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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AN INVESTIGATION)
OF APPROPRIATE COST RECOVERY) CASE NO. IPC-E-10-27
MECHANISMS FOR IDAHO POWER'S)
ENERGY EFFICIENCY PROGRAMS.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

JOHN R. GALE

IN SUPPORT OF STIPULATION

1 Q. Please state your name and business address.

2 A. My name is John R. Gale and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

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

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as the Senior Vice President of
7 Corporate Responsibility.

8 Q. Are you the same Mr. Gale that previously
9 submitted direct testimony in this case, Case No. IPC-E-10-
10 27 or "Case 10-27"?

11 A. Yes, I am.

12 Q. What is the purpose of your testimony in this
13 matter?

14 A. My purpose is to express Idaho Power's support
15 of the settlement stipulation ("Stipulation") reached by
16 various parties to Case No. IPC-E-10-27 related to the cost
17 recovery mechanisms for Idaho Power's energy efficiency
18 programs.

19 Q. What were Idaho Power's objectives in filing
20 Case 10-27?

21 A. There were two broad objectives: (1) advance
22 the business and regulatory model for Company investments
23 in demand-side resources ("DSR") and (2) address the

1 growing negative balance in the Company's Energy Efficiency
2 Rider ("Rider") account.

3 Q. Please describe the Company's original
4 request.

5 A. The Company made several proposals to address
6 both the growing negative balance in the Rider and to
7 advance the DSR regulatory model for Idaho Power. These
8 actions are: (1) moving demand response incentive payments
9 for the A/C Cool Credit program, the Irrigation Peak
10 Rewards program, and the FlexPeak Management program into
11 the Power Cost Adjustment ("PCA") on a prospective basis
12 beginning on June 1, 2011, and (2) establishing a
13 regulatory asset for the Custom Efficiency program through
14 Commission order.

15 Idaho Power also requested that the Commission
16 authorize the carrying charge on the remaining balance to
17 move to the Company's authorized rate of return (currently
18 8.18 overall rate of return with a 10.5 return on equity
19 component) instead of the interest rate on customer
20 deposits (currently 1.0 percent).

21 Q. Please describe the key provisions of the
22 Stipulation.

23 A. The Stipulation agrees to the transfer of the
24 demand response incentive payments to the PCA beginning on

1 June 1, 2011, as requested by the Company. Additionally,
2 the Stipulation allows the impact of this change to be
3 revenue neutral for the customer classes for the interim
4 period until the next Idaho Power general rate case.

5 The Stipulation provides for the establishment of a
6 regulatory asset for incentive payments made for the Custom
7 Efficiency program beginning January 1, 2011. The asset
8 balance will earn the authorized rate of return until
9 placed in rates at the next Idaho Power general rate case
10 and will be amortized over a seven-year period as opposed
11 to the four-year amortization originally proposed by Idaho
12 Power.

13 Finally, the parties agree to leave the carrying
14 charge on the Rider balance at the customer deposit rate,
15 instead of the change proposed by the Company.

16 Q. Why is Idaho Power agreeing to the terms of
17 the Stipulation?

18 A. The Company believes the Stipulation is a
19 reasonable compromise by the parties that advances the
20 treatment of the Company's investments in DSR to a position
21 essentially equivalent to its investments in supply-side
22 resources. The seven-year amortization causes some concern
23 because of the different risk profile of DSR, but strikes a
24 reasonable balance when compared to the overall lives of

1 the demand-side measures. The Company determined that it
2 could drop its carrying charge request in light of the
3 substantial impact to the Rider's negative balance of the
4 other agreed upon actions.

5 Q. Are the terms of this Stipulation, in your
6 opinion, consistent with the Stipulation entered into by
7 Idaho Power and other parties and approved by this
8 Commission in Case No. IPC-E-09-30 on January 10, 2010?

9 A. Yes, as the Company's lead negotiator to
10 that agreement, it is my testimony that the Stipulation is
11 fully consistent with the prior stipulation approved by the
12 Commission in Case No. IPC-E-09-30. The Stipulation in
13 this current case does not seek a general rate change; it
14 only adjusts the PCA and changes the inputs to the Rider,
15 both of which are specified exceptions to the rate
16 moratorium as provided under Section 5.2 of the stipulation
17 in Case No. IPC-E-09-30.

18 Q. What are the benefits of the Commission
19 approving the Stipulation?

20 A. Approving the Stipulation relieves pressure to
21 increase the Rider percentage again and provides all
22 essential components to the DSR regulatory model, including
23 the opportunity to earn on DSR investments. This action
24 better aligns the risk/reward proposition for energy

1 efficiency activities. Finally, the Stipulation provides
2 the foundation for a continued robust DSR effort at Idaho
3 Power. For these reasons, the Commission will be able to
4 find the Stipulation in the public interest.

5 Q. Does this conclude your testimony?

6 A. Yes.