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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE TO ELECTRIC CUSTOMERS IN THE STATE OF IDAHO.	CASE NO. IPC-E-03-13

IDAHO POWER COMPANY

DIRECT REBUTTAL TESTIMONY

OF

GREGORY W. SAID

Q. Please state your name and business address.

A. My name is Gregory W. Said and my business address is 1221 West Idaho Street, Boise, Idaho.

Q. Are you the same Gregory W. Said that previously submitted direct testimony in this proceeding?

A. Yes, I am.

Q. Have the Company and the Commission Staff typically been able to agree to PCA methodology changes to address unanticipated PCA impacts not originally envisioned by the Commission?

A. Yes. Since the creation of the PCA, the Company and the Staff have been able to identify certain aspects concerning the PCA that were not fully developed at the time of the PCA creation. In those instances, either the Staff or the Company has identified the issue and, without opposition, recommended a change to PCA methodology that was ultimately approved by the Commission. An example of such a change is the current use of sales level data rather than load level data when computing rates.

Q. Has the Company proposed a PCA methodology change that the Staff disagrees with in this proceeding?

A. Yes. The Company and the Staff disagree as to the appropriate value to be utilized as the Expense Adjustment Rate for Growth ("EARG").

Q. Please recap the computations of the EARG presented in this case for use in future PCA computations.

A. The Company included a computation of the EARG consistent with prior orders at $13.98 per megawatt-hour. The Company also discussed and recommended a rationale to change PCA methodology to utilize the embedded cost of serving load at $7.30 per megawatt-hour as the EARG. Mr. Hessing proposed a different change to PCA methodology to utilize a marginal cost of $29.41 per megawatt-hour.

Q. At the time the PCA was first implemented, did the Staff contend that an EARG was required to insure that the Company did not double recover costs?

A. Yes. Order No. 24806 issued in Case No. IPC-E-92-25 recaps the Staff contention as follows:

> "Staff argues that the power supply costs of serving differences between normal and actual firm retail load should be factored out of the PCA. Differences from normalized firm retail load are caused by factors such as changes in load and abnormal weather. Staff contends that some differences in power supply costs are caused by changes in load and that the associated differences in power supply costs are not appropriate for PCA treatment. If the Company is allowed to increase rates to account for the power supply costs of serving additional load and to recover base rates which also include power supply costs, the Company is double recovering those costs. Fuel costs (a component of net power supply costs) are first paid when load growth customers pay their electric bills at the end of the month. They are again paid in the following year after the Company captures them in its year-end true-up and spreads them to ratepayers."

Q. Without an EARG, how would the Company double-recover the costs of load growth?

A. The Company would first recover the costs of load growth through base rates (embedded) and then again at a PCA rate reflecting actual costs incurred in the PCA year. In order to not double-recover, one of these rates must be eliminated via the EARG. The Company would again suggest that the embedded cost of service is the appropriately removed collection. I assume that the Staff's position is that the actual costs of serving additional loads or a surrogate should be removed.

Q. Is the embedded cost of serving load known?

A. Yes. The embedded cost of serving load included in the proposed base rates of the Company in this case is $7.30 per megawatt-hour.

Q. Is the future actual cost of serving load growth known?

A. No.

Q. Is the Staff recommendation that a marginal cost of $29.41 be utilized as a surrogate for the cost of serving future additional load reasonable?

A. No. During the discovery portion of this case, the Staff requested information as to the Company's marginal cost based upon a 10-megawatt increase in Company load without specifying the intended use for such information. The marginal cost the Company provided reflects a rate that is often driven by reductions of surplus sales at market prices rather than the additional costs of serving firm loads. Since the EARG is concerned with the costs of serving additional firm loads, a more appropriate value than the marginal costs provided would include only the cost of serving additional load and not the lost opportunity to make surplus sales. Ten years ago, the Commission Staff recommended an EARG of $16.84 per megawatt-hour as the "approximate fuel costs associated with changes in load that should be adjusted out of a PCA." The impact of lost surplus sales was not part of the Staff's recommendation at that time.

Q. Mr. Hessing states that "A surrogate for Idaho Power's marginal cost of power supply was proposed in that case because Staff did not have an operating power supply model that would allow it to incrementally adjust the load and calculate the marginal cost." Please comment.

A. I believe Mr. Hessing may be stating his recollection of Staff thoughts prior to submitting testimony in 1992, but both Staff testimony in Case No. IPC-E-92-25 and Order No. 24806 are silent with regard to computations being a surrogate for another methodology. In fact, the Commission notes that it accepts the $16.84 per megawatt-hour EARG because "it was the only method proposed." The Company did not propose an alternate computation because it opposed a growth adjustment of any kind.

Q. Are there additional reasons that the $29.41 per megawatt-hour recommendation as the EARG is inappropriate?

A. Yes. Mr. Hessing has used a 5-year forward average marginal cost of $29.41 per megawatt-hour as his recommended EARG. Such a credit for load growth would be higher than the Staff proposed tariff rate for Schedule 19 customers and special contract customers. Idaho Power could find itself in the position where load growth is driven by growth of Schedule 19 and Special Contract customers being served by the Company's thermal resources at costs in the mid-teens. Staff would recommend a credit to PCA expenses that would not only eliminate a double collection of revenue at embedded costs and not only eliminate the costs of serving the additional loads served at rates in the mid-teens, but would eliminate costs greater than the revenues received from the specific customer classes causing the load growth. The thought that while serving additional loads the Company's revenue recovery would be less than if the new loads were not served does not make any sense and suggests that any EARG should not exceed the total rate paid by any customer class. In fact, a good portion of any customer's rate is not related to power supply costs at all. An appropriate EARG should be significantly less than the total rate paid by any customer class. The Company still believes that the embedded variable power supply cost is the appropriate EARG.

Q. Have you supervised the preparation of an exhibit that would quantify the cost of serving additional load without the inclusion of surplus sales?

A. Yes. Exhibit 75 is an attempt to quantify the cost of serving additional load without the inclusion of surplus sales. The top half of Exhibit 75 utilizes the same data that formed the basis of Mr. Hessing's $29.41 per megawatt-hour marginal cost recommendation, but identifies the highest cost resources utilized to serve an additional 10 megawatts of firm load rather than the value of resources no longer available for surplus sales. It can be seen that Bridger, Danskin, Purchases and even Hydro generation are the identified resources that serve the 10-megawatt load addition throughout the year. Prior to the known and measurable inclusion of the PPL Montana contract and the Tiber CSPP contract the marginal cost of the resources serving firm loads is $18.20 per megawatt-hour. The lower half of Exhibit 75 shows that when the PPL Montana contract and the Tiber CSPP contract are added, the marginal cost of the resources serving firm loads drops to $16.10 per megawatt-hour.

Q. With your rebuttal testimony there are now four quantifications of what could be referred to as a marginal cost of serving additional load. Which one of those quantifications is most appropriate EARG?

A. The Company views any marginal cost based EARG computation as an inappropriate means to deny the Company an opportunity to recovery its costs of serving additional loads. To the extent that the EARG exceeds the embedded cost included in base rates, the Company is penalized for load growth even though it has an obligation to serve such growth.

Q. Does the Commission have to make a determination of the appropriate EARG in this proceeding?

A. No, a decision on the appropriate EARG could be made outside of this general rate case. In light of the large difference between the Company's recommendation that the EARG be $7.30 per megawatt-hour and the Staff's recommendation that the EARG be $29.41, the Commission may want to give this issue further consideration outside the record of the general rate case. There is clearly a material difference in opinion as to the appropriateness of using embedded costs or marginal costs or a basis closer to the method used in prior orders. A separate proceeding to address this limited issue could be a more efficient way to resolve this dispute.

Q. Does this conclude your direct rebuttal testimony?

A. Yes, it does.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-03-13

IDAHO POWER COMPANY

EXHIBIT NO. 75

G. SAID

Cost of Serving Load Growth

COST OF SERVING LOAD GROWTH EXCLUSIVE OF SURPLUS SALES
2003

		January	February	March	April	May	June	July	August	September	October	November	December	
Resources Dispatched To Meet 10 MW of Additional System Load		Bridger & Purchase	Bridger & Danskin	Bridger	Hydro	Bridger & Danskin	Danskin & Purchase	Danskin & Purchase	Danskin & Purchase	Bridger	Bridger	Purchase	Danskin & Purchase	
	Price	12.92	12.86	12.75	0.00	12.90	23.61	33.31	32.65	12.75	12.75	25.56	25.78	
	MWH	7,440	6,720	7,440	7,200	7,440	7,200	7,440	7,440	7,200	7,440	7,200	7,440	87,600
	$	96,125	86,419	94,860	0	95,976	169,992	247,826	242,916	91,800	94,860	184,032	191,803	1,596,610
														$ 18.2

COST OF SERVING LOAD GROWTH EXCLUSIVE OF SURPLUS SALES
INCLUDING KNOWN AND MEASURABLE POWER SUPPLY ADJUSTMENTS
2003

Resources Dispatched To Meet 10 MW of Additional System Load		Bridger & Purchase	Bridger & Danskin	Bridger	Hydro	Bridger & Danskin	Danskin & Valmy	Danskin & Purchase	Danskin & Valmy	Bridger	Bridger	Purchase	Danskin & Purchase	
	Price	12.92	12.86	12.75	0.00	12.90	16.14	33.31	15.07	12.75	12.75	25.56	25.78	
	MWH	7,440	6,720	7,440	7,200	7,440	7,200	7,440	7,440	7,200	7,440	7,200	7,440	87,600
	$	96,125	86,419	94,860	0	95,976	116,208	247,826	112,121	91,800	94,860	184,032	191,803	1,412,030
														$ 16.1

Exhibit No. 75
Case No. IPC-E-03-13
G. Said, IPCo