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September 28, 2007

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To: Scott Woodbury, Esq. -- Deputy Attorney General, Idaho Public Utilities Commission
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Dean Brockbank, Esq. -- Rocky Mountain Power
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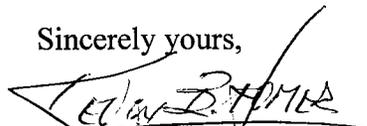
Re: Idaho Public Utilities Commission Case Nr. PAC – E 07-05
Application of Pacificorp d/b/a Rocky Mountain Power
Written Testimony of Timothy Shurtz, Intervenor

Gentlemen/Ms. Iverson:

As many of you have probably already realized, the formatting of the Written Testimony of Timothy Shurtz, Intervenor, which I mailed and e-mailed to all of you yesterday, did not strictly comply with the requirements of Rule 231 of the IPUC Rules of Procedure governing line numbering, margins, font pitch, etc. I have revised that document to comply with Rule 231, and now transmitting to each of you the revised document. The text of the enclosed revised document is identical to the original sent yesterday.

I apologize for the inconvenience.

Sincerely yours,


Kevin B. Homer

Enclosure: Timothy Shurtz – Written Testimony
cc: Timothy Shurtz

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF PACIFICORP) Case Nr. PAC-E-07-05
d/b/a ROCKY MOUNTAIN POWER)
FOR APPROVAL OF CHANGES TO) TESTIMONY OF
ITS ELECTRIC SERVICE) TIMOTHY SHURTZ,
SCHEDULES) INTERVENOR
_____)

1

2

3

4

(Testimony commences on following page.)

ORIGINAL

1 I am Timothy Shurtz. I reside in Firth, Bingham
2 County, Idaho. I am a private rate payer, and have
3 intervened on that basis. My testimony comes from that
4 perspective.

5
6 I acknowledge that Pacific Corp. has rendered
7 valuable electrical service to my home and to thousands of
8 other rate payers in southeast Idaho. The company
9 deserves commendation for that. The company apparently
10 has a sound financial and business structure, and I
11 recognize that that soundness is crucial to the company's
12 continuing to be able to provide electrical service to me
13 and my neighbors. I recognize that the company is entitled
14 to a reasonable profit for providing that service. I hope
15 that the points raised below in this testimony do not cloud
16 the fact that I am grateful to the company for the good
17 service that it does provide to southeast Idaho.

18
19 However, as a rate payer I am troubled by several
20 points which I believe have been ignored by other parties
21 objecting to the Company's proposed rate increase. Those
22 points—each of which I will explain separately—are:

- 1 1. The company's inadequate notice to the rate payers
- 2 and the general public.
- 3 2. The company's attempts to pass on to the rate payers
- 4 certain personnel costs.
- 5 3. The company's failure to reflect the decreased cost of
- 6 natural gas.
- 7 4. The company's failure to pass along the benefits of a
- 8 recent property tax cut.
- 9 5. The possibility of using electronic bill paying to
- 10 reduce mailing costs.
- 11 6. Determination of a fair return on Equity (ROE).
- 12 7. Necessity of regulatory review and, therefore, the
- 13 inevitability of "regulatory lag."

14

15 1. Inadequate Notice to Rate Payers.

16 I believe that the company could do – and should have
17 done – more to give the rate paying public adequate notice
18 of the rate increase request. The company could take the
19 following steps to give better public notice of requests for
20 rate increases and, more importantly, notice of the true
21 facts behind those requests.

22

1 (a) Notice of public workshops and hearings should
2 be given by the company in a way that would guarantee
3 that the customers receive and see the notice.

4 It would be a simple matter for the company to give
5 every rate payer/customer a direct, specific, separate and
6 individual notice of the time, date and place for every
7 public workshop, meeting and hearing regarding a rate
8 increase request. I receive my billing from the company
9 electronically (by e-mail). The company could easily send
10 a separate and specific reminder message to me (and to
11 every other customer who is willing to provide his e-mail
12 address to the company, whether or not he receives his
13 billing electronically) notifying me of the requested rate
14 increase request and specifically reminding me
15 (repeatedly) of the date, time and location of public
16 workshops, meetings and hearings at which the proposed
17 rate request would be discussed.

18 Admittedly, newspaper articles were published, and
19 “formal notices” may in fact be published in the
20 newspapers. But in reality those formal notices are very
21 rarely, if ever, actually read by the average rate payer.
22 (To the individual members of the commission, I ask this

1 question: When was the last time that your spouse or your
2 mother actually *read* the “legal notices” pages of your
3 local newspaper?) Indeed, with the advent of the internet,
4 that question is rapidly becoming: when was the last time
5 that you read *anything* in the newspaper?

6 (b) The proposed customer/rate payer notice could
7 and should be individualized and specific.

8 The company’s current general notice states that the
9 average customer’s power bill will go up by \$ 5.56 per
10 month. The company should be able to tell each customer
11 how much the proposed increase will raise *his own specific*
12 *bill*, not just “the average.” The company tracks each
13 customer’s power usage during the previous month. It
14 would be a simple matter to have the customer’s statement
15 (whether paper or electronic) notify the customer
16 *individually* what that customer’s bill will *actually* be for
17 that same amount of power if the rate increase is granted.

18
19 (c) This individualized notice should also reflect the
20 “hidden” costs that are passed on to rate payers through
21 municipal charges.

1 The proposed rate increase will not only cost
2 customers more for their own individual (*i.e.* household)
3 power bills. It will also cost customers more because of
4 the increased cost to governmental and municipal entities
5 who pass along their operating costs to the public. Among
6 other things, the proposed rate increase will raise the cost
7 of street and area lighting by 20.6 percent. This increased
8 expense must ultimately be passed along to the residents of
9 that community, school district, etc.. They are entitled to
10 be informed of that increase.

11 For example, in my home town of Firth, in Bingham
12 County, the street lighting bill for the month of August
13 2007 was \$348.63; the proposed rate increase would raise
14 that bill to \$419.63 in August 2008. During the winter
15 months, the amount of the increase will, of course, be
16 proportionately even higher because of the shorter days
17 and longer nights. I asked the city manager personally if
18 he had been informed by the company of the effect of the
19 proposed rate increase on the city of Firth; he told me that
20 the company representative had told him that this rate case
21 “would not impact the city that much.” In fact, it will
22 increase the city’s already strained lighting budget by over

1 *twenty percent.* As a city councilman from Firth for the
2 past ten years, I know that *any* twenty percent increase in a
3 significant budget item like this one is nearly impossible
4 to accommodate without either raising taxes or,
5 alternatively, cutting existing municipal services.

6

7 (d) The public filing documents should be more
8 easily accessible.

9 On September 13, 2007, I drove to three of the
10 company's offices—in Preston, Montpelier, and Shelley—
11 just to confirm that the information on this rate case was
12 in fact available to the public as required by law. I was
13 grateful to find that the information was in fact readily
14 available (it was provided to me within literally less than a
15 minute in each of the service centers), and that the
16 personnel in each service center were polite, courteous,
17 and professional in dealing with my request for the
18 information.

19 I was and am still troubled, however, by the fact that
20 I had to drive 294 miles just to reach these three service
21 centers. To say it differently, I was troubled that, in the
22 eastern Idaho area, there are only *four* service centers to

1 service approximately 67,000 customers spread out over a
2 wide geographic area. (The Commission should inquire of
3 the company the exact number of customers like me who
4 did actually make the trip to one of the four local service
5 centers just to inspect the filing documents.)

6 The solution to this problem would be to require the
7 company to make the public filing information and
8 documents available at public libraries, city halls, senior
9 citizens and other areas frequented by the public. This
10 solution is practicable for those customers who don't use
11 the internet or who prefer to read technical documents in
12 printed form.

13 I acknowledge that the company makes its filings
14 available to the public on line. However, it would be a
15 welcome addition to the company's current policy of giving
16 required public notices, if the company were to send out a
17 separate e-mail reminding the customers about the online
18 availability of the filing documents.

19

20 2. The rate payers should not be required to pay for
21 certain of the company's personnel incentives costs.

1 The Company has a significant employee incentive
2 program as part of its compensation package. While I like
3 the company's incentive plan and understand its effort to
4 separate customer oriented goals from corporate goals, I
5 still am not sure how much of this incentive program the
6 customer should have to underwrite. I believe that the
7 Commission should review in detail the company's sources
8 of the revenue that funds this incentive program, and then
9 determine the amount to which that incentive program
10 actually benefits the company's customers like myself.
11 Only *that* portion of the incentive program should be paid
12 for by the customers through a rate increase.

13 In acquiring Pacificorp, Mid-America voluntarily
14 incurred significant expenses for severance packages for
15 certain "expendable" employees. Expecting the company's
16 rate paying customers to finance these costs is tantamount
17 to the shareholders and corporate officers of the company
18 eyeing Pacificorp and saying to themselves, "Ahhhh, we
19 can buy up that comparatively little company. We'll have
20 to pay out a lot of severance packages to avoid duplication,
21 and offer some attractive incentive packages to keep some
22 of the employees that we want and need, but we'll be able

1 to pass along the cost of the buyout to the Pacificorp rate
2 payers. And if we don't even have to tell them why their
3 rates went up, we won't get caught....”

4 Contrary to that implication, Mr. Wilson, in his
5 testimony, refers to some alleged meetings and discussions
6 with customers, stakeholders and regulators that led to
7 reorganization changes (requiring these severance
8 packages) shortly after Mid America acquired Pacificorp. I
9 am only one of the 67,000 customers of Rocky Mountain
10 Power, and it is certainly possible that the Company did
11 talk with customers other than myself. On the other hand,
12 I have been involved as an intervenor in several prior rate
13 change cases involving the company, and I am well known
14 to the company's officials. The fact that I personally was
15 not contacted makes me suspicious. The Commission
16 should insist on *proof*—and not just on Mr. Wilson's
17 testimony—concerning this claim. Coupled with that
18 inquiry, the Commission should also view with certain
19 skepticism the Company's claim that its severance package
20 plan ultimately benefits its customers.

21 By analogy to the field of real estate mortgages, in
22 which mortgage companies routinely sell and buy

1 residential home mortgages: to allow the requested rate
2 increase in order to pay for the cost of this acquisition
3 would be the same as expecting the innocent home owner to
4 have to increase the amount of his monthly mortgage
5 payment just because his mortgage company had decided to
6 sell his account to another company.

7 I suggest, *strongly*, that the Commission should reject
8 *any* aspect of the proposed rate increase which is being
9 used to fund the Company's cost of paying severance
10 packages which were incurred as a result of Mid-America's
11 acquiring Pacificorp. The company's *shareholders*, not its
12 rate payers, should be the individuals who should bear the
13 financial burden of such corporate transactions.

14

15 3. The company's failure to reflect the decreased
16 cost of natural gas.

17 The cost of natural gas on the open market actually
18 *declined* in the past year. I presume that the cost of
19 acquiring 'futures' in the natural gas market declined as
20 well. With its huge buyer power (stemming not only from
21 its own size but also from its relationship with Mid-
22 America and Mid-America's involvement in the natural gas

1 industry) the company should have (and, I suspect,
2 probably did) capitalized on those decreased costs.

3 So I am puzzled that the company has not passed to
4 its customers (like myself) that decrease in its operating
5 cost. I understand that the company is owned by Mid-
6 America, which is a major player in the natural gas market.
7 The company claims to have experts in the gas market (for
8 instance, Mr. Widmer and Mr. Fehrman, who testified about
9 the significant expertise in that field), and I am puzzled
10 how those experts could be so grossly inaccurate in their
11 forecast of the market. I recognize that the cost of natural
12 gas fluctuates, and that even in the face of a decrease in
13 natural gas prices it may be economically necessary—and
14 therefore understandable—to build in some kind of a buffer
15 against a possible future price increase. However, I
16 believe that this particular “inaccuracy”—because of its
17 significance—represents something more than ordinary
18 market fluctuation. The Commission should determine
19 whether these increases represents the company’s
20 inaccurate forecasting of the natural gas market, and, if so,
21 how much of the cost of that inaccurate forecast should be
22 borne by the company’s customers.

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4. The company has failed to pass along the benefits of a recent property tax cut.

The company benefited from a recent significant property tax cut. However, I do not see where the company has attempted either to:

- Pass along to me, as a customer, the benefit of that tax cut; *or*
- Even *account* to me how the benefit of that tax cut was incorporated into the rates that I pay and will be expected to pay for electric power.

By analogy: If I know that the property taxes paid by my local bakery have gone *down*, and if I know that the cost of the flour used by that bakery to produce the loaf of bread I want to buy has gone *down*, then I would expect that the price of that loaf of bread would also go down. But if I walk in the door and see a sign announcing that in fact the price of that loaf of bread has gone up, I would at least be curious to know why. And if I talk to the baker, and he tells me that he had to raise his prices because his wife wants a new car, I would smile, tell him I

1 understand—and then I would walk down the street to find
2 a new bakery....

3 But in this case, I don't have that option of walking
4 down the street to buy my electric power from another
5 company: if I want to buy electric power, I have to buy it
6 from Pacific Corp.

7 And that is the reason why the Commission is
8 authorized to—and required to—regulate Pacific Corp's
9 attempts to charge me more for my electric power: I am a
10 captive audience, and have no real choice. *That* is the very
11 basis of the Commission's mandate: to protect me when I,
12 because of the situation, have no alternative, no realistic
13 means to protect myself. In my intervention in this case, I
14 have asked the Commission to do what it is required to do:
15 to protect my rights and "reign in" the company.

16

17 5. Mailing (and other bookkeeping) costs could be
18 reduced or eliminated.

19 In the company filing Mr. McDougal also shows the
20 amount of \$ 10,097.00 in increased mailing costs. I use
21 the Internet to receive my billing and make electronic
22 payments directly to the company's account. As I stated

1 above in my testimony regarding increasing the public's
2 ability to access the company's filing documents, I am
3 certain that there are literally thousands of the company's
4 other customers who do the same. I believe I am entitled to
5 know how much it *saves* the company each month not to
6 have to mail me (and thousands of others) a bill (and, for
7 that matter, not to have to open my payment envelope,
8 handle my check, record the payment, and take it to the
9 bank, etc.).

10 Recent developments in the nationwide banking
11 industry now mean that most banks "send" my check *only*
12 *electronically* from one bank to another, then on to the
13 Federal Reserve Bank, etc., and ultimately back to me. I
14 suspect that the Company's own banks have already
15 adopted this trend. A strong public educational effort by
16 the company about the benefits of electronic billing would
17 help move the company even faster into this "wave of the
18 future" of almost universal electronic financial
19 transactions. The resulting cost saving would benefit the
20 customers (and shareholders) over the long run –and would,
21 certainly, be good for the environment as well.

22

1 6. The Company's Return on Expenditure must be
2 reasonable.

3 Ultimately, the Commission, of course, has a delicate
4 and difficult job: to balance the company's entitlement to a
5 profitable return on Equity (ROE) with its customers' right
6 to expect that return to be reasonable and not excessive.

7 The company, of course, is looking out for its own
8 existence: it depends on the satisfaction of its
9 shareholders, and it seeks therefore to increase the profits
10 to those shareholders by doing the following:

- 11 • *Decreasing* the cost of doing business; *and*
- 12 • *Increasing* the selling price of the product sold by
13 that business—in this case, electric power sold to a
14 captive audience.

15 The market has already helped the company decrease its
16 cost of doing business: property taxes and the cost of
17 natural gas have both gone down. But, without even
18 acknowledging that decrease in its operating costs, the
19 company also seeks to increase its revenue income—
20 through this requested rate increase.

21 It is not overstating the point to say that the issue
22 before the Commission is one of “the rich wanting to get

1 richer by making the poor get poorer” . . . by charging the
2 “poor” – *i.e.* the company’s rank and file customers—even
3 more for their electric power.

4 From my own personal perspective, I believe that any
5 rate of return on Equity greater than ten percent –at least
6 in today’s delicate economy – is excessive.

7

8 7. “Regulatory Lag” is inevitable; it is necessary;
9 and it is the reason why this Commission exists in the first
10 place.

11 The term regulatory lag has been used many times in
12 this case. I can understand the company’s point of view on
13 this matter. But the company must remember that the
14 Public Utilities Commission is required by state law to do
15 exactly what it is doing: to review proposed rate changes
16 and ensure that the changes are justified and reasonable, to
17 balance the competing interests of all parties, and, above
18 all else, to protect the public consumers—like myself—who
19 otherwise have no protection and no means of recourse in
20 the face of such a rate change. I feel that strong and
21 careful review by the public utility commission will always
22 be to everyone’s benefit.

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Conclusion.

I have devoted much of my testimony to the issue of the public's right to know. Freedom of information—beginning with the right of free speech embodied in the First Amendment to the United States Constitution—is one of the foundation principles of this country and of the capitalist system which has made it thrive. I am grateful to the Company for its willingness to provide me with the information I have requested; I acknowledge the courtesy I received at each of the service centers I visited while preparing my testimony. I am grateful for the professionalism of the company's representatives in dealing with me personally in my intervention in this case. I am simply asking the Commission to ensure that the company be required to continue to make *all* that information *easily* available to all of my fellow rate payers who did not intervene—for whom I am, albeit unofficially, the lone representative and spokesman.

1 I ask that the Commission ensure that any rate
2 increase which is in fact ultimately approved be justified
3 by *all* the facts of this case, not just those that were
4 presented by the company in its own favor, and that that
5 increase be as reasonable as the commission can make it.

6 I am grateful for the assistance of the Commission
7 staff to me in preparing this case, and for the work of the
8 Commission in handling these difficult cases.

9 This concludes my testimony. Thank you.

Dated: September 28, 2007


TIMOTHY SHURTZ, Intervenor
411 South Main
Firth, ID 83236

CERTIFICATE OF SERVICE – by U.S. Mail and by Internet e-mail

I hereby certify that, on this 28th day of September 2007, I have served a true and correct copy of the foregoing written Testimony of Timothy Shurtz, Intervenor, in Case No. PAC-E-O7-O5, by delivering the same, by U.S. Postal Service First Class Mail and, where indicated, by e-mail, to the following persons at the mailing address and e-mail address indicated:

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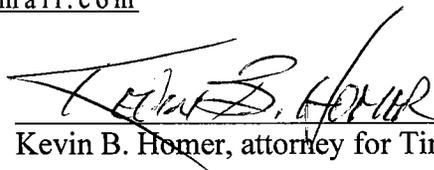
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