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IDAHO PUBLIC UTILITIES COMMISSION

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IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES	)	CASE NO. PAC-E-07-5

DIRECT TESTIMONY OF BRYAN LANSPERY

IDAHO PUBLIC UTILITIES COMMISSION

SEPTEMBER 28, 2007

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

A. My name is Bryan Lanspery and my business address is 472 West Washington Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by the Idaho Public Utilities Commission as a utility rate analyst.

Q. Give a brief description of your educational background and experience.

A. I received a Bachelor of Arts degree in Economics with a social science emphasis from Boise State University in 2003. I also earned a minor in Geographic Information Systems from Boise State University in the same timeframe. I have also earned a Master of Arts in Economics from Washington State University, received in 2005. My Masters work emphasized Labor Economics and Quantitative Econometric Analysis. Concurrent to pursuing my Masters degree, I functioned as an instructor of Introductory and Intermediate Economics as well as Labor Economics.

Q. Would you describe your duties with the Commission?

A. I was hired by the Commission in late 2005 as a utility analyst. As such, my duties revolve around statistical and technical analysis of Company filings.

This includes cost/benefit analysis, resource evaluation, price forecasting, and weather normalization methods.

Q. What is the purpose of your testimony?

A. There are several aspects of the rate case that I will discuss. The first is the Company's Net Power Cost filing, and my proposed adjustments including the gas swap correction, the Monsanto interrutibility credit and the allocation of irrigation load control program costs. I will also discuss potential improvements in the Company's class cost of service study, and the results of the study when all Staff proposed revenue requirement adjustments are included. I will then discuss the rate design and rate spread, specifically with regard to Staff's adjustments. Finally, I will briefly discuss a handful of issues that are either not contested by Staff, are alterations in tariff language, or need to be addressed in a different venue.

NET POWER COST

Gas Swap Adjustment

Q. Have you reviewed the Company's net power costs as filed in this rate case?

A. Yes, I have.

Q. Has the Company submitted net power cost studies other than that included in Company witness Widmer's testimony?

A. Yes, it has. Upon review, the Company found that the computer system that it uses to collect data on natural gas sales and purchases had not distinguished between the two, thus coding all transactions as purchases.

Q. Has the Company rectified this issue?

A. Yes, it has. In response to Staff Audit Request 107, the Company filed a revised net power cost study that corrected the gas swap error. The difference between the original net power cost and the revised is a reduction in cost of $34,676,640 on a system basis, and $2,441,363 reduction for the Idaho Jurisdiction.

Monsanto Interruptibility Credit

Q. Do you have any additional adjustments to net power costs?

A. Yes. The net power cost includes payments made to Monsanto for providing interruptible products to the Company. In Case No. PAC-E-06-09, the Commission approved moving Monsanto from a contract standard contract to a tariff standard contract. The Commission explicitly stated in Order No. 30197 that Monsanto's rates and it's interruptibility credit are to be addressed in the context of a general rate case.

Q. Did the Company propose a change in the value of the interruptibility credit in the case?

A. No. While Monsanto's rates are increasing due to the results of the cost of service study, there is no indication that the Company proposes a change in the credit value.

Q. Do you believe the credit value should remain at its present level?

A. No. The value of the products Monsanto offers are essentially linked to market prices, specifically the Company's official forward price curves. Market prices have risen since the two parties negotiated the contract, thus the value of Monsanto's credit should increase.

Q. How much do you propose to increase the interruptibility credit?

A. I propose to increase the Monsanto credit by roughly 14%.

Q. How did you determine the level of increase?

A. There are three components of the credit, the economic curtailment, the system integrity component, and the operating reserves component. For the economic and system integrity components, I applied the methods of valuation approved in the aforementioned case to the official forward price curves and hourly scalars that the Company used in this filing.

For the economic curtailment, I calculated the 800 most expensive hours of market prices at the Palo

Verde hub, which the Company uses as a reference for contracts on the east side of its service territory. Multiplying the prices for those hours by the amount of curtailment offered by Monsanto results in a 14% increase in the economic curtailment product.

For the system integrity component, I took the yearly average on-peak price at Palo Verde, multiplied that by the amount of curtailment offered by Monsanto. That total is then multiplied by 12 hours, the maximum amount of curtailment offered under the system integrity option to produce a credit increase of approximately 17%.

I did not calculate the operating reserve component due to lack of information. Because it is also tied to the increase in market prices, as well as marginal operating costs, I conservatively escalated the operating reserve value by 14% as well.

Q. Do you believe an increase of 14% in the credit is reasonably justified?

A. Yes, I believe that a 14% increase is justified because the credit value established under the 2006 contract increases in value based on the price curves used by the Company to establish costs in this rate case.

Q. What is the impact on net power costs of increasing the interruptibility credit to Monsanto?

A. The increased credit increases system net power supply costs by $1,730,160 over the Company's filing. That is an increase of $109,112 allocated to Idaho.

Q. Does the gas swap error correction or the increase in the Monsanto credit affect the determination of power supply costs within the GRID model?

A. No. Both values are determined outside the model, and appear as line items in GRID. The adjustments are independent of one another and do not affect any other net power supply costs determined by the GRID model.

Irrigation Load Control Cost Allocation

Q. Do you have any additional adjustments to net power cost?

A. Yes, regarding the treatment of the Idaho Irrigation Load Control Program credit payments.

Q. How are the credit payments reflected in the Company's filing?

A. Currently, in the case as filed, the Idaho jurisdiction is directly assigned all of the costs of the program, including the credit payments.

Q. Do you believe that this is the proper method of assigning the credit payments?

A. No. Reduced demand resulting from direct payments made to the irrigation customers under the Irrigation Load Control program constitute a system resource. The cost of those direct payments should therefore be allocated as system power costs, as are all other system resources, rather than directly allocated to Idaho.

Q. The Revised Protocol allocation methodology states that "(C)osts associated with Demand-Side Management Programs will be [directly] assigned to the State in which the investment is made. Benefits from these programs, in the form of reduced consumption, will be reflected through time in the Load-Based Dynamic Allocation Factors." Is your recommendation contrary to the guidelines of the Revised Protocol?

A. No, it is not.

Q. Please explain.

A. "Demand-Side Management Programs" are loosely defined in Revised Protocol. These programs are defined as "programs that improve the efficiency of electricity use by PacifiCorp's system." There are many programs that easily fit into this category, such as the "See ya later refrigerator" program, which promotes energy efficiency. There are other programs, such as Monsanto's curtailible load, that are demand-side measures that reduce demand under contract. Credits for these demand-side measures are treated as a system resource for the purpose of jurisdictional cost allocation.

Q. Are you arguing that the Irrigation Load Control Program is akin to the Monsanto contract?

A. In many ways, yes. In some ways, it is a better system resource than Monsanto's interruptibility contract. Irrigators enter into a contract with the Company prior to the irrigation season in order to participate. Equipment is in place to prevent the irrigator from using its pumps during the scheduled block of time it agreed to in the contract. This is indicative of a firm contract purchase by the Company, but instead of purchasing to serve load, the Company pays to not serve load during some of the most expensive times of the year. The Company can then use resources previously required to serve Idaho irrigation load during peak periods to serve growing demand in other areas of the Company's service territory. This firm demand reduction is no different than a firm supply side resource acquired to serve new load during peak periods and costs should be similarly allocated.

Q. Can the Company count on the amount of demand reduction it will contract during the season?

A. Yes. The Company has knowledge of the number of potential sites and customers. The Program has achieved an impressive retention rate from season to season. According to the 2006 Program Final Report, the

Company had "recorded 50.8 MW (of) firmed scheduled resource" prior to the dispatch period, and recorded an average peak avoided of 47.1 MW. This demonstrates that the Company's expectations on participation have been quite accurate, enhancing the nature of the Program as a firm, scheduled resource.

Q. So you believe the Irrigation Load Control Program is more akin to a contract purchase or acquisition of a peaking resource than a traditional demand-side program?

A. Yes. Through the Program, the Company is able to acquire a firm, cost effective resource during times of high marginal costs to serve load. The nature of the Program provides the Company with a firm, reliable load decrement, as predictable as a contract purchase. And in contrast to demand-side programs as defined in revised protocol, there is no lost revenue for the Company according to the end of the year reports filed by the Company regarding the program. Irrigation load is not shed, it is shifted to off-peak times. In fact, there is greater profit for the Company as revenues remain relatively stable, but the energy is consumed during a period of lower average cost.

Q. You said in some ways, the contract with the irrigators is better than the contract with Monsanto.

Please explain.

A. Irrigators do not have a buy-through option. Monsanto can buy through the curtailment if it deems it necessary. The Company therefore must be capable of serving Monsanto's peak needs even if it would rather curtail Monsanto. Once the enrollment date for the Irrigation Load Control Program is final, the Company has knowledge of what the firm needs of the irrigators in Idaho are. The Irrigation load is firm, and cannot be 'bought-through'. If an irrigator leaves the program, the payments are reduced. The load is properly reflected for allocation purposes since this is a load-shifting program.

Q. Would this argument change if the Irrigation Load Control Program were offered in another state?

A. No. Provided the contract with irrigators is binding and reduces system load requirements. It does not matter what state it is located in. It is a purchase power agreement, and should be treated as such.

Q. What is the impact on the Idaho jurisdiction and the Irrigation class of the Company's proposed situs allocation of the Irrigation Load Control Program?

A. Program costs at or near the marginal cost of new resources are directly assigned to the Idaho jurisdiction. Idaho's allocation of average system costs are reduced by Irrigator reduced demand, as well as the Irrigation class costs.

Q. Is it true then that Idaho and irrigators receive a benefit from the program through cost allocation?

A. It is true that the irrigation class does see a benefit in the form of reduced demand during coincident peaks for the months the program is in effect. As does Idaho. As does the system. However, unlike a contract purchase that is allocated system wide, this particular cost is directly assigned to Idaho, to all customer classes, including the irrigators.

Q. Please expound on the direct assignment to Idaho of the Irrigation Load Control Program costs.

A. As a result of the Program being identified as traditional DSM by the Company, all costs are directly assigned to the State. The Program reduces peak demand during the summer. The payments made to irrigators are based on marginal power costs in the summer, when these costs are at their highest. As a result, the Idaho jurisdiction is directly assigned the cost of 35-50 MW of peak power at or near marginal costs.

From the benefit side, Idaho's jurisdictional allocation of average system embedded costs decline by the 35-50 MW of peak reduction. But again, this is at an average, embedded cost, a mixture of the highest and lowest costs for power. Therefore, Idaho is allocated the average costs associated with a block of load, and is directly assigned the higher marginal cost for that same block.

Q. Is this treatment of the Program costs consistent with the treatment of other contract purchases, specifically the Monsanto curtailment credits?

A. No. Under a typical system power purchase, which is made at the margin, allocation is to all jurisdictions at the embedded rate. The Irrigation Load Control Program credit payments are also closer to the margin however they are assigned situs to Idaho, and allocated to all classes. This is inconsistent treatment of the credit payment.

The payments to Monsanto are allocated across the system, and are included in the Company's power supply model. The payments are further allocated to all customer classes. This treatment consistently allocates costs to all customers equally and should be similarly applied to recover credit payments to irrigators.

Q. What is your recommendation for treating the Irrigation Load Control Program Credit consistently with other contract purchases?

A. Similar to the Monsanto contract, and similar to other power purchase contracts, I recommend that the Irrigation Load Control Program Credit be allocated as a system cost to all jurisdictions, and further allocated to all Idaho customer classes.

Q. Do you believe all of the costs associated with the program should be allocated on a system basis?

A. No, only the credit payments to irrigators. The credit payment is akin to a power purchase, and should be treated as such. The equipment and administrative expenses that facilitate the program are currently deferred expenses to be paid by Idaho customers. This is similar to the expenses incurred by Monsanto in order to provide its interruptibility products. The Company does not remove the equipment at the end of the irrigation season, which helps curb costs associated with the program as many irrigators choose to participate in subsequent years. While program costs do not necessarily change with participation, the credit payment is directly linked to the amount of contracted load reduction the Company acquires.

Q. So could you please summarize your position with regard to the treatment of the Irrigation Load Control Program credit payment?

A. Yes. The credit payment constitutes a firm contract purchase between the Company and participating

Idaho irrigators. This is similar to the contract the Company has with Monsanto to provide its curtailment options. It is essentially indistinguishable from other firm contract purchases the Company includes in its net power costs. I propose that the Company treat the payment in the same fashion it treats other contract purchases.

Q. For the test year, what is the amount of payments made to irrigators participating in the program?

A. According to the Company's Jurisdictional Allocation Model, the payments total to $996,370, all of which was allocated to Idaho on a situs basis.

Q. Have you quantified the effect of treating the Irrigation Load Control Credit as a system resource rather than situs?

A. Yes, and the treatment of the credit in the jurisdictional allocation model is quantified and included in Staff witness Harms' testimony and exhibits. The result of the adjustment is a reduction in the Company's requested revenue requirement for Idaho of $933,534.

Q. Do you have any further adjustments to the Company's proposed revenue requirement?

A. No.

Q. Please summarize your recommendation for net power costs and Staff's revenue requirement in this case?

A. I recommend that system power supply cost be reduced by $33 million from the $861,066,125 filed by the Company to $828,119,646. The resulting power supply costs allocated to Idaho are therefore reduced by approximately $2.4 million, from $57.8 million to $55.4 million.

In addition, my recommendation to allocate Irrigation Load Control Credit payments on a system basis rather than directly to Idaho results in a reduction of Idaho revenue requirement of $933,534. Therefore, my proposed adjustments reduce revenue requirement by a total of approximately $3.3 million.

CLASS COST OF SERVICE

Q. Have you reviewed the Company's Cost of Service study?

A. Yes.

Q. Do you believe that the study adequately represents the cost to serve the various classes in Idaho?

A. Yes. However, Staff believes PacifiCorp should enhance its load sampling data to assure proper cost assignment to the various classes.

Q. What is the problem you see in the load sampling data?

A. Staff initiated an informal query earlier this year to the three electric utilities regarding each Company's load sampling methods. Through this query, it was apparent that PacifiCorp does not adequately sample load for customer classes that are not demand metered.

Q. What led you to the conclusion that PacifiCorp's load sampling was inadequate?

A. Through the Company's responses in that query and reinforced in this case through it's response to Staff Production Request 25, the Company indicated that it currently has 97 sampling meters for the two residential classes, 52 for Schedule 1 and 45 for Schedule 36. That is approximately 0.1% of the population for Schedule 1, and 0.3% of Schedule 36 customers.

Q. Has the Company acknowledged this issue?

A. Yes. The Company indicated that a limited number of sampling meters are installed for Schedule 1 and Schedule 36 customers. These meters were placed in service in 2001, with no additional deployment since then. In addition, the Company has agreed in the Supplemental Response to Staff Production Request No. 25 to increase its deployment of sampling meters for the residential classes by 24 by the end of the year. Each of the new meters, 12 for Schedule 1 and 12 for Schedule

36, will be located on homes built since 2001. Additionally, the Company plans to rotate the locations of the meters periodically, beginning in 2010.

Q. Are there other classes of customers that the Company plans to modify its load sampling methodology?

A. Yes. The Company indicated in the supplemental response that it would begin rotating the location of the irrigation sample meters in 2008.

Q. What impact can limited load sampling data have on class cost of service?

A. Sampling data may have an impact on each class's coincident and non-coincident peak measurements, which is used to derive the demand related allocation factors in the allocation of service costs.

Q. What can be accomplished by improving sampling data in the residential class?

A. Staff believes that improved sampling would help justify the cost allocation and rate differential between Schedules 1 and 36.

Q. Both Idaho Power and Avista have embarked on Advanced Meter Reading (AMR) programs to reduce costs and investigate time-of-use rates. Should PacifiCorp investigate AMR deployment?

A. Perhaps. First, AMR could provide accurate data for the class cost of service study, thereby removing much of the concerns regarding the inadequate load sampling data. Also, AMR would facilitate expansion of energy efficiency programs to include such options as critical peak pricing or real-time pricing. AMR also allows customers to actively manage their energy consumption by providing access to usage on a more real-time basis, as opposed to waiting until their bill arrives. Finally, AMR could verify and justify time-of-use rate differentials between the two residential classes.

Q. Does the Company's cost of service study treat the two residential groups as separate classes or as a single residential class?

A. The cost of service study distinguishes between the two residential groups, and assigns costs accordingly. The only instance I noticed of lumping the two classes together was the treatment of metering costs. The Company averages the metering costs and associated billing costs for the classes to use as a benchmark for developing the allocation factors for the other customer classes.

Q. Are there any other issues with respect to the class cost of service study that you want to address?

A. Yes. Based on Monsanto Data Request No. 9.6, it is apparent that Monsanto's coincident peaks for the months of September, November and December had been overstated by 67 MW in the cost of service study.

Q. Why did this occur?

A. PacifiCorp curtailed Monsanto's load during these three months, and Monsanto exercised its option to buy-through for replacement energy. The metered sales reflected the buy-through replacement energy, but the Company mistakenly added the replacement energy on top of the metered sales, effectively double-counting 67 MW for the three periods.

Q. What is the effect on class cost of service of removing Monsanto's buy-through energy from metered sales?

A. The effect on Monsanto compared to the Company's initial filing is a reduction in the Monsanto demand allocation and a decrease in Monsanto's cost of service from 24.13% to 20.92%.

Conversely, the cost of service for other Idaho customer classes increases to make up for the Monsanto reduction. Staff Exhibit No. 117 shows the cost of service results before and after the reduction in the Monsanto demand allocation. On average, the other customer classes witness increase in cost of service results of 1.2%

Q. Have you conducted a cost of service study that include the revenue requirement adjustments proposed by Staff?

A. Yes. Staff Exhibit No. 118 shows cost of service results that includes all of my adjustments and those detailed in the testimonies of Staff witnesses Harms, Carlock, Leckie, and Nobbs.

The results indicate that certain customer classes are below cost of service, while some are currently above cost of service. Specifically, the general service classes are slightly above cost of service. The adjustments to revenue requirement reduce the revenue adjustments necessary to bring the residential, irrigation, street lighting, and contract customers to full cost of service. Monsanto's demand allocator adjustment results in slight increases to the revenue adjustment for all other classes.

RATE DESIGN

Q. What is the Staff's recommendation on the rate increase for all Idaho customers?

A. Staff proposes an average increase in rates of 6.29%

Q. The Company has proposed to move the two contract customers and street lighting classes to full cost of service. Do you agree with the Company's proposal?

A. I propose moving the street lighting classes to full cost of service. I further propose increasing the rates for the special contract customers to place them near full cost of service. Under the terms of the contracts entered into by Agrium and Monsanto, they are to be treated as tariff customers, whose rates are subject to change should the cost of service study show that a rate change is warranted.

Q. What is the Staff's proposed revenue requirement increase for Agrium and Monsanto?

A. Staff proposes that Agrium's annual revenue requirement be increased by $411,882, or 10.3%, and Monsanto's annual revenue requirement be increased by $7,470,650, or 15.35%.

Q. The Company has proposed that customer classes, slightly above cost of service receive no decrease in rates. Do you support the Company's proposal?

A. Yes. These classes are shown to be relatively close to cost of service and do not warrant a rate reduction given the imprecise nature of the cost of service results. Cost of service results vary over time and there is not sufficient evidence to support a decrease in rates for a service that is experiencing ever increasing costs.

Q. The Company proposes a uniform increase for the two residential classes and the irrigation class. Do you agree with the Company's proposal?

A. Yes. The Commission has traditionally supported a uniform increase in rates. Based on the Staff proposed revenue requirement the increase suggested by the cost of service study to bring all classes to full cost of service vary from 3.92% for Schedule 36 to 6.02% for Schedule 1. Staff believes that a uniform increase is simple and reasonably achieves cost of service while recognizing that cost of service is not an exact science. Therefore, in conjunction with our recommendation to maintain existing rates for those customers identified by the study to be below cost of service, Staff is recommending a uniform increase of 3.42% for each of the other three classes to generate the Staff recommended revenue requirement.

Q. What increase in annual revenue does Staff recommend for the residential and irrigation classes?

A. Staff recommends that the annual revenue for Schedules 1 and 36 be increased by $1,014,145 and $730,588, respectively. Staff also recommends that Schedule 10 annual revenue increase by $1,347,640 per year. The resulting uniform increase for each class is therefore 3.42%.

Q. Do you believe that this proposed revenue increase adequately reflects Staff's cost of service study?

A. Yes. As seen in Staff Exhibit No. 119, the proposed revenue increase would bring the two residential classes, the irrigation class, and the two special contract customers to 98% of the respective cost of service as proposed by Staff.

Q. Do you agree with the Company's proposal to keep the on-peak and off-peak rate differentials for Schedule 36 at the same level?

A. At this time, yes. Should the Commission direct the Company to investigate AMR, and should the Company implement an AMR system, Staff will evaluate the rate differentials to ensure that they properly reflect the cost to serve during various hours of the year.

Q. Have you prepared an exhibit demonstrating that Staff's proposal will provide the Company with the opportunity to collect Staff's target annual revenue?

A. Yes. Staff Exhibit No. 119 demonstrates that the proposed increases allow the Company to recover Staff's recommended revenue requirement.

Q. Are you proposing any changes to rate design?

A. No.

Q. Has the Company submitted revised tariffs to reflect the proposed rates?

A. Yes.

Q. Do you propose any modifications to tariff language beyond reflecting the new rates?

A. I do not have a specific recommendation, but I do believe that the Company needs to clarify the differences between Schedules 6 and 23, small general service and large general service.

Q. Why do you believe that the Company should clarify Schedules 6 and 23?

A. The tariff has no language to determine what the eligibility criteria are for these classes. The schedules are essentially the same, except for the pricing. I would recommend that the Company file revised tariffs that contain language that would contain the eligibility criteria that the Company presumably uses to discern which schedule a potential customer would fall under.

OTHER ISSUES

Q. Are there any other issues you would like to address in your testimony?

A. Yes. I wish to address the elimination of Schedule 94, the Rate Mitigation Adjustment, the contrast of costs of wind facilities assumed by the Company in its IRP with actual costs paid through RFPs, and Company witness Rockney's testimony regarding proposed changes to

Regulation No. 12, the line extension policy.

Q. What is the Company's proposal regarding Schedule 94?

A. As stated on page 4 of Company witness Griffith's testimony, the Company proposes to eliminate the Rate Mitigation Adjustment upon implementation of the proposed rates.

Q. What is the Company's justification for eliminating the Rate Mitigation Adjustment (RMA)?

A. Commission Order No. 29034 states that the RMA could be subject to termination upon the earlier of "(1) the expiration of the current electric service Schedule 34 BPA Exchange Credit; or (2) the adoption by the Commission of a cost-of-service study for PacifiCorp and the subsequent implementation for all customers of the approved cost of service study by any lawful method." The intent of the RMA was to mitigate rate shock to the irrigation class as the Company moved it to cost of service. After the adjustments Staff has made to revenue requirement and the cost of service study, the rate design I propose moves the irrigation class sufficiently close to cost of service.

Q. Do you believe the RMA is still necessary?

A. No. I support the Company's request to eliminate Schedule 94.

Q. In regard to new resource acquisition, PacifiCorp selected the 64.5 MW Wolverine Creek, the 100.5 MW Leaning Juniper, and the 140.4 MW Marengo wind projects through a Request for Proposal (RFP) process. Has Staff reviewed the process used to select the winning bids under the RFP?

A. Yes.

Q. Do you have any comments or concerns about the process?

A. I do not have any concerns about the projects that were selected or the manner in which bids were compared against each other, but I do have concerns about the fact that no comparisons were made between the bids and the costs for new resources that were assumed in the Company's Integrated Resource Plans (IRPs). In response to Staff production requests (IPUC Request No. 15), the Company admits that the capital costs to acquire the Leaning Juniper, Marengo and Goodnoe Hills projects are higher than the capital cost assumptions in PacifiCorp's 2003 and 2007 IRPs.

The IRP process compares various generation alternatives and serves as a guide to future acquisition of new resources. The decision to pursue acquisition of new wind generation is based on the cost and risk analysis included in the Company's IRPs. When decisions are made to acquire specific wind projects, I believe it is important to insure that the prices being paid to acquire those resources are still consistent with the prices assumed in the IRP, and that wind generation still represents the best new resource alternative. If bid prices exceed IRP assumptions, then the IRP cost assumptions for all new resource types – wind, coal, and natural gas – should be refreshed to make sure that the IRP analysis is still valid.

Q. The 94 MW Goodnoe Hills wind project has also recently been selected by the Company, although not through the RFP process. Do you have the same concerns about the process used to select this project?

A. Yes, all of the same concerns regarding the other wind projects apply to this one as well.

Q. Does the Company propose to make changes to the line extension policy?

A. Yes. Company witness Rockney describes several changes to Electric Service Regulation No. 12, Line Extensions.

Q. Briefly describe the modifications proposed by the Company.

A. The Company proposes to make what it considers "housekeeping changes" to Regulation 12. The Company proposes to clarify language that defines an "Extension", language that addresses the relocation of facilities, standardizing the language regarding allowances and advances for developers with respect to the Company's regulations in other states, and refunds for backbone facilities.

The Company also seeks to change the refund methodology for planned developments, allowing the developer to waive small refunds in anticipation of larger refunds based on load size. Also, the proposal would affect refunds to residential customers. The Company proposes that the contract remain with the initial customer for five years or four successive customers rather than each successive customer assuming the contract. This would impact the method in which the initial customer receives its refund.

The Company also proposes to change the allowance for customers receiving service at 44,000 volts or greater, or transmission delivery customers. Under the proposal, these customers will receive an allowance for metering only.

Q. Do you believe that the Company has correctly characterized these as "housekeeping changes"?

A. No. The Company proposes to restructure the methods of allocating refunds and allowances, going well beyond adding clarification to existing regulations. The

Company's proposal will modify current regulation, which I believe constitutes more than simple housekeeping changes.

Q. Do you believe that the Commission should approve the said changes proposed by the Company?

A. No, not at this time.

Q. Please explain.

A. I believe that this is not the proper venue to address changes to the line extension rule. This should be addressed in a separate filing and not be ruled upon in a general rate case. I propose that the Commission direct the Company to submit its revisions to the line extension regulations as an autonomous case.

Q. Why should the Commission compel the Company to file for line extension revisions in a separate filing rather than rule on it within this rate case proceeding?

A. Within a rate case setting, these revisions are relegated to a minor side note. The interveners in this case represent parties that are focused on the Company's revenue requirement and class cost of service. There has been no indication that Company's proposal has received either support or opposition by affected parties.

Staff believes the proposed revisions to line extension policies are not trivial, and will not receive the attention in this setting that it deserves.

Furthermore, parties that are affected by line extension revisions are not represented in this case. It is my opinion that a separate filing would facilitate the opportunity for a more thorough analysis by Staff and parties that would be affected by the Company's proposed changes.

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

A. Yes, it does.

Class Impact of Reducing Monsanto Demand on Cost of Service

Schedule No.	Description	Company's Original Filing Percentage Change from Current Revenues	Original Filing with Monsanto Load Adjustment Percentage Change from Current Revenues	Percentage Difference Between Original Filing and Monsanto Load Adjusted Filing
01	Residential	7.83%	8.96%	1.12%
36	Residential - TOD	6.36%	7.52%	1.16%
06	General Service - Large	-3.05%	-1.67%	1.38%
08	General Service - Medium Voltage	-1.87%	-0.40%	1.47%
09	General Service - High Voltage	-8.13%	-6.66%	1.47%
10	Irrigation	9.84%	10.97%	1.13%
07,11,12	Street & Area Lighting	82.15%	82.37%	0.22%
12	Traffic Signals	-11.00%	-10.16%	0.84%
19	Space Heating	-7.03%	-5.72%	1.31%
23	General Service - Small	-6.11%	-4.99%	1.11%
SPC	Contract 1	14.51%	16.24%	1.73%
SPC	Contract 2	24.13%	20.92%	-3.20%
Total	State of Idaho -	10.34%	10.34%	0.00%

Exhibit No. 117
Case No. PAC-E-07-5
B. Lanspery, Staff
9/28/07

Staff Adjusted
Cost Of Service By Rate Schedule
State of Idaho
12 Months Ending December 2006
MSP Protocol
7.81% = Target Return on Rate Base

	A	B	C	D	E	F	G	H	I	J	K	L	M
Line No.	Schedule No.	Description	Annual Revenue	Return on Rate Base	Rate of Return Index	Total Cost of Service	Generation Cost of Service	Transmission Cost of Service	Distribution Cost of Service	Retail Cost of Service	Misc Cost of Service	Increase (Decrease) to = ROR	Percentage Change from Current Revenues
1	01	Residential	29,653,369	6.55%	1.03	31,437,931	15,551,799	2,083,637	8,680,622	3,893,987	1,227,885	1,784,562	6.02%
2	36	Residential - TOD	21,362,235	7.27%	1.14	22,200,169	12,695,182	1,608,615	5,581,052	1,767,256	548,064	837,934	3.92%
3	06	General Service - Large	18,609,425	10.96%	1.72	17,533,675	12,701,727	1,638,451	2,949,567	164,256	79,673	(1,075,750)	-5.78%
4	08	General Service - Medium Voltage	130,255	10.46%	1.64	124,393	91,742	12,143	19,880	284	346	(5,862)	-4.50%
5	09	General Service - High Voltage	5,061,143	13.14%	2.06	4,575,798	4,049,045	489,863	17,271	8,502	11,118	(485,345)	-9.59%
6	10	Irrigation	39,404,679	6.90%	1.08	41,392,999	25,211,806	2,891,350	12,639,927	418,520	231,396	1,988,320	5.05%
7	07,11,12	Street & Area Lighting	326,298	-18.09%	(2.84)	587,565	76,149	6,619	421,047	59,171	24,580	261,267	80.07%
8	12	Traffic Signals	15,526	13.83%	2.17	13,788	7,260	870	3,058	1,830	771	(1,738)	-11.19%
9	19	Space Heating	635,620	12.48%	1.96	575,578	398,006	52,664	106,052	13,000	5,855	(60,042)	-9.45%
10	23	General Service - Small	10,711,252	11.96%	1.88	9,819,228	5,657,138	748,176	2,493,539	673,144	247,232	(892,024)	-8.33%
11	SPC	Contract 1	3,998,852	3.94%	0.62	4,504,286	3,934,229	500,000	61,008	260	8,790	505,434	12.64%
12	SPC	Contract 2	48,668,727	2.45%	0.38	57,048,574	50,709,206	6,184,996	49,824	(2,752)	107,300	8,379,847	17.22%
13	Total	State of Idaho -	178,577,381	6.38%	1.00	189,813,985	131,083,288	16,217,384	33,022,846	6,997,457	2,493,010	11,236,604	6.29%

Footnotes :
Column C : Annual revenues based on 12-2006.
Column D : Calculated Return on Ratebase per 12-2006 Embedded Cost of Service Study
Column E : Rate of Return Index. Rate of return by rate schedule, divided by Idaho Jurisdiction's normalized rate of return.
Column F : Calculated Full Cost of Service at Jurisdictional Rate of Return per the 12-2006 Embedded COS Study
Column G : Calculated Generation Cost of Service at Jurisdictional Rate of Return per the 12-2006 Embedded COS Study.
Column H : Calculated Transmission Cost of Service at Jurisdictional Rate of Return per the 12-2006 Embedded COS Study.
Column I : Calculated Distribution Cost of Service at Jurisdictional Rate of Return per the 12-2006 Embedded COS Study.
Column J : Calculated Retail Cost of Service at Jurisdictional Rate of Return per the 12-2006 Embedded COS Study.
Column K : Calculated Misc.Distribution Cost of Service at Jurisdictional Rate of Return per the 12-2006 Embedded COS Study.
Column L : Increase or Decrease Required to Move From Annual Revenue to Full Cost of Service Dollars.
Column M : Increase or Decrease Required to Move From Annual Revenue to Full Cost of Service Percent.

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B. Lanspery, Staff
9/28/07

Annual Revenue by Class Under Staff Proposed Revenue Requirement and Rate Spread

Schedule No.	Description	Total Cost of Service	Current Annual Revenue	Staff Proposed Rate Increase	Target Annual Revenue	Percentage of Cost of Service
01	Residential	31,437,931	29,653,369	3.42%	$ 30,667,514	98%
36	Residential - TOD	22,200,169	21,362,235	3.42%	$ 22,092,823	100%
06	General Service - Large	17,533,675	18,609,425	0.00%	$ 18,609,425	106%
08	General Service - Medium Voltage	124,393	130,255	0.00%	$ 130,255	105%
09	General Service - High Voltage	4,575,798	5,061,143	0.00%	$ 5,061,143	111%
10	Irrigation	41,392,999	39,404,679	3.42%	$ 40,752,319	98%
07,11,12	Street & Area Lighting	587,565	326,298	80.06%	$ 587,532	100%
12	Traffic Signals	13,788	15,526	0.00%	$ 15,526	113%
19	Space Heating	575,578	635,620	0.00%	$ 635,620	110%
23	General Service - Small	9,819,228	10,711,252	0.00%	$ 10,711,252	109%
SPC	Contract 1	4,504,286	3,998,852	10.30%	$ 4,410,734	98%
SPC	Contract 2	57,048,574	48,668,727	15.35%	$ 56,139,377	98%
Total	State of Idaho -	189,813,985	178,577,381	6.29%	$ 189,813,520	100%

Exhibit No. 119
Case No. PAC-E-07-5
B. Lanspery, Staff
9/28/07

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28TH DAY OF SEPTEMBER 2007, SERVED THE FOREGOING **DIRECT TESTIMONY OF BRYAN LANSPERY,** IN CASE NO. PAC-E-07-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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