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

A.My name is Keith D. Hessing and 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 as a Public Utilities Engineer.

Q.What is your educational and experience background?

A.I am a Registered Professional Engineer in the State of Idaho.  I received a Bachelor of Science Degree in Civil Engineering from the University of Idaho in 1974.  Since then, I have worked six years with the Idaho Department of Water Resources, and two years with Morrison-Knudsen.  I came to work for the Commission in August 1983.

As a member of the Commission Staff, my primary areas of responsibility have been electric utility power supply, revenue allocation and rate design.

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

A.My testimony discusses the appropriate treatment of the Twin Falls Plant addition as it relates to the Power Cost Adjustment (PCA) mechanism and net power supply costs.  I also address jurisdictional allocation factors, revenue allocation and rate design issues.

Q.What is your understanding of the Company's proposed treatment of the difference in power supply costs due to the addition of the Twin Falls resource?

A.The Company proposes to allow changes in power supply costs that result from the Twin Falls resource addition to simply flow through the PCA.

Q.What is the effect of this treatment?

A.Only 90% of the normalized power supply benefit of the Twin Falls resource is credited to ratepayers and since this benefit is captured in the true-up, it is credited one year after the fact.

Q.What is the difference in net power supply cost that results from the Twin Falls upgrade?

A.Normalized net power supply costs for Idaho Power Company as accepted by the Commission in the Company's last general rate case, Case No. IPC-E-94-5, are $50,287,000.  When the Twin Falls resource is included in the same computer modeling, with no other changes, net power supply costs become $48,039,000.  The reduction in total company net power supply costs is $2,248,000.  Idaho's allocable share of the reduction is $1,909,000 (2,248,000 x 0.849).

Q.Under the Company's proposal how much of Idaho's share of the reduction in net power supply costs would not be passed back to ratepayers?

A.Ten percent or approximately $190,000.

Q.How do you propose treating power supply costs in this case?

A.All of the savings in normalized power supply costs associated with the Twin Falls upgrade should be included in base rates.  It is appropriate that Idaho ratepayers receive all of the benefit of reduced power supply costs to help offset the resource costs which the Company has included at 100% in its application.  It is also appropriate that the reduction in power supply costs be included in base rates so that they can offset costs immediately and not be delayed a year.  These calculations have been included in Staff witness Pline’s Exhibit No. 103.

Q.Would the inclusion of reduced power supply costs in base rates as you are proposing cause a change in the annual PCA calculations?

A.Yes, it would.  Idaho Power's electric rates would then be based on a new power supply model run.  The results of that model run would have to be plotted against annual April through July Brownlee inflow and the formula for the best fit log curve would have to be determined.  The new formula would then replace the old formula in the PCA forecasting process.  It is important that net power supply costs that result from power supply modeling and are included in the base rates be consistent with the net power supply cost forecast included in the annual PCA rate adjustment.

Q.At the prehearing conference Idaho Power Company suggested that Staff consider updating the normalized load along with the addition of the Twin Falls upgrade in the power supply modeling process.  Have you considered updating the normalized firm load from the 1993 general rate case test year level to the 1994 level along with the addition of the Twin Falls resource in the modeling process?

A.Yes, but I rejected the idea.  It is not appropriate to capture the power supply costs associated with new firm load without offsetting those costs with firm load revenues.  I do not believe it would be appropriate to stop there.  The Company would probably be interested in including other offsetting costs which would cause the Staff to include even more adjustments.  The outcome of such a process is a general rate case.  This filing seeks to avoid that.

Q.What jurisdictional allocation factor did the Company apply in its Exhibit No. 4 to allocate costs to the Idaho Jurisdiction?

A.The Company applied the D10 allocator from its last general rate case which is 86.30%.

Q.Is the D10 allocator the appropriate allocator to use?

A.In the Company's last general rate case the D10 allocator was used to divide costs among its various jurisdictions for electric rate base, depreciation expense and property taxes.  However, the kWh tax was divided among the various jurisdictions based on energy use as defined by the E10 allocator.  I propose that these costs are more appropriately allocated in the manner accepted by the Commission in the Company's general rate case.  Therefore, in Staff Exhibit No. 103 the kWh tax has been allocated using the E10 allocator.

Q.Line 20 of Staff Exhibit No. 103 contains the net power supply cost decrease that you have previously discussed.  How should these costs be jurisdictionally allocated?

A.Also as shown in Exhibit No. 103, these costs are jurisdictionally allocated using the E10 allocator.  This is consistent with the allocation methodology accepted by the Commission in the Company's last general rate case.

Q.What revenue allocation and rate design does the Company propose?

A.The Company proposes that the rate increase be applied to all customer classes and special contract customers on a uniform percentage basis.  Within customer classes and special contracts the Company proposes to apply increases uniformly to demand and energy components and to not change customer charges.

Q.What is your revenue allocation and rate design proposal?

A.I support the Company's proposal.  Within the past year the Commission has completed a general rate case for the Company in which revenue allocation and rate design were major issues.  Also, the amount of money involved here is insufficient to make substantial revenue allocation changes even if the Commission were inclined to do so.

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

A.Yes, it does.