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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

Kimball Properties Limited Partnership, and Hewlett Packard Company, Complainants, vs. Idaho Power Company, an Idaho Corporation, Respondent.	Case No.: CASE NO. IPC-E-00-12 NOTICE OF SUBSTITUTION OF DIRECT TESTIMONY OF KIMBALL PROPERTIES LIMITED PARTNERSHIP AND THE HEWLETT PACKARD COMPANY

COMES NOW, Kimball Properties Limited Partnership and the Hewlett Packard Company (herein collectively "complainants") by and through their attorneys of record and hereby provides notice of its withdrawal of the direct testimony and Exhibit No. 1 of Mr. Stuart Trippel in the above captioned matter. Enclosed for filing is the direct testimony of Mr. Pike Teinert and Replacement Exhibit No. 1 with additional Exhibits Nos. 12 and 13. The direct testimony of Mr. Trippel and Exhibit No. 1 should be discarded and replaced with the direct testimony of Mr. Teinert and Replacement Exhibit No. 1. Mr. Teinert intends to adopt Exhibit Nos. 2 through 11 that are currently in Mr. Trippel's direct testimony. Therefore please strike the name "Trippel" on Exhibits Nos. 2 through 11 and replace it with the name "Teinert."

In addition please correct your service list in this matter by deleting Mr. Trippel and adding Mr. Teinert at the following address:

Pike Teinert
834 Harcourt Road
Boise, Idaho 83702
(208) 429-0808
(208) 342-1711 (fax)
pteinert@cableone.net

Dated this 15th day of October, 2003

By: _____

Peter Richardson ISB 3195
Richardson & O'Leary PLLC
99 East State Street
PO Boc 1849
Eagle, Idaho 83616

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on October 15th, 2003, I served a true and correct copy of the within and foregoing NOTICE OF SUBSTITUTION OF DIRECT TESTIMONY OF KIMBALL PROPERTIES LIMITED PARTNERSHIP AND THE HEWLETT PACKARD COMPANY and the DIRECT TESTIMONY OF MR. PIKE TEINERT WITH REPLACEMENT EXHIBIT NO. 1 AND EXHIBITS NOS. 12 AND upon the following named individuals in the manner shown:

Barton L. Kline Monica Moen Idaho Power Company P O Box 70 Boise, ID 83707	*Hand Delivered*
Scott Woodbury, Esq. Deputy Attorney General Idaho Public Utilities Commission P O Box 83720 Boise, ID 83720-0074	*Hand Delivered*
Brian Graham Hewlett Packard Company LIS 11311 Chinden Blvd., MS 782 Boise, Idaho 83714-1021	*First Class Mail, Postage Prepaid*

Nina M. Curtis
Administrative Assistant

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

KIMBALL PROPERTIES LIMITED PARTNERSHIP AND HEWLETT PACKARD COMPANY,	)	CASE NO. IPC-E-00-12
COMPLAINANTS	)	
VS.	)	
IDAHO POWER COMPANY, AN IDAHO CORPORATION.	)	

DIRECT TESTIMONY AND EXHIBITS OF

PIKE TEINERT

ON BEHALF OF

KIMBALL PROPERTIES LIMITED PARTNERSHIP
AND HEWLETT PACKARD COMPANY

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Pike Teinert and my business address is 834 Harcourt Road Boise, Idaho 83702.

Q. WHAT IS YOUR OCCUPATION?

A. I am a principal in Energy Strategies Group LLC, a consulting engineering firm that provides services to clients in the public utility industry..

Q. ARE YOU SPONSORING ANY EXHIBITS WITH THIS TESTIMONY?

A. Yes. I am sponsoring Exhibit Nos. 1 through 13. Exhibit No. 1 is labeled "Replacement Exhibit No. 1." Exhibit Nos. 2 - 11 indicate that they are being sponsored by "Trippel." They are now sponsored by me and therefore the name "Trippel" should be replaced on those Exhibits with my name, "Teinert."

A. QUALIFICATIONS

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS TO TESTIFY AS AN EXPERT IN THIS PROCEEDING.

A. I am an electrical engineer with thirty-four years experience in the energy industry in positions ranging from design engineer to Vice President. A complete résumé, including my educational background and employment history, is presented as Replacement Exhibit No. 1.

Q. ARE YOU FAMILIAR WITH THE IDAHO PUBLIC UTILITIES COMMISSION AND ELECTRICITY ISSUES IN THE STATE OF IDAHO?

A. Yes. Although I am relatively new to the State of Idaho and this Commission, I have read extensively from the Commission's recent and not so recent orders. In addition, I am very familiar with the regulatory framework in which Idaho Power operates.

Q. HAVE YOU PREVIOUSLY APPEARED AS AN EXPERT WITNESS BEFORE THIS COMMISSION?

A. No.

B. INTRODUCTION AND OVERVIEW OF TESTIMONY

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Kimball Properties Limited Partnership ("Kimball") and the Hewlett Packard Company ("HP").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present the factual circumstances under which HP was required to pay a contribution in aid of construction for a new substation located just west of the Boise Towne Square shopping complex. I also offer an opinion on the inappropriateness of the payment.

Q. WHY SHOULD THE CIRCUMSTANCES UNDER WHICH HP WAS CHARGED A CONTRIBUTION IN AID OF CONSTRUCTION BE OF INTEREST TO THIS COMMISSION?

A. HP was, in my opinion, unfairly singled out to partially pay for the construction of a new substation known as the Bethel Court Substation.

Q. WHY DO YOU SAY THAT HP WAS UNFAIRLY SINGLED OUT FOR PAYMENT OF ITS CONTRIBUTION IN AID OF CONSTRUCTION?

A. As I will show, Idaho Power Company ("Idaho Power" or the "Company") has an arbitrary and irrational policy regarding payments from industrial customers for the construction of substation and transmission lines.

Q. ARE THERE OTHER REASONS THAT CAUSE YOU TO STATE THAT HP WAS UNFAIRLY SINGLED OUT?

A. Yes. In addition to having an arbitrary and irrational policy, Idaho Power does not apply that policy on a consistent basis, which means that it is not only arbitrary and irrational, but also capricious and discriminatory.

C. FACTUAL BACKGROUND

Q. WHAT HAS LEAD TO HP'S COMPLAINT AGAINST IDAHO POWER FOR A REFUND OF ITS CONTRIBUTION IN AID OF CONSTRUCTION?

A. Beginning in 1999, Kimball began construction of four buildings located on North Sailfish Place, West Golden Trout Street, and North Kimball Place in the city of Boise. These four buildings are commonly referred to as the Kimball Business Park.

Q. WHAT IS THE RELATIONSHIP BETWEEN KIMBALL AND HP?

A. HP directly reimbursed Kimball for the construction of the Kimball Business Park, and HP currently occupies all four buildings. These buildings are served with electric power from Idaho Power under the Company's Schedule 9. Idaho Power determined that it was necessary to construct a new substation to provide electric service to HP in the Kimball Business Park, to serve future loads in the area, and to readjust some existing loads. At the time of the interconnection request it was anticipated that these buildings would be served under Schedule 19, the large industrial customer rate schedule.

Q. WHERE IS THE KIMBALL BUSINESS PARK?

A. It is located between Emerald Street to the south and Franklin Road to the north. It is a little over one mile west of the Boise Towne Square shopping center. HP occupies what it refers to as buildings 26, 27, 28 and 29 located at 303 N. Kimball Place, 333 N. Sailfish Place, 9390 W. Golden Trout Dr. and 9415 W. Golden Trout Dr. respectively.

Q. DOES HP DISPUTE THE NECESSITY OF CONSTRUCTING A NEW SUBSTATION TO SERVE FACILITIES IN THE KIMBALL BUSINESS PARK AREA?

A. Not exactly.

Q. PLEASE EXPLAIN.

There appears to have been adequate capacity at the Cloverdale substation to serve some or all of Hewlett Packard Buildings that are at issue in this case. Those buildings are referred to internally by HP as Building Nos. 26, 27, 28 and 29.

Q. ON WHAT DO YOU BASE YOUR ASSERTION THAT IDAHO POWER HAD ADEQUATE CAPACITY AT THE CLOVERDALE SUBSTATION TO SERVE HP'S NEW BUILDINGS?

A. The Record of Decision, Sequence No. 2113, Rev. Num. 4, dated 6/20/00 prepared by Mr. KA Georgeson that states "A new distribution feeder could be built from the existing Cloverdale substation to serve the load but this would only be a temporary fix. Cost for this line would run about $100,000 per year in Railroad RW fees. Within a year or so an additional feeder would also be required to serve the increasing loads in this area." (See exhibit No. 12) There were also other substations, in addition to the Cloverdale Substation, that could have served HP.

Q. WHAT OTHER SUBSTATIONS?

A. The Ustick, Victory and Wye substations, which are all located in the Bethel Court high density load area, all could have been used to serve some or all of the new HP load.

Q. IF THERE WERE FOUR SUBSTATIONS IN THE BETHEL COURT HIGH DENSITY LOAD AREA, THEN WHY DID IDAHO POWER CHOOSE TO CONSTRUCT A NEW SUBSTATION AT THAT LOCATION?

A. Well, of course, Idaho Power is free to design its system as it sees fit. But it appears that due to poor planning decisions it found itself without adequate distribution corridors to the heart of this high density load area thereby making it actually less expensive to construct a new substation rather than connecting to any of four proximate substations in the area that had existing capacity to serve the new HP load.

Q. YOU SAY IDAHO POWER DID NOT ADEQUATELY PLAN FOR DISTRIBUTION LINES IN THE BETHEL COURT AREA. ISN'T THAT AREA HEAVILY NETWORKED WITH DISTRIBUTION LINES?

A. Yes, Based on Idaho Power's Substation Feeder Maps, there are several lines in close proximity to the Bethel Court area. But Idaho Power claims that they were too heavily loaded for the addition of HP's loads. One of the "Alternatives" discussed in Idaho Power's Record of Decision for Bethel Court Substation was to build a feeder from the

Cloverdale Substation along the railroad right-of-way to the HP loads.

Q. IS THAT THE ONLY WAY THAT EXISTING SUBSTATION CAPACITY FROM THE FOUR SURROUNDING SUBSTATIONS COULD SERVE THE HP LOADS?

A. No, Existing feeders from some of the substations could have been used to serve the HP loads.

Q. HOW IS THAT POSSIBLE GIVEN THE LOADING THAT EXISTED ON THE DISTRIBUTION FEEDERS IN THE BETHEL COURT AREA AT THE TIME AND THEIR DISTANCE FROM THEIR SUBSTATIONS?

A. Based on the Idaho Power's Substation Feeder Maps, the four substations surrounding the Bethel Court area through their distribution feeders provide a dense distribution network and offer switching capability to move existing load from one feeder to another.

Q. HAVE YOU REVIEWED THESE MAPS TO DETERMINE WHAT FEEDERS MAY HAVE BEEN CAPABLE OF SERVING THE HP LOADS?

A. Yes, Although there may have been others capable of serving the HP loads, three feeders that existed before HP requested service, Cloverdale-012, Cloverdale-014 and Ustick-015 bordered the area near HP buildings 26, 27, 28 and 29 and could have been used to provide service to the buildings.

Q. HOW COULD THOSE THREE FEEDERS HAVE SERVED THE HP LOADS IF THEY WERE ALREADY LOADED?

A. Since the feeders from all four substations are closely networked, load can be moved from one distribution feeder to another using existing switches and possibly some new switches. The close proximity of several circuits to the Cloverdale-012 and -014 and the Ustick-015 circuits offers the opportunity to relieve them of enough load to pick up the HP loads without overloading these three circuits.

Q. DID IDAHO POWER ANALYZE THE CAPABILITY OF THE NETWORK IN THE BETHEL COURT AREA TO DETERMINE WHETHER OR NOT EXISTING FEEDERS COULD BE UNLOADED AND THEN USED TO SERVE THE HP LOADS?

A. I cannot say that they did nor did not perform that analysis. However, there is no indication that it was performed based on the information in the "Alternatives" section of the Record of Decision for the Bethel Court Substation project.

Q. HAS IDAHO POWER COMPLETED PLANNING STUDIES THAT PROJECT THE NEED FOR ADDITIONAL TRANSMISSION AND SUBSTATION FACILITIES IN THE TREASURE VALLEY?

A. Yes. Idaho Power's 10 Year Transmission Plan for Treasure Valley completed in 2002 uses the loop model of the electrical system first identified and used in Idaho Power's 75 year study that was completed in 2000. It identifies the Bethel Court Substation service area as a critical, high density, 12 MW plus per square mile load

area. Although not specifically identified as Bethel Court, the 10 year Tranmission Plan calls for consideration of substations of the Bethel Court size, or loop substations, for high density areas as found in the Bethel Court area. Thus Idaho Power did have plans to build substations in the high density Bethel Court area and had to implement them earlier than expected to compensate for Cloverdale's distribution delivery corridor deficiencies. Also, Idaho Power was aware of additional future load growth in this area. (See exhibit No. 12)

Q. DOES IDAHO POWER'S TEN YEAR TRANSMISSION PLAN PROVIDE SUBSTATION CRITERIA FOR HIGH DENSITY LOAD AREAS LIKE THE BETHEL COURT SUBSTATION AREA?

A. Yes. It specifies that source substations, like the Cloverdale substation, that serve high-density load areas above 12 MW per square mile, serve about 120 MW of 12.5 kv load. Loop substations, like Bethel Court that serve 40 MW or less, supplement the high density load demand. A copy of the 10 year Transmission Plan is attached at Exhibit 13.

Q. ARE THERE OTHER CRITERIA THAT APPLY TO THE BETHEL COURT SITE SUBSTATION?

A. Yes. The Ten Year Transmission Plan states that when selecting substation sites, to select sites near railroads further indicating a substation near the railroad,

like the Bethel Court substation, was the result of prior planning.

Q. WHAT DO THESE CRITERIA INDICATE IN THE INSTANCE OF THE BETHEL COURT SUBSTATION?

A. The Bethel Court substation fits both of the above criteria of a loop substation and siting near a railroad for a substation planned to serve loads in a high density load areas like the Bethel Court area. It also fits the substation criteria for high density load areas - that is a 40 MW or less substation that supports high density load. Although a specific site was not yet selected, Idaho Power was aware of the need for an additional substation in the high density load area between Cloverdale, Ustick, Victory and Wye substations but had not appropriately planned for it and had not planned for adequate distribution delivery corridors in to the high density areas. For example, Cloverdale substation has not yet fully utilized it's capability due to lack of planning for distribution feeder delivery corridors for service to high density loads like those in the Bethel Court area.

Q. SHOULD IDAHO POWER HAVE RECOGNIZED THE INADEQUACY OF THEIR DISTRIBUTION DELIVERY CAPACITY IN THE BETHEL COURT AREA BEFORE HP REQUESTD SERVICE TO BUILDINGS 26, 27, 28 AND 29?

A. Yes. Idaho Power's long range planning studies of the area where Bethel Court now resides, indicated that it was a high density load area prior to the request for service from HP for its 4 new buildings in the Kimball Business Park. Therefore, Idaho Power should have known that it did not have adequate distribution delivery corridors to serve the potential remaining undeveloped high-density load area at more than 12 MW per square mile and also should have known that it would have to build a loop sub, like Bethel Court substation, in the area before HP requested service.

Q. DID IDAHO POWER'S STUDIES IN THE 10 YEAR TRANSMISSION PLAN INDICATE THAT THE BETHEL COURT AREA WAS A HIGH DENSITY LOAD AREA AND THAT IDAHO POWER FACILITIES IN THAT AREA WERE INADEQUATE TO SERVE THE HIGH DENSITY LOAD IN THAT AREA?

A. Yes, the plan provides a base case analysis at 1265 MW Treasure Valley load that shows the Cloverdale-Bethel Court 69 KV line as overloaded as early as 2002. Thus the need for the 69 KV to 138 KV conversion of the line. (See Exhibit 12)

Q. WAS IDAHO POWER'S PLANNING GROUP AWARE OF THE INADEQUACY OF IDAHO POWER FACILITIES IN THE BETHEL COURT HIGH DENSITY LOAD AREA?

A. Yes, Keith Georgeson, planning engineer, and David "Kip" Sikes, his supervisor, were aware of the 10 Year

Transmission Plan and 75 study since Georgeson was a contributing author of the 10 year plan. Thus both were aware that substations like Bethel Court Substation were part of a plan for high density load areas like the Bethel Court Substation area.

Q. WHERE IS THE BETHEL COURT SUBSTATION LOCATED?

A. The Bethel Court Substation is located just south of Franklin Road adjacent to the Union Pacific railroad tracks. Attached as Exhibit No. 2 is a map showing all of Idaho Power's substations in a seven-mile radius of Bethel Court. As Exhibit No. 2 shows, Bethel Court is located almost exactly in the center of the Boise-Meridian metropolitan area. There are a total of 15 substations in this area. Indeed, if we take a close look, the fact that the Bethel Court Substation is in the heart of Idaho Power's high density load, East Treasure Valley service territory becomes even more dramatic.

Q. PLEASE EXPLAIN.

A. Exhibit 3 is a map showing the Bethel Court Substation in relation to the closest substations in each direction. The Bethel Court Substation is almost exactly in the center of a very densely developed part of the Boise/Meridian urban area bounded by the Ustick, Wye, Cloverdale and Victory Substations. It is hard to imagine

that HP is responsible for the need for new substation capacity in this area.

Q. ARE THERE OTHER INDUSTRIAL CUSTOMERS IN THE SEVEN-MILE RADIUS SHOWN ON EXHIBIT 2?

A. Yes, according to a confidential Idaho Power response to discovery, I have learned that there are thirty Schedule 19 customers in that area. Of those thirty Schedule 19 customers, I am aware that only HP has been required to pay for a portion of a new substation.

It is interesting to note that this is the first new substation to be built in that seven-mile radius, not counting the Hewlett Packard Substation, in over twenty years. That seems remarkable.

Q. WHY IS THAT REMARKABLE?

A. Looking at the maps and considering the unprecedented growth that has taken place in Boise over the last twenty years, it is remarkable that other new substations were not built earlier. Exhibit No. 4 is a list of the substations in this area by year of construction. The Hewlett Packard Substation for its Chinden Blvd. complex is left off the list because it was constructed to serve a single customer and was paid for by that customer. In that respect it is different from the rest of the substations on Exhibit No. 4.

Q. ARE YOU SUGGESTING THAT IDAHO POWER HAS NOT UPGRADED ITS SUBSTATION CAPACITY IN THIS AREA WITHIN THE PAST TWENTY YEARS?

A. No. Upgrades must have been made to keep up with the rapid growth in the Boise area. Referring again to Exhibit No. 4, however, there seems to be a lumpy pattern of substation construction. There is a flurry of new construction followed by a period of no activity. The company was actively building substations in this area in the 1960s, and then no activity occurred for almost a decade. Then the late 1970s saw several new substations, followed by two decades of no activity. Now, there are two new substations constructed in the early 2000s - Joplin and Bethel Court. The time-clustered pattern appears to be repeating.

Q. DID IDAHO POWER REQUIRE HP TO PAY FOR THE BETHEL COURT SUBSTATION?

A. Yes, in part. Exhibit No. 5 is a copy of correspondence from Gregory Hall of Idaho Power, in which Idaho Power informed HP that before it would proceed with the new substation, a contribution in the amount of $561,824 would have to be paid. Of that amount, $490,824 was directly related to the substation, and $71,000 was for new distribution facilitates to serve the HP properties. HP has

no dispute with Idaho Power over payment of the $71,000 for distribution facilities.

Q. HOW DID IDAHO POWER ARRIVE AT THE $490,824 FIGURE?

A. The second page of Exhibit No. 5 (which is actually labeled "Page 1") contains a breakdown of the cost of the Bethel Court substation. Idaho Power determined that it would pro-rate the Substation's total cost by the ratio of HP's load to the total substation capacity. Since HP was estimated to have a total connected load of 4 megawatts, and the capacity of the substation is 20 megawatts, Idaho Power charged HP for one-fifth, or 20 percent, of the cost of construction.

Q. DID HP PAY THE REQUESTED AMOUNT?

A. Yes, but it did so under protest, while reserving the right to challenge that payment later. Exhibit No. 6 is a copy of the letter of transmittal from Winston Moore, the general manager of Kimball Properties, to Larry Ripley, attorney for Idaho Power, indicating that a check in the amount of $561,824 was delivered to Idaho Power on October 29, 1999. A copy of the check is attached as Exhibit 7.

Q. IF HP DISPUTED THE CHARGE, WHY DID IT PAY THE BILL, EVEN IF IT DID SO "UNDER PROTEST"?

A. It would have been extremely disruptive to HP's business operations to delay occupancy of the facilities for which the electric power was needed. Had it done so, HP would have been left even more financially disadvantaged than it is now. HP made an appropriate business decision overall, while realizing that it would need to approach the Commission to resolve this specific dispute at a later time.

D. COST ALLOCATION ISSUES

Q. WHY DO YOU CALL IDAHO POWER'S SYSTEM OF APPORTIONING THE COSTS OF NEW FACILITIES ARBITRARY AND IRRATIONAL?

A. Idaho Power's policy on charging industrial customers for new transmission and substation facilities is arbitrary and irrational because it allocates an excessive cost to the load that comes on-line nearest the time of construction, regardless of the size of the load. In other words, costs are allocated based on when one connects to the system and not on a uniform system based upon objective cost allocation criteria.

Q. WHAT DO YOU MEAN?

A. If HP had constructed its facilities at a location where there was sufficient capacity to serve its load, then under Idaho Power's system of cost apportionment,

the Company would not have assessed any charge for substation or transmission upgrades.

Q. WHAT IS ARBITRARY ABOUT SUCH A SYSTEM?

A. If a new industrial customer were now to locate in the Kimball Business Park, then that new customer would not be charged anything for use of the Bethel Court Substation (beyond, naturally, what is already embedded in Schedule 19 rates for general substation service). It was nothing other than a matter of timing that caused HP to be assessed almost half a million dollars for a substation that others may now use without also making contributions in aid of construction for substation capacity. This is an inherently arbitrary policy.

Q. DO YOU HAVE ANY OBSERVATIONS RELATIVE TO HOW IDAHO POWER IMPLEMENTED ITS POLICY IN THIS PARTICULAR INSTANCE?

A. Yes. As noted earlier none of the four HP buildings are served under Schedule 19. They are all served under Schedule 9.

Q. WHY IS THAT RELEVANT?

Schedule 9, unlike Schedule 19, does not contemplate new customers contributing to substation construction. But nevertheless, at the time the request for service was made Idaho Power was operating under the assumption that these buildings would, in fact, be served under Schedule 19. Even

with that assumption, I have serious concerns about how their policy of allocation of the substation costs to these three customers was implemented.

Q. WHY DO YOU REFER TO HP IN THE PLURAL AS "CUSTOMERS?" ISN'T IT JUST A SINGLE ENTITY?

A. Indeed. HP is a single corporate entity as far as I know. But in the utility arena each individual delivery point or meter is actually considered to be a separate customer, which receives a separate invoice or bill from Idaho Power. So, the fact that HP has four buildings at Kimball Business Park that are served through three separate meters actually means that HP is considered to be three separate customers.

Q. IS THAT JUST A CUSTOM IN THE UTILITY INDUSTRY, TO CONSIDER A SINGLE COMPANY WITH MULTIPLE FACILITIES ON DIFFERENT METERS TO ACTUALLY BE MULTIPLE CUSTOMERS?

A. No. If entities such as HP, or chains of small commercial businesses were considered to be single customers the utility would lose significant revenues. Also, I believe the Commission has rules prohibiting what is called "master metering." I am sure that HP would like to have had these three meters amalgamated for billing purposes, as it would lower its rate to the more favorable Schedule 19 rate. Just as a chain of small restaurants or gas stations that

are owned by the same corporate parent would like to be considered a single customer.

Q. SO, WHAT IS THE SIGNIFICANCE TO THE FACT THAT HP IS REALLY THREE SEPARATE CUSTOMERS?

A. It is quite significant in the application of Idaho Power's own policy. It shows that its policy was arbitrarily administered to HP's considerable detriment. Assume for a moment that none of our other arguments in this matter convince the Commission that HP should not be charged for any portion of the Bethel Court Substation. Also assume that Idaho Power's policy is endorsed by the Commission.

Q. WHAT WOULD ONE CONCLUDE USING THOSE ASSUMPTIONS?

A. Consistently applying Idaho Power's own policy, the first building that was separately metered would be the entity "responsible" for the construction of the Bethel Court Substation. Subsequent buildings that were separately metered, regardless of who owns the building, would then be served from the new substation because Idaho Power would have sufficient capacity to serve those subsequent buildings. It is, under Idaho Power's policy, *the first customer* that is the new customer for which inadequate capacity caused the construction of the new substation. In other words, Idaho Power amalgamated loads for purposes of charging for substation construction but doesn't amalgamate

the very same loads for other billing purposes. This appears to be both discriminatory and arbitrary.

Q. WEREN'T ALL OF THE BUILDINGS BUILT AT THE SAME TIME?

A. No. The project was phased-in over a period of several months. Building No. 26 (the first new customer) was completed in approximately October of 1999. Building No. 27 was not constructed until the next year in January of 2000. Building No. 26 then, using Idaho Power logic, is the only customer that was responsible for the new substation. That building was constructed with a 1500 KVA transformer which is equally to roughly 1.5 MW.

Q. WHAT SHOULD HP HAVE BEEN CHARGED USING IDAHO POWER'S OWN POLICY?

A. Assuming Idaho Power's policy is reasonable, which we do not do, HP's share of the cost of this new 20 MW substation should have been 1.5/20 which is equal to 7.5 percent rather than 4/20 or 20 percent. Under this scenario HP is entitled to a refund of the difference between $490,824 and $184,058.

Q. IS IT YOUR POSITION THAT HP ACTUALLY OWES IDAHO POWER FOR 7.5 PERCENT OF THE COST OF THE BETHEL COURT SUBSTATION?

A. No. This illustrates a strong argument to the contrary. It is a stark illustration of the discriminatory and arbitrary treatment afforded HP by Idaho Power.

Q. ARE THERE OTHER ISSUES IMPLICATED BY IDAHO POWER'S CHARGING HP FOR ITS PROPORTIONATE SHARE OF THE BETHEL COURT SUBSTATION?

Yes. Assuming HP (and not poor planning on Idaho Power's part) caused the need for this substation, then it should pay no more than an appropriate share of the net present value of the difference between the cost of building the Bethel Court substation at the time of HP's request for service to their new facilities in the Kimball Business Park and the time that a new substation would have been needed to serve this high density load.

Q. WHEN WOULD THAT HAVE BEEN?

A. From reading Idaho Power's ten year transmission plan, it appears that a new substation in this area would have been required to serve this high density load area in approximately 2002. Based on Appendix C of the 10 Year Transmission Plan the Cloverdale to Bethel Court 69 KV line would be overloaded in 2002 by 8% due to area high density loads.

Q. ARE THERE OTHER PAYMENT CALCULATIONS ALTERNATIVES APPROPRIATE IN THIS CASE?

A. Yes, HP should pay no more than an amount equal to the portion of the cost of new distribution facilities to serve their new load based on Rule H, including a vested interest provision and excluding any railroad right of way cost since inadequate distribution delivery corridor planning necessitated the proposed railroad right of way feeder route.

Q. ARE THERE SIMILAR CASES WHERE THIS ALTERNATIVE HAS BEEN USED BY IDAHO POWER?

A. Yes, WestFarms was not required to pay any transmission or substation cost associated with construction of a new substation from which they received service. They were only required to pay a portion of the new distribution cost to serve their facility.

Q. WHY IS WESTFARMS FOODS RELEVANT TO THIS CASE?

A. From looking at documents made available to us on the WestFarm Foods (now known as Jerome Cheese) it appears that Idaho Power charged them over $1,000,000 for transmission and substation upgrades they said were needed to be made to serve a planned WestFarm expansion. WestFarm objected and Idaho Power apparently just backed down and only charged them a relatively modest fee for connections.

Q. ARE THERE OTHER CASES WHERE IDAHO POWER DEVIATED FROM THE PAYMENT CALCULATIONS ANALYSIS THAT THEY USED FOR HP TO SERVE BUILDING NOS. 26, 27, 28 AND 29?

A. Yes, Idaho Power in the Meridian Gold Company (MGC) was required by the IPUC in IPC-E-90-14 to provide MGC a credit for any substation and transmission capacity that was available although inadequate to serve the entire load to be served at MGC. In that case, the pro rata share of the transmission and associated upgrades to serve MGC mining load was reduced by an amount equal to the unused system capacity available, but inadequate to serve the MGC load. Based on the logic in the MGC case, HP would be allowed a credit for the capacity in any or all of the subs in the area that could have served all or part of the new HP load. That available capacity is well in excess of HP's 4 MW connected load for buildings 26, 27, 28 and 29 (actually the excess substation capacity was in excess of approximately 70 MW. Therefore, under the MGC model, HP should pay nothing.

Q. ARE THERE OTHER REASONS THAT HP SHOULD NOT BE SINGLED OUT TO PAY FOR A PORTION OF BETHEL COURT SUBSTATION?

A. This is a relatively dense area that contains a mix of large commercial and industrial facilities. The Bethel Court substation delivers power to many more customers than just HP. The key point is that it is only by

an accident of timing that HP was charged for this substation facility.

Q. HOW DO YOU KNOW THAT THE BETHEL COURT SUBSTATION DELIVERS POWER TO MANY MORE CUSTOMERS THAN JUST HP?

A. The Idaho Power system is an integrated electric grid on which power flows over the path of least resistance. Generically as new transmission and substation facilities are added those facilities support the entire area.

Q. CAN YOU POINT TO ANYTHING THAT SUGGESTS THE BETHEL COURT SUBSTATION IS BENEFITING THE IDAHO POWER SYSTEM AS A WHOLE?

A. Yes. Attached, as Exhibit 8, is a two-page feeder map of the Bethel Court Substation and its immediate environs. This document was provided to us during our meetings with Idaho Power personnel at their headquarters in Boise. It was prepared by Idaho Power and shows how the Bethel Court Substation integrates into the Kimball Business Park and surrounding areas. The first page of Exhibit 8 is labeled in the lower right hand corner as "Feeder Map BCRT - 011" and the second page of Exhibit 8 is similarly labeled "Feeder Map BCRT-012".

Q. WHAT IS THE DIFFERENCE IN THE TWO MAPS?

First, I should point out that "BCRT" is the abbreviation Idaho Power has assigned to reference the Bethel Court Substation. The first page of Exhibit 8 (BCRT-

011) is a close up diagram of the Bethel Court Substation feeder line as it extends into the Kimball Business Park. The second page of Exhibit 8 (BCRT-012) shows the larger area with the Kimball Business Park detail omitted. The Blue box, labeled "BCRT", at the bottom of these maps just North of Bethel Court and just South of the railroad tracks is the Bethel Court Substation which taps on to a transmission line running parallel to the railroad tracks which is indicated on BCRT-012 by the red box and adjacent circle. That the substation serves the Kimball Business Park and surrounding area can be seen on BCRT-011 by the broken blue line, which represents a distribution feed from the substation, running North to connect to the distribution system at the South end of N. Sailfish Pl.

Q. HOW CAN ONE TELL WHICH CUSTOMERS ARE SERVED BY THE DISTRIBUTION SYSTEM CONNECTED TO THE BETHEL COURT SUBSTATION?

A. Again, I would refer you to Exhibit 8. On the first page of that Exhibit (BCRT-011) you can see where the broken blue lines lead from the street to red boxes and red hourglass shapes. Those are the points at which Idaho Power delivers electricity to an individual customer's premises. Beyond those red icons are the customer-owned facilities.

The maps contain a wealth of other information that is not relevant for our purposes.

Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF, AND UNDERSTANDING OF EXHIBIT 8?

A. I have reviewed these maps and reading these one line diagrams as an engineer, it is apparent that this substation is, indeed in the heart of a large high density commercial/industrial complex. It is also clear that this substation is interconnected to many more customers than just the HP facilities. Because it is so interconnected in such a densely developed area that continues to develop, this substation supports Idaho Power's general distribution system in the high density load Bethel Court area which has been identified in Idaho Power's 10 Year Transmission Plan as a "giant [load] sink". See Exhibit 13 at page 10.

Q. HOW DENSELY DEVELOPED IS THE AREA IN WHICH THE HP FACILITIES ARE LOCATED?

A. The business park has approximately 23 commercial buildings some of which are very large. When I refer to the business park I am just including the streets of N. Sailfish, W. Golden Trout, Kimball Place, the 9000 block of Emerald, the circle at the end of Mitchell St. (300 block) and Bethel Court. This is very compact area and all of the buildings in it are within approximately 1,000 feet of at least one of the four HP buildings.

Q. HAVE YOU REVIEWED AN INVENTORY OF THE BUILDINGS IN THIS AREA?

A. Yes. My Exhibit 9 is a list of all of the buildings in the area. The list identifies the building, the date of construction and the number of square feet in each building. Exhibit 9 shows us that, although HP occupies the largest single building in the area, it only occupies a small minority of the space. There is almost 600,000 square feet of office and industrial space occupied in the immediate vicinity of the HP buildings. Of that HP's largest single building, building No. 27, occupies only approximately 90,000 square feet.

Q. CAN YOU IDENTIFY THE LOCATION OF THE HP BUILDINGS ON EXHIBIT 8?

A. Yes. We have created Exhibit 10 by enlarging that portion of the first page of Exhibit 8 (BETHEL COURT SUBSTATION-011) showing just the Kimball Business Park. We have inserted the key number from Exhibit 9 on Exhibit 10 (the enlarged map of the business park) indicating the approximate location of each building in the area.

Q. WHERE ARE THE HP BUILDINGS LOCATED ON YOUR EXHIBIT 10?

One can easily identify the four HP buildings on Exhibit 10. They are key numbered as 13, 15, 16, and 20. All four of the HP buildings are located toward the bottom of the map.

In order to obtain the information used to develop Exhibit 9 we physically inspected the area and identified the address of each building. We then submitted the addresses to the City of Boise's Planning Department in order to obtain copies of building permits showing date of construction and/or occupancy along with the total square feet in each building. In a couple of cases, the City's records were incomplete - as a result there is no square footage or occupancy date for three buildings.

Q WHAT ARE YOU ABLE TO CONCLUDE LOOKING AT YOUR EXHIBITS 9 AND 10, AND ESPECIALLY AT THE DATE OF CONSTRUCTION OF THE VARIOUS BUILDINGS?

A. Assuming Idaho Power is correct, that additional electrical capacity was needed in this area, then it is clear that HP is minor player in creating that need. As can be seen on Exhibit 9, there is close to 600,000 square feet of office space in this area. Of that 600,000 square feet of office space HP's largest single building, (No. 27) is responsible for only approximately 90,000 square feet.

It is also important for the Commission to consider the fact that a majority of the office space in this area has been constructed either contemporaneously with or after the HP facilities were constructed.

Q. HOW DO YOU KNOW THAT?

A. We prepared Exhibit 11 from the data collected and reported on Exhibit 9 showing just the buildings constructed beginning in 1999, which is the year HP began occupying its first building in the business park.

Q. WHAT DOES EXHIBIT 11 SHOW?

It shows us that ten new buildings containing approximately 226,000 square feet of space has been constructed in the business park area since 1999

Q. WHY IS THE TIMING OF NEW GROWTH IN THE AREA IMPORTANT?

This is important because it shows that the Bethel Court Substation is being used to serve a broad base of new customers. In effect HP is subsidizing other ratepayers by paying for a portion of a substation being used to support Idaho Power's overall system. This assertion is supported by the fact that the majority of the new square feet of construction in the immediate vicinity of the HP facilities has come on line either contemporaneous with or after the construction of the Bethel Court Substation.

Q. HOW DO THESE NEW BUILDINGS RELATE TO THE BETHEL COURT SUBSTATION?

A. All ten of those buildings are electrically connected with the grid that is directly supported by the Bethel Court substation. Looking back to Exhibit 8 and

following the dotted blue lines leading from the Bethel Court Substation confirms this assertion.

Q. WILL OTHER INDUSTRIAL CUSTOMERS WHO TAKE SERVICE IN THE AREA OF THE BETHEL COURT SUBSTATION IN THE FUTURE ALSO BE CHARGED FOR THEIR *PRO RATA* SHARE OF THE SUBSTATION CAPACITY?

A. No. According to Idaho Power's policy, if the capacity is available, then no substation or transmission contribution is asked from new industrial customers.

Q. YOU STATED EARLIER THAT IDAHO POWER'S POLICY IS NOT ONLY ARBITRARY BUT IS ALSO IRRATIONAL. HOW IS THE POLICY BOTH ARBITRARY AND IRRATIONAL?

A. It is arbitrary because two identical industrial customers will be treated very differently, depending solely on the timing of each request for service. It is irrational because the decision to assess the first customer and not any subsequent customer has no relationship to cost causation.

Q. HOW MANY INDUSTRIAL CUSTOMERS HAVE PAID FOR SUBSTATIONS?

A. Three that I am aware of. Micron Technology has a substation dedicated to its facility. What used to be known as Micron Electronics in Nampa also has a substation dedicated to its facility. Hewlett Packard on Chinden Boulevard also has a substation dedicated to that facility.

There may be others, but surprisingly, Idaho Power informed us that it does not keep records specifically tracking instances in which customers are charged for substation construction. We can, however, conclude that between the years of 1970 and 2000 no new industrial customer that came on-line in the seven-mile radius shown on Exhibit No. 2 was required to pay for substation construction, because no new substation was constructed in that time period. It was inherently arbitrary and irrational to force HP to pay for a substation in the heart of a rapidly developing high density load area when no other new industrial customer in the same area has been similarly charged.

Q. ARE THERE MANY INDUSTRIAL CUSTOMERS IN THAT SEVEN-MILE RADIUS OF THE BETHEL COURT SUBSTATION?

A. One would expect there to be a number of large customers in the heart of an urban area such as Boise. Indeed, in response to our discovery Idaho Power revealed that there are thirty industrial customers (Schedule 19) within that seven-mile radius. Of those thirty industrial customers with the seven-mile radius, I am only aware HP having been required to pay for a portion of a substation.

Q. YOU REFER TO IDAHO POWER'S "POLICY." WHAT IS YOUR UNDERSTANDING OF THE ORIGIN OF THAT POLICY?

A. Idaho Power has no written policy on how to and when to assess industrial customers a fee for construction

of transmission or substation facilities. My understanding is that the Company chooses to charge industrial customers for such facilities on an *ad hoc* basis and that any consistency in such an unwritten "policy" depends on individual Company personnel verbally informing new personnel of the policy and how it is implemented. This subjects the policy - such as it is - to the vicissitudes of communication and personal memory.

Q. ARE THERE OTHER PROBLEMS WITH THE COMPANY'S UNWRITTEN POLICY?

A. It seems obvious that it has not been approved by this Commission - if it were approved by the Commission then we would have the benefit of a written policy. In addition, since it is administered on an ad hoc basis based solely on individual personnel's memories, it is likely to be subject to inconsistent administration. Finally, without the benefit of a written policy, new industrial customers are disadvantaged because they simply don't know in advance when or whether they will be required to pay for new substation capacity.

Q. CAN YOU SUGGEST HOW IDAHO POWER SHOULD HANDLE TRANSMISSION AND SUBSTATION CONSTRUCTION COSTS?

A. Yes. The current approach to cost recovery is not tenable and is not a fair method to apportion costs. Idaho Power should develop and use a policy that is a

uniform system that allocates cost in an unbiased and nondiscriminatory manner where all inputs and outputs are equitable and consistent. Such a system would be one in which customers would be required to pay for utilization on a consistent and equitable basis. The system would not only consider costs but also revenue contribution.

Q. WOULD IT EVER BE APPROPRIATE TO ASK A NEW INDUSTRIAL CUSTOMER TO CONTRIBUTE TO THE COST OF NEW TRANSMISSION AND SUBSTATION FACILITIES?

A. Yes. It would generally be appropriate in circumstances in which a customer takes service and does not provide adequate revenue to pay for the addition of facilities required to serve that customer.

Q. ARE THERE ALTERNATIVES TO YOUR SUGGESTED APPROACH?

A. Possibly. One could devise a system whereby all users of new facilities pay for those facilities in a manner similar to the Company's current Rule H. That approach, however, might be cumbersome to administer, given the many different customers who would benefit from new transmission and substation construction.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.