



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

3 A. My name is Randy Lobb and my business address is  
4 472 West Washington Street, Boise, Idaho.

5 Q. By whom are you employed?

6 A. I am employed by the Idaho Public Utilities  
7 Commission as Utilities Division Administrator.

8 Q. What is your educational and professional  
9 background?

10 A. I received a Bachelor of Science Degree in  
11 Agricultural Engineering from the University of Idaho in  
12 1980 and worked for the Idaho Department of Water Resources  
13 from June of 1980 to November of 1987. I received my Idaho  
14 license as a registered professional Civil Engineer in 1985  
15 and began work at the Idaho Public Utilities Commission in  
16 December of 1987. My duties at the Commission currently  
17 include case management and oversight of all technical  
18 staff assigned to Commission filings. I have conducted  
19 analysis of utility rate applications, rate design, tariff  
20 analysis and customer petitions. I have testified in  
21 numerous proceedings before the Commission including cases  
22 dealing with rate structure, cost of service, power supply,  
23 line extensions, regulatory policy and facility  
24 acquisitions.

25 Q. What is the purpose of your testimony in this

1 case?

2 A. The purpose of my testimony is to provide a  
3 policy recommendation to the Commission regarding how Idaho  
4 Power's complaint should be resolved in this case and how  
5 similar situations should be addressed in the future.

6 Q. Please summarize your testimony.

7 A. Simply stated, Idaho Power Company needs to  
8 extend its sub transmission facilities from the existing  
9 substation through the City of Eagle to the new Star  
10 substation. These new facilities will serve west Eagle and  
11 the Star service areas. The City has twice denied the  
12 Company's application to construct overhead facilities  
13 through the City that exceed 35 feet in height. The  
14 alternative would require underground facilities or  
15 alternative overhead alignments at significantly higher  
16 cost.

17 The alternatives available to the Commission  
18 include: 1) directing the Company to extend its overhead  
19 facilities through Eagle; 2) directing the Company to  
20 install underground facilities provided the incremental  
21 additional cost is contributed by the City and/or its  
22 residents; 3) directing the Company to install underground  
23 facilities and spread all costs over the general body of  
24 ratepayers; 4) directing the Company to pursue a lower cost  
25 overhead alignment; 5) or a combination of the above.

1           I recommend that the Commission direct the  
2 Company to install overhead facilities unless or until the  
3 City of Eagle provides the incremental difference in cost  
4 required to place those facilities underground. In  
5 addition, I recommend that the Commission establish a  
6 policy that allows the Company to reasonably extend its  
7 overhead facilities through existing utility corridors.  
8 While I do not necessary dispute the potential economic  
9 impact such overhead lines may have on adjacent property, I  
10 believe it is inappropriate to require the general body of  
11 Idaho Power customers to pay significantly higher rates to  
12 provide underground facilities for the aesthetic benefit of  
13 local communities and landowners.

14 **The Complaint**

15           Q.    Would you please briefly provide your  
16 understanding of the situation between Idaho Power Company  
17 and the City of Eagle that has lead to the Company's  
18 complaint in this case?

19           A.    Yes. My understanding of the situation is based  
20 on discussions with the various parties to this case and a  
21 review of production requests and previously filed  
22 testimony. Both Company witness Sikes and City of Eagle  
23 witness Merrill have described the detailed history leading  
24 to Idaho Power's complaint so I will not repeat it here.  
25 Simply stated, Idaho Power has an existing substation

1 within the City limits of Eagle served from the east along  
2 State Street by an overhead 138-kV transmission line. The  
3 City of Eagle has denied Idaho Power's request to extend  
4 its overhead transmission facilities from the Eagle  
5 substation westward through the City to the Star  
6 substation. The first request made by Idaho Power for a  
7 conditional use permit (CUP) to exceed the 35 foot height  
8 limitation was opposed by the Eagle Planning and Zoning  
9 Commission and was withdrawn by the Company. The City  
10 Council unanimously rejected the second request made by the  
11 Company stating:

12 The proposed conditional use for the  
13 construction of overhead sub-transmission  
14 line...is not in accordance with the general  
15 objectives of the Comprehensive Plan nor  
16 Eagle City Code Title 8. ...the design and  
17 construction of an overhead sub-transmission  
18 line conflicts with the City's goal "to protect  
19 important views, vistas, and panoramas of the  
20 community's natural setting and environment"...

17 The council went on to say "the overhead line also  
18 conflicts with the city's goal to 'Strive to create an  
19 aesthetically pleasing community and protect the unique  
20 natural beauty and small town character of the City.'"   
21 Exhibit No. 119 page 12 of 13 Section 3. Eagle Findings of  
22 Fact and Conclusions of Law, Case No. CU-9-02.

23 Q. What do you believe the Commission must determine  
24 in order to resolve this complaint?

25 A. I believe the Commission must determine whether

1 facilities are needed, what facilities are necessary, the  
2 appropriate alignment and who should pay for any facilities  
3 constructed.

4 Q. Do any of the parties dispute that additional  
5 facilities are needed to meet load in the Eagle/Star Area?

6 A. Not really. While City of Eagle witness Teinert  
7 questions the urgency for upgraded facilities and points to  
8 a lack of demand side management (DSM) implemented by the  
9 Company in prior years, he too seems to recognize that some  
10 new facilities are needed. Typically, DSM can dampen  
11 demand caused by load growth. However, it cannot eliminate  
12 construction necessary to promote system reliability.

13 **Alternatives**

14 Q. What are the alternatives available to Idaho  
15 Power to provide service to the Star substation given the  
16 City's opposition to the proposed overhead alignment?

17 A. The overhead proposal rejected by the City was to  
18 be located along the State Highway 44 bypass beginning at  
19 Edgewood Street. Although not specifically rejected by the  
20 City Council, it is unlikely that a previously proposed  
21 overhead alignment adjacent to State Street through the  
22 City would be any more acceptable. Consequently, the only  
23 138-kV alternatives from the Eagle substation to the Star  
24 substation would seem to be either underground or consist  
25 of an overhead alignment that proceeds north from the

1 substation and then west around the City along either  
2 Floating Feather or Beacon Light.

3 Q. What is the estimated incremental increase in  
4 cost associated with these alternatives?

5 A. Exhibit No. 4 of Company witness Sike's testimony  
6 shows that alternative overhead options 5 and 6 would cost  
7 \$1.42 million and \$2.37 million more respectively than the  
8 proposed overhead option rejected by the City. The  
9 additional cost of underground options with alignments  
10 through the City and along the Highway 44 bypass are  
11 estimated to range from \$5.25 to \$7 million.

12 Q. Are there other problems associated with these  
13 alternatives besides additional cost?

14 A. Yes, there certainly could be. It is likely that  
15 any alternative overhead alignment chosen will encounter  
16 similar opposition from adjacent landowners. The Community  
17 Advisory Committee (CAC) established by the Company to  
18 assist in transmission siting recommended that overhead  
19 facilities not be placed through residential areas. The  
20 Company indicates that even without landowner opposition,  
21 it is unlikely that alternative overhead facilities could  
22 be completed by the time they are needed to serve the Star  
23 substation.

24 Other problems with underground facilities are  
25 cited on pages 3 through 5 of the Black and Veatch study

1 conducted for the City of Eagle and on pages 18 and 19 of  
2 an Idaho Power Routing Study attached as Appendix A to the  
3 Black and Veatch study (Exhibit No. 115). These problems  
4 include difficulty in identifying and repairing line  
5 problems and the need to obtain highly trained technicians  
6 to maintain such facilities. It is my understanding that  
7 Idaho Power currently has no underground transmission  
8 facilities.

9 Q. Are there other alternatives described by the  
10 parties?

11 A. Yes, City of Eagle witness Teinert maintains  
12 there are other methods and technologies such as demand  
13 side management (DSM), mobile generators and Aluminum  
14 Conductor Steel Supported (ACSS) cable that the Company  
15 should have explored as alternatives to the 138-kV options.

16 Q. What is your opinion of the alternatives proposed  
17 by Mr. Teinert?

18 A. I don't believe pointing out DSM activities that  
19 the Company could have undertaken in the past is helpful in  
20 solving the transmission constraints experienced in the  
21 Eagle area today. Mr. Teinert speculates that a number of  
22 demand side management programs described by Idaho Power in  
23 2002/2003 could have been put in place in the Eagle area as  
24 early as 1999. He also speculates that these programs,  
25 many of which are untried or in the pilot stage, could have

1 reliably reduced transmission loadings and eliminated the  
2 need for transmission upgrades at issue in this case.

3 He would seem to imply that Idaho Power was  
4 imprudent in its implementation of DSM and therefore, it is  
5 the shareholders and not the general body of customers or  
6 the citizens of Eagle that should pay for costly  
7 transmission upgrades. I do not believe that is an  
8 appropriate conclusion in this case nor do I believe that  
9 is the position of Mr. Teinert.

10 I also believe that placement of mobile  
11 generators in the Eagle/Star area as suggested by Mr.  
12 Teinert as an alternative to the transmission upgrade is  
13 not a reasonable long-term solution. The Company's  
14 experience with the location or placement of mobile  
15 generators during the 2000/2001 energy crisis demonstrated  
16 significant customer opposition and a high cost of  
17 operation.

18 Q. What is your opinion of Mr. Teinert's ACSS  
19 alternative?

20 A. I am not an expert in ACSS. However, I believe  
21 this alternative has considerably more potential to provide  
22 additional transmission capacity at reasonable cost than  
23 the other alternatives described by Mr. Teinert. I would  
24 look to the Company to explain why ACSS would not be a  
25 viable alternative to expand the capacity of existing

1 facilities.

2 Q. What facilities do you believe should be  
3 installed to meet the growing load in the Eagle/Star area?

4 A. In my opinion, the Company should be allowed in  
5 situations like these to reasonably extend and upgrade its  
6 transmission/distribution facilities, as it deems  
7 appropriate. In this case, an existing 138-kV overhead  
8 transmission line enters the City of Eagle from the east to  
9 serve the Eagle substation. The most logical and  
10 economical alternative is to upgrade existing overhead  
11 facilities to the west in established utility right of ways  
12 using structures that meet the lowest allowable clearances  
13 under the National Electric Safety Code. Consequently, the  
14 State Street alignment makes the most economic sense from  
15 the standpoint of the general body of Idaho Power  
16 customers.

17 Q. Is this alternative consistent with Idaho Code  
18 and the City's Comprehensive Plan?

19 A. Yes. The Idaho Land Use Planning Act at section  
20 67-6508(h) requires local comprehensive plans to contain an  
21 analysis for "utility transmission corridors". The City's  
22 Comprehensive Plan Exhibit 106, section 4.2.7, page 10 of  
23 54 states that:

24 Appropriate placement of electric utility  
25 facilities on public right of ways is  
encouraged. Public streets and road rights-

1 of-ways typically serve as corridors for  
2 electric facilities. Transmission lines  
3 are usually located on easements that IPC  
4 acquires from private property owners. The  
5 joint use of utility corridors is also  
6 encouraged, provided that such joint use  
7 is consistent with limitations as may be  
8 prescribed by applicable law and prudent  
9 utility practice for existing and proposed  
10 utility facilities."

7 Both the State Street and bypass routes are along public  
8 roadways.

9 Q. Both Eagle River LLC witness Carlise and City of  
10 Eagle witness Reading point to the economic injury that  
11 adjacent land owners will experience if 138-kV transmission  
12 lines are placed overhead. Do you dispute their claim?

13 A. Not necessarily. I believe it likely that large  
14 overhead power lines can negatively affect local property  
15 values wherever they are located. If the standard for  
16 constructing overhead transmission lines were that they  
17 couldn't negatively impact local property values then  
18 overhead lines would rarely be constructed. Even the  
19 alternative overhead alignments suggested by the City would  
20 not be viable on that basis.

21 Q. If overhead alternatives are eliminated due to  
22 property value impact, doesn't that leave just underground  
23 transmission as the only viable alternatives?

24 A. With the possible exception of ACSS, it appears  
25 so based on the testimony of Mr. Teinert, Mr. Calise,

1 Dr. Reading and Ms. Merrill.

2 Q. Has the City offered to pay the higher  
3 incremental cost of underground transmission facilities in  
4 order to protect its vistas and property values?

5 A. No, it has not.

6 Q. Who would pay the higher incremental cost of  
7 underground facilities if the City and its citizens did  
8 not?

9 A. These costs would almost certainly be passed on  
10 and paid for by the general body of Idaho Power ratepayers.

11 Q. Is that reasonable?

12 A. No, I don't believe it is. City of Eagle witness  
13 Reading in describing the Eagle Community in testimony  
14 states: "The City of Eagle was the 3<sup>rd</sup> fastest growing city  
15 in Idaho between 1990 and 2000 increasing its population  
16 233%." He also indicates that population has increased  
17 another 23% since 2000. He goes on to state "the City of  
18 Eagle has the highest property values in the state among  
19 residential communities." Finally, Dr. Reading states,  
20 "What is clear is that people want to move to Eagle and are  
21 willing to pay a premium to live there."

22 The City of Eagle has experienced rapid growth  
23 that has required substantial electrical facilities  
24 including 138-kV overhead transmission to provide cost  
25 effective reliable service. It is commendable that the

1 City and its citizens have created a community that is  
2 prosperous and desirable. However, I believe overhead  
3 transmission facilities are the standard of construction  
4 for Idaho Power Company. Underground transmission  
5 facilities exceed this standard and are more expensive to  
6 construct. The residents of Eagle should be willing to pay  
7 a premium that reflects the increased cost of meeting local  
8 concerns of the City. When the standard of construction is  
9 overhead, the incremental cost of these facilities should  
10 not be passed on to other Idaho Power customers that  
11 receive no aesthetic benefit of placing the facilities  
12 underground.

13 Q. Wouldn't you agree that the rate impact is very  
14 small when the incremental additional cost of placing  
15 transmission facilities underground through the City of  
16 Eagle is spread over energy consumed by all Idaho Power  
17 customers?

18 A. I would agree if this were the only such special  
19 request that could be expected. However, I believe that  
20 other cities and counties would make similar requests if  
21 the Commission allows the additional costs described in  
22 this case to be spread among all Idaho Power customers.

23 Q. How would you recommend the City and its  
24 residents pay the increased incremental cost of underground  
25 transmission facilities?

1           A.    I believe the City should provide a Contribution  
2 In Aid of Construction (CIAC) that reflects the additional  
3 incremental cost of underground facilities prior to  
4 commencing construction.  The City rather than the utility  
5 should be responsible for assessing its citizens for the  
6 additional cost.

7           Q.    Why do you recommend an up front CIAC paid for  
8 and collected from City residents by the City rather than  
9 an energy surcharge assessed and collected by Idaho Power  
10 Company?

11          A.    From a policy standpoint, I believe it is more  
12 efficient to require cities, counties or other governmental  
13 entities requesting special facilities to assume  
14 responsibility for CIAC payment and collection.  Requiring  
15 an energy surcharge on local residents whenever special  
16 facilities are requested could lead to a hodgepodge of  
17 pancaked surcharges and rate structures across Idaho Power  
18 Company's entire service territory.  The result would be  
19 administratively burdensome and confusing to electric  
20 customers.

21          Q.    How might the City generate funds for the CIAC?

22          A.    Idaho Power Company witness Said describes in  
23 testimony ways in which the City could fund the additional  
24 costs associated with underground facilities.  These  
25 options include creation of a Local Improvement District

1 (LID) and short-term financing through the Company paid for  
2 through franchise fees assessed by the City on local  
3 residents.

4 Q. Would the franchise fees assessed by the City be  
5 sufficient to cover the incremental additional cost of  
6 placing transmission facilities underground in this case?

7 A. No. Even if franchise fees are set at the  
8 maximum rate of 3% of electric revenues, the City could  
9 only generate \$140,000 of the estimated \$1.8 million needed  
10 each year.

11 Q. Then based on your recommendation, the City must  
12 either accept an overhead alignment or create an LID to pay  
13 the incremental additional cost of underground facilities?

14 A. Yes, unless ACSS is shown to be a viable  
15 alternative to 138-kV facilities.

16 Q. Is it also your recommendation that the  
17 Commission establish a similar CIAC policy when underground  
18 or special utility facilities are requested by other  
19 municipal or county governments?

20 A. Yes. First, cities and counties should recognize  
21 that electric transmission structures typically exceed 35  
22 feet and local comprehensive plans should reflect that  
23 fact. Comprehensive plans should designate transmission  
24 corridors with the understanding that tall electric  
25 transmission structures will be located there. Second,

1 these entities should be put on notice that the general  
2 body of ratepayers will not be responsible for incremental  
3 additional costs associated with special utility facilities  
4 requested for the benefit of local residents. Such notice  
5 will incent planning for overhead utility corridors or  
6 funding methods to provide CIAC to cover the higher cost of  
7 special facilities.

8 Q. Does this conclude your testimony?

9 A. Yes it does.

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 30TH DAY OF JULY 2004, SERVED THE FOREGOING **DIRECT TESTIMONY OF RANDY LOBB**, IN CASE NO. IPC-E-04-4, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

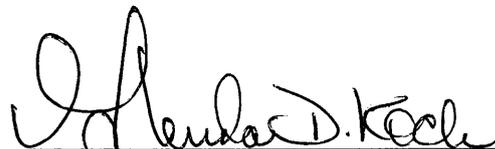
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