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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S PETITION FOR APPROVAL ) CASE NO. IPC-E-08-23  
OF CHANGES TO THE IRRIGATION )  
PEAK REWARDS PROGRAM, AND FOR )  
AUTHORITY TO RECOVER THE COST )  
OF THE PROGRAM IN THE PCA )  
\_\_\_\_\_ )

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 Director of State Regulation 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  
20 supply expenses.

21 In August of 1989, after nine years in the Resource  
22 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



1           A.       My testimony in this proceeding is intended  
2 to propose to the Commission that as the next step in  
3 promoting cost-effective demand-side management ("DSM")  
4 resources, the Commission should consider funding sources  
5 beyond or in addition to the Rider funding approach. The  
6 Irrigation Peak Rewards demand response program ("Peak  
7 Rewards") detailed in Mr. Tatum's testimony provides the  
8 opportunity to fund specific DSM program expenses in a  
9 manner identical to funding a generation-side resource.  
10 Based upon that premise, I propose a method for recovering  
11 Peak Rewards program expenses via the Company's PCA  
12 mechanism.

13           Q.       Please describe how the Peak Rewards program  
14 described by Mr. Tatum is similar to power purchase  
15 agreement with a third-party-owned generation resource.

16           A.       The Peak Rewards program described by Mr.  
17 Tatum gives the Company the ability to curtail irrigation  
18 customer demand for energy during the highest system demand  
19 weeks of the year. The reduction of load comes at the cost  
20 as detailed in the program. The cost of reducing load will  
21 be lower than the alternative cost of serving the load if  
22 it was not curtailed. As such, the Peak Rewards program  
23 operates much like a dispatchable peaking resource owned by  
24 numerous irrigation customers, but contractually available

1 to Idaho Power.

2 Q. How are generation resource-related costs  
3 recovered by the Company?

4 A. Generation resource-related costs are  
5 initially established in general rate case proceedings.  
6 Investments in generation resources are included in rate  
7 base on which the Company has an opportunity to earn a  
8 reasonable rate of return for its shareholders. Generation  
9 related expenses are also included in base rates and are  
10 anticipated to be recovered dollar for dollar.

11 Within generation-related expenses are what have  
12 specifically been referred to as power supply expenses,  
13 which consist of fuel expenses and purchased power expenses  
14 reduced by surplus sales revenues. These power supply  
15 expenses are "normalized" in general rate cases by  
16 averaging the expenses resulting from a full range of  
17 potential scenarios reflecting differing conditions  
18 affecting expenses such as levels of stream flows and  
19 market prices.

20 Once base rates have been established in a general  
21 rate case proceeding, the Company tracks actual power  
22 supply expenses through the PCA and rates are adjusted  
23 annually to reflect deviations of actual power supply  
24 expenses from the normalized levels included in base rates.

1           Q.       Under current DSM recovery methodologies how  
2 would the Company recover the Peak Rewards program  
3 expenses?

4           A.       Under current DSM recovery methodologies,  
5 100 percent of the Peak Rewards program expenses would be  
6 funded by applying DSM rider funds. The current DSM rider  
7 fund collection is set at 2.5 percent of revenues derived  
8 from retail sales. As Mr. Tatum has described in his  
9 testimony, the anticipated annual cost of the Peak Rewards  
10 program will be \$6.7 million in 2009 and will increase to  
11 \$10.8 million by 2011. Therefore, to fund the Peak Rewards  
12 DSM rider funds, DSM rider funding would need to be  
13 increased to approximately 4%.

14          Q.       Why is the Company proposing an alternate  
15 method of recovering the Peak Rewards program expenses?

16          A.       Because the Peak Rewards program operates  
17 much like a generation resource that can be dispatched by  
18 Idaho Power, but is owned by irrigation customers, the  
19 Company proposes that the incentive payments associated  
20 with the Peak Rewards program be recovered in a manner  
21 similar to expenses incurred to purchase energy from PURPA  
22 Qualifying facilities ("Qfs"). The remainder of the Peak  
23 Rewards program's expenses, including equipment  
24 installation costs, program labor costs, and other direct

1 administrative costs, would continue to be funded by the  
2 DSM Rider.

3 A normal level of expenses related to the Peak  
4 Rewards incentive payments, in this case \$4.9 million,  
5 would be placed in base rates in a general rate case. Then  
6 annually, as part of the PCA case, actual incentive payment  
7 expenses provided under the Peak Rewards program would be  
8 compared to the level included in base rates. Like QF  
9 expenses, 100% of the deviation of actual incentive payment  
10 expenses from base levels would be reflected in the  
11 resulting PCA rate and the benefits of the program would be  
12 reflected in changes to fuel expenses, purchased power  
13 expenses and surplus sales revenues. Overall recovery of  
14 program expenses will be identical to recovery provided via  
15 a rider fund methodology; however, the impact to Rider fund  
16 collection percentage would be significantly lessened.

17 Q. Because the current Peak Rewards program  
18 request is not part of the pending general rate case, how  
19 will the Company initially recover the Peak Rewards  
20 incentive-related expenses?

21 A. Prior to the time in which a normal level of  
22 Peak Rewards program incentive-related expenses are  
23 included in the Company's base rates, all of the Peak  
24 Rewards program incentive-related expenses will be included

1 in PCA rates. If the Company's Peak Rewards program  
2 proposals are accepted, anticipated Peak Rewards program  
3 incentive-related expenses for 2009 will be reflected in  
4 the Company's 2009 PCA rates.

5 Q. Do you view the load reduction benefits  
6 associated with the Peak Rewards program as providing a  
7 system benefit?

8 A. Yes. The load reduction resulting from the  
9 Peak Rewards program will benefit the Idaho Power system by  
10 reducing the costs associated with serving peak load.

11 Q. Under the proposed PCA method of funding the  
12 Peak Rewards incentive payments, does the Company plan to  
13 allocate the incentive payment costs to all jurisdictions  
14 as it would other power supply expenses?

15 A. Yes. The proposed PCA method of funding  
16 recognizes that the Peak Rewards program provides a system  
17 benefit and spreads program costs to all jurisdictions  
18 accordingly. That is, the incentive payment expenses will  
19 be assigned to the Company's jurisdictions in a manner  
20 similar to that used in allocation of other power supply  
21 expenses.

22 Q. Why should the Commission adopt a PCA method  
23 for funding the incentive payments provided under the Peak  
24 Rewards program rather than just increasing the DSM Rider

1 funding rate?

2           A.        To answer this question, I will provide a  
3 government funding principle as an analogy. Idaho state  
4 government is typically funded through taxes, primarily  
5 income taxes, property taxes, and sales taxes. The reason  
6 that multiple tax sources are used is in part to recognize  
7 that citizens taxed solely via one method can be advantaged  
8 or disadvantaged because of the single source method.  
9 However, in addition to that reason, multiple tax sources  
10 are also implemented so that no single tax source is viewed  
11 as overly burdensome. My concern is that, in time,  
12 continuing increases in the DSM Rider funding rate will  
13 appear burdensome and create an adverse perception of new  
14 DSM activities in the minds of the Company's customers.  
15 Providing an additional avenue, in this case the PCA  
16 mechanism, to fund the Peak Rewards program will relieve  
17 upward pressure on the DSM Rider and diversify cost  
18 recovery approaches for demand-side resources.

19           Q.        Does that conclude your testimony?

20           A.        Yes, it does.