1 BOISE, IDAHO, WEDNESDAY, MAY 27, 1998, 1:15 P. M.

 2

 3

 4 COMMISSIONER SMITH: Welcome back. I

 5 believe we just finished questions from Mr. Budge, so

 6 Ms. O'Leary.

 7

 8 GREGORY W. SAID,

 9 produced as rebuttal a witness at the instance of the

 10 Idaho Power Company, having been previously duly sworn,

 11 resumed the stand and was further examined and testified

 12 as follows:

 13

 14 CROSS-EXAMINATION

 15

 16 BY MS. O'LEARY:

 17 Q On page 2 of your rebuttal testimony in the

 18 paragraph beginning at line 8, you stated there that the

 19 five-year period for amortization is reasonable due to

 20 the changes in the electric industry. What changes

 21 exactly were you thinking of?

 22 A I think we've discussed this quite a bit in

 23 the last couple of days. Essentially, we've looked at

 24 differences in resource planning. We've looked at some

 25 of the other cases where the Commission has looked at the

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 1 who pays and over what time period considerations that

 2 have been made in cases like the line extension

 3 provisions of the Company, other provisions for who and

 4 when customers pay.

 5 Q Okay, and so you say that you think that

 6 the five-year period is reasonable so that the customers

 7 for whom the expenditures were made are the ones that are

 8 paying?

 9 A Yes, that's an aspect as well.

 10 Q Okay, and how will those customers be

 11 different under the different amortization schedules, the

 12 five-year versus the 24-year that's in place?

 13 A The longer the period of time the less

 14 likelihood that the customers that are paying will be the

 15 same as the customers for whom the payments were made.

 16 Q And that's based on what?

 17 A That's just based on attrition through

 18 customer base changes where customers leave the system

 19 and customers come to the system.

 20 Q So competition?

 21 A It doesn't necessarily have to relate to

 22 competition. It can relate to where businesses choose to

 23 site, which may include competition within their

 24 industry, but not necessarily competition for

 25 electricity.

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 1 MS. O'LEARY: I don't have anything else.

 2 COMMISSIONER SMITH: Mr. Richey.

 3 MR. RICHEY: Yes, thank you, just a

 4 couple.

 5

 6 CROSS-EXAMINATION

 7

 8 BY MR. RICHEY:

 9 Q Mr. Said, you may have testified about

 10 this, but I can't remember specifically in your direct

 11 testimony if you did, but on your allocation

 12 recommendation, what is the impetus behind moving to more

 13 of a participant-based payment versus just spreading it

 14 out evenly?

 15 A I think that recommendation came from a

 16 recognition that some customer classes would come to a

 17 proceeding like this and say we did not have an ability

 18 to participate in these programs and, therefore, feel

 19 that an allocation which would assign costs to customers

 20 who receive benefits might be more appropriate.

 21 Q And in your rebuttal testimony, you

 22 indicate that Idaho Power's recommendation is a

 23 middle-of-the-road approach?

 24 A I believe so, yes.

 25 Q Can you explain that, what you mean by

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 1 that?

 2 A Well, generally, we've seen from the

 3 testimony of the parties in this case that some parties

 4 would suggest that there be a more radical movement than

 5 what we've suggested in that all of the demand side

 6 management expenditures both pre-'94 and post-'93 be

 7 allocated on an ability to participate method and other

 8 others have suggested that the method that had been

 9 chosen for allocation in the past remain in place for

 10 both the pre- and post-'94 measures. Our recommendation

 11 is a hybrid. It's says go ahead and continue to allocate

 12 the pre-'94 under the allocation method previously

 13 approved and just move to a new allocation for the

 14 post-'93 expenditures.

 15 Q You had mentioned earlier that some of the,

 16 I guess, impetus behind the allocation method was some

 17 programs like the line extension program that tries to

 18 allocate those costs to the direct beneficiary of the

 19 cost; is that true?

 20 A Yes. In the line extension case, there was

 21 basically a movement for a larger contribution from those

 22 individuals who would directly benefit from their line

 23 extensions.

 24 Q And where is that coming from to move, in

 25 the line extension program to move, to have a larger

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 1 contribution by the one that more directly benefits from

 2 that?

 3 A Essentially, that was a recommendation that

 4 was made so that costs incurred on the behalf of an

 5 individual were not passed to the larger body of

 6 ratepayers inappropriately.

 7 Q Or not subsidized by the larger body of

 8 ratepayers?

 9 A That would be another way of stating it, I

 10 guess.

 11 Q Yesterday Mr. Ripley asked questions of

 12 Dr. Anderson as to who ultimately determines how long the

 13 benefit from a DSM expenditure would last is really the

 14 participant or the person that purchases the equipment or

 15 whatever might fall under the DSM expenditure. Do you

 16 recall that?

 17 A Yes.

 18 Q Do you recall if that plays any role in the

 19 allocation methodology, that analysis of that rationale?

 20 A I guess I'm not seeing a relation to the

 21 allocation.

 22 Q I was just wanting to see if it played any

 23 role with respect to the fact that a participant in the

 24 program can more or less dictate how long a benefit is

 25 going to last, if it's somewhat more of an ownership as

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 1 to whether the benefit will be spread to non-participants

 2 or will just exist at any particular time, if that has

 3 any role in your rationale for trying to allocate to the

 4 parties that actually benefit the most to pay for it the

 5 most.

 6 A I believe your question speaks to the

 7 direct benefits that the individual customers receive

 8 from the measures that they have taken and they certainly

 9 have the ability to decide whether or not over time that

 10 remains an economic benefit for their establishment. I

 11 don't know that it played a large part in deciding how to

 12 allocate to non-participants.

 13 MR. RICHEY: That's all I have.

 14 COMMISSIONER SMITH: Thank you,

 15 Mr. Richey.

 16 Mr. Jauregui.

 17 MR. JAUREGUI: Yes, I have some.

 18 COMMISSIONER SMITH: Could you please turn

 19 on your mike?

 20 MR. JAUREGUI: Excuse me.

 21

 22 CROSS-EXAMINATION

 23

 24 BY MR. JAUREGUI:

 25 Q Mr. Said, you were just discussing, I

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 1 believe, regarding allocations of line extensions. In

 2 that proceeding, isn't it true that there was no going

 3 back, that the proposal was on a prospective basis rather

 4 than a retroactive basis, in other words, on new line

 5 extensions?

 6 A That's true.

 7 Q Thank you. With respect to the useful life

 8 of a DSM, if the useful life was five years rather than

 9 24 years, wouldn't that result in DSM facilities not

 10 being cost effective; in other words, if the useful life

 11 was five years rather than 24 years when the evaluation

 12 was being made, wouldn't that affect their cost

 13 effectiveness and the cost effectiveness of the DSM

 14 measures?

 15 A It could have an impact, yes.

 16 Q What programs are available to the

 17 residentials or were available to the residential

 18 customers in the post-'93 DSM programs?

 19 A I believe that would be the MAP program,

 20 the mobile home acquisition program, the low income

 21 weatherization program, the good cents program, and the

 22 Idaho weatherization program.

 23 Q Do you have the dollars for those last two?

 24 A The good cents program deferred

 25 expenditures were $555,500, and the Idaho weatherization

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 1 program was 3,400.

 2 Q And the MAP program was?

 3 A $7,495,600.

 4 Q And I believe the proposal was to allocate

 5 the low income weatherization to all customers and the

 6 others were essentially by class to the residential?

 7 A That's correct.

 8 Q And the residential to be eligible to be

 9 able to participate in the good cents program and the MAP

 10 program related to facilities in the home? The MAP

 11 program related to purchasing a home or buying a new

 12 manufactured home?

 13 A Yes.

 14 Q Are you aware of how many residential

 15 customers there are on Idaho Power Company's system

 16 currently? Would you accept about 300,000 plus, like

 17 300,714 per your 10-K?

 18 A Yes, I would accept that.

 19 Q And would you accept how many participants

 20 there were as being 4,365 under your MAP program per your

 21 '98 weatherization program?

 22 A Yes.

 23 Q And that is approximately -- that's less

 24 than one-half of one percent participated in the MAP

 25 program, wouldn't that be approximately right?

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 1 A If you've done your math correctly, yes.

 2 Q So you're having approximately one-half of

 3 one percent and the burden is placed upon 300,000 and the

 4 Company's position, if I understand it, is that all of

 5 those 300,000 had the ability to participate?

 6 A They were within the class that had the

 7 ability to participate, yes.

 8 Q At the time that the programs were proposed

 9 and approved and their historical basis, it was on the

 10 basis of a system benefit, was it not?

 11 A That was a consideration into the

 12 termination of a 24-year amortization period, yes.

 13 Q But weren't the DSM programs looked at as a

 14 system resource at the time of the approval of the

 15 programs?

 16 A They were considered similar to generation

 17 resources, yes.

 18 Q Going to page 2 of your testimony, on

 19 line 15, actually it's line 17, you indicate that the

 20 electric utilities it regulates, referring to the

 21 Commission, are moving towards a regional approach on

 22 resource acquisition. Isn't it true that this is a

 23 decision of the electric utilities, it's a business

 24 decision of theirs?

 25 A Yes, it is.

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 1 Q And yet, you are saying that that is a

 2 driving force to go to a five-year, I'm not sure, one of

 3 the reasons for going to a five-year, amortization

 4 schedule?

 5 A It's a portion of the entire picture that

 6 we're looking at here. Again, the five-year amortization

 7 period that we're recommending in this case is not a big

 8 move in terms of what the Company has proposed in the

 9 past where we proposed a seven-year amortization period.

 10 At the time of the last rate case when the amortization

 11 period was being reviewed by this Commission, it was one

 12 of many factors going into an overall revenue requirement

 13 that they were considering and I guess it's my opinion

 14 that partially why they decided on 24 years as the

 15 appropriate amortization period at that time was a look

 16 at the overall revenue requirement that the Company had

 17 and using 24 years was a means to keep the overall rate

 18 increase lower than it might have been while not

 19 disallowing any of the investment that the Company had

 20 made on behalf of its customers.

 21 Q Isn't moving from 24 years to five years a

 22 major change and a significant change and a major impact

 23 on customers?

 24 A It certainly has an impact.

 25 Q You heard the discussion between Mr. Ripley

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 1 and Mrs. Carlock discussing and I believe you made

 2 reference earlier in your testimony this afternoon about

 3 people leaving after a short period of time and that you

 4 wanted to have the people who had the benefit pay for it,

 5 do you remember that discussion?

 6 A Yes.

 7 Q Isn't there another side of that that if

 8 people or businesses are here for five years and are then

 9 no longer here, whether they die or move away or a

 10 business closes down, they have paid for benefits that

 11 they will never receive, the benefit on the long term and

 12 that those benefits are essentially shifted to the entire

 13 system? They have paid for it, they are now gone and the

 14 system has benefited and the customers don't have to pay

 15 for it; isn't that true?

 16 A To the extent that there are remaining

 17 benefits, that would be true.

 18 Q Isn't the position of the Company, though,

 19 that there will be continuing benefits past the five

 20 years?

 21 A In the instance of a company that puts in a

 22 conservation measure and goes out of business five years

 23 later, the benefit of that conservation measure may go

 24 with the disappearance of the customer.

 25 Q If you have a residential customer who is

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 1 here today, pays for it and dies five years hence, that

 2 house is still here and that benefit continues in the

 3 system, does it not?

 4 A If there's a resident.

 5 Q If there is a --

 6 A A resident of that house or facility with

 7 the measure and the measures have not been removed.

 8 Q Wouldn't you say that it's true that most

 9 houses that exist today existed five years ago, there are

 10 very few houses that have been removed in the Idaho Power

 11 Company service territory?

 12 A Removed or occupied, there are some that go

 13 away, but probably not a great number. There are

 14 probably a greater number of new homes being built rather

 15 than homes that are being removed.

 16 Q Aren't your residential customers

 17 increasing?

 18 A Yes.

 19 Q And they have increased each year over the

 20 last five, 10, 15, 20 years?

 21 A They have increased and as a result, we're

 22 having a number of new customers who have come on to the

 23 system that are after a point in time, perhaps, that

 24 conservation measures may have been available to them and

 25 yet will be called upon to pay. That will be true the

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 1 further you go with an amortization period the more

 2 customers that you will bring on that will be responsible

 3 for costs incurred a significant time before they were

 4 customers.

 5 Q But there are benefits to that system or at

 6 least at the time that the programs were authorized,

 7 isn't it true that at the time that those programs were

 8 authorized they had a lifetime, for example, the MAP

 9 program looked at 24 or 25 or 30 years as being the life

 10 of those benefits to the system; isn't that true?

 11 A That is true. A manufactured home is one

 12 of the homes that may have the greatest ability to

 13 relocate as well. It could be in the region. There

 14 still may be a regional benefit, but the potential is

 15 there that that customer could relocate.

 16 Q I'm trying to keep from duplicating

 17 questions that were asked before. Isn't it true that the

 18 Idaho Power Company proposal will be a change of the

 19 manner of recovery for DSM facilities on an after the

 20 fact; in other words, that the programs have been

 21 completed and the facilities installed and that they are

 22 now proposing to change the method or the basis on which

 23 recovery of those costs are occurring?

 24 A I don't think that the method of recovery

 25 for expenditures that were to be deferred had been

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 1 determined in the past. What had been determined was the

 2 allocation of expenditures through the 1993 period of

 3 time. The Company was allowed to defer expenditures for

 4 a later determination of how those expenditures would be

 5 recovered and I think that's exactly what we're here to

 6 do today.

 7 Q Didn't some of the orders indicate that the

 8 amortization period for various programs would be 30

 9 years, for example, at the time that the programs were

 10 approved, aren't you proposing a change?

 11 MR. RIPLEY: I think counsel misstates --

 12 unless he has an order in mind, I don't think any of the

 13 orders at the time provided for the amortization period.

 14 COMMISSIONER SMITH: Mr. Jauregui.

 15 MR. JAUREGUI: I think the DEAP program

 16 did. The DEAP program, it was Case No. IPC-E-89-12,

 17 Order No. 22893. It is further ordered, this is in the

 18 Order, that a 30-year amortization begin when the Company

 19 files its next general rate case or revenue tracker.

 20 MR. RIPLEY: Let's see it. Why don't you

 21 show this Order to Mr. Said and then he can comment on

 22 it.

 23 (Mr. Jauregui approached the witness.)

 24 MR. RIPLEY: The entire Order, not just the

 25 paragraph you're referring to, Mr. Jauregui.

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 1 Q BY MR. JAUREGUI: Have you familiarized

 2 yourself with that Order?

 3 A Not entirely.

 4 (Pause in proceedings.)

 5 Q BY MR. RIPLEY: Do you need your Order

 6 back?

 7 MR. JAUREGUI: It would be helpful.

 8 Q BY MR. JAUREGUI: Mr. Said, have you

 9 familiarized yourself with the Order?

 10 A Yes.

 11 Q Does that Order provide that the 30-year

 12 amortization period begin when the Company files its next

 13 general rate case or revenue tracker increase?

 14 MR. RIPLEY: Could I interpose a question

 15 in aid of an objection?

 16 COMMISSIONER SMITH: Mr. Ripley.

 17 MR. RIPLEY: What's the date of the Order

 18 you're referring to, Counsel?

 19 MR. JAUREGUI: This is December 20th,

 20 1989. This was at the beginning of the program.

 21 MR. RIPLEY: What Mr. Jauregui is referring

 22 to is an Order which has obviously been amended by

 23 subsequent orders of the Commission; namely, for one, the

 24 general rate case that the Idaho Commission entered when

 25 it provided for a 24-year amortization period of DEAP.

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 1 MR. JAUREGUI: Madam Chairman, I recognize

 2 that case, but --

 3 MR. RIPLEY: I think he -- well, if I could

 4 finish. I think what counsel is doing is misconstruing

 5 the record as far as what the Commission ordered in the

 6 past when he doesn't bring forward those orders to the

 7 current time as to the period of time that the Company is

 8 currently amortizing DEAP.

 9 MR. JAUREGUI: Madam Chairman.

 10 COMMISSIONER SMITH: Mr. Jauregui.

 11 MR. JAUREGUI: The purpose of the

 12 discussion or the testimony was to indicate that from a

 13 historical basis at the time of the approval of the

 14 program that this Commission provided for an amortization

 15 period at that time.

 16 COMMISSIONER SMITH: Okay.

 17 MR. JAUREGUI: Mr. Said?

 18 COMMISSIONER SMITH: Is there a question

 19 outstanding?

 20 MR. JAUREGUI: Yes, I believe there is.

 21 COMMISSIONER SMITH: Does anyone know what

 22 it is?

 23 Q BY MR. JAUREGUI: I believe that I asked,

 24 isn't it true that at the time of the approval of the

 25 program, the DEAP program, I believe the case number and

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 1 Order have been referred to, that the Commission ordered

 2 that a 30-year amortization period begin when the Company

 3 files its next general rate case or revenue tracker

 4 increase; isn't that true?

 5 A Yes, the 1989 Order states that at the time

 6 of the next general rate case. The Commission changed

 7 its mind evidently because the 30-year amortization

 8 period was abandoned and replaced with a 24-year

 9 amortization.

 10 Q Thank you. Isn't it true that the current

 11 carrying costs of the Company are less than what you

 12 proposed in your revenue requirement?

 13 A I think that question is better directed to

 14 Mr. Gale.

 15 MR. JAUREGUI: Thank you. I have no

 16 further questions.

 17 COMMISSIONER SMITH: Mr. Ward.

 18 MR. WARD: Just a couple of quick

 19 clarifications for the record, Mr. Said, and then I'll

 20 ask you one substantive question.

 21

 22 CROSS-EXAMINATION

 23

 24 BY MR. WARD:

 25 Q In your testimony, you state that FMC and

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 1 Micron in fact could have participated in one or more of

 2 the DSM programs. Do you recall that testimony?

 3 A Yes.

 4 Q You are aware, are you not, that of the

 5 250 megawatts of demand used by FMC that all but

 6 17 megawatts are for the electric arc furnaces?

 7 A I would accept that.

 8 Q Is there any electric arc furnace

 9 efficiency improvement program that you know of?

 10 A No.

 11 Q Very quickly, I don't think you and I

 12 misunderstand, but the discussion of the language in the

 13 '98 contract regarding DSM recovery appears on page 9.

 14 Do you have that testimony in front of you?

 15 A Page 9 of my testimony?

 16 Q Yes.

 17 A Yes.

 18 Q Now, I'm not sure that discussion beginning

 19 with the question and answer at line 11 is really all

 20 that clear. Isn't it true -- is it your understanding

 21 that what the parties agreed to in the '98 contract, and

 22 I want to make sure I state this exactly accurately, that

 23 the parties agreed that the prices in that contract would

 24 include then authorized DSM recoveries, first of all; is

 25 that correct?

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 1 A Yes.

 2 Q But that neither party would by contract

 3 prejudice their right to argue that those recoveries

 4 should be either increased, decreased or in any way

 5 affected by Commission decisions; isn't that true?

 6 A I think what we agreed to was to disagree,

 7 which I think comes to the same thing that you're

 8 saying. The Company voiced its opinion that ongoing or

 9 additional DSM expenditures, deferred expenditures,

 10 should be allocated fully to FMC under the same or

 11 similar methods as the past; whereas, FMC contended that

 12 they may not be responsible for all of those

 13 expenditures.

 14 Q Fair enough. Now, the one substantive

 15 point I want to pursue with you, if you would turn to, I

 16 guess the best place, the question and answer at the

 17 bottom of page 4 and running over to the top of page 5,

 18 at the top of page 5, you say something that I think

 19 you've paraphrased, as you noted, numerous times already

 20 today and that is that, as I understand it, the prime

 21 determinant that you immediately cite as justification

 22 for the change in amortization period is the change in

 23 the resource planning horizon from 20 years to five

 24 years. Would that be a fair statement?

 25 A Yes. I think again reiterating my major

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 1 point is that DSM constitutes a regulatory asset rather

 2 than a physical asset, but recognizing that in the past

 3 DSM has been viewed as like a physical asset, a

 4 generating asset, in establishing the period of time that

 5 you would amortize, I also point out that there have been

 6 significant changes in the way the Company plans its

 7 resources.

 8 Q Okay. My question is, and I won't bother

 9 trying to set this up, I'll just give it to you, my

 10 question is, why wouldn't the same rationale regarding

 11 the change in resource planning criteria argue for a

 12 five-year depreciation life, remaining depreciation life,

 13 for all generating plants?

 14 A As long as we remain a regulated utility, I

 15 think the Commission will recognize that the generating

 16 facilities have a longer life for benefit to its

 17 customers.

 18 Q Then let me ask the converse question: As

 19 long as you remain a regulated utility, why wouldn't the

 20 Commission have the same recognition with regard to DSM

 21 measures?

 22 A Again, because it's a regulatory asset as

 23 opposed to a physical asset.

 24 MR. WARD: That's all I have.

 25 THE WITNESS: That's the main difference.

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 1 MR. WARD: I'm sorry, did I cut you off,

 2 Mr. Said?

 3 THE WITNESS: I said that's my main point.

 4 MR. WARD: I'm sorry. That's all I have.

 5 Thank you.

 6 COMMISSIONER SMITH: Mr. Gollomp.

 7 MR. GOLLOMP: No questions.

 8 COMMISSIONER SMITH: Mr. Fothergill.

 9 MR. FOTHERGILL: I've got a little bit, one

 10 for fun and another more serious.

 11

 12 CROSS-EXAMINATION

 13

 14 BY MR. FOTHERGILL:

 15 Q Among the people that I associate with,

 16 it's a pretty common sense thing is that the Company asks

 17 for twice as much as it wants and the Commission awards

 18 half as much as the Company asks, given that perception

 19 of people, wouldn't it be reasonable to have an

 20 amortization period of 10 to 12 years as opposed to five?

 21 A I guess my answer is no. I think that our

 22 proposal is fair. When you look at the expenditures, the

 23 deferred expenditures, that have already been approved in

 24 the past, they've already been going through a period of

 25 amortization and now we're adding a five-year. We're

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 1 reducing from a 24-year, but we've already amortized for

 2 a number of years on expenditures that have been approved

 3 in the past, so if you look at the pieces of the

 4 application, there are some expenditures that will

 5 eventually be recovered over a nine-and-a-half-year

 6 period if our five-year amortization is approved at this

 7 point in time because there's already been a period of

 8 amortization for those, so we're recommending at this

 9 point in time that everything be shifted to a five-year,

 10 but I think it should be recognized that the recovery of

 11 those expenditures is longer than five years in some

 12 instances.

 13 Q Thank you. I have one further question.

 14 Following on Mr. Jauregui's questions where he asked you

 15 if the DSM investments had been evaluated using a useful

 16 life of five years as opposed to 15 to 30 years that some

 17 of them, most of them, would have been found to be not

 18 cost effective, that was his question to you and as I

 19 recall you said perhaps.

 20 A I think he changed his question to ask

 21 whether or not it would change the economics. I don't

 22 know what impact it would have on the cost effectiveness

 23 of the programs.

 24 Q Well, take it from an individual, just an

 25 individual resident or business point of view and the

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 1 shift from a 15 to a 30, a 15, 20, 25 useful life to a

 2 five-year useful life could make the programs a burden,

 3 not a benefit; isn't that true; that is, it could

 4 undermine the benefits relative to the costs?

 5 A If you assume a five-year useful life as

 6 opposed to a longer life, then the benefits are reduced.

 7 Q Then the benefits what?

 8 A Are reduced.

 9 Q To the point where they could be a burden

 10 as opposed to a benefit; isn't that accurate?

 11 A That's possible.

 12 MR. FOTHERGILL: Thank you very much.

 13 That's all I have.

 14 COMMISSIONER SMITH: Mr. Purdy.

 15 MR. PURDY: Thank you.

 16

 17 CROSS-EXAMINATION

 18

 19 BY MR. PURDY:

 20 Q I think I've whittled this down to just two

 21 areas. Briefly, Mr. Said, first I wanted to ask you a

 22 couple of questions about the Company's commercial

 23 lighting program. Now, I believe that you have testified

 24 in rebuttal that the Company conducted what you term

 25 persistence evaluations of what I'll call the CLP; is

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 1 that right?

 2 A Yes. In the fourth quarter of 1997, some

 3 of our employees went to a number of sites to verify that

 4 the lighting measures that had been funded were still in

 5 place.

 6 Q All right. Isn't it true that prior to the

 7 filing of your rebuttal testimony the Commission Staff

 8 submitted production requests to Idaho Power asking the

 9 Company to identify any types of evaluations that it

 10 performed on the CLP?

 11 A I think there were a number of requests and

 12 the terms of evaluations and reports and there are a

 13 number of names that were used. We provided conservation

 14 reports and a number of the formal written evaluations

 15 that the Company had performed and I think there may have

 16 been some communication problems as to the level of

 17 detail. I think we tried to make the Commission aware

 18 that there were a number of files that the Company had

 19 that were available for inspection that would contain

 20 more information as to the programs than what we provided

 21 in response to data requests.

 22 Q All right, then I guess I'll have to

 23 approach it this way.

 24 May I approach the witness?

 25 COMMISSIONER SMITH: Certainly.

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 1 MR. RIPLEY: I think if counsel is going to

 2 make inquiry about production requests, probably he

 3 should make them through me to Mr. Said. Obviously, all

 4 of the answers say that they were prepared in

 5 consultation with me.

 6 MR. PURDY: Well --

 7 MR. RIPLEY: I think it's a little unfair

 8 to ask the witness as to a number of information requests

 9 that were made and we have certainly nothing to hide.

 10 We're simply attempting to ensure that whatever point

 11 you're attempting to make be made as correctly as

 12 possible.

 13 COMMISSIONER SMITH: Mr. Purdy.

 14 MR. PURDY: I'm simply trying to establish

 15 what the Company provided the Commission Staff prior to

 16 the preparation of Idaho Power's rebuttal testimony. If

 17 necessary, I can ask Mr. Said what his involvement was,

 18 if any, in the preparation of the Company's response, but

 19 I think that it's quite routine to question a witness as

 20 to responses that the client he represents provided to

 21 another party in any proceeding before this Commission.

 22 COMMISSIONER SMITH: Let's go ahead and see

 23 how we do, Mr. Ripley.

 24 MR. RIPLEY: Okay.

 25 (Mr. Purdy approached the witness.)

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 1 MR. PURDY: Do you need a minute, Counsel?

 2 MR. RIPLEY: I don't know. I guess, yes.

 3 COMMISSIONER SMITH: We'll be at ease for a

 4 moment.

 5 (Pause in proceedings.)

 6 MR. PURDY: Mr. Said --

 7 MR. RIPLEY: If we could have just a

 8 moment.

 9 I think we're ready.

 10 COMMISSIONER SMITH: Thank you,

 11 Mr. Ripley.

 12 Okay, Mr. Purdy.

 13 MR. PURDY: Thank you.

 14 Q BY MR. PURDY: Mr. Said, I have handed to

 15 you what I represent to be a copy of an excerpt of the

 16 Company's response in this proceeding to the Commission

 17 Staff's Request for Production No. 9. Do you have that

 18 in front of you?

 19 A Yes, I do.

 20 Q All right. My next question is will you

 21 please read the underlying request there and subpart (a)

 22 of that request?

 23 A "Provide copies of any management,

 24 monitoring, or evaluation plans prepared or utilized for

 25 the commercial lighting efficiency programs."

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 1 Q All right, and then will you read to me the

 2 Company's response and subpart (c) of that response?

 3 A "The management and status reports for the

 4 programs are included in the Conservation Plans of Idaho

 5 Power that are published annually. A copy of

 6 Conservation Plans for the years 1989 through 1997 has

 7 been provided. The Company will soon release its 1998

 8 Conservation Plan and a copy will be provided.

 9 References to the particular program years are set forth

 10 below. Commercial Lighting Program, 1993 through 1997."

 11 Q Thank you; so when you say, you testified

 12 earlier, I believe, that you attempted to alert the

 13 Commission and parties to the effect that there was

 14 information available regarding what efforts the Company

 15 had done or undertaken to evaluate the commercial

 16 lighting program, is that what you're talking about, the

 17 1998 conservation plan?

 18 A No. Again, as I read this request, the

 19 request is for management, monitoring and evaluation

 20 plans, which the information that Mr. Anderson came and

 21 reviewed later on I wouldn't consider to be a plan --

 22 Q All right, then -- sorry.

 23 A -- and I didn't say that we had made an

 24 effort to tell the parties of the existence of these,

 25 that was true only of Staff. Early on the Commission

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 1 Staff had asked us for a number of materials that were

 2 related to these questions that came later and we

 3 provided that information and said that in addition to

 4 the information provided, there were numerous files on

 5 all of the programs.

 6 Q Then I would ask you to please in that same

 7 document that you have before you read on the record what

 8 is listed there as Commission Staff Request No. 10 and

 9 subpart (a) of that request.

 10 A "Provide copies of any progress reports,

 11 program evaluations, impact assessments, performance

 12 summaries or similar documents prepared for the

 13 commercial lighting efficiency programs."

 14 Q Thank you. Now, will you please read the

 15 first sentence of the Company's response to Request

 16 No. 10?

 17 A "In response to Requests 10(a), 10(b) and

 18 10(c), all progress reports, program evaluations and

 19 impact assessments conducted by or for Idaho Power are

 20 included in the Plan or the Technical Appendices by

 21 program."

 22 Q Thank you, and I assume that that is

 23 referring to the 1998 conservation plan; is that

 24 correct? When the word "plan" appears in the Company's

 25 response to Request No. 10, are you talking about the

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 CSB REPORTING SAID (X-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 Company's 1998 conservation plan?

 2 A The next line says, "The Plan was published

 3 yearly, 1989 through 1997"; so I assume it's referring to

 4 each of those years.

 5 Q All right. Well, then my question is where

 6 in any of the Company's conservation plans, any of the

 7 appendices to those plans or anywhere else will I find

 8 mention of the persistence evaluations that you indicate

 9 Idaho Power conducted for the CLP?

 10 A I think, again, it's a nature of

 11 communication. I'm assuming that when Ms. Nemnich

 12 responded to this question that she did not review her

 13 files on the commercial lighting program as constituting

 14 a report, an evaluation or an assessment. It was just

 15 field data from her perspective.

 16 Q And is Ms. Nemnich that you referred to

 17 Ms. Darlene Nemnich who is an employee of Idaho Power

 18 Company?

 19 A Yes.

 20 Q And is she the person who was primarily

 21 responsible for the preparation of your response to

 22 Request No. 10?

 23 A She is listed along with Mr. Werner as

 24 having coordinated the answer with Mr. Ripley.

 25 Q All right. You were present at the

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 1 deposition of Ms. Nemnich that was taken a couple of

 2 weeks ago, weren't you?

 3 A Yes.

 4 Q All right. Do you recall her testimony to

 5 the effect that no specific impact evaluation was

 6 conducted for the CLP?

 7 A Again, I think that's consistent with what

 8 I perceive as Ms. Nemnich's perception of what

 9 constitutes a report or an evaluation as opposed to field

 10 notes.

 11 Q So your answer was that yes, you agree with

 12 my characterization of her deposition testimony that she

 13 agreed that no impact evaluation, and I'll use those

 14 precise terms, was conducted for the CLP?

 15 A I believe her deposition response was

 16 consistent with her data request response.

 17 Q I'm sorry, that wasn't my question. Do you

 18 need me to repeat my question?

 19 A Yes, I guess I do.

 20 Q Okay. Would you agree with my

 21 characterization of Ms. Nemnich's testimony that she

 22 testified, her deposition testimony that she testified,

 23 that the Company had not performed an impact evaluation

 24 of the CLP?

 25 A I think that's true and that's consistent

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 1 with her response in the data request.

 2 Q Thank you. Now, I would ask you to turn to

 3 page 17 of your rebuttal testimony. Do you have that in

 4 front of you?

 5 A Yes, I do.

 6 Q On that page you make mention of site

 7 verifications that were conducted for the CLP. My

 8 question is, do you know whether any of the surveyed

 9 sites were selected randomly or what criteria, if any,

 10 were used in the selection of those sites?

 11 A My understanding is that there was a random

 12 sample that was drawn and then as many of those sites

 13 that were within the sample as could be visited were

 14 visited, so the visiting within the sample may not have

 15 been entirely random, but the sample that was initially

 16 drawn was.

 17 Q Do you have any idea of how many of those

 18 sites have changed ownership?

 19 A No, I don't.

 20 Q Can you tell us how many of those sites are

 21 no longer using the lighting measures that were installed

 22 under the CLP?

 23 A I believe that only one required a change

 24 of ballasts, but otherwise, the majority, if not all of

 25 the rest, had the original equipment.

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 1 Q Where did you get your information that you

 2 utilized in preparing your testimony on the CLP,

 3 Mr. Said? Did you get that from Ms. Nemnich?

 4 A Yes, I did.

 5 Q And Idaho Power did not call her as a,

 6 present her as a, witness to this proceeding in support

 7 of its application, did it?

 8 A No.

 9 Q In your mind, what is the difference

 10 between an impact evaluation and a site -- I'm sorry, a

 11 persistence evaluation?

 12 A Again, I believe that from Ms. Nemnich's

 13 point of view a program evaluation is a formal written

 14 document. For purposes of persistence, we could go to

 15 what I would call more field notes and see how many sites

 16 continued to have the measure in place.

 17 Q Yet you're not -- I believe I asked you

 18 earlier if you could tell me how many of the sites that

 19 the Company did inspect had in fact, still have the

 20 conservation lighting measures in place and your answer

 21 was that you didn't know.

 22 A I said the majority. Of the sites that --

 23 I think there were about 139 sites that were looked at

 24 and, to my knowledge, only a couple had, one or two had,

 25 adjustments to the facilities that had been in place.

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 1 Q And that's the extent of the evaluation

 2 that you did, that the Company did, of the CLP?

 3 A Yes. We were in the process of looking

 4 into discontinuance of the program and were of the

 5 opinion that if you were going to discontinue a program

 6 that it wasn't reasonable to put a lot of time and effort

 7 into a written report whose sole purpose would be to

 8 propose modifications or discontinuance of the program.

 9 Q Let me see if I can get this resolved in

 10 one question. Haven't we established, and now I'm

 11 talking about cost allocation, allocation of the

 12 Company's DSM cost recovery, haven't we established that

 13 the ability of a class to participate in Idaho Power's

 14 DSM programs does not necessarily mean that every

 15 customer in that class had the ability to participate?

 16 A Yes, that we have.

 17 Q All right, and I think we've established

 18 that there might have been some barriers, actual

 19 barriers, to participation; for instance, in the example

 20 of the mobile home or manufactured home program, the only

 21 customer that would be eligible for that program, of

 22 course, is one who purchased a manufactured home; is that

 23 right?

 24 A Yes.

 25 Q And as a practical matter, in any other DSM

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 1 program, a customer who had already installed whatever

 2 conservation measures were available under the program

 3 wouldn't have any reason to participate in the Company's

 4 program, would it?

 5 A That's true.

 6 MR. PURDY: That's all I have. Thank you.

 7 COMMISSIONER SMITH: Thank you, Mr. Purdy.

 8 Commissioner Nelson.

 9 COMMISSIONER NELSON: Thank you.

 10

 11 EXAMINATION

 12

 13 BY COMMISSIONER NELSON:

 14 Q I have a couple of questions on your

 15 exhibits in your direct, Mr. Said, on Exhibits 2 and 6.

 16 If you'd look at Exhibit 6 for just a second, would you

 17 agree with me that when you allocate the carrying charges

 18 to the different schedules it's a uniform percentage?

 19 A A uniform percentage applied to line 12?

 20 Q Yes.

 21 A Yes.

 22 Q If you look at Exhibit 2, it looks to me

 23 like the investments were made, if I picked out the right

 24 exhibit here, the investments were made at very different

 25 times and it just seems to make sense to me that the

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 1 carrying charges for each program and each class of

 2 customers would have to be different.

 3 A You could vintage the carrying charges by

 4 program.

 5 Q Wouldn't it be normal to accrue those

 6 carrying charges monthly or at least quarterly?

 7 A The carrying charges are accrued monthly,

 8 but they aren't assigned to programs at that point in

 9 time or on the Company's books, so to do such an

 10 allocation would require you to vintage the projects and

 11 make that calculation at a later point in time.

 12 Q Don't you think that it would make quite a

 13 bit of difference in the amount that was allocated, say,

 14 between Schedule 24 and residential considering that

 15 residential programs were falling off starting in 1994

 16 and the agricultural program was at least

 17 semi-consistent?

 18 A It would have an impact, yes.

 19 COMMISSIONER NELSON: Okay, thank you.

 20 COMMISSIONER SMITH: That's it?

 21 COMMISSIONER NELSON: Yes.

 22 COMMISSIONER SMITH: I just have a few.

 23

 24

 25

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 Wilder, Idaho 83676 Idaho Power Company

 1 EXAMINATION

 2

 3 BY COMMISSIONER SMITH:

 4 Q First of all, I need to clear up some

 5 confusion that I have since you answered questions of

 6 Mr. Jauregui and then Mr. Fothergill. The way I was

 7 seeing this was that the establishment of a useful life

 8 of any project or program that you wanted to implement

 9 would be done as one process, probably before you went

 10 into the project to see if you thought it was worth

 11 doing.

 12 A Yes.

 13 Q And then the amortization of the expenses

 14 that were actually incurred I see as a separate process,

 15 probably occurring at a separate time; am I seeing it

 16 incorrectly?

 17 A No, I would see it the same way.

 18 Q Okay; so the fact that we decide 30 years

 19 in one order, 24 in another, that doesn't change the

 20 useful life of whatever product or procedure was

 21 implemented?

 22 A Right.

 23 Q All right. Now, second of all, Mr. Ward

 24 asked you a question about a five-year depreciation for

 25 all of your generation and I'm wondering, would the

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 Wilder, Idaho 83676 Idaho Power Company

 1 Company object to that?

 2 MR. RIPLEY: If funded during the rate

 3 freeze.

 4 COMMISSIONER SMITH: Yeah, we'll do it

 5 during the rate freeze, it will be all right.

 6 THE WITNESS: In that case, we'd wait until

 7 after the rate freeze.

 8 Q BY COMMISSIONER SMITH: Okay, third, assume

 9 that we want to perpetuate the common wisdom that was

 10 referred to by Mr. Fothergill, I guess my question is to

 11 you, would 10 or 12 years be better than 24?

 12 A It's certainly a move in the correct

 13 direction. I think, though, that our proposal for a

 14 five-year amortization is a reasonable one, especially in

 15 light of the fact that we've already been amortizing for

 16 a period of time, and so when you look at those

 17 expenditures that have been being amortized and add a

 18 five-year period to that, you are closer to the 10-year

 19 period for at least a portion of the investment that's

 20 being recovered.

 21 COMMISSIONER SMITH: Thank you.

 22 Do you have redirect, Mr. Ripley?

 23 MR. RIPLEY: Yes, I do and he's got some of

 24 my material, if you'll beg my indulgence.

 25 (Mr. Ripley approached the witness.)

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 Wilder, Idaho 83676 Idaho Power Company

 1 REDIRECT EXAMINATION

 2

 3 BY MR. RIPLEY:

 4 Q Mr. Said, as a follow-up to a question by

 5 Commissioner Smith, in the 1998 conservation plan that's

 6 been filed with this Commission and referred to, does the

 7 Company comment on the 24-year amortization period versus

 8 the five-year amortization period?

 9 A Yes, it does.

 10 Q And what is the Company's comment in the

 11 conservation plan in regard to the 24 years versus the

 12 five years as far as cost effectiveness, et cetera?

 13 A It might be best for me just to read it.

 14 Q All right.

 15 A "The levelized costs include an adder for

 16 the present value of revenue requirement for deferred

 17 costs. 24-year amortization based on an Idaho Commission

 18 Order is assumed in computing the adder. The Company

 19 believes that a 24-year amortization period is too long

 20 and currently has cases pending in both Idaho and Oregon

 21 before both the Idaho and Oregon commissions that would

 22 reduce the amortization period significantly. The long

 23 amortization period adds substantially to the overall

 24 amount to be recovered because of additional carrying

 25 charges. The Company notes that a five-year amortization

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 1 period would reduce the amounts of the revenue

 2 requirement adders by 40 percent."

 3 Q Now, counsel for the Irrigators asked you

 4 some questions. First, he asked you as to the number of

 5 customers that Idaho Power Company had, irrigation

 6 customers --

 7 A Yes, I remember that question.

 8 Q -- and he used a number that I quite

 9 frankly don't recall, but is that number of customers, of

 10 irrigators, is that normally listed in terms of accounts

 11 or actually physical customers or is there a difference?

 12 A Generally, the number of customers that's

 13 listed in a cost of service-type study would be the

 14 number of accounts rather than specifically the number of

 15 customers. Often there are customers, especially in the

 16 irrigation class, that would have a number of accounts.

 17 Q So if I understand it correctly, if I am an

 18 irrigator and I had five irrigation accounts, Idaho Power

 19 Company would report me as five customers?

 20 A That's correct.

 21 Q Now, when the Company is referring to

 22 participants in conservation programs, what does it mean

 23 by the term "participant" as you understand it?

 24 A In that case, it truly is referring to the

 25 customer rather than the account.

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 Wilder, Idaho 83676 Idaho Power Company

 1 Q So a participant could have a number of

 2 accounts, so participant could be, in the vernacular

 3 we've been using here could be, a number of customers?

 4 A That's true.

 5 Q So you couldn't compare the participants to

 6 the customers and come up with a meaningful percentage?

 7 A It's a little bit mixing of apples and

 8 oranges.

 9 Q Now, when counsel asked you as to when the

 10 participants first started showing up in the Company's

 11 conservation plans, is there a lag between the time that

 12 an individual begins to participate in the audit,

 13 et cetera that's necessary for an irrigation program and

 14 the actual funding of the irrigation measure,

 15 conservation measure?

 16 A I'm not exactly sure when the funding

 17 occurs. I believe they have to pass a number of

 18 criteria, so there would be a bit of a delay from the

 19 time that they inquire to the time that the measure is

 20 actually funded.

 21 Q There is a necessary lag, particularly in

 22 the irrigation program, between participation initially

 23 and funding of the DSM program once it's been installed?

 24 A I think that's true.

 25 Q Now, you've been asked several times about

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 1 the Company's resource planning and I believe you were

 2 asked is it a decision by the utility industry to go to

 3 five years and you responded yes. Do you recall that?

 4 A Yes, I do.

 5 Q Now, when the utility makes or the industry

 6 for that matter makes the decision to go to five years,

 7 does it file with the various regulatory agencies, and

 8 here I'm referring specifically to Idaho Power Company,

 9 does it file resource plans with its regulatory agencies?

 10 A Yes, it does.

 11 Q Does it file such resource plans with the

 12 Idaho Commission?

 13 A Yes.

 14 Q Does the Idaho Commission review those

 15 resource plans and determine whether or not it will

 16 concur in the resource plan as filed by Idaho Power?

 17 A Yes.

 18 Q So although Idaho Power might initiate the

 19 change, its concurred in by the Idaho Commission?

 20 A Yes.

 21 Q And essentially, the change, as I

 22 understand it, has been a switch to dependence on

 23 regional resources as opposed to system resources of a

 24 particular utility?

 25 A Yeah, from the perspective of Idaho Power

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 1 Company, again, there is no plan to build additional

 2 resources. Rather, the Company intends to purchase

 3 whatever needs it may have for our power in the future.

 4 Q And has this been caused by, at least in

 5 part, the changes that the Federal Energy Regulatory

 6 Commission has imposed upon the utility industry as far

 7 as generation is concerned, if you know?

 8 A I guess I'm not sure exactly where you're

 9 going with that question. To a large extent it's driven

 10 by kind of a change in philosophy with regard to market

 11 price and FERC decisions have certainly impacted that.

 12 Q Better said than my question. Now, you

 13 were asked a question by -- if I could approach the

 14 witness.

 15 COMMISSIONER SMITH: Sure.

 16 (Mr. Ripley approached the witness.)

 17 Q BY MR. RIPLEY: You were asked a question

 18 by counsel for FMC as to whether or not there were any

 19 conservation measures for arc furnaces that you know

 20 about.

 21 A Yes.

 22 Q In the last general rate proceeding, did

 23 Mr. Yokum testify on behalf of FMC Corporation, to the

 24 best of your knowledge?

 25 A Yes, he did.

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 Wilder, Idaho 83676 Idaho Power Company

 1 Q And did Mr. Yokum's testimony refer to the

 2 conservation efforts by FMC?

 3 A He was asked if FMC takes internal steps to

 4 reduce power costs and he responded that most definitely

 5 they do.

 6 Q And did he say that their energy

 7 conservation focus was on the furnaces?

 8 A He talks about the full plant. He mentions

 9 that 94 percent of the plant power is used for the

 10 furnace and that the remaining 6 percent is used for

 11 operating presses, conveyors, environmental pumps and

 12 other support equipment.

 13 Q Now, you're certainly not an arc furnace

 14 expert?

 15 A No, I'm not.

 16 Q So whether or not FMC can conduct any

 17 energy conservation measures for arc furnaces is really

 18 up to FMC?

 19 MR. WARD: Madam Chair?

 20 COMMISSIONER SMITH: Mr. Ward.

 21 MR. WARD: I hate to object at this late

 22 date, but the cross that Mr. Ripley is trying to respond

 23 to only had to do with whether Idaho Power had any

 24 conservation measures for arc furnaces. Other than that,

 25 the context of what Mr. Yokum said last time seems

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 1 obvious to me, but I did want to make that objection for

 2 the record that this examination is irrelevant.

 3 MR. RIPLEY: I didn't bring it up to begin

 4 with, it was counsel for FMC, but the issue is whether or

 5 not FMC could participate under PIE and it's up to the

 6 customer to come forward with the energy conservation

 7 measures that they deem prudent or necessary. It's not

 8 for Idaho Power Company to decide what measures are

 9 prudent and accordingly, when he asked Mr. Said, you

 10 know, if there are any conservation measures for arc

 11 furnaces, obviously, it's not for Mr. Said to make that

 12 determination. It's for FMC to propose those measures if

 13 in fact there are such measures and that's the purpose of

 14 my questions.

 15 COMMISSIONER SMITH: Shall we go on?

 16 MR. RIPLEY: Certainly.

 17 COMMISSIONER SMITH: Are we done?

 18 MR. RIPLEY: Just with one final question.

 19 I think there's a pending question, but I'll simply

 20 rephrase it.

 21 Q BY MR. RIPLEY: Mr. Said, if there are any

 22 energy conservation measures that FMC could participate

 23 in for its arc furnaces, you don't know if they can

 24 participate with a particular project, it's up to FMC to

 25 propose the project under the now defunct PIE; would that

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 1 be true?

 2 A Yes, I believe it would.

 3 Q And that would also be true for Micron,

 4 would it not, it's up to Micron to propose if there are

 5 such measures?

 6 A It's true of all the customers that they

 7 need to approach the Company and see whether or not their

 8 project fits into the criteria.

 9 Q All right. Now, just so that the record is

 10 clear, in the questions that counsel for Staff was asking

 11 you in reference to the information supplied for the

 12 commercial lighting program, the responses to those

 13 information requests are attributed to a Mrs. Darlene

 14 Nemnich, not to you?

 15 A That's correct.

 16 Q Have you been contacted by Staff other than

 17 this cross-examination as to whether there is a further

 18 explanation other than the cross that you might give to

 19 the information requests?

 20 A No. Again, initially we were contacted and

 21 asked for some information which we provided and at that

 22 time stated that there were numerous files in addition to

 23 those. After that, we then got the formal data requests

 24 which essentially asked for the same materials that we

 25 had supplied and we made those same pieces of information

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 CSB REPORTING SAID (Di-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 available. After that point in time there was no

 2 additional informal contact or interaction between Staff

 3 and myself on this issue.

 4 Q Before we lose sight of the point, during

 5 this period of time that Idaho Power Company was

 6 conducting this evaluation, was Idaho Power Company also

 7 considering and preparing the application to discontinue

 8 the commercial lighting program?

 9 A Yes, it was.

 10 Q Did Idaho Power Company propose

 11 discontinuance of the commercial lighting program on the

 12 grounds that it was not cost effective?

 13 A No.

 14 Q What purpose would the study or evaluation

 15 provide to Idaho Power Company's application to

 16 discontinue the program that it filed with this

 17 Commission?

 18 A From the perspective of the Company, the

 19 evaluation would add nothing to its application to

 20 discontinue the program.

 21 MR. RIPLEY: Thank you. That's all the

 22 redirect I have.

 23 COMMISSIONER SMITH: Thank you very much

 24 for your help, Mr. Said.

 25 MR. PURDY: Madam Chair?

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 CSB REPORTING SAID (Di-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 COMMISSIONER SMITH: Mr. Purdy.

 2 MR. PURDY: I'm sorry, is this the copy?

 3 MR. RIPLEY: Yes, it is.

 4 MR. PURDY: I would ask that the excerpt of

 5 the production response I gave Mr. Said be marked as

 6 Staff Exhibit No. 105.

 7 COMMISSIONER SMITH: Any objection to

 8 marking that as Exhibit 105? Then we will so mark it.

 9 (Staff Exhibit No. 105 was marked for

 10 identification.)

 11 COMMISSIONER SMITH: Let's go off the

 12 record for a few minutes.

 13 (Off the record discussion.)

 14 COMMISSIONER SMITH: Let's take a

 15 ten-minute break.

 16 (Recess.)

 17 COMMISSIONER SMITH: Okay, let's go back on

 18 the record. I think we're at your next witness,

 19 Mr. Ripley.

 20 MR. RIPLEY: Yes, we'd call Mr. Gale.

 21 COMMISSIONER SMITH: And Mr. Gale has been

 22 sworn just now while you looked the other way.

 23

 24

 25

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 1 JOHN R. GALE,

 2 produced as a rebuttal witness at the instance of the

 3 Idaho Power Company, having been first duly sworn, was

 4 examined and testified as follows:

 5

 6 DIRECT EXAMINATION

 7

 8 BY MR. RIPLEY:

 9 Q Mr. Gale, did you have cause -- well, first

 10 let me ask your name for the record, please.

 11 A John R. Gale.

 12 Q Did you have cause to be prepared for this

 13 proceeding certain prefiled testimony consisting of

 14 15 pages and two exhibits marked for identification as

 15 Exhibit No. 12 and Exhibit No. 13?

 16 A Yes, I did.

 17 Q And if I asked you the questions set forth

 18 in that testimony, would your answers be the same today?

 19 A I have one change.

 20 Q All right.

 21 A That would be on page 6, line 10, and it's

 22 the number at the end of the sentence. We omitted an

 23 intervenor award in our calculation, so that number needs

 24 to be adjusted. I would correct it to 5,353,405.

 25 Q 363?

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 Wilder, Idaho 83676 Idaho Power Company

 1 A 353.

 2 COMMISSIONER NELSON: It went down?

 3 THE WITNESS: Right. There's an intervenor

 4 award that needed to be deducted from the sharing.

 5 MR. PURDY: Could I ask the whole amount

 6 again?

 7 THE WITNESS: You bet. The whole amount is

 8 5,353,405 and that should be 5,606 less than the amount

 9 originally filed.

 10 Q BY MR. RIPLEY: Is that the Rate Fairness

 11 Group's intervenor funding award from the last

 12 proceeding?

 13 A Correct.

 14 Q Are there any changes to your exhibits?

 15 A No.

 16 MR. RIPLEY: Then we would request that

 17 Mr. Gale's testimony be spread upon the record as if read

 18 with the one exception and would ask that Exhibits 12 and

 19 13 be marked as previously noted.

 20 COMMISSIONER SMITH: If there is no

 21 objection, it is so ordered.

 22 (The following prefiled rebuttal

 23 testimony of Mr. John Gale is spread upon the record.)

 24

 25

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 CSB REPORTING GALE (Di-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 Q. Please state your name, your employer, and

 2 your business address.

 3 A. My name is John R. Gale. I am employed by

 4 Idaho Power Company (Idaho Power or the Company) as

 5 General Manager of Pricing and Regulatory Services. My

 6 business address is 1221 West Idaho Street, Boise, Idaho.

 7 Q. Please summarize your work experience at

 8 Idaho Power.

 9 A. I started with the Company 15 years ago as

 10 a Rate Analyst in the Rates and Contracts Department.

 11 All but one year of my employment has been in the rates

 12 and regulatory arena. I became Manager of Rates in 1991.

 13 My current title is General Manager of Pricing and

 14 Regulatory Services. I am responsible for the oversight

 15 of the Company's regulatory filings, marginal and

 16 embedded cost of service studies, rate design, tariff

 17 administration, and retail electric service contract

 18 administration.

 19 Q. Have you previously provided direct

 20 testimony in Case No. IPC-E-97-12?

 21 A. No.

 22 Q. What is the purpose of your testimony at

 23 this time?

 24 A. I will respond to the positions adopted by

 25 the staff and the intervenors with regard to the

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 GALE, Di-Reb 1

 Idaho Power Company

 1 following issues: (1) the appropriate carrying charge to

 2 be applied to the deferred Demand-Side Management (DSM)

 3 balances; (2) the appropriate tax considerations that are

 4 required in establishing customer rates; and (3) the

 5 impact of adjusting the revenue requirement associated

 6 with deferred DSM program expenses based upon changes to

 7 the ongoing expenses recognized in current rates. I am

 8 also sponsoring an exhibit which will summarize Idaho

 9 Power's position in this case after consideration of the

 10 recommendations of the various parties in their direct

 11 testimony.

 12 Q. Should failure on your part to address

 13 every specific issue raised by all the parties indicate

 14 your agreement with their position?

 15 A. No. In the short amount of time allocated

 16 to preparing rebuttal testimony there is simply not

 17 enough time to address every item. Failure on my part to

 18 discuss any particular issue does not imply that the

 19 Company endorses or accepts such position.

 20 Q. Have you reviewed the testimony of Ms.

 21 Carlock and Dr. Peseau regarding the appropriate carrying

 22 charge that should be applied to the DSM deferrals?

 23 A. Yes. Both Ms. Carlock and Dr. Peseau

 24 recommend applying a different carrying charge to the DSM

 25 deferrals than has been applied in the past and was

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 GALE, Di-Reb 2

 Idaho Power Company

 1 authorized by this Commission in prior orders. Their

 2 method creates a hypothetical cost of capital to be

 3 applied selectively to an investment that was previously

 4 funded by all of the Company's sources of capital. Both

 5 Ms. Carlock and Dr. Peseau suggest using a carrying

 6 charge comprised only of short-term debt.

 7 Q. What is your response to their

 8 recommendations?

 9 A. I believe their recommendations would have

 10 merit if, instead of a hypothetical adjustment, the use

 11 of debt actually resulted in the immediate recovery of

 12 the deferred amount by Idaho Power. What they suggest

 13 appears to be what has become known as the

 14 "securitization process" that has been explored in

 15 several other states. An up to date discussion of

 16 securitization prepared by Regulatory Research

 17 Associates, Inc. is provided as Exhibit 12. Idaho Power

 18 is willing to explore the possibility of securing this

 19 amount with the Commission staff and other parties and

 20 would agree to adjust the rate filing accordingly if

 21 securitization were successful. Absent front-end

 22 recovery securitized by an actual bond issue, the

 23 hypothetical elimination of the common equity and the

 24 preferred components of the overall cost of capital is

 25 inappropriate. Hypothetical treatment is impractical and

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 GALE, Di-Reb 3

 Idaho Power Company

 1 unfair to the Company. It is impractical because in

 2 reality Idaho Power does not apportion its rate base and

 3 assign different capital costs to the portions. It is

 4 unfair because the hypothetical application arbitrarily

 5 reduces the return from what was ordered when the

 6 programs were implemented. The current DSM deferred

 7 balance was financed or funded by the existing capital

 8 structure of the Company. It would be financed

 9 exclusively by short-term debt only if the DSM balance

 10 was securitized.

 11 Q. What is your response to the assertion of

 12 Ms. Carlock and Dr. Peseau that the shorter amortization

 13 results in less risk to the Company?

 14 A. Viewed in isolation there is a minimal

 15 risk reduction related to the shortening of the

 16 amortization period, but not nearly to the degree that

 17 Ms. Carlock suggests. Her treatment reduces the tax

 18 effected cost of capital of 12.8% to 7.0%, a decrease of

 19 580 basis points. In comparison, the difference between

 20 like bond instruments with 5 year and 25 year maturities

 21 is 60 basis points.

 22 Q. How has Idaho Power's overall rate of

 23 return been traditionally determined by the Commission?

 24 A. Idaho Power's overall rate of return has

 25 been traditionally set in the context of a general rate

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 GALE, Di-Reb 4

 Idaho Power Company

 1 case where all the factors impacting risk can be

 2 examined.

 3 Q. What is your recommendation regarding the

 4 appropriate carrying charge to be applied against the

 5 unamortized DSM balances?

 6 A. My recommendation is that the Commission

 7 continue to use Idaho Power's authorized overall rate of

 8 return which is what the Commission provided for in its

 9 orders approving the Company's system DSM program

 10 deferral authorizations.

 11 Q. What is your understanding of Ms.

 12 Carlock's method for computing the necessary tax

 13 gross-up amount when applicable?

 14 A. My understanding is that Ms. Carlock

 15 recommends that the appropriate method for computing the

 16 tax gross-up amount is to apply the gross-up to the

 17 equity piece of the capital structure only as opposed to

 18 applying the gross-up to the full amount as originally

 19 filed by Idaho Power.

 20 Q. What is the Company's position as to this

 21 recommendation?

 22 A. The Company will accept her recommendation

 23 to apply the tax gross-up to the equity components of the

 24 capital structure for purposes of this proceeding.

 25 However, the cost of capital components should be

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 GALE, Di-Reb 5

 Idaho Power Company

 1 weighted by their costs in order to determine the

 2 percentage that should be grossed up. When the different

 3 capital costs are considered, the percentage to which the

 4 gross-up should apply increases to 60 percent.

 5 Q. Does Idaho Power's acceptance of Ms.

 6 Carlock's method impact the earnings sharing calculation

 7 for 1997?

 8 A. Yes. Using her tax gross-up method and

 9 weighting the cost of capital components results in an

 10 earnings sharing amount of $5,353,405.

 11 Q. While Ms. Carlock has agreed to a tax

 12 gross-up on carrying charges that have been applied to

 13 deferred DSM expenditures to date, she suggests that a

 14 tax gross-up on carrying charges during the amortization

 15 period is not appropriate. Do you agree with Ms.

 16 Carlock's recommendation?

 17 A. No. Ms. Carlock's recommendation again

 18 assumes that the Company will actually issue short-term

 19 debt to fund the recovery of the DSM balance. Absent

 20 securitization, this will not actually occur and as a

 21 result there will be a resulting tax liability associated

 22 with the preferred and equity components of the cost of

 23 capital on the additional revenues that the Company

 24 obtains.

 25 Q. What is your understanding of adjustments

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 GALE, Di-Reb 6

 Idaho Power Company

 1 made by Ms. Carlock related to the ongoing DSM expenses?

 2 A. Ms. Carlock reduces the ongoing DSM

 3 expenses recognized in the Company's revenue requirement

 4 from its present level in the Idaho retail jurisdiction

 5 of $1,060,090 to $212,534, a reduction of $847,556 per

 6 year. Ms. Carlock bases the amount on a two-year average

 7 of recorded administrative and Low Income Weatherization

 8 Assistance (LIWA) amounts.

 9 Q. Do you believe her adjustment is

 10 appropriate?

 11 A. No. I believe her adjustment overstates

 12 the administrative savings and also sets a benchmark for

 13 LIWA expenditures that will lock in reduced expenditures

 14 in the future.

 15 Q. Please separate the ongoing DSM expenses

 16 authorized in the last rate case into its administrative

 17 and LIWA components.

 18 A. The system amount was $820,224 for

 19 administrative expenses and $293,163 for LIWA. The

 20 combined system amount for both components was

 21 $1,113,387. The Idaho jurisdictional amounts were

 22 $1,060,090 total ongoing expenses, $780,960 for

 23 administrative expenses, and $279,130 LIWA program

 24 expenses.

 25 Q. Why does Ms. Carlock's adjustment

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 GALE, Di-Reb 7

 Idaho Power Company

 1 overstate the administrative savings?

 2 A. Idaho Power's organizational structure

 3 makes it difficult to measure the ongoing DSM

 4 administrative costs because both corporate and field

 5 personnel were and are involved in these activities.

 6 Additionally these people work on other assignments

 7 besides DSM. Prior to the general rate case the ongoing

 8 administrative and LIWA costs were deferred for future

 9 recovery. Under the deferred ratemaking treatment,

 10 detailed tracking of administrative costs was much more

 11 critical than after the rate case when the costs were

 12 then expensed. The importance of detailed separation of

 13 labor and other administrative expenses was no longer

 14 required with the change in ratemaking. However, simply

 15 because Idaho Power was not keeping track of the deferred

 16 costs does not mean that the Company was not continuing

 17 to incur them.

 18 Q. Does Ms. Carlock have a point in

 19 contending that DSM ongoing expenses should be expected

 20 to be reduced from the level authorized in the last

 21 general rate proceeding?

 22 A. Yes. However, there continue to be

 23 ongoing administrative costs associated with DSM

 24 activities that her adjustment fails to recognize.

 25 These costs include some of the ongoing expenses of

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 GALE, Di-Reb 8

 Idaho Power Company

 1 administering the LIWA program which are not included in

 2 Ms. Carlock's adjustment. The ongoing expenses of

 3 administering the Northwest Energy Efficiency Alliance

 4 program are also not included nor are they being

 5 deferred. Additionally the Company has and will continue

 6 to have four Agricultural Representatives whose primary

 7 responsibilities include interaction with our irrigation

 8 customers on energy efficiency issues. The Agricultural

 9 Choices program continues to be in existence and requires

 10 the attention of Company personnel. Furthermore, the

 11 Company continues to provide energy efficiency

 12 information to our customers and to evaluate potential

 13 energy efficiency programs on an individual basis.

 14 Q. Do you have a proposal for adjusting the

 15 ongoing administrative amount?

 16 A. The corporate reorganization resulted in

 17 only four individuals leaving the Company who spent the

 18 majority of their time on system DSM program activities.

 19 These individuals did work on other non-DSM activities as

 20 well. A compromise method would be to decrease the

 21 ongoing administrative expenses by netting the fully

 22 loaded payroll expenses of these four individuals against

 23 the amount authorized in the general rate case. Under

 24 this method $337,362 would be deducted from the Company's

 25 original filing on an annual basis corresponding to a

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 GALE, Di-Reb 9

 Idaho Power Company

 1 $1,686,810 reduction to the filing over the five-year

 2 amortization period.

 3 Q. Why will Ms. Carlock's recommendation lock

 4 in reduced LIWA expenditures in the future?

 5 A. The LIWA expense amount included in today's

 6 rates was established by the Commission in Order

 7 No. 25880 entered in Case No. IPC-E-94-5. That expense

 8 amount may or may not be subscribed to by the various

 9 agencies administering the program on behalf of Idaho

 10 Power. The agencies then may or may not utilize the full

 11 amount for which they have subscribed. By setting a

 12 lower LIWA expense level than is currently established,

 13 the LIWA amount will ratchet down and the ultimate amount

 14 of dollars available to program participants will

 15 decrease accordingly.

 16 Q. Describe Idaho Power's funding commitment

 17 to LIWA in 1998.

 18 A. In 1998, Idaho Power has agreed with five

 19 agencies in Idaho to fund up to $212,000, with an

 20 additional liability of $75 per weatherized structure as

 21 an administrative fee to the agencies. If the number of

 22 homes weatherized in 1998 are the same as 1997, the

 23 additional amount for the administrative fee would be

 24 $22,500. The Company has also agreed with the same five

 25 agencies to fund up to $75,000 of weatherization for

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 GALE, Di-Reb 10

 Idaho Power Company

 1 nonprofit organizations. The total estimated LIWA

 2 liability for 1998 is $309,500.

 3 Q. Have you supervised the preparation of an

 4 exhibit to address the issues raised with regard to Idaho

 5 Power's proposed five-year revenue requirement amount of

 6 $42,348,700?

 7 A. Yes. Exhibit 13 was prepared to compare

 8 the revisions Idaho Power believes should be made to the

 9 Company's filed five-year revenue requirement amount of

 10 $42,348,700. The first column shows the various

 11 components of the Company's original filing. The second

 12 column represents the values that Idaho Power believes

 13 are valid in light of the testimony of Commission Staff

 14 and intervening parties resulting in a five-year revenue

 15 requirement of $39,494,033.

 16 Q. Please describe line 1 of Exhibit 13.

 17 A. Line 1 of Exhibit 13 shows the change in

 18 revenue requirement associated with accelerating the

 19 amortization of the pre-1994 deferred DSM balance over

 20 the next five years. Although various parties are

 21 critical of Idaho Power's proposal to accelerate the

 22 amortization period, the Company continues to believe

 23 that regulatory assets should not be recovered as if they

 24 were physical utility assets. The Commission should

 25 recognize that this is especially true in light of

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 GALE, Di-Reb 11

 Idaho Power Company

 1 industry changes. This amount of $13,311,200 assumes

 2 that the accelerated amortization would have begun on

 3 January 1, 1998. Intervening parties have not challenged

 4 this amount.

 5 Q. Please describe line 2 of Exhibit 13.

 6 A. Line 2 of Exhibit 13 shows six months of

 7 amortization of pre-1994 deferred DSM expenditures as a

 8 reduction to the line 1 balance proposed by Commission

 9 Staff to shift the beginning of the accelerated

 10 amortization period to July 1, 1998. The Company agrees

 11 to this reduced balance adjustment of $413,820 (six

 12 months at $68,970 per month).

 13 Q. Please describe line 3 of Exhibit 13.

 14 A. Line 3 of Exhibit 13 shows the deferred

 15 DSM expenditures for the post-1993 through August 1998

 16 period of time amounting to $16,239,800. Intervening

 17 parties have not challenged this amount.

 18 Q. Did the Commission Staff have a

 19 recommended change to the post-1993 deferred DSM

 20 expenditures?

 21 A. Yes. The Commission Staff recommended

 22 disallowance of certain Commercial Lighting Program

 23 expenditures which have been addressed by Mr. Said in his

 24 rebuttal testimony. The Company believes that all

 25 deferred DSM expenditures were prudently incurred and

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 GALE, Di-Reb 12

 Idaho Power Company

 1 therefore has not made any changes to the post-1993

 2 deferred DSM balances.

 3 Q. Please describe line 4 of Exhibit 13.

 4 A. Line 4 of Exhibit 13 shows the carrying

 5 charges on the post-1993 deferred DSM expenditures not

 6 including 1996 or 1997 carrying charges which have been

 7 addressed though revenue sharing determinations.

 8 Intervening parties have not challenged this amount of

 9 $2,967,200.

 10 Q. Please describe line 5 of Exhibit 13.

 11 A. I have discussed the alternative proposals

 12 made by Ms. Carlock and Dr. Peseau with regard to the

 13 appropriate return that the Company should be entitled to

 14 earn during the amortization period. The Company still

 15 recommends that the rate of return of 9.199 percent be

 16 utilized resulting in $4,826,800 of carrying charges

 17 during the five-year amortization period.

 18 Q. Please describe line 6 of Exhibit 13.

 19 A. Line 6 of Exhibit 13 is an adjustment

 20 suggested by Commission Staff. Consistent with the line

 21 2 adjustment to remove six months of continued

 22 amortization, the line 6 adjustment adds six months of

 23 carrying charges to the post-1994 deferred DSM balance to

 24 reflect a beginning date of July 1, 1998 for the

 25 amortization period. The six month carrying charges on

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 GALE, Di-Reb 13

 Idaho Power Company

 1 $19,207,000 ($16,239,800 + $2,967,200) at 9.199 percent

 2 amount to $900,530.

 3 Q. The Commission Staff also recommended an

 4 adjustment to remove six months of amortization of the

 5 1994 DSM expenditures. Please comment.

 6 A. The proposed Commission Staff adjustment is

 7 inappropriate. Idaho Power was cognizant of the three

 8 year requirement and accordingly made this filing to

 9 address the treatment of deferrals of 1994 DSM

 10 expenditures prior to the time that amortization was

 11 required. The Commission has suspended rates relating to

 12 those deferrals and it is not appropriate to now penalize

 13 the Company for regulatory lag when the Company filed in

 14 a timely manner.

 15 Q. Please describe line 7 of Exhibit 13.

 16 A. Line 7 of Exhibit 13 includes the

 17 appropriate tax gross-up on carrying charges. Commission

 18 Staff has suggested that the tax gross-up should only be

 19 applied to the equity portion of the carrying charges.

 20 The Company accepts the Commission Staff suggestion with

 21 the exception that the Company believes that the

 22 appropriate weighted equity percentage is 60 percent.

 23 Therefore the tax gross-up number becomes $3,349,133 [60%

 24 of ($2,967,200 + $4,826,800 + $900,530) \* .642].

 25 Q. Please describe line 8 of Exhibit 13.

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 GALE, Di-Reb 14

 Idaho Power Company

 1 A. As I have discussed in my rebuttal

 2 testimony, I have proposed a compromise adjustment

 3 reflecting a reduction of $337,362 in annual

 4 Administrative and General expenses. Five years of this

 5 reduction amounts to $1,686,810.

 6 Q. Please describe line 9 of Exhibit 13.

 7 A. Line 9 of Exhibit 13 shows the amount that

 8 Idaho Power originally requested in this case,

 9 $42,348,700 to be recovered over five years. The second

 10 column reflects the appropriate 5-year revenue

 11 requirement of $39,246,084 after adjustments have been

 12 made to shift the beginning date of the amortization, to

 13 compute the tax gross-up and to remove some ongoing A&G

 14 expenditures.

 15 Q. Does this conclude your testimony?

 16 A. Yes.

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 GALE, Di-Reb 15

 Idaho Power Company

 1 (The following proceedings were had in

 2 open hearing.)

 3 MR. RIPLEY: We tender Mr. Gale for

 4 cross-examination.

 5 COMMISSIONER SMITH: We'll be different

 6 this time. Do you have any questions, Mr. Fothergill?

 7 MR. FOTHERGILL: No, I have none. Thank

 8 you.

 9 COMMISSIONER SMITH: Mr. Gollomp.

 10 MR. GOLLOMP: No.

 11 COMMISSIONER SMITH: Mr. Jauregui.

 12 MR. JAUREGUI: Yes, I have a few.

 13

 14 CROSS-EXAMINATION

 15

 16 BY MR. JAUREGUI:

 17 Q Turning to page 4 of your testimony --

 18 COMMISSIONER SMITH: Could you turn on your

 19 mike, please?

 20 MR. JAUREGUI: Excuse me.

 21 Q BY MR. JAUREGUI: -- page 4 of your

 22 testimony --

 23 A Yes.

 24 Q -- in line 7, starting on line 6, you refer

 25 to the current DSM deferred balance was financed or

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 Wilder, Idaho 83676 Idaho Power Company

 1 funded by the existing capital structure of the Company.

 2 Isn't it true that the Idaho Power Company has had

 3 capital structure changes and reduced carrying costs

 4 since the 1994 rate case?

 5 A The Company's capital structure has had

 6 changes since the rate case, since the test year in the

 7 rate case.

 8 Q Isn't it true that the long-term debt

 9 structure and composite cost has reduced from 1994 to

 10 1997?

 11 A It may have been reduced. I haven't looked

 12 at the recent long-term debt amount.

 13 Q Are you familiar with your 10-K that you

 14 filed with the FCC, are you familiar with that?

 15 A I'm familiar with our 10-K.

 16 Q If I were to tell you that the '94 number

 17 was 8.02 for long-term debt, composite cost in 1997 was

 18 7.84 as indicated in the 10-K --

 19 A Did you say 7.84?

 20 Q 7.84.

 21 A Okay.

 22 Q -- would you --

 23 A I would accept the number out of the 10-K,

 24 yes.

 25 Q And with respect to the preferred stock,

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 Wilder, Idaho 83676 Idaho Power Company

 1 would you accept the number in 1994 of composite cost of

 2 6.55 versus 1997 of 5.66 percent?

 3 A I would accept that.

 4 Q So there has been a reduction in the

 5 carrying costs to the Company since the last general rate

 6 case?

 7 A In those two items of the capital

 8 structure, yes.

 9 Q At the time that the case was being

 10 prepared, was that prepared under your direction?

 11 A The current case?

 12 Q Yes.

 13 A I was part of a steering committee that

 14 directed the case development.

 15 Q Was there any consideration given to any

 16 adjustments or credits in view of the reduction in

 17 carrying costs both with respect to the amount that

 18 you're requesting and with respect to the carrying costs

 19 involved in the amortization amount?

 20 A As we developed the case, the Company

 21 included the existing overall rate of return as its

 22 carrying cost and did not try to adjust that.

 23 Q In view of the reduced costs, in your

 24 opinion, don't you believe that it is appropriate that it

 25 be reduced?

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 CSB REPORTING GALE (X-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 A Well, overall rate of return is typically

 2 reviewed and ruled upon in a general rate case where all

 3 kinds of risk factors can be entertained, discussed and

 4 decided. It was not our view that this was a general

 5 rate case.

 6 Q With respect to DSM expenses, are you not

 7 requesting particular or special handling of DSM costs

 8 over a particular period of time? I believe you've

 9 recommended a five-year period of time.

 10 A Yes, we've asked for an accelerated

 11 amortization of the DSM costs.

 12 Q And the amortization also involves the

 13 carrying costs. Don't you believe that there should be

 14 some consideration given with respect to what that amount

 15 is?

 16 A Well, the Company relied on the

 17 Commission's orders to apply the last authorized overall

 18 rate of return as the carrying costs. We do not

 19 readdress that issue.

 20 Q Going to page 9, I believe that you have

 21 made a proposal with respect to adjusting ongoing

 22 administrative amounts. Just to clarify, I believe your

 23 answer indicates that there are only four -- is it only

 24 four individual people who left the Company who were

 25 involved in DSM from 1994 through 1997?

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 Wilder, Idaho 83676 Idaho Power Company

 1 A Well, during the Company's reorganization,

 2 there were many folks that left the Company and many that

 3 came on. These four were primarily involved in DSM

 4 activities and so those were the ones we identified as a

 5 compromise adjustment.

 6 Q Were there any other people who have left

 7 the Company during its reorganization who were included

 8 in the DSM expenditures previously or involved in DSM

 9 programs?

 10 A There very well could have been.

 11 Q So there would be additional costs that you

 12 associated with those individuals?

 13 A Well, we had four individuals that were

 14 primarily involved with the DSM programs. As I tried to

 15 lay out in my testimony, both before and after we have a

 16 mix of folks that do DSM and other activities. To

 17 isolate those whose DSM activities were other than their

 18 primary functions I'm not capable of doing.

 19 Q That was done in 1990 -- for the last

 20 general rate case, though, was it not?

 21 A There was an identification of the ongoing

 22 expense in the last general rate case, because at that

 23 time we were still deferring the DSM expenses that later

 24 became ongoing expenses. The accounting at that time was

 25 much more accurate than it has been since then.

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 Wilder, Idaho 83676 Idaho Power Company

 1 Q So is it your testimony that you don't

 2 know?

 3 A Don't know what, Mr. Jauregui?

 4 Q What the expenditures are for DSM today

 5 with respect to personnel?

 6 A My testimony is that today I don't have an

 7 accurate number of what the ongoing administrative costs

 8 are for DSM.

 9 MR. JAUREGUI: Thank you. I have no

 10 further questions at this time.

 11 COMMISSIONER SMITH: Thank you.

 12 Mr. Richey?

 13 MR. RICHEY: I have no questions for

 14 Mr. Gale.

 15 COMMISSIONER SMITH: Ms. O'Leary.

 16

 17 CROSS-EXAMINATION

 18

 19 BY MS. O'LEARY:

 20 Q The accelerated recovery of DSM

 21 expenditures would reduce the risk associated with

 22 recovery of those expenditures, wouldn't it?

 23 A Viewed in isolation, it would.

 24 Q Is that a good thing for Idaho Power?

 25 A For Idaho Power to recover its investments

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 CSB REPORTING GALE (X-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 in a faster time period, yes, that would be a good thing

 2 for Idaho Power.

 3 Q Does reducing the risk of recovery of your

 4 deferred expenses reduce or increase the cost of capital?

 5 A Assuming full recovery, it would have

 6 reduction, in isolation reduction, on the cost of

 7 capital.

 8 Q And is the cost of debt factored into Idaho

 9 Power's cost of capital?

 10 A Cost of debt is one component of Idaho

 11 Power's cost of capital.

 12 Q Is the -- if the DSM amortization schedules

 13 are reduced to five years from 24 years, that will

 14 increase Idaho Power's revenues; correct?

 15 A It will increase revenues.

 16 Q Okay, and if accepted by the Commission,

 17 the five-year schedule would increase Idaho Power's cash

 18 flow; is that also correct?

 19 A Yes. It increases revenues, expenses and

 20 the primary effect is on cash flow.

 21 Q And how would Idaho Power use the increased

 22 cash flow? Would it use it to purchase new assets?

 23 A The use of cash would be up to management.

 24 There's all kinds of things that could be done with the

 25 cash.

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 1 Q So purchasing of new assets might be one,

 2 retiring outstanding debt might be another?

 3 A Buying QF power might be another.

 4 Q Increased dividends to shareholders?

 5 A That would be an option, but not a likely

 6 option.

 7 Q Not a likely option? How about using the

 8 increased cash flow to fund unregulated affiliates'

 9 activities?

 10 A Well, again, the primary benefit is an

 11 increased cash flow. You can use it for countless

 12 items. Each one is not a separate benefit. There's one

 13 benefit in the increased cash flow.

 14 Q If Idaho Power uses any increased cash flow

 15 to acquire new assets, that would increase the book value

 16 per share, wouldn't it?

 17 A The primary advantage of increased cash

 18 flow and whether it's an ultimate benefit to Idaho

 19 Power's shareholders or not is what is done with that

 20 money; is that new investment better than the existing

 21 return or not, so it depends on how that money is spent

 22 and the return on that investment, so it's unknown.

 23 Q And if Idaho Power uses any resulting

 24 increased cash flow to retire outstanding debt, that

 25 would reduce interest payments, wouldn't it?

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 CSB REPORTING GALE (X-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 A If you retired debt, you would decrease

 2 interest payments.

 3 Q And a reduction in interest payments would

 4 increase available income to stockholders potentially; is

 5 that correct?

 6 A A reduction in interest payments would

 7 increase income available to stockholders. Again, you

 8 have one benefit there you're using over and over again.

 9 The benefit is with the cash flow.

 10 Q So the increased cash flow could increase

 11 dividends that would benefit shareholders and increased

 12 cash flow to fund earning activities in unregulated

 13 affiliates would also benefit shareholders?

 14 A If the increased cash flow were invested in

 15 an activity where the return was better than the existing

 16 return, the shareholders benefit. If not, they don't.

 17 Q Right. One would assume that you would

 18 attempt to invest it wisely.

 19 A One would assume.

 20 Q Thank you. If Idaho Power does not use the

 21 increased cash flow to fund investing activities, Idaho

 22 Power's working capital balances would increase; is that

 23 correct?

 24 A Working capital balances would increase.

 25 Q And if your working capital increases, the

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 Wilder, Idaho 83676 Idaho Power Company

 1 financial ratios that the investors use to evaluate the

 2 financial health of Idaho Power would improve, would they

 3 not?

 4 A Those involving current assets, those

 5 ratios that involve current assets, would become

 6 healthier, yes.

 7 Q And the financial community would then view

 8 Idaho Power more favorably with an accelerated

 9 amortization of its deferred DSM costs, wouldn't it?

 10 A Everything else the same, yes.

 11 MS. O'LEARY: Thank you. No further

 12 questions.

 13 COMMISSIONER SMITH: Mr. Budge.

 14 MR. BUDGE: Just a couple areas, if I may.

 15

 16 CROSS-EXAMINATION

 17

 18 BY MR. BUDGE:

 19 Q Mr. Gale, beginning on page 3, I believe

 20 line 9 of your testimony, and continuing on to page 4,

 21 you provide, if I understand correctly, the Company's

 22 response to the suggestions of Ms. Carlock and Dr. Peseau

 23 of using a carrying charge comprised only of short-term

 24 debt, and the area I had a question on, and maybe you can

 25 help clarify my confusion, is a sentence that you

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 1 provided on the top of page 4 beginning at the end of

 2 line 3, if you have that available --

 3 A Yes.

 4 Q -- and you make the statement there that

 5 it's unfair because the hypothetical application

 6 arbitrarily reduces the return from what was ordered when

 7 the programs were implemented, and as I look through the

 8 various orders implementing each of these particular DSM

 9 programs, I did not see that the Commission had ordered

 10 any particular rate of return. Are you simply referring

 11 to something else? Are you referring to the rate of

 12 return in the last general rate case?

 13 A No. No, what I'm referring to is as a

 14 practical matter, when you apply just strictly debt to a

 15 portion of our assets, you take away that return. That's

 16 what I'm referring to.

 17 Q Okay; so when you said what was ordered

 18 when the programs were implemented, what were you

 19 referring to, then?

 20 A That those costs would be recovered at an

 21 authorized rate of return.

 22 Q You're not referring to an ordered rate of

 23 return, then?

 24 A Not a specific one.

 25 Q A couple of other areas. Over on page 8, I

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 1 believe, you begin there and respond to some changes in

 2 the Company's organizational structure and other various

 3 changes that you indicate affect the ability of the

 4 Company to track various costs and I was puzzled here.

 5 When the Irrigators prepared our Exhibit 301, we looked

 6 at some of the administrative costs reported by the

 7 Company in the last general rate case and those costs

 8 were defined down to an exact penny.

 9 A Yes.

 10 Q And when I look at your testimony on the

 11 top of page 8, you seem to indicate that organizational

 12 structure makes it difficult to measure the ongoing DSM

 13 administrative costs because both corporate and field

 14 personnel were and are involved in these activities. Is

 15 that an ongoing difficulty or is this a new difficulty

 16 that has arisen as a result of some structural change

 17 since the last general rate case?

 18 A There are several dynamics at work and

 19 probably the overriding one is the way that those costs

 20 were funded and accounted for in the past and that

 21 switched, but to try to identify an existing set of

 22 people in 1994 and evaluate them again in today's context

 23 is also very difficult to do because of the Company's

 24 reorganization, so there's two dynamics at work, at least

 25 two dynamics.

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 1 Q And I guess that's where my confusion

 2 lies. When we track a DSM cost, doesn't the Company have

 3 to maintain certain records to place the costs as they're

 4 incurred into a particular function or category and also

 5 to quantify those costs?

 6 A Yes, but let me take a second. The most

 7 important cost breakout for the Company is defining

 8 whether a cost is an expense or a capital item and that's

 9 the overriding cost breakout and the one that we pay the

 10 most attention to. Up until the rate case, the DSM

 11 expenditures were being deferred and capitalized. A lot

 12 more scrutiny as far as cost identification was done at

 13 that time as opposed to once they were set up as an

 14 expense item.

 15 Now, my testimony is that we don't give the

 16 scrutiny to differentiating different expense items

 17 between different expense items as we do to capitalizing

 18 items and expensing items and I would say most businesses

 19 don't.

 20 Q So as a result of that, is the Company

 21 experiencing some difficulties quantifying administrative

 22 expenses now ongoing relating to these DSM programs?

 23 A To specifically target and identifying

 24 ongoing admin costs, yes.

 25 Q Continuing on at the bottom of that page 8,

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 1 you address that issue and say that there continue to be

 2 ongoing administrative costs associated with DSM that you

 3 claim Mrs. Carlock had failed to recognize, but then you

 4 go on to discuss those on the top of page 9 and I have

 5 just a few questions there I wanted to ask you about.

 6 You indicated that the low income weatherization program

 7 costs were not included in the adjustment. Are those

 8 costs you're able to qualify or quantify or are those

 9 some that you can't quantify?

 10 A I know that there are costs being incurred

 11 and I cannot give you a quantification of those costs.

 12 Q And that relates back to the problem that

 13 you discussed earlier in your testimony?

 14 A It relates to a problem of not knowing

 15 until hindsight that tracking those expenses was going to

 16 become an important issue in some future case.

 17 Q Then in the next sentence you address the

 18 administrative costs or costs of administering the

 19 Northwest Energy Efficiency Alliance program. Is that

 20 another cost that you're unable to quantify specifically

 21 at this point in time?

 22 A It is a cost we are incurring and I don't

 23 have a dollar value for it.

 24 Q Then you state in the next sentence, "The

 25 Company has and will continue to have four Agricultural

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 Wilder, Idaho 83676 Idaho Power Company

 1 Representatives whose primary responsibilities include

 2 interaction with our irrigation customers on energy

 3 efficiency issues." Is that part of the ag conservation

 4 program we've been discussing here or is that something

 5 unrelated?

 6 A Well, regardless of the future of the ag

 7 choices program, these four individuals will still be

 8 part of the Company's ongoing services to its irrigation

 9 customers, but they are service agents for the ag program

 10 as well.

 11 Q So those are just basic administrative

 12 costs that would be recovered as a part of your rate

 13 base, not something that you're trying to add in to the

 14 ongoing administration costs for the DSM programs?

 15 A Well, that's my point is the Company had

 16 ongoing Company expenses at the time of the last rate

 17 case and we've since gone through a reorganization where

 18 people are doing different jobs and I can only identify

 19 four people who have left the Company who did DSM

 20 specifically.

 21 Q But when those four employees did the work,

 22 didn't they have time cards or time records where they

 23 were required to identify and categorize what they were

 24 doing so it could be classified as an expense or as a

 25 capital expenditure and quantified for purposes of either

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 Wilder, Idaho 83676 Idaho Power Company

 1 deducting the expense or deferring the capital cost?

 2 A Yes, we have labor tracking accounting.

 3 What I'm suggesting to you is once it's an expense item,

 4 the tracking is not as exact as it is when it's the

 5 difference between a capital item and an expense item.

 6 Q So those are expenses that you're referring

 7 to that would have been in the DSM category if you could

 8 identify them, but since you're unable to identify them,

 9 they're not there, but the Company continues to have

 10 them?

 11 A If I could have devised the time coding two

 12 years ago, probably you'd see different numbers today.

 13 The importance was not seen until today.

 14 Q You also state on the same page that the

 15 agricultural choices program continues to be in existence

 16 and requires the attention of Company personnel and

 17 that's a program that in all likelihood will end sometime

 18 this year?

 19 A That I do not know when it will end.

 20 Q Although the Company's application to end

 21 the program May 1 was deferred, no interested party has

 22 opposed termination of the program, have they, although

 23 some requested a delayed phase-out from what the Company

 24 asked for?

 25 A That's not my understanding of Staff's

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 Wilder, Idaho 83676 Idaho Power Company

 1 position.

 2 Q The last item you have there on page 9, you

 3 state that the Company continues to provide energy

 4 efficiency information to customers to evaluate various

 5 programs. That's not in any particular DSM program, is

 6 it?

 7 A No, that's ongoing expenses that --

 8 Q So those ongoing expenses would be

 9 recovered in the rate base anyway without the need to put

 10 them in as a DSM deferred administrative cost?

 11 A If they were in the last general rate case,

 12 that would be true. If it's a mix of individuals who

 13 were doing one thing at one time and are doing something

 14 else, maybe not.

 15 MR. BUDGE: I don't believe I have anything

 16 further. Thank you, Mr. Gale.

 17 COMMISSIONER SMITH: Thank you, Mr. Budge.

 18 Mr. Purdy.

 19 MR. PURDY: Thank you, Madam Chair.

 20

 21 CROSS-EXAMINATION

 22

 23 BY MR. PURDY:

 24 Q Mr. Gale, would you turn quickly to page 3,

 25 please, of your rebuttal, lines 4 through 6? Just as a

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 1 point of clarification, do you know in fact whether

 2 Ms. Carlock proposed a short-term debt rate or a

 3 medium-term debt rate? You state there she proposed a

 4 short-term rate.

 5 A If I mischaracterized the term, I

 6 apologize. It's certainly a debt rate.

 7 Q Now, do you know how much debt Idaho Power

 8 issued during 1996?

 9 A Not offhand.

 10 Q If I were to tell you it was, according to

 11 the Company's 10-K it was, $57 million, would that sound

 12 about right to you?

 13 A It would sound reasonable, but I need to

 14 check it.

 15 Q Are you aware whether the Company has still

 16 authorization to issue additional debt under its most

 17 recent authorization from the Commission?

 18 A I'm not aware.

 19 Q Now, as I understand the gist of your

 20 argument with respect to the carrying rate to apply to

 21 these DSM costs is that it's somehow unfair to the

 22 Company to allow it to authorize or authorize it to defer

 23 these costs at an overall rate of return and now somehow

 24 reduce that.

 25 A Well, they're investments made by the

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 Wilder, Idaho 83676 Idaho Power Company

 1 Company, investments that were authorized a rate of

 2 return, overall rate of return, not a debt rate of

 3 return.

 4 Q I guess the point of my question, isn't

 5 it -- to the extent that the Company relied on whatever

 6 authorization the Commission gave it, don't the Company's

 7 customers have the same right to an expectation as to the

 8 amortization period; in other words, is it fair to expect

 9 that you can accelerate your amortization and not have

 10 any adjustment to your carrying charge?

 11 A That may -- there may be an issue to an

 12 adjustment with the carrying charge. What I take issue

 13 with is the degree and the categorization. If the true

 14 desire is to reduce the carrying charge and not put the

 15 Company at a disadvantage, I've suggested a way we can do

 16 that, but to hypothetically just apply the carrying

 17 charge, that's just an illusion.

 18 Q Yeah, as I understood your answers to

 19 questions from counsel, the Company recognizes or will

 20 realize some type of benefit from the accelerated

 21 amortization of its DSM, will it not?

 22 A Viewed in isolation, yes.

 23 Q Presumably, if it did not realize some type

 24 of benefit, it would not be here today; isn't that a fair

 25 statement?

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 Wilder, Idaho 83676 Idaho Power Company

 1 A Correct.

 2 Q And shouldn't some recognition be made of

 3 that fact, such as through an adjustment to the carrying

 4 charge?

 5 A The Company funds all investments based

 6 upon its cap structure. It doesn't fund some differently

 7 than others and we don't fund ones with shorter lives

 8 different than ones with longer lives.

 9 Q Now, would you agree with me that

 10 Ms. Carlock and Commission Staff is not proposing to

 11 change the Company's overall return for any rate base

 12 items or deferrals other than DSM in this proceeding?

 13 A But in effect it does. It carves out one

 14 segment and doesn't adjust the rest. Where is the extra

 15 equity on the residual portion of the Company's

 16 investments?

 17 Q Well, then using that logic, wouldn't it be

 18 fair to reexamine as I think has been suggested during

 19 the course of this hearing the Company's overall rate of

 20 return? Isn't it the Company's position that in fact we

 21 can isolate DSM and treat it singularly?

 22 A We are only treating and isolating DSM

 23 singularly to accelerate the amortization. That is it.

 24 We haven't broadened it any further than that.

 25 Q And as a result of that, the Company will

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 Wilder, Idaho 83676 Idaho Power Company

 1 face less risk, recovery of that amount?

 2 A On that particular issue, yes, face less

 3 risk.

 4 Q Do you know what was the total amount of

 5 NEEA expenditures made by Idaho Power in 1997 -- let me

 6 restate that -- how much NEEA costs did Idaho Power

 7 expense in 1997?

 8 A I don't have that with me.

 9 Q Does $3,000 sound about right or do you

 10 have any idea?

 11 A I have no idea.

 12 Q And do you have any idea what total NEEA

 13 expenditures to date have been?

 14 A I don't have that with me.

 15 Q Or what are expected to be expensed in

 16 1998?

 17 A I don't have that information with me.

 18 Q All right. Is it your understanding that

 19 Idaho Power has been ordered or authorized by this

 20 Commission to defer its NEEA expenditures?

 21 A Yes.

 22 Q Is that in fact what the Company is doing?

 23 A I assume so.

 24 Q I'm sorry, I didn't hear you.

 25 A I assume so.

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 Wilder, Idaho 83676 Idaho Power Company

 1 Q You don't know for certain?

 2 A I assume so. Let me try to be more

 3 responsive. If we were ordered to defer expenses and

 4 we're incurring expenses, I am fairly certain we're

 5 deferring those expenses.

 6 Q All right, thanks.

 7 MR. RIPLEY: Just for purposes of the

 8 record, when you refer to deferring of expenses, the

 9 Company was authorized to defer the payments to the NEEA

 10 organization. It was not authorized to defer all of the

 11 costs for participation in NEEA. I think that's

 12 counsel's difficulty. Sorry for interrupting at this

 13 late date, but I'd just as soon have the record correct.

 14 Q BY MR. PURDY: Well, let's move on. Now,

 15 if you'd turn to page 10 of your rebuttal testimony,

 16 Mr. Gale, I believe that you review the commitment

 17 amounts related to the Company's low income

 18 weatherization program.

 19 A Yes.

 20 Q My question is, do you know what the

 21 commitment amounts were for 1995, '96 or '97?

 22 A I don't have that with me either.

 23 Q Do you know whether the Company's actual --

 24 well, strike that. A commitment amount is just that,

 25 it's not necessarily what the Company actually expensed

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 CSB REPORTING GALE (X-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 in any given year; is that a fair statement?

 2 A That's a fair statement.

 3 Q And isn't it true that Idaho Power's actual

 4 expenditures under the low income weatherization program

 5 have declined in the past three years?

 6 A They have declined, but there was a reason

 7 for the decline.

 8 Q What was that?

 9 A Well, besides the changes at Idaho Power,

 10 there have been changes at the state and with DOE funding

 11 and what we've seen is that with the agencies themselves

 12 that there was not the activity generated because of some

 13 cost cutbacks on their end and now they're gearing back

 14 up, so we fully expect the amount of commitment that

 15 we're talking about in 1998 to occur.

 16 Q Your commitments for the past three years,

 17 you stated, I think, that you don't know what the actual

 18 amounts were, but do you know whether they were the same

 19 every year?

 20 A My reasoned, seasoned guess would be that

 21 they were at budget items around the amount authorized in

 22 the last rate case.

 23 Q So it's not expected that Idaho Power's

 24 commitment amounts will necessarily increase over the

 25 next time period, next number of years?

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 Wilder, Idaho 83676 Idaho Power Company

 1 A Would you ask that again? I'm not sure I

 2 got the gist of that one.

 3 Q Do you know whether Idaho Power intends to

 4 increase its commitment to the low income weatherization

 5 program over the next several years?

 6 A My expectation pending the outcome of this

 7 case is that it will be as portrayed in my answer in my

 8 testimony.

 9 MR. PURDY: Could I have just one brief

 10 second?

 11 COMMISSIONER SMITH: Certainly.

 12 (Pause in proceedings.)

 13 MR. PURDY: That's all I have. Thank you

 14 very much.

 15 COMMISSIONER SMITH: Thank you.

 16 Do we have questions from the Commission?

 17 COMMISSIONER HANSEN: I believe I have one.

 18 COMMISSIONER SMITH: Commissioner Hansen.

 19

 20 EXAMINATION

 21

 22 BY COMMISSIONER HANSEN:

 23 Q I guess the question I'd have is as Idaho

 24 Power becomes involved with NEEA, I'm just, I'm concerned

 25 about what role or responsibility you see Idaho Power

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 CSB REPORTING GALE (Com-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 having to monitor the value of these projects and make

 2 sure that they're cost effective and that we're obtaining

 3 the proper results where you'll be a participant in

 4 that.

 5 A I don't have a direct interaction with NEEA

 6 myself, Commissioner. I do have an understanding that

 7 because it's a regional effort it will create a different

 8 problem in trying to monitor in value its benefits than

 9 specific customer programs, but the degree and the

 10 approach, I'm not the right one to tell you.

 11 Q I guess just one other follow-up question,

 12 and being rather new to this on the Commission, do you

 13 feel under the current DSM program that Idaho Power has

 14 that responsibility to come forth to the Commission if

 15 they feel like that one of the current DSM programs is

 16 not effective or are not producing the results that were

 17 indicated when that particular project was approved, do

 18 you feel that responsibility of the Company or do you

 19 think it's the Staff's responsibility to monitor and come

 20 forth?

 21 A Well, I think the Company has come forth in

 22 discontinuing the programs and certainly, Staff has some

 23 role in monitoring, but it's primarily the responsibility

 24 of the Company.

 25 Q I guess one other, this leads to another

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 CSB REPORTING GALE (Com-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 question. In Mr. Anderson's testimony, I believe he

 2 stated that he felt like that, I believe it's on page 12,

 3 line 3, where he states, "Idaho Power was not reasonable

 4 and prudent in its continuation of the Commercial

 5 Lighting Program beyond 1995...." I'm just kind of

 6 curious, do you agree with that statement?

 7 A It's hard for me to agree with it because

 8 it's not as simple as just getting out of a program.

 9 There's political ramifications, there's a process to go

 10 through, there's customers to interact with, so it's not

 11 as quick as an on/off switch. There's a point when the

 12 Company needs to come forward and propose

 13 discontinuances. Whether you can always time that at the

 14 exact right time or not, well, probably not.

 15 COMMISSIONER HANSEN: Thank you. That's

 16 all I have.

 17

 18 EXAMINATION

 19

 20 BY COMMISSIONER SMITH:

 21 Q Well, Mr. Gale, I have a question and I

 22 don't know if I can ask it correctly and it has to do

 23 with a motion made earlier by Mr. Ward. Were you here

 24 when Mr. Ward made his motion?

 25 A I was here, but I'm a visual person and I

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 1 would want to see it written out because I'm not sure I

 2 caught exactly what his intention was with his motion.

 3 Q Well, that's my trouble, too. My shorthand

 4 says he want us to order a '98 expensing, whatever that

 5 meant. Did you have a reaction even though you didn't

 6 see it written out? Was it a good idea?

 7 A I don't know. I don't know exactly what he

 8 means.

 9 COMMISSIONER SMITH: Okay, thanks.

 10 Redirect, Mr. Ripley?

 11 MR. RIPLEY: Yes.

 12

 13 REDIRECT EXAMINATION

 14

 15 BY MR. RIPLEY:

 16 Q First, in reference to the LIWA, low income

 17 weatherization, programs, you were asked by counsel for

 18 the Staff if there was a difference between the

 19 commitment amount that Idaho Power Company would track

 20 for and the amount that would actually be funded of that

 21 commitment during the year.

 22 A That's right.

 23 Q Do I understand that it is Idaho Power

 24 Company's anticipation that the funding of the commitment

 25 will increase back up to 300,000 or thereabouts?

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 Wilder, Idaho 83676 Idaho Power Company

 1 A Yes.

 2 Q And why is that, Mr. Gale? What do you

 3 base that on?

 4 A Well, we know that the agencies are up and

 5 running again at full speed. We know that there were

 6 some timing differences between the fiscal years that

 7 caused a lag during that period. We know that there was

 8 an increased level in the funding of nonprofit

 9 weatherization programs, such as senior citizens centers,

 10 that is a part of the process, and in talking with our

 11 people administering the program, which I think has been

 12 elevated within the Company, that what was laid out in

 13 1998 will indeed occur as far as actual funding and not

 14 just commitment.

 15 Q Are you stating that the Company is going

 16 to make additional efforts to ensure that the funding of

 17 the commitment will occur?

 18 A I think everything both on the state side,

 19 the agency side and the Company's side is set in place to

 20 ensure that.

 21 Q Now, you also have been asked a number of

 22 questions by counsel for the Industrial Customers,

 23 Irrigators that if the Company increases its cash flow,

 24 it could somehow affect earnings. Do you recall that

 25 line of questions?

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 CSB REPORTING GALE (Di-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 A Yes.

 2 Q Does the Company currently have a mechanism

 3 in place to share any of those benefits, those increased

 4 earnings, with its customers?

 5 A First of all, the cash flow has to

 6 translate into an increase in earnings, which I was

 7 hopefully careful in saying that may or may not occur,

 8 but if it does, yes, the Company does have a mechanism to

 9 share earnings 50-50 above a certain benchmark level.

 10 Q Is that what has been referred to as the

 11 revenue sharing Order?

 12 A Yes.

 13 Q Now, in the revenue sharing Order, you were

 14 a participant in the negotiations leading up to that

 15 revenue sharing Order?

 16 A Yes, I was.

 17 Q Was one of the prime reasons from the

 18 Company's standpoint for revenue sharing due to the

 19 restructuring of the Company?

 20 A Yes, it was.

 21 Q Now, when I say "restructuring," could you

 22 define for the record what I mean as opposed to dereg,

 23 what was the Company doing restructuring?

 24 A Well, that is not an industry

 25 restructuring, that is a corporation restructuring and an

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 Wilder, Idaho 83676 Idaho Power Company

 1 internal restructuring, not even at that point having

 2 anything to do with the holding company, where business

 3 unit by business unit all the processes were being

 4 evaluated and changed and in some instances employees

 5 left the Company and others they came.

 6 Q Now, under that restructuring of the

 7 business units, were there new business units that did

 8 demand side management activities that the old business

 9 units did not do that individuals changed jobs,

 10 et cetera?

 11 A Well, responsibilities changed. The

 12 tracking of the business units I'm not sure I could

 13 answer, but the responsibilities changed, people doing

 14 the activities changed.

 15 Q And I appreciate that you're not a cost

 16 accountant, but as I understand it, the Company attempts

 17 to keep track of its costs in the various functions, but

 18 do I understand from your testimony that keeping track of

 19 expenses is not as important as keeping track of the

 20 items that are capitalized versus the items that are

 21 expensed?

 22 A That's what I've testified to.

 23 Q Now, when we harken back to the last

 24 general rate case, there's been a lot of testimony as to

 25 roughly $1 million of administrative expenses. Did the

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 Wilder, Idaho 83676 Idaho Power Company

 1 Company portray the $1 million as being the amount of

 2 administrative costs that had been deferred in the

 3 previous accumulation of demand side management balances?

 4 A It was our estimation of an annual ongoing

 5 expense for administration.

 6 Q And that estimation was based upon what we

 7 had previously deferred by that year?

 8 A From deferred recordkeeping, yes.

 9 Q So even if the Company, if it expensed an

 10 item, it recovered it through the expenses as opposed to

 11 recovering it through the demand side management

 12 deferral?

 13 A That was the new ratemaking arrangement.

 14 Q All right. Now, under the new system, if

 15 the Company indeed has enjoyed some additional reduction

 16 in expenses, does that flow through to the revenue

 17 sharing Order?

 18 A Any reduction in expenses would flow

 19 through.

 20 Q Was that the purpose in your mind of the

 21 revenue sharing Order was to ensure that during this

 22 restructuring process that the Company would be protected

 23 as well as its customers as a result of restructuring?

 24 A That was part of the settlement, part of

 25 the thought behind the settlement.

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 CSB REPORTING GALE (Di-Reb)

 Wilder, Idaho 83676 Idaho Power Company

 1 Q Now, one final question. In reference to

 2 the reduction of debt, et cetera, does that inure to the

 3 benefit of Idaho Power Company's customers in your

 4 opinion in the long run?

 5 A In the long run, yes.

 6 Q How is that?

 7 A Well, a reduction in debt -- well, let me

 8 back up a second. I thought I was tracking you one way

 9 and I may not be. To the extent the changes in the cost

 10 of capital actually occur in the Company's cost of

 11 capital, I mean changes that we make actually reduce our

 12 capital costs, that will be reflected in rates in the

 13 future.

 14 MR. RIPLEY: That's all the questions I

 15 have. Thank you.

 16 COMMISSIONER SMITH: Thank you.

 17 Thank you, Mr. Gale.

 18 (The witness left the stand.)

 19 COMMISSIONER SMITH: I think that finally

 20 brings us to the end of our witnesses. Without

 21 objection, we will now admit all exhibits previously

 22 identified.

 23 (All exhibits previously marked for

 24 identification were admitted into evidence.)

 25 COMMISSIONER SMITH: And the only matter

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 Wilder, Idaho 83676 Idaho Power Company

 1 hanging is Mr. Ward's motion, which we managed to let him

 2 get away without further discussion, so I'm wondering,

 3 Mr. Ripley, if you would like to address that now or do

 4 we want him to reduce it to writing or how should we

 5 proceed?

 6 MR. RIPLEY: Well, I'm like Mr. Gale, I

 7 don't know for certain what counsel had in mind. He

 8 isn't here; therefore, I don't want to take advantage of

 9 him. I would dearly love to, but I won't, but the point

 10 is if he wants to pursue the motion, then I think he

 11 should make it and accompany it with a brief and that we

 12 can respond to that brief and the other parties as well.

 13 I simply do not know the ramifications of the motion, I'm

 14 sorry.

 15 COMMISSIONER SMITH: Mr. Purdy.

 16 MR. PURDY: We're just now talking about it

 17 and I guess my thoughts are that we haven't had time,

 18 Staff hasn't had time, to really think through this and

 19 decide for itself whether it believes it to be a good

 20 idea or not, so I would urge the Commission to defer any

 21 decision and allow the parties an opportunity to brief

 22 should Mr. Ward choose to pursue it.

 23 COMMISSIONER SMITH: Are there any other

 24 issues or matters that the parties desire the opportunity

 25 to brief? I hear silence, so I take that as a no;

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 1 therefore, what I propose is that we leave the record

 2 open for a period of, let's say, seven days during which

 3 time Mr. Ward if he wishes to pursue the motion should

 4 file it in writing with a memorandum supporting it and if

 5 he does so, then parties would have two weeks to

 6 respond. Is that too much? I know we -- weren't we

 7 tying to get this done in a timely manner?

 8 MR. RIPLEY: There's a cutoff date by

 9 June 30th, but again --

 10 COMMISSIONER SMITH: But that's three weeks

 11 from today which I think still is mid-June.

 12 MR. PURDY: I think that gives us ample

 13 opportunity.

 14 COMMISSIONER SMITH: Mr. Jauregui, did you

 15 have a comment on that?

 16 MR. JAUREGUI: No, Madam Chairman, I

 17 was just going to raise the same issue as to a timing

 18 thing.

 19 COMMISSIONER SMITH: Mr. Ripley.

 20 MR. RIPLEY: There is one other issue and

 21 that is if the Commission will recall, there was the

 22 outstanding discovery request dispute between the

 23 Industrial Customers and Idaho Power.

 24 COMMISSIONER SMITH: Yes.

 25 MR. RIPLEY: I believe that we have that

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 Wilder, Idaho 83676

 1 matter resolved. I had worked out something with

 2 Mr. Richardson. He had to leave and I would state that

 3 we will file that stipulation that only affects the

 4 Industrial Customers and Idaho Power within the next week

 5 as soon as I can track down counsel.

 6 COMMISSIONER SMITH: I guess I was

 7 naively assuming that since the record was about to close

 8 that all discovery disputes would be moot or at least

 9 end.

 10 MR. RIPLEY: Well, this isn't discovery.

 11 It's now a stipulation to take the place of the

 12 requirements.

 13 COMMISSIONER SMITH: I see. Well, just so

 14 everybody is clear, then, Mr. Purdy, would you assume the

 15 responsibility of notifying Mr. Ward that he has seven

 16 days to pursue his motion by putting it in writing and

 17 filing it with the Commission?

 18 MR. PURDY: Yes, I will.

 19 COMMISSIONER SMITH: And then if he does

 20 so, the parties have 14 days after that date, which would

 21 be three weeks from today, within which to file their

 22 responses to his motion, upon which the Commission will

 23 consider the record to be closed and will issue its

 24 decision as soon as possible.

 25 I want to thank you all for your patience

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 1 and your help in examining these issues and we're

 2 adjourned.

 3 (The Hearing adjourned at 3:50 p.m.)

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 1 AUTHENTICATION

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 4 This is to certify that the foregoing

 5 proceedings held in the matter of the application of

 6 Idaho Power Company for authority to increase its rates

 7 and charges to recover demand side

 8 management/conservation expenditures, commencing at

 9 9:30 a.m. on Tuesday, May 26, and continuing through

 10 Wednesday, May 27, 1998, at the Commission Hearing Room,

 11 472 West Washington, Boise, Idaho, is a true and correct

 12 transcript of said proceedings and the original thereof

 13 for the file of the Commission.

 14 Accuracy of all prefiled testimony as

 15 originally submitted to the Reporter and incorporated

 16 herein at the direction of the Commission is the sole

 17 responsibility of the submitting parties.

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 CONSTANCE S. BUCY

 22 Certified Shorthand Reporter #187

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