasts since the 2006 IRP was published.” Three specific updates
24 were mentioned in this data response that the Company has chosen to share: 1) a September 2008
25 forecast that was used for the 2009 IRP; 2) a December 2008 update which addressed Residential
26 and Commercial loads; and 3) a May 2009 update that changed the forecast loads for special

1 contract customers “as part of preparing the newest load forecast, which is expected to be
2 completed in late summer 2009.” (Emphasis Added)

3

4 Q. WAS THE DECISION TO BUILD LANGLEY GULCH BASED UPON ANY
5 OF THESE UPDATED FORECASTS?

6 A. No. As previously stated, the decision to build Langley Gulch was based upon
7 the 2006 IRP and the 2008 Updated IRP and not these updated load forecasts. The December
8 2008 and May 2009 updated load forecasts (which are still to be further updated) were first
9 mentioned with respect to this case in response to Request 20 of the Industrial Customer of Idaho
10 Power (ICIP) that was issued on May 11, 2009. Upon further questioning by Staff Requests 84
11 and 85 (in order to seek more information regarding the Response to ICIP Request 20), the
12 Company supplied more data, and more discussion that included when the 2009 IRP forecast
13 was developed, and what the forecasted loads were in the 2009 IRP (forecast in September
14 2008), the December 2008 update, and the May 2009 update. Responses to Staff Requests 84
15 and 85 were sent out on June 4th and June 5th respectively. Intervenor testimony was due two
16 weeks later. Basically, there has been very limited time for peer review.

17

18 Q. ARE THERE ANY GENERAL OBSERVATIONS YOU HAVE MADE WITH
19 RESPECT TO THE FORECAST VALUES FOUND IN THE 2006 IRP, THE 2008 UPDATED
20 IRP, THE 2009 IRP, AND THE DECEMBER 2008 AND MAY 2009 UPDATE?

21 A. As pointed out above, Idaho and the nation has been in a severe economic
22 downturn since the end of 2007 or the beginning of 2008. Even Idaho Power's 2008 Updated
23 IRP recognized that there was a:

1 recent cyclical slowdown in customer growth, as indicated in the total number of
 2 customers for year end 2007 ... The effect of the cyclical downturn on the longer
 3 term trend will be evaluated for the 2009 IRP.¹⁴
 4 Because the economic downturn occurred after the forecast loads were developed for the 2006
 5 IRP (developed in October 2005) and the 2008 Updated IRP (developed in August 2007), one
 6 would not expect that these forecasts would contain information that would reflect the economic
 7 slowdown. However, the 2009 IRP (based upon a September 2008 forecast) as well as the
 8 December 2008 update, should have shown these changes. Contrary to this expectation, the
 9 table below demonstrates that the Company's 2009 IRP (September 2008 forecast) and its
 10 December 2008 update show additional growth in load during several months, with basically
 11 only a minor overall decrease in load (of only 18 aMW) between the data generated in 2005 and
 12 that generated at the end of 2008:

Ave MW Forecasted At Different Times

	<u>2009</u>	<u>2006 IRP</u>	<u>2008 Update</u>	<u>2009 IRP</u>	<u>Dec. 2008</u>	2006 less <u>Dec-08</u>
Jan	1,921	1,921	1,940	1,912	1,907	-14
Feb	1,802	1,802	1,819	1,765	1,760	-42
Mar	1,653	1,653	1,675	1,552	1,546	-107
Apr	1,594	1,594	1,599	1,554	1,547	-47
May	1,791	1,791	1,807	1,751	1,742	-49
Jun	2,178	2,178	2,192	2,172	2,162	-16
Jul	2,412	2,412	2,413	2,457	2,444	32
Aug	2,256	2,256	2,281	2,251	2,237	-19
Sep	1,882	1,882	1,892	1,877	1,865	-17
Oct	1,630	1,630	1,653	1,599	1,587	-43
Nov	1,709	1,709	1,751	1,743	1,728	19
Dec	1,947	1,947	2,015	2,049	2,030	83
ave.	1,898	1,898	1,920	1,890	1,880	-18

13
 14 Incredibly, the December 2008 forecast data virtually shows no impact of the recession or
 15 major shift from the strong growth projections made in 2005. Some months have lower

¹⁴ 2008 Integrated Resource Plan Update, page 10.

1 forecasts, while contrary to any reasonable expectations, some months have the forecasted load
2 increase.

3 As pointed out above, the 2009 IRP was never finalized by the Company nor submitted to
4 the Commission. It is not only a work in progress, but one that will be abandoned for a new
5 2009 IRP to be filed in December 2009. Likewise, the December 2008 forecast (to my
6 knowledge) has just surfaced during the last two weeks. I am addressing this data, not because
7 of its validity (which seems to be lacking), but simply because it is data provided by the
8 Company that is in addition to the 2006 IRP and the 2008 Updated IRP data that was used as the
9 basis to support the decision to pursue Langley Gulch.

10 The drop in annual average load of only 18 aMW between the 2006 IRP and the
11 December 2008 forecast not only greatly falls short of expectations (because of the economic
12 downturn), but the individual monthly changes are very questionable. For example, the
13 December 2008 forecast for December 2009 was 83 aMW above that projected in the 2006 IRP
14 or 4.3% greater (in spite of all of the negative economic news). In the days of rapid growth, a
15 4.3% increase in average load would equate to three years of growth. Presumably this major
16 change in forecast is not related to heat load as there was a somewhat large increase in the
17 November forecast, but there were corresponding decreases in February and March. In fact, in
18 the December 2008 forecast the March 2009 load decreased by 107 aMW when compared to the
19 2006 IRP or 6.5%. It is not readily apparent how between forecasts that load in some months
20 could increase 4.3%, while decrease 6.5% in other months.

21 The increase in the December 2008 forecast for July 2009 of 32 aMW (1.3%) over the
22 2006 IRP is equally puzzling. Why would the forecast for July increase so much during the
23 economic downturn while June and August showed slight decreases in load? Simply, the

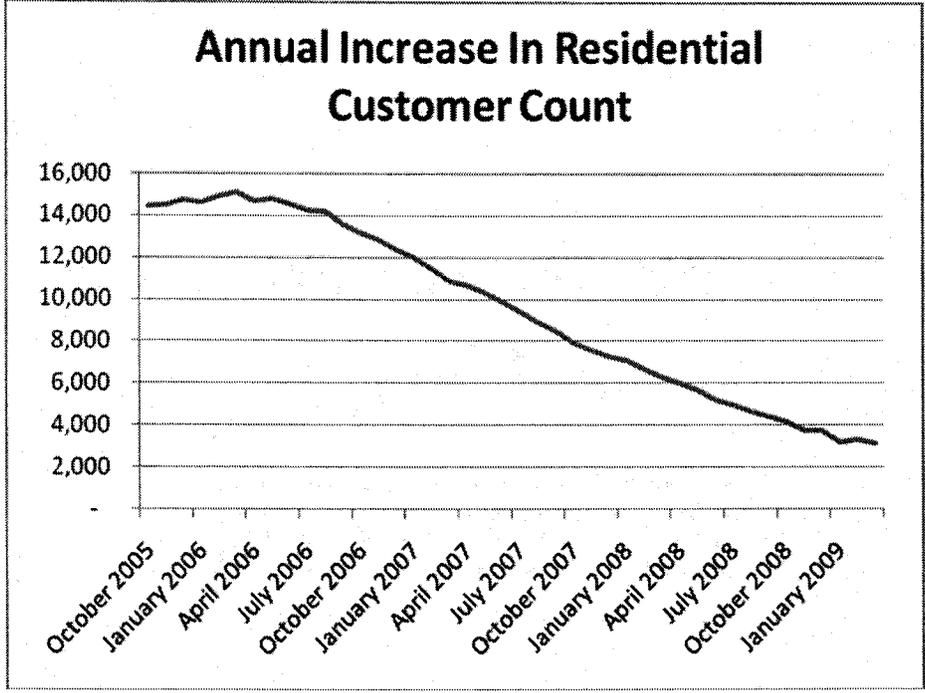
1 Company's 2008 forecast creates a host of questions and sheds no light on what changes have
2 occurred to the Company's load since the 2006 IRP upon which the Langley Gulch decision was
3 based. Presumably, that is why the Company has announced that its late summer 2009 load
4 forecast (as yet to be completed) will serve as the basis for its new 2009 IRP.

5 In addition to these questions that are raised, the December 2008 forecast is contrary to
6 the reduction that the Company encountered in its growth projections for 2008 alone. As pointed
7 out above, the difference between the 2006 IRP forecasted residential and commercial customer
8 count additions and the actual growth in customer count that occurred in 2008 resulted in
9 approximately 100,000 MWH less sales in 2008 or 11.4 aMW. This is 2/3rd the reduction that
10 the December 2008 forecast suggests for 2009 in total. This 11.4 aMW does not reflect
11 reductions in usage by existing customers due to price elasticity, reduction in personal income,
12 and reductions in the goods producing and non-goods producing sectors of the economy. This
13 reflects no change in industrial load during 2008. And then there is 2009 where the economic
14 conditions are getting worse, not better. It is possible to explain twice the 18 aMW reduction in
15 the December 2008 forecast by simply the cumulative effect of the reductions in new Residential
16 and Commercial hookups in 2008 and 2009 alone, let alone all of the reductions that may be
17 taking place for the other approximately 98% of the customers that are existing.

18

19 Q. HOW HAS THE OVERALL INCREASE IN RESIDENTIAL CUSTOMER
20 COUNT CHANGED SINCE THE FORECAST LOAD FOR THE 2006 IRP WAS
21 DEVELOPED IN OCTOBER 2005?

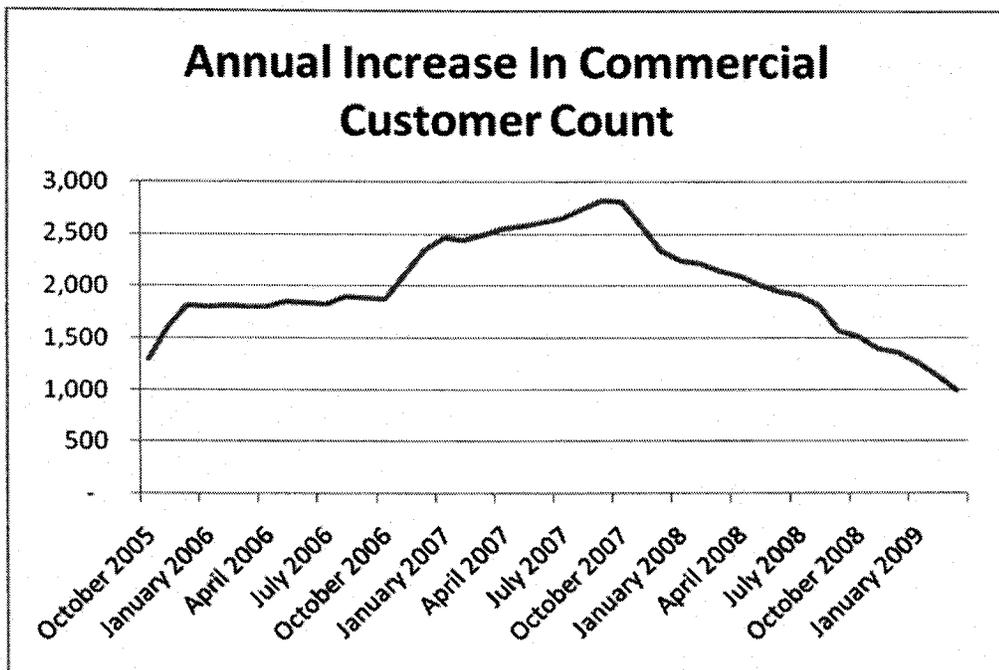
1 A. Although there was a continuation in the rise of residential customers on an
2 annual basis after the October 2005 forecast was made, the trend started downward in early 2006
3 and continues well into 2009.



4
5 In fact, January and March of 2009 actually showed decreases in the number of residential
6 customers compared to the previous month. Certainly none of the increases that the Company's
7 December 2008 forecast shows can be related to a Residential customer count that has drastically
8 dropped over the last few years.

9
10 Q. HOW HAS THE OVERALL INCREASE IN COMMERCIAL CUSTOMER
11 COUNT CHANGED SINCE THE FORECAST LOAD FOR THE 2006 IRP WAS
12 DEVELOPED IN OCTOBER 2005?

1 A. Like the growth in the Residential customer count, there was a continuation in the
2 rise of Commercial customers on an annual basis after the October 2005 forecast was made. The
3 trend started downward in October 2007 and continues well into 2009.

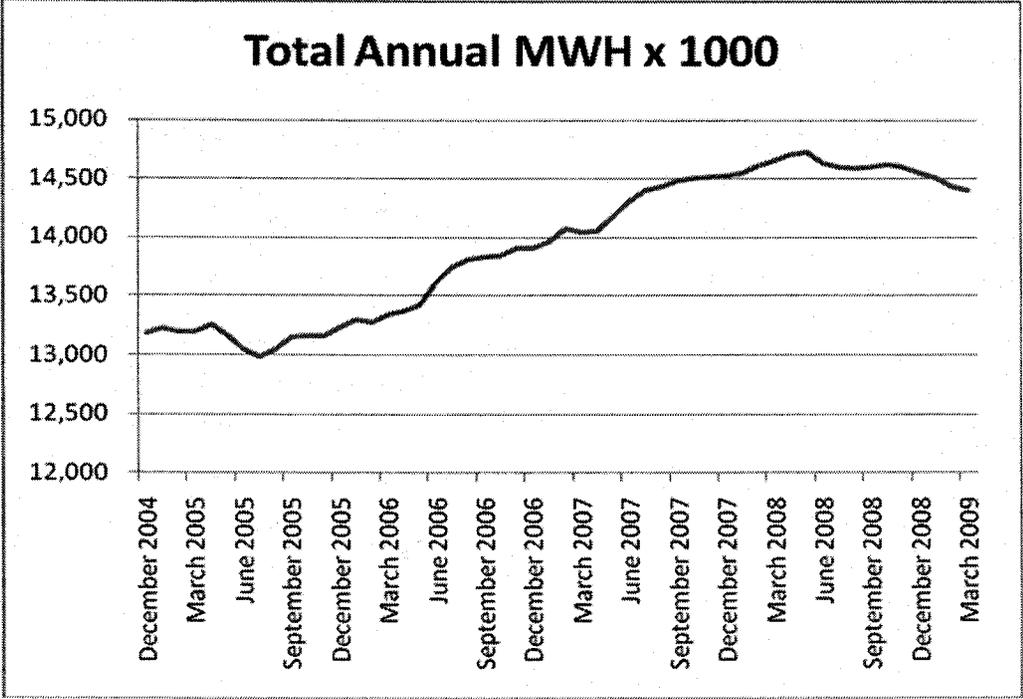


4
5 The growth in Residential and Commercial customer counts has been falling for a long time.
6 Certainly none of the increases that the Company's December 2008 forecast shows can be
7 related to a Commercial customer count that has drastically dropped over the last years and a
8 half. The Commission should dismiss the mere 18 aMW change in load from the 2006 IRP
9 found in the Company's December 2008 forecast. It is simply contrary to the trends that have
10 been taking place on the system for at least a year and a half for Commercial customers and for
11 the last three years for the Residential customers. These are changes that will have permanent
12 impacts upon the Company's load. Even if the economy instantly turns around, and the
13 Company starts today to add 12,500—13,000 customers per year as predicted in its 2008
14 Updated IRP, the recent loss of the new customers thus far will simply postpone (shift) when the
15 increase in customer level/load will occur.

1

2 Q. HOW HAS THE DECREASED GROWTH IN CUSTOMER COUNT
3 IMPACTED THE OVERALL ENERGY SOLD BY THE COMPANY?

4 A. In isolation, a decrease in the rate of growth of the company's Residential and
5 Commercial sector would lead to a slowdown in the rate of growth of the overall energy
6 consumed on the system. Admittedly, there is a lot more to the overall energy consumption on
7 the system than merely the customer count of the residential and commercial customers. This
8 would include such things as usage per customer and usage of the Company's large, special
9 contract customers. As can be seen from the graph below, growth in the total annual load has not
10 just slowed as the growth in the number of Residential and Commercial customers has, but the
11 overall consumption has actually decreased since June 2008:



12

13 This is a permanent shift from the historic trends which will take time to not only come up to
14 previous levels, but years to go past the previous levels and up to the previous projections.

1 Based upon the above, the Company's December 2008 load forecast is out of step with the
2 realities of the trends in usage and number of customers. Contrary to the demonstrated reduction
3 in load that is actually taking place, the Company's last several forecasts still show increases, but
4 at a very slightly reduced rate. The forecast of decreased load (as opposed to increased growth)
5 would look much more reasonable.

6

7 Q. DOES THE COMPANY'S MAY 2009 LOAD FORECAST RECTIFY THIS
8 SITUATION?

9 A. No. The Company's May 2009 updated load forecast is the first forecast since the
10 2006 IRP that shows any meaningful reduction in load as would be expected at this time.
11 However, the May 2009 updated load forecast is based upon only changes to the Company's
12 special contract customers, while presumably maintaining the data for the other customer groups
13 from the December 2008 updated forecast. The Company's May 2009 updated forecast does not
14 give any detail as to what circumstances may have brought about the changes to the overall
15 special contract load—these changes may have all been related to Micron, or maybe Micron
16 played a small role in these changes. Based upon all of the unanswered questions that are raised
17 by the 2009 IRP load data, the December 2008 update, and the May 2009 update, I agree that the
18 Company needs to completely revisit its forecast. I look forward to reviewing the Company's
19 new load forecast that is supposed to be available late this summer. The Commission should not
20 use any of the Company's recent forecasts as reflecting the need for Langley Gulch.

21

1 Q. BASED UPON THE ABOVE, WHAT IS YOUR RECOMMENDATION WITH
2 RESPECT TO THE COMPANY'S DESIRE TO RECEIVE A CERTIFICATE OF PUBLIC
3 CONVENIENCE AND NECESSITY FOR LANGLEY GULCH?

4 A. Based upon the use of stale load forecast data that does not reflect today's
5 economic environment and load growth, it is premature to issue such a certificate at this time. I
6 recommend that the Commission postpone any such decision for at least 10 months as
7 recommended by the Joint Motion of the intervenors filed on May 29. At the moment, the
8 Company is asking that the Commission pre-approve one of the costliest projects that Idaho
9 Power has ever undertaken. Such an approval should not be given, based upon critical load
10 growth information that is clearly outdated and inappropriate. The Company has indicated that
11 it has already begun the process of updating its load forecast to account for today's realities. A
12 postponement of 10 months before a decision is made regarding Langley Gulch is both prudent
13 and wise.

14
15 Q. WILL THE POSTPONEMENT OF A DECISION ON THE ISSUANCE OF A
16 CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY BY 10 MONTHS HAVE
17 AN ADVERSE IMPACT UPON THE COMPANY'S ABILITY TO SERVE LOAD?

18 A. No. There are several things for the Commission to consider in this regard. First,
19 under the same load forecast data that was developed in October 2005 and August 2007, the
20 Company put out its 2012 Baseload RFP which sought proposals for dispatchable, first call, non-
21 recallable, physically delivered firm or unit contingent energy that was to commence no later
22 than June 1, 2012. This date essentially coincides with the beginning of the summer peak season
23 for the Company. The summer months are not only characteristic of the highest peak (demand)

1 loads, but the highest overall energy usage as well. Since the selection of Langley Gulch as the
2 resource of choice, the Company has slipped that commercial operating date six months, to
3 December 1, 2012. However, because the summer is the Company's peak period (demand and
4 energy), the postponement of Langley Gulch until December 1, 2012 is not that different than
5 postponing it a full 12 months until June 1, 2013.

6 Second, as pointed out above, a good estimate would be that the load growth that the
7 Company projected would be three years further out than originally planned. A 10-month delay
8 would be well within these limits and thus would not have any implications regarding Idaho
9 Power meeting its properly revised load growth.

10 Third, Request 2 of the Industrial Customers of Idaho Power sought information
11 regarding how the Company would meet its loads if, for one reason or another, Langley Gulch
12 was not built. The Company's response stated in part:

13 "... the Company would attempt to meet its most critical summertime loads
14 through a combination of the following: (1) short-term demand management
15 programs, (2) market purchases delivered to the east side of Idaho Power's
16 system, (market purchases delivered at Mona or Red Butte (both in Utah) and
17 delivered to Idaho Power's firm transmission rights from Red Butte to
18 Borah/Brady, (4) reductions in deliveries to Hoku during the summer of 2012, or
19 (5) purchase delivered to Jim Bridger for loss repayment.

20 Clearly, the Company has available options other than Langley Gulch. These options may not
21 be preferred, and they may not always be the least cost, but they are options. Given the
22 downturn in the economy, Idaho Power should not need to exercise the above options any more
23 than already planned if the request for a Certificate of Public Convenience and Necessary were
24 put on hold for 10 months.

25

1 Q. WHAT CAPACITY FACTOR DOES THE COMPANY INDICATE THAT IT
2 WILL OPERATE LANGLEY GULCH AT DURING 2013 (ITS PROPOSED FIRST YEAR
3 OF OPERATION)?

4 A. The Company's 2009 IRP (which has never been submitted to review or
5 approval), as well as its December 2008 and May 2009 updated forecasts¹⁵ indicate that it will
6 operate Langley Gulch at a capacity factor of 91% (251 aMW / 300 MW) every month.
7

8 Q. IS ALL OF THIS OUTPUT FROM LANGLEY GULCH NEEDED TO SERVE
9 THE RETAIL CUSTOMER LOAD?

10 A. No. As a matter of fact, most of this generation would be used to serve surplus
11 sales. Request 7 of the Idaho Irrigation Pumpers Association sought information regarding the
12 impact on net power supply costs of scenarios with Langley Gulch and without Langley
13 Gulch¹⁶. The Company's Response indicated that Langley Gulch would provide 998,432
14 MWh. It also indicated that the generation from Langley Gulch would displace purchased
15 power by 249,717 MWh (25% of Langley Gulch's output), while it would increase surplus
16 sales by 726,673 MWh (73% of the generation from Langley Gulch). The Response went on to
17 state that there would be a net reduction of \$10.2 million in net power supply cost (not
18 including non-fuel costs) with Langley Gulch operating. However, the reduction in net power
19 supply costs would not even offset the depreciation expense of \$12.8 million (\$427.4 million
20 time 3%), let alone a rate of return and taxes on \$427.4 million of additional rate base. No
21 matter how much surplus sales there are from Langley Gulch, it will simply result in a major

¹⁵ See Idaho Power Company's Response to Staff Request 1 for the 2009 IRP resource balance and to Intervenor's Joint Motion to Stay dated June 12, 2009, Attachments 1 and 2 for the December 2008 and May 2009 updated resource balance.

1 overall rate increase to customers. Very simply, Langley Gulch will cost all rate payers a great
2 deal of money for no real benefit over its first few years of operation. A postponement of the
3 decision as to when to build Langley Gulch is highly warranted.

4
5 Q. IS THE 91% CAPACITY FACTOR LISTED IN THE COMPANY'S 2009 IRP,
6 AS WELL AS ITS DECEMBER 2008 AND MAY 2009 FORECASTS THE SAME AS THE
7 998,432 MWH THAT RESULTED FROM THE COMPANY'S RUN OF ITS NET POWER
8 COST MODEL?

9 A. No. The generation of 998,432 MWH spread over 8,760 hours in the year
10 translates into 114 aMW. The Company's 2009 IRP and subsequent updates list Langley
11 Gulch operating at 251 aMW in each month. Presumably, if Langley Gulch operates at 251
12 aMW as is claimed in these recent forecasts, then approximately 88% of all of its output will be
13 for surplus sales.

14
15 Q. IS THE 2009 IRP AS WELL AS THE DECEMBER 2008 AND THE MAY
16 2009 FORECASTS INTERNALLY CONSISTENT WITH RESPECT TO THE WAY THE
17 RESOURCES WILL BE UTILIZED?

18 A. No. They all have a consistency problem with respect to the way they treat off-
19 system purchases, which gives the appearance that Langley Gulch is required to serve an
20 "energy" requirement, when in fact it is not. This problem did not exist in the 2006 IRP or in
21 the 2008 Updated IRP. All three of the newer forecasts limit the amount of regional energy
22 purchases to 115 aMW each month of each year in order to reflect the level of Network Set-

¹⁶ Under the load and resource conditions specified by the Company in its last general rate case No. IPC-
E-08-10.

1 Aside for Firm Purchases. This limitation is no more than a “new” requirement/limitation
2 placed upon the Company’s resources solely for the purpose of justifying Langley Gulch.

3 Contrary to this limitation, the Company’s three new forecasts have no such limitation
4 placed upon the amount of purchased power that can be brought in during the monthly system
5 peaks. These forecasts use the following purchases for the 2013 monthly peak loads:

2013 Peak Purchases from Pacific NW

	<u>MW</u>
Jan	441
Feb	536
Mar	504
Apr	402
May	395
Jun	365
Jul	310
Aug	493
Sep	416
Oct	234
Nov	665
Dec	670

6 If the Company can plan to bring in hundreds of MW’s at the peak hour of each month, the
7 limitation to energy purchases of only 115 aMW is only an artificial construct that should not
8 be used when the new/real 2009 IRP comes out in December 2009.

9

10 Q. OTHER THAN THE FACT THAT THE COMPANY DID NOT HAVE THIS
11 ARTIFICIAL LIMITATION OF ONLY PURCHASING 115 AMW DURING EACH
12 MONTH IN ITS 2006 IRP AND ITS 2008 UPDATED IRP, ARE THERE OTHER AREAS
13 WHERE THE COMPANY’S DATA AND CALCULATIONS DO NOT HAVE THIS
14 LIMITATION?

15 A. Yes, there are. The Company’s power supply cost model that calculates the
16 overall cost of power supply over 80 water years contains no such limitation. For example, the

1 Company's calculations shown in Exhibit 47 of its last rate case No. IPC-E-08-10 under the
2 June 1935 water condition lists a total of market energy and contract energy purchases of
3 151,238 MWh or 210 aMW. For the July 1935 water condition it lists a total of market energy
4 and contract energy purchases of 383,580 MWh or 516 aMW. Basically, there is no limitation
5 placed upon the purchase of energy that would be greater than any limitation that is placed
6 upon the purchase of demand at the hour of the system peak. The 115 aMW limitation that is
7 used in the Company's three most recent forecasts seems to be more of an artificial construct
8 used to justify the need for Langley Gulch.

1

2 Q. IS THIS ALL OF THE PEAK REDUCTION CAPABILITY THAT SHOULD
3 BE EXPECTED FROM THE IRRIGATION PEAK REWARDS PROGRAM THIS YEAR
4 AND INTO THE FUTURE?

5 A. No. These estimates that have been provided by the Company were made long
6 before the new "Company Option" program was finalized or approved by the Commission.
7 The reception for the program has past the Company's general expectations. For example,
8 there was a limitation of 1,000 placed upon the number of sites that could be involved in the
9 first year. It is my understanding that over 1,200 requested to participate this first year. There
10 are additional locations that are planning to apply next year. A similar program such as this
11 exists in the PacifiCorp service area of Idaho, and it took a couple of years for customers to get
12 use to the idea and join the program. I assume that the same learning curve will occur in the
13 Idaho Power territory. Although the peak reduction values that the Company originally
14 projected are very encouraging, it would appear that the program may quickly exceed these
15 expectations. In such a case, Idaho Power will become even less of a utility with a peaking
16 limitation and more of one with an energy limitation.

17

18 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

19 A. Yes.