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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IDAHO POWER COMPANY,)

Complainant,)

vs.)

CITY OF EAGLE, IDAHO.)

Respondent.)

CASE NO. IPC-E-04-04

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

GREGORY W. SAID

1 Q. Please state your name and business address.

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

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

6 A. I am employed by Idaho Power Company as the
7 Manager of Revenue Requirement in the Pricing and Regulatory
8 Services Department.

9 Q. Please describe your educational background.

10 A. In May of 1975, I received a Bachelor of
11 Science Degree in Mathematics with honors from Boise State
12 University. In 1999, I attended the Public Utility
13 Executives Course at the University of Idaho.

14 Q. Please describe your work experience with
15 Idaho Power Company.

16 A. I became employed by Idaho Power Company in
17 1980 as an analyst in the Resource Planning Department. In
18 1985, the Company applied for a general revenue requirement
19 increase. I was the Company witness addressing power supply
20 expenses.

21 In August of 1989, after nine years in the
22 Resource Planning Department, I was offered and I accepted a
23 position in the Company's Rate Department. With the
24 Company's application for a temporary rate increase in 1992,
25 my responsibilities as a witness were expanded. While I

1 continued to be the Company witness concerning power supply
2 expenses, I also sponsored the Company's rate computations
3 and proposed tariff schedules in that case.

4 In 1994, I was asked to become the Meridian
5 District Manager for a one-year cross-training opportunity.
6 In 1995, I returned to my position in the Rate Department.
7 In October 1996, I was promoted to lead a team of analysts
8 in the newly reorganized Pricing & Regulatory Services
9 Department, formerly known as the Rate Department. In that
10 role, I became the Company contact for line installation
11 disputes concerning Company compliance with tariff
12 provisions.

13 As the Manager of Revenue Requirement, I
14 continue to be the Company contact for line installation
15 disputes before the Idaho Public Utilities Commission.

16 Q. Why has Idaho Power Company filed a complaint
17 against the City of Eagle?

18 A. As Mr. Sikes has testified, the Company has
19 been seeking approval from the City of Eagle to construct a
20 transmission line through the City of Eagle for a number of
21 years now. While the Company has attempted to identify a
22 route and design alternative acceptable to all interested
23 parties, the City has rejected all of the economically
24 prudent alternatives. Mr. Sikes has also stated that the
25 Company is concerned that future service to the Eagle area

1 may be degraded by the inability of the Company and the City
2 of Eagle to identify a route and design acceptable to all
3 parties. Idaho Power has been diligent and prudent in its
4 efforts to site new transmission facilities. However, by
5 denying the Company's applications, the City of Eagle has
6 jeopardized the Company's ability to meet its obligation to
7 provide adequate electrical service to its Eagle area
8 customers. I have been advised by my legal counsel that,
9 under these circumstances, Idaho law provides the Idaho
10 Public Utilities Commission with the authority to direct
11 Idaho Power to construct the facilities required to serve
12 customer loads.

13 Q. Mr. Sikes testifies that the City of Eagle
14 has requested that the Company use underground construction
15 techniques to mitigate the perceived adverse aesthetics of
16 overhead construction but that Idaho Power maintains that
17 the additional cost of alternative routes or underground
18 construction would be the responsibility of the City of
19 Eagle. Why does the Company believe that the City of Eagle
20 should pay for the additional costs that may be required to
21 satisfy their aesthetic concerns?

22 A. Ultimately, costs borne by Idaho Power are
23 paid for by its customers. If Idaho Power initially bears
24 the cost of facilities, that cost is included in the
25 Company's rate base as an investment that is funded by the

1 Company's customers. The Company earns a return on the
2 undepreciated investment balance. The return on the
3 Company's investment is also funded by customers. Idaho
4 Power strives to provide reliable and reasonably priced
5 electrical service to its customers.

6 When a city, such as the City of Eagle,
7 determines that Idaho Power must meet standards for
8 aesthetics that are more stringent than the standards in
9 place throughout Idaho Power's service territory and the
10 result of the application of the more stringent standard is
11 higher cost, the question then becomes "who should pay for
12 the additional costs attributable to the City of Eagle's
13 more stringent aesthetics, the City of Eagle or other Idaho
14 Power customers being served by facilities built under
15 different standards?" Idaho Power believes it is
16 inappropriate for the City of Eagle to pass the costs of its
17 aesthetic standards onto other customers who are willing to
18 be served at lower costs under different standards.

19 Q. Does this Commission have the authority to
20 decide who should pay for the transmission solution that it
21 directs the Company to pursue?

22 A. Yes. I am advised by Idaho Power legal
23 counsel that the Idaho Public Utilities Commission has the
24 authority to determine the prudence of Company investment in

1 facilities to be included in the Company's revenue
2 requirement.

3 In this case, the Company believes that \$2.5
4 million is the prudent investment level that should be made
5 by the Company. When costs of facilities exceed the prudent
6 level of investment that should be included in revenue
7 requirement, the Commission requires that the Company seek
8 contributions in aid of construction (CIACs). In this case,
9 it is the Company's position that if the Commission directs
10 the Company to pursue any alternate transmission project
11 with a cost greater than \$2.5 million, then it is
12 appropriate for the City of Eagle to be responsible for the
13 additional cost. Typically, CIACs are paid prior to
14 construction of facilities.

15 Q. Has the City of Eagle expressed any
16 willingness to have Eagle residents pay the additional costs
17 associated with alternates to the Company's proposed route?

18 A. No. The City of Eagle has never expressed a
19 willingness to pay for any additional expenses. However, as
20 Mr. Sikes has stated in his testimony, the Company has
21 discussed a number of funding alternatives available to the
22 City.

23 Q. What are some of the ways that the City of
24 Eagle could fund a required CIAC?

1 A. Idaho Code Title 50 allows mayors and city
2 councils to create local improvement districts to fund line
3 extensions or to fund conversion of existing overhead
4 electric facilities to an underground configuration. The
5 City of Eagle could create a local improvement district to
6 fund a required CIAC.

7 In the alternative, Idaho Power would be willing to
8 accept installment payments, including interest, to recover
9 any required CIAC. The City could apply the proceeds of the
10 franchise fees it collects from Idaho Power to make the
11 installment payments. The City currently levies a franchise
12 fee at the 1% level, but that level could be increased if
13 such an increase is acceptable to the citizens of the City.

14 This is the procedure Idaho Power followed with the
15 City of Ketchum, Idaho, when Ketchum desired to relocate
16 Idaho Power's overhead power lines in downtown Ketchum to an
17 underground configuration. The City of Ketchum continues to
18 collect franchise fees, and as funds are available, directs
19 Idaho Power to underground selected distribution circuits
20 they have prioritized and coordinated with the Company. The
21 City of Ketchum has not chosen to have any portion of the
22 138-kV transmission line placed underground.

23 Q. What is the annual revenue received by Idaho
24 Power for service to the City of Eagle?

1 A. In 2003, Idaho Power received approximately
2 \$7 million for electric service provided to customers within
3 the City of Eagle. Eagle currently requires a 1 percent
4 franchise fee that collected \$70,000 from City of Eagle
5 residents in 2003.

6 Q. If the franchise fee was increased to 3
7 percent, how much additional revenue would be generated?

8 A. If the franchise fee was increased to 3
9 percent, the additional revenue above the 1 percent level
10 would be approximately \$140,000.

11 Q. Assuming the Commission would allow the
12 Company to finance a CIAC for the City of Eagle for 5 years,
13 what level of CIAC could be financed by \$140,000 recovered
14 via an increased franchise fee?

15 A. Assuming equal monthly payments and an
16 interest rate at the Company's currently authorized rate of
17 return of 9.199 percent, the \$140,000 annual revenue
18 received by increasing the City's franchise fee from 1
19 percent to 3 percent would fund a CIAC of approximately
20 \$560,000 to be recovered over 5 years.

21 Q. Would the Company be willing to finance a
22 CIAC for more than five years?

23 A. No. The Company prefers not to finance
24 CIACs, and believes financing of a CIAC for longer than 5
25 years to be unreasonable.

1 Q. Has the City of Eagle identified a preferred
2 route?

3 A. No. As I have stated, the route supported by
4 Idaho Power and the Citizen's Advisory Committee was denied
5 by the City of Eagle. While the City of Eagle continues to
6 desire evaluation of additional alternatives, none have been
7 identified by the City as a preferred route.

8 Q. What does the Company recommend that the
9 Commission direct the Company to do in this case?

10 A. Based upon the City of Eagle's refusal to
11 commit to any expenses to be borne by the City's residents,
12 the Company recommends that the Commission direct the
13 Company to construct the transmission project described as
14 Option 1 on Exhibit 2 that was previously denied by the City
15 of Eagle. The \$2.5 million cost associated with that
16 project is a reasonable investment for the Company to make.
17 Any other plan would result in additional costs that the
18 City of Eagle seems unprepared to accept and that would
19 inappropriately be funded by the greater body of Idaho Power
20 customers.

21 Q. If the Commission does not direct the Company
22 to construct the transmission project previously denied by
23 the City of Eagle, what does Idaho Power recommend that the
24 Commission do in this matter?

1 A. If the City is willing to fund a CIAC
2 required as a result of the selection of an alternate
3 transmission path or design, Idaho Power respectfully
4 requests that the Commission issue its order specifying how
5 the City of Eagle will pay for the CIAC. The alternatives
6 in order of preference are as follows:

7 1. The City can acquire independent financing
8 and pay the CIAC up front,

9 2. The City can increase franchise fees (if
10 sufficient) to pay the CIAC plus carrying charges over a
11 five-year period of time, or

12 3. The Commission can order the Company to
13 create new tariffs that would be applicable to customers
14 within the City of Eagle that would include a surcharge to
15 recover the CIAC with carrying charges within five years.

16 Q. Does this conclude your testimony?

17 A. Yes, it does.