

Idaho Public Utilities Commission
Office of the Secretary
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Boise, Idaho

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE RATE BASING)
OF THE MILNER HYDROELECTRIC PROJECT))
OR IN THE ALTERNATIVE)
A DETERMINATION OF EXEMPT STATUS)
FOR THE MILNER HYDROELECTRIC)
PROJECT)
_____)

CASE NO. IPC-E-90-8

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

JAMES L. BAGGS

1 Q. Please state your name and business address.
2 A. My names is James L. Baggs, and my business address
3 is 1220 Idaho Street, Boise, Idaho.
4 Q. By whom are you employed and in what capacity?
5 A. I am employed by Idaho Power Company as Manager of
6 Rates.
7 Q. Please describe your educational background and
8 professional experience.
9 A. In May of 1975, I received a Bachelor of Arts
10 Degree in Economics from the University of Colorado
11 at Boulder, Colorado. In May, 1977, I graduated
12 from the University of Arizona at Tucson, Arizona
13 with a Master of Science Degree in Agricultural
14 Economics. While studying at Arizona, I held the
15 positions of Teaching Assistant and Research
16 Assistant.
17 After completion of my Masters Degree, I
18 assumed the position of Research Associate in the
19 Department of Agricultural Economics at the
20 University of Arizona. In that capacity, I served
21 as an Economic Consultant to the Institute of
22 Government Research and the Pima Association of
23 Governments in Tucson, Arizona.
24 From September, 1978, to August, 1979, I
25 worked toward the Doctor of Philosophy Degree in

1 preparation of rate design analyses and
2 recommendations, and the coordination and
3 preparation of the Company's rate related
4 regulatory filings in the four regulatory
5 jurisdictions in which Idaho Power provides
6 service.

7 Q. What is the purpose of your testimony in this
8 proceeding?

9 A. The purpose of my testimony is to explain the rate
10 making ramifications of the Company's proposal for
11 the Milner Project.

12 Q. If the Commission determines that it will authorize
13 the rate basing of the Milner hydroelectric
14 generation facilities, what will be the effect on
15 the Company's rates while the project is being
16 constructed?

17 A. The Company's rates will not be affected.
18 Investment in the Milner Project will be treated as
19 construction work in progress until the project is
20 completed, and construction work in progress is not
21 included in the Company's rate base when Idaho
22 jurisdictional revenue requirements are determined.

23 Q. Once the project is completed will the rates the
24 Company charges for electric service change?

25 A. No. Until the Company's revenue requirement is

1 reviewed by the Commission and the rates of the
2 Company are changed in a general rate proceeding,
3 or a "tracker" type rate proceeding, the rates the
4 Company is authorized to charge will not change.

5 Q. Is it customary to include investment in the
6 Company's rate base without the Commission
7 reviewing the Company's revenue requirement and/or
8 rates?

9 A. Literally every day the Company makes additions to
10 or reductions in its electric plant in service.
11 Every time there is an addition or removal of any
12 electric plant investment (i.e., a line extension,
13 replacement of an old transformer with a new
14 transformer, etc.), the Company includes that
15 investment in the appropriate electric plant
16 account without specific Commission review. This
17 accounting procedure is permissible because it is
18 assumed that the Commission will allow the recovery
19 of these costs by the inclusion of the Company's
20 electric plant in service in rate base when
21 determining the Company's revenue requirements.

22 Q. As Manager of Rates of Idaho Power Company, what is
23 the effect of the Commission's determination that
24 it will issue a Certificate of Public Convenience
25 and Necessity for a new generation project?

1 investment by establishing a contract price high
2 enough to assure such a return.

3 Q. Mr. Packwood, in his testimony, has referred to the
4 concept of reproduction cost new, less depreciation
5 as a plant valuation method for revenue requirement
6 purposes if the Commission issues a Certificate of
7 Exemption. Please define what is meant by
8 reproduction cost new, less depreciation.

9 A. Reproduction cost new, less depreciation, is the
10 total investment that would be required by Idaho
11 Power to duplicate the Milner Project at a point in
12 time, at the then current costs for all materials,
13 supplies, labor, land and land rights,
14 transportation, and miscellaneous direct and
15 indirect expenses (including overhead, engineering
16 and supervision costs that are normally
17 capitalized); as well as the costs that would be
18 required to obtain all necessary approvals and
19 permits; and any other costs that would be
20 appropriately applicable to the reproduction cost
21 of the Milner Project. From that total would be
22 deducted an amount representing the straight line
23 depreciation of any Reproduction Costs that are
24 depreciable.

25 Q. Does this complete your testimony?

