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

A.My name is Lynn Anderson 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 Staff economist.

Q.What are your duties with the Commission?

A.My duties include evaluating telephone, electricity, natural gas and water utilities' rates, services, plans and customer petitions, as well as conducting generic economic and regulatory investigations.  These evaluations and investigations are generally used in making Staff recommendations to the Commission.  I also serve as a Staff representative on the Northwest Energy Efficiency Alliance board of directors and Idaho Power Company’s Hydroelectric Relicensing Collaborative Team.

Q.Would you please outline your academic and professional background?

A.I have a Bachelor of Science degree in government and a Bachelor of Arts degree in sociology, both from Idaho State University.  I have also studied economics, engineering and architecture at Northwestern University, Brigham Young University and Idaho State University and public administration and quantitative analysis at Boise State University.  I have attended many training seminars and conferences regarding utility operations, forecasting, marketing and regulation.

My employment with the Commission began in 1980 as a utility rate analyst and, in this capacity, I testified in telephone, natural gas, and electricity utility cases on various issues including energy conservation, fuel switching and lifeline rates.  I became the telecommunications supervisor in 1983 and in 1992 was appointed to my present position.  I have presented testimony in approximately 50 formal cases before the Commission.

From 1975 to 1980, I was employed by the Idaho Transportation Department where I performed benefit/cost analyses of highway safety improvements and other statistical analyses.

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

A.My testimony addresses whether it is in the public interest for Idaho Power Company (Idaho Power) to defer for future recovery its costs to participate in the Northwest Energy Efficiency Alliance (NEEA).

Q.Did Staff support Idaho Power’s participation in NEEA in comments filed in this case?

A.Yes, but our support was not unqualified.  We recognized that the Commission would be unable to scrutinize a regional organization’s spending of public funds as closely as it had scrutinized Idaho Power’s spending on its own programs.

Q.Did other parties express concern about Idaho Power’s participation in NEEA?

A.Yes, the Commission received written and telephoned comments, questions and objections from numerous customers, most of whom opposed Idaho Power’s proposed public purposes charge.  Many of these customers expressed concern about the cost-effectiveness of Idaho Power’s participation in NEEA.

Q.Given the changes that have occurred and that are likely to occur in electricity production, marketing and regulation, do you believe it is generally in the public interest for regulated utilities to continue to capitalize and defer their investments in programs designed to increase the efficiency of the use of electricity?

A.As a general rule, no.  Although capitalization and deferral of utility conservation costs was common in the past, the conditions that allowed this treatment are changing.  Conservation and efficiency programs can still benefit participating customers and society in general, but the risk of nonparticipating customers being harmed has increased because the marginal cost of producing electricity has decreased significantly and, in the future, customers are not likely to remain captive to monopoly providers of electricity.  Customers who have benefitted from a utility’s conservation program will likely be able to buy electricity from another provider and thereby possibly avoid paying for “deferred regulatory assets.”  The possibility of this occurring can be mitigated by utilities recovering these costs as they are incurred.

Q.Given your answer to the prior question, do you support the Commission’s decision to allow Idaho Power to capitalize and defer its costs associated with NEEA?

A.Yes.  Although Staff previously recommended that Idaho Power’s NEEA costs be expensed as they occur, there are three reasons that make it appropriate for these costs to be capitalized and deferred instead.  First, there was a relatively large number of customers and intervenors who questioned the cost-effectiveness of this proposal, which added to the concerns expressed by Staff in our previously filed comments.  Second, unlike Washington Water Power’s tariff rider to recover conservation costs, which was approved by the Commission, Idaho Power’s proposal did not include a provision for on-going review of the prudence of its NEEA costs.  And third, while the Commission clearly understands the need to deal with conservation expenditures on a timely basis, it has indicated that it needs more time and information before it can assess the prudence of Idaho Power’s participation in NEEA.  Taken together, these factors argue for deferral of Idaho Power’s NEEA costs until such time that Idaho Power is able to show that its involvement with NEEA is cost-effective for its customers.  In inviting Idaho Power to initiate a proceeding to review all deferred conservation costs in light of changes in the electricity industry, the Commission indicated that even though costs may be deferred, they shouldn’t be allowed to languish on the Company’s books, but should be reviewed and recovered in a timely manner.

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

A.Yes, it does.