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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) Case No. IPC-E-09-09
A PRUDENCY DETERMINATION OF)
ENERGY EFFICIENCY RIDER FUNDS)
Spent in 2002-2007.)

IDAHO POWER COMPANY

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

6 A. I am employed by Idaho Power Company ("the
7 Company") as the Vice President of Regulatory Affairs.

8 Q. Please describe your educational background
9 and business affiliations.

10 A. I received a BBA in 1975 and an MBA in 1981
11 from Boise State University. I maintain a close
12 affiliation with the University and serve as Vice Chair of
13 the College of Business and Economics' Advisory Council. I
14 have also attended the Public Utilities Executive Course at
15 the University of Idaho and am now on the faculty of that
16 program leading the section on "Regulation and Ratemaking."

17 I am an active member of the Edison Electric
18 Institute's ("EEI") Rates and Regulatory Affairs Committee,
19 which is the committee that is concerned primarily with
20 regulatory issues and ratemaking methods. I am the current
21 Chair of this committee. I am also a member of EEI's
22 Retail Energy Services Executive Advisory Committee.

23 Q. Please describe your work experience.

1 related to the economic regulation of Idaho Power Company.
2 I have testified frequently before the Idaho Public
3 Utilities Commission ("the Commission") on a variety of
4 rate and regulatory matters. I have also testified before
5 or submitted direct testimony to the regulatory commissions
6 in Nevada and Oregon, the Federal Energy Regulatory
7 Commission ("FERC"), the Bonneville Power Administration,
8 and the United States Senate Committee on Energy and
9 Natural Resources.

10 Q. What is the purpose of your testimony in
11 this matter?

12 A. My testimony supports a settlement
13 stipulation ("Stipulation") entered into by Idaho Power
14 Company and the Commission Staff that provides resolution
15 to Case No. IPC-E-09-09. This case pertained to the
16 prudence of the Energy Efficiency Rider ("Rider") fund
17 spent from 2002 through 2007.

18 Q. What is the history of Case No. IPC-E-09-09?

19 A. Idaho Power Company first asked this
20 Commission for a prudence determination on \$28,961,716 of
21 Rider funds spent during 2002 through 2007 as part of its
22 2008 Idaho general rate case filing, Case No. IPC-E-08-10.
23 On February 18, 2009, the Company and the IPUC Staff filed
24 a stipulation in Case No. IPC-E-08-10 agreeing that

1 \$14,303,745 of Rider-funded expenditures was prudently
2 incurred. The Commission approved this stipulation in
3 Order No. 30740 issued March 6, 2009. Following the
4 implementation of Order No. 30740, the Company and the
5 Staff exchanged information regarding the remaining
6 \$14,657,971 of Rider funds that had yet to have a prudency
7 determination. Such a prudency determination of remaining
8 Rider expenditures became the subject of the current case.

9 Q. What event facilitated reaching settlement
10 in this case?

11 A. The IPUC Staff convened a workshop on
12 October 5, 2009, with Idaho Power, Avista Utilities, and
13 PacifiCorp (d/b/a Rocky Mountain Power) - the three
14 investor-owned utilities serving the state of Idaho. The
15 purpose of the workshop was to discuss the contents of a
16 more comprehensive utility Demand-Side Management ("DSM")
17 report that would demonstrate a commitment to, and
18 accomplishment of, an objective and transparent evaluation
19 of DSM efforts. The agreed upon principles stemming from
20 that workshop and subsequent discussions resulted in the
21 signing of a Memorandum of Understanding ("MOU") between
22 the three utilities and the Commission Staff. This MOU is
23 Attachment No. 1 to the Stipulation.

1 Q. Please describe the MOU, Attachment No. 1 to
2 the Stipulation.

3 A. There are four areas of understanding: (1)
4 Utility DSM Annual Report Requirements, (2) Prudency
5 Determination, (3) Treatment of 2008 and 2009 Expenditures,
6 and (4) The Commission's interaction with the MOU.

7 Q. What are the DSM Annual Report Requirements
8 specified by the MOU?

9 A. It was agreed that Idaho Power's 2008
10 *Demand-Side Management Annual Report* would be used as the
11 starting point for enhanced reports beginning in 2009.
12 Subsequent reports will contain an enhanced table of
13 contents and an introduction that includes an overview of
14 the Process Evaluations and Impact Evaluations begun or
15 completed during the previous year, process and program
16 modifications made as a result of the evaluations, as well
17 as planned evaluations and modifications for the coming
18 year.

19 Each DSM report will include a "Cost-Effectiveness"
20 section, "Evaluation" section, and "Program Specific"
21 section. The "Cost-Effectiveness" section will include a
22 table listing individual programs/measures and the basis
23 for estimates of their cost-effectiveness. The
24 "Evaluation" section will include a table showing the

1 schedule for evaluations that includes impact assessment,
2 assumptions, source review, field impact measurement
3 schedule, and completion date. The "Program Specific"
4 section will be reported by sector or customer class, with
5 a description of individual programs offered and a summary
6 of the measures within each program. Each "Program
7 Specific" section will reference process, impact, cost-
8 effectiveness, and market effects (including Northwest
9 Energy Efficiency Alliance) evaluations, as well as
10 completed or planned changes related to these evaluations.

11 Finally, expenses that do not result in direct
12 energy savings, such as education and outreach, will be
13 identified and may be considered reasonable and necessary
14 expenses for a broad-based DSM portfolio.

15 Q. How is prudence to be determined?

16 A. The parties to the MOU recognize that
17 evaluating DSM activities is not a precise science and
18 utilities are encouraged to continually review programs and
19 make appropriate improvements. A showing by the utility of
20 a good faith effort to reasonably perform within the
21 guidelines specified in the MOU constitutes *prima facie*
22 evidence that the utility's DSM expenses were prudently
23 incurred for cost recovery purposes.

1 Q. How are the 2008 and 2009 DSM expenditures
2 proposed to be treated?

3 A. The parties to the MOU recognize that 2008
4 and 2009 DSM expenditures have already been incurred at the
5 time of signing of the MOU and the Stipulation and that the
6 2008 DSM annual report has already been filed. Exact
7 compliance to the terms of the MOU for the 2008 and 2009
8 expenditures is not possible. Accordingly, as a
9 transitional step, the parties will include as many
10 components as possible in the *Demand-Side Management 2009*
11 *Annual Report* filed in 2010 and the Staff will provide
12 reasonable and necessary leeway for implementation of these
13 guidelines for 2010.

14 Q. Is the Commission bound by the MOU?

15 A. No. The MOU only binds the Staff. The MOU
16 has no explicit or implicit authority to bind the IPUC.

17 Q. How does the MOU relate to Case No. IPC-E-
18 09-09?

19 A. The MOU applies to each signing utility in
20 their individual prudency dockets. In Idaho Power
21 Company's instance, it is Case No. IPC-E-09-09. The
22 application of the MOU is through the Stipulation signed by
23 the Company and the Staff.

24 Q. Please describe the Stipulation.

1 the Company's other operations. With this business model,
2 it is of utmost importance that the Company understands
3 Staff's and the Commission's expectations of what
4 constitutes a prudent expenditure. The MOU and Stipulation
5 provide much more clarity and guidance to confidently
6 continue with energy efficiency as one of the Company's
7 highest priorities.

8 Q. Do you believe that the Stipulation is in
9 the public's interest and should be approved by this
10 Commission?

11 A. Yes.

12 Q. Does this conclude your testimony?

13 A. Yes.