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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF IDAHO POWER)
COMPANY TO INCLUDE EXPENSES)
ASSOCIATED WITH ITS CLOUD)
SEEDING PROGRAM IN THE)
COMPANY'S PCA ON AN ONGOING)
BASIS.)
_____)

CASE NO. IPC-E-05-36

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

GREGORY W. SAID

October 2005

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. As the
10 Manager of Revenue Requirement, I coordinate the Company's
11 efforts to recover prudently incurred expenses and
12 investments via the rates and charges of the Company.

13 Q. What is the Company requesting in this
14 application?

15 A. The Company is requesting that the Commission
16 allow the Company to defer expenses associated with its
17 cloud seeding program for inclusion in the Company's PCA on
18 an ongoing basis. Last year, the Company requested a one-
19 year deferral of cloud seeding expenses to complete a three-
20 year cost/benefit analysis. That cost/benefit analysis is
21 now complete. The Company believes that once the Commission
22 has reviewed the analysis that demonstrates the benefits of
23 cloud seeding, it will determine that the Company should
24 continue its cloud seeding program. Benefits of cloud
25 seeding have been quantified over the last three years to be

1 1.7 times the program expenses. Idaho Power believes that
2 there will be similar benefits in the future that the
3 Company and its customers can obtain if the cloud seeding
4 program is continued. Recognizing that, in the past, the
5 Commission has expressed reservations concerning the
6 efficacy of cloud seeding, the Company sought approval of
7 funding for one additional year of cloud seeding last year.
8 With the data from this additional year, the Company
9 believes that the three years quantification of benefits
10 demonstrates that ongoing rate recovery for a cloud seeding
11 program is appropriate. The Company is now requesting that
12 ongoing recovery of cloud seeding expense be accomplished by
13 permanently including cloud seeding expenses in the
14 Company's PCA. The Company proposes ongoing PCA treatment
15 because the cloud seeding expenses directly produce power
16 supply benefits that have been demonstrated over time. At
17 this time, the Company requests an accounting order that
18 allows the Company to defer expenses incurred for cloud
19 seeding efforts beginning with the upcoming 2005-2006 winter
20 period of time. Cloud seeding expenses would first be
21 incurred around October 15, 2005 and the season would
22 continue until approximately April 30, 2006 and annually
23 thereafter. As part of the Company's imminent general rate
24 case application, I will discuss PCA base adjustments due to
25 cloud seeding. Until an order is issued in the general rate

1 case proceeding, no cloud seeding expenses or benefits
2 should be included in the PCA base. Initially, customers
3 will fund 90 percent of all the expenses of cloud seeding
4 and receive 90 percent of all the benefits of cloud seeding.
5 Once base levels are established in a general revenue
6 requirement proceeding, customers will fund 100 percent of
7 base level cloud seeding expenses and receive 100 percent of
8 base level cloud seeding revenues. Differences from base
9 level expenses or revenues will be shared 90 percent by
10 customers and 10 percent by the Company.

11 Q. Please provide a brief history of the
12 Company's recent activities with cloud seeding.

13 A. The Company has had some experience with
14 cloud seeding dating back to 1995. However, my involvement
15 with the current efforts in cloud seeding began in 2001.
16 With the extremely high market prices that were then being
17 experienced, the Company was desirous of finding any and all
18 measures to assist in the reduction of overall power supply
19 expenses. Stream flow enhancement via cloud seeding was one
20 of the options available to the Company.

21 Prior to the winter of 2001-2002, Company
22 personnel met with members of the Commission Staff to
23 discuss the possibility of a cloud seeding pilot program. A
24 three-year pilot program was envisioned. Staff was
25 reluctant to support such a program because they were not

1 confident that the Company would be able to demonstrate
2 cloud seeding benefits. Without Staff support, the Company
3 declined to make an application for a pilot program to the
4 Commission. The Company did not fund cloud seeding during
5 the winter of 2001-2002. Prior to the following winter,
6 2002-2003, the Company again met with the Staff, providing
7 additional information of cloud seeding efforts and measured
8 benefits in other areas of the country. Staff was still
9 reluctant to support a pilot program, but the Company was
10 willing to fund the initial efforts in cloud seeding without
11 an accounting order with the hope that sufficient data would
12 be available to demonstrate the efficacy of the program
13 during the general rate case review.

14 The first year of cloud seeding efforts
15 primarily involved installation of equipment with limited
16 cloud seeding and limited measurement of cloud seeding
17 benefits. The second winter of cloud seeding, 2003-2004,
18 provided the first real opportunity to quantify the benefits
19 of cloud seeding on the Company's system. The Company's
20 test year for the general rate case was 2003, prior to the
21 point in time that the quantification of benefits was
22 determined. The Commission, in Order No. 29505, denied the
23 inclusion of cloud seeding costs in the Company's revenue
24 requirement stating "results are at this time speculative."
25 The Commission also stated "it would be unfair to ratepayers

1 to include all cloud seeding program cost in the test year
2 as if it were continuing each year into the future."

3 Subsequent to the issuance of Order No.
4 29505, the Company requested, in Case No. IPC-E-05-10, that
5 the Commission allow the Company to continue cloud seeding
6 for the winter of 2004-2005 with cloud seeding expenses
7 deferred for review with PCA expenses in May 2005. The
8 Company is currently recovering those expenses in PCA rates.
9 The purpose of the one-year PCA funding was to allow for a
10 third year of cloud seeding benefit computations.

11 Q. Did last winter's cloud seeding program
12 produce benefits for customers of Idaho Power during the
13 2004-2005 winter period?

14 A. Yes. Cloud seeding expenses were \$1.0
15 million and benefits were quantified at \$1.8 million for a
16 net benefit to customers of \$800,000.

17 Q. How have the Company's customers benefited
18 from cloud seeding efforts?

19 A. To the extent that the Company's cloud
20 seeding program created additional snow pack that
21 subsequently reached the river and flowed through the
22 Company's hydro resources, additional zero cost generation
23 was available for consumption by the Company's customers.
24 The cost was not truly zero, but cloud seeding costs are not
25 recorded in traditional PCA accounts. As a result, the

1 Company's Idaho jurisdictional customers received the
2 majority of cloud seeding benefits while the Company's
3 shareholders received all of the cloud seeding program
4 costs.

5 Q. What has been the three-year benefit to cost
6 ratio associated with cloud seeding?

7 A. Benefits from cloud seeding activities have
8 been 1.7 times the expenses of cloud seeding over the last
9 three years.

10 Q. What FERC accounts are used to record cloud
11 seeding related expenses?

12 A. Capital expenditures for cloud seeking are
13 initially recorded in FERC account 107 Construction Work In
14 Progress and subsequently moved to FERC account 101 Electric
15 Plant In Service when operational. Cloud seeding expenses
16 have been recorded in FERC account 536.

17 Q. Did the Company "write-off" its capital
18 investment in cloud seeding as a result of Order no. 29505?

19 A. No. As I have stated, the Company continues
20 to believe that there are benefits for the Company and its
21 customers to be derived from cloud seeding. Although the
22 Company cannot currently earn a return on cloud seeding
23 investment, the Company continues to believe it can justify
24 inclusion of its cloud seeding investment in rate base in
25 the future. The Company will request that cloud seeding

1 investment be included in the Company's rate base in its
2 next general revenue requirement case.

3 Q. What level of cloud seeding investment
4 remains on the books at this time?

5 A. The Company has nearly \$400,000 of cloud
6 seeding investment in Account 101 Electric Plant In Service
7 that is currently not included in the Company's rate base.

8 Q. What does the Company envision as the annual
9 expense of cloud seeding going forward in time?

10 A. The Company believes it will spend in the
11 neighborhood of \$1 million annually on cloud seeding O&M
12 expenses if the Commission approves PCA deferrals on an
13 ongoing basis.

14 Q. What is the Company requesting that the
15 Commission approve for deferral purposes in this case?

16 A. Similar to last year's request for a one-year
17 deferral, the Company is requesting that the Commission
18 approve the deferral of 90% of the Company's Idaho
19 jurisdictional percentage of cloud seeding O&M expenses
20 within the PCA process in an ongoing basis. Idaho Power
21 will continue to have its investment in cloud seeding remain
22 at risk while not included in rate base until the Company's
23 next general revenue requirement case. Idaho Power will
24 also expense 10% of its Idaho jurisdictional cloud seeding
25 O&M expenses. This would be reflected as a line item in the

1 PCA as it was last year. Customers in Idaho will continue
2 to see 90% of the benefits derived from cloud seeding
3 through reductions in power supply expenses. Commission
4 approval of cloud seeding efforts will match expenses and
5 benefits such that customers will continue to see 90% of the
6 benefits, but will also be responsible for 90% of the
7 expenses which would be deferred for recovery in subsequent
8 years.

9 Q. When would the Company envision a change in
10 rates and amortization of deferred cloud seeding expenses to
11 occur?

12 A. As a new PCA component, the Company envisions
13 a rate change and amortization of deferred cloud seeding
14 expenses annually within the PCA application process.

15 Q. Does this conclude your testimony?

16 A. Yes, it does.