



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

3 A. My name is John Nobbs. My business address is 472  
4 West Washington Street, Boise, Idaho.

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

6 A. I am employed by the Idaho Public Utilities  
7 Commission (Commission) as an auditor in the Utilities  
8 Division.

9 Q. What is your education, experience and background?

10 A. I received a Bachelor of Science degree in 1971  
11 from Fresno State College, with thirty units in accounting.  
12 In 2000, I received a Master of Science degree, with twelve  
13 units in accounting and taxation. I completed the National  
14 Association of Regulated Utility Commissioners' Annual  
15 Regulatory Studies Program in 2007.

16 I have worked on budgets, forecasts, inventory  
17 accounting, cost accounting and on currency transactions. I  
18 have drawn trial balances and developed financial statements  
19 from those trial balances. I performed financial analysis.  
20 I have worked as a Chief Accountant, Internal Auditor,  
21 Assistant Controller and as a Controller. I was a Medicaid  
22 auditor.

23 During the time I have worked at the Idaho Public  
24 Utilities Commission, I have worked as an auditor in the  
25 Utilities Division.

1 Q. What is the purpose of your testimony in this  
2 case?

3 A. The purpose of my testimony is to explain audit  
4 results for five expense accounts for the fiscal year 2006.  
5 These accounts are Corporate Aircraft Expenses; FERC Account  
6 921, Office Supplies and Expenses; FERC Account 923, Outside  
7 Services; FERC Account 930.1, General Advertising expenses;  
8 and FERC Account 930.2, Miscellaneous General Expenses. I  
9 have recommended adjustments totaling \$1,583,426. For FERC  
10 Account 921, adjustments total \$387,243; for FERC Account  
11 923 \$347,067; \$121,887 for FERC Account 930.1 and, \$727,229  
12 for FERC Account 930.2. The effect of these adjustments is  
13 to reduce the Idaho revenue requirement by \$93,040.

14 **SUMMARY**

15 Q. Please describe the results of your audit of  
16 corporate aircraft expenses.

17 A. I reviewed aircraft operations and maintenance  
18 expenses for 2006. The reported expenses were found to be  
19 reasonable for ratemaking purposes.

20 Q. When you audited FERC Account 921, what did you  
21 find?

22 A. Staff adjustments to FERC Account 921, Office  
23 Supplies and Expenses, are shown on Exhibit No. 101.

24 FERC Account 921 included expenses for setting up  
25 market monitor activities. These market monitor set up

1 expenses totaled \$86,132. These expenses result from  
2 MidAmerican Energy Holdings Company's (MEHC) acquisition of  
3 PacifiCorp. Acquisition Commitments limit costs to no more  
4 than those prior to the acquisition. These expenses are set  
5 up costs, are non-recurring and would not have been incurred  
6 absent the acquisition. There are also on-going charges for  
7 continuous monitoring, which are not specifically  
8 identified. These on-going monitoring charges would not be  
9 incurred at this time if MEHC had not purchased the Company.  
10 These additional expenses should not be included in rates  
11 until customer benefits can be shown to offset costs similar  
12 to other acquisition related costs discussed specifically in  
13 the Acquisition Commitments. Staff recommends that the  
14 Company be directed to isolate these expenses in separate  
15 sub accounts. A cost/benefit analysis should be provided by  
16 the Company for these on-going market monitoring  
17 expenditures and reviewed prior to inclusion in future rate  
18 cases.

19 This account also included brokerage fees of  
20 \$66,600 for stock options. These costs were incurred due to  
21 changes in the Company retirement plan. They are not  
22 recurring expenses and therefore, were removed by Staff.

23 For fiscal year 2006, the account included \$36,841  
24 of expenses for the 2005 health fair. No expenses were  
25 found in fiscal year 2006 for a health fair. Consequently,

1 the \$36,841 was removed as an out of period expense. FERC  
2 Account 921 included general rate case expenses for other  
3 states, totaling \$108,286. Staff also found general rate  
4 case advertising expenses totaling \$89,384 for other states.  
5 This is a total of \$197,670 in general rate case expenses,  
6 which should be directly assigned to other states. General  
7 rate case expenses for Idaho are reflected in the Idaho  
8 revenue requirement. All adjustments for FERC Account 921  
9 total \$387,243 on a system basis and reduce the Idaho  
10 revenue requirement by \$22,754.

11 Q. Please describe what you found in FERC Account  
12 923.

13 A. FERC Account 923 is used to record expenses from  
14 outside services, such as professional consultants. Staff  
15 adjustments to FERC Account 923 are shown on Exhibit No.  
16 102.

17 FERC Account 923 included \$67,250 in non-recurring  
18 consulting expenses resulting from changes in the Company  
19 retirement plan to a 401k plan. These were removed. This  
20 account contained expenses for consulting services on  
21 general rate cases for states other than Idaho. These  
22 services totaled \$190,433. Staff also found advertising  
23 expenses for general rate cases in other states totaling  
24 \$89,384. The combined total for general rate case expenses  
25 in other states is \$279,817. This amount should have been

1 assigned to the other states. All adjustments to FERC  
2 Account 923 total \$347,067 on a system basis. These  
3 adjustments reduce the revenue requirement for Idaho by  
4 \$20,393.

5 Q. What did you find during your audit of FERC  
6 Account 930.1?

7 A. General advertising expenses are found in FERC  
8 Account 930.1. Staff adjustments to this account are found  
9 on Exhibit No. 103.

10 Audit Staff found \$49,611 in image enhancement  
11 advertising. The Commission has consistently held that this  
12 type of advertising should be recorded below the line. A  
13 second group of advertising expenses was found. This group  
14 includes advertising via signs, banners or as portions of  
15 printed programs or publications. Some items included in  
16 this group were American Legion baseball games, holiday  
17 parades, The Rocky Mountain Elk Foundation, cattle dog  
18 trials and sports events at schools. These advertising  
19 expenses totaled \$19,100. While supporting such  
20 organizations and events is good corporate citizenship, they  
21 should not be reflected in customer rates. This adjustment  
22 is consistent with Commission policy in numerous cases.

23 General rate case advertising expenses for states  
24 other than Idaho were also found. This advertising totaled  
25 \$53,176. These expenses should have been assigned to the

1        respective states for ratemaking purposes, not allocated to  
2        Idaho.

3                    The total of all adjustments for FERC Account  
4        930.1 equals \$121,887 on a system basis. The effect of  
5        these adjustments is to reduce the Idaho revenue requirement  
6        by \$7,162.

7            Q.    What did you find in your audit of FERC Account  
8        930.2?

9            A.    FERC Account 930.2 is identified as the account to  
10       record expenses not properly recorded in other accounts, in  
11       addition to dues and memberships. Staff adjustments to this  
12       account are shown on Exhibit No. 104.

13                    Staff found membership expenses for organizations  
14       such as chambers of commerce, rotary clubs and economic  
15       development associations, etc. These expenses totaled  
16       \$39,970. While supporting these organizations is beneficial  
17       to the areas involved, the Commission has consistently  
18       removed this type of expense for ratemaking purposes. Audit  
19       Staff found challenge grants totaling \$32,250. These  
20       donations may support worthy causes, but they are not costs  
21       to be included in customer rates.

22                    This account also contained \$982,514 for a  
23       settlement with the Internal Revenue Service. This tax  
24       settlement is associated with \$22 million of tax-exempt,  
25       pollution control revenue bonds issued in 1995. Staff

1 requested a comparison showing the difference between the  
2 tax-exempt interest cost and the taxable interest cost if  
3 the tax-exempt status was lost. This interest differential  
4 was then compared to the \$982,514 settlement amount. The  
5 Company believes the settlement option was the least costly  
6 from a total cost perspective. Staff examined the  
7 comparison and supports the Company's position that the  
8 settlement was reasonable. However, Staff believes that it  
9 is not appropriate to expense the entire \$982,514 in a  
10 single year for this one-time settlement. Staff believes it  
11 is more appropriate to allocate this expense over three  
12 years, and recommends including an amortization expense of  
13 \$327,505. Total adjustments to FERC Account 930.2 are  
14 \$727,229, system wide. This reduces the Idaho revenue  
15 requirement by \$42,732.

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

18 A. Yes, it does.  
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**Rocky Mountain Power  
FERC Acct 921-Office Supplies and Expenses  
FYE 2006**

Adjustment to expense		Amount
Market Monitor Set up		\$86,132
Brokerage Fees		\$66,600
2005 Wellness Fair		\$36,841
General Rate Case Expenses		
CA	\$20,087	
OR	\$21,933	
UT	\$26,829	
WA	\$16,892	
WY	\$22,545	
Subtotal		\$108,286
General Rate Case Advertising Expenses		
CA	\$12,553	
OR	\$61,887	
UT	\$123	
WA	\$10,899	
WY	\$3,922	
Subtotal		\$89,384
Account 921 Total		\$387,243

Exhibit No. 101  
Case No. PAC-E-07-5  
J. Nobbs, Staff  
9/28/07

**Rocky Mountain Power  
FERC Acct 923 - Outside Services  
FY 2006**

Adjustment to Expense		Amount
401k Consulting Expenses		\$67,250
Consultants - General Rate Case Expenses		
CA	\$23,874	
OR	\$95,644	
UT	\$30,825	
WA	\$40,090	
Subtotal		\$190,433
Advertising - General Rate Case Expenses		
CA	\$12,553	
OR	\$61,887	
UT	\$123	
WA	\$10,899	
WY	\$3,922	
Subtotal		\$89,384
Account 923 Total		\$347,067

**Rocky Mountain Power  
FERC Acct 930.1 - Advertising  
FYE 2006**

Adjustment to expense	Amount
Image Enhancement Advertising	\$49,611
Sports events, RMEF, etc.	\$19,100
General Rate Case Advertising Expenses	
CA	\$4,645
UT	\$4,525
WA	\$6,031
WY	\$37,975
Subtotal	\$53,176
Account 930.1 total	\$121,887

Exhibit No. 103  
Case No. PAC-E-07-5  
J. Nobbs, Staff  
9/28/07

**PacifiCorp**  
**FERC Acct 930.2 - Dues & Other Expenses**  
**FYE 2006**

	Total
Adjustment to expense	
Memberships: C of C, Rotary, etc	\$39,970
Challenge Grants	\$32,250
Pollution Control Revenue Bond Tax Settlement	
Allocation FY 2006 (1/3 X \$982,514)	\$327,505
Allocation other years (2/3 X \$982,514)	\$655,009
Account 930.2 Total	\$727,229

Exhibit No. 104  
Case No. PAC-E-07-5  
J. Nobbs, Staff  
9/28/07

## CERTIFICATE OF SERVICE

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

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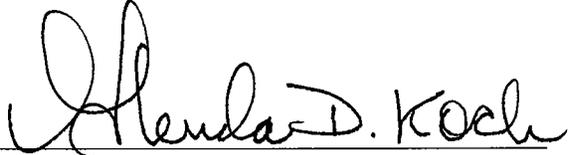
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