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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) CASE NO. IPC-E-11-08
AND CHARGES FOR ELECTRIC SERVICE)
IN IDAHO.)
_____)

IDAHO POWER COMPANY

REBUTTAL TESTIMONY

OF

WARREN KLINE

1 Q. Please state your name and business address.

2 A. My name is Warren Kline and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

4 Q. Are you the same Warren Kline that submitted
5 direct testimony in this proceeding?

6 A. Yes, I am.

7 Q. What is the purpose of your rebuttal
8 testimony?

9 A. I will describe Idaho Power Company's ("Idaho
10 Power" or "Company") facilities charge service option from
11 a customer service standpoint, particularly some of the
12 issues associated with mixed ownership of facilities and
13 with Company personnel maintaining customer-owned
14 facilities. I will also respond to the characterization
15 made by the Industrial Customers of Idaho Power ("ICIP")
16 that the Company's facilities charge option is an unfair
17 business practice.

18 Q. What issues are you not discussing in your
19 rebuttal testimony?

20 A. I am not testifying about any tariff language,
21 the appropriate rate or methodology for the facilities
22 charge buyout, or any other regulatory or ratemaking
23 matters. Company witness Mr. Scott Sparks will testify
24 regarding the facilities charge rate methodology and
25 Company witness Mr. Michael Youngblood will testify

1 regarding the facilities charge buyout option as well as
2 the regulatory and ratemaking issues associated with
3 facilities charges.

4 Q. Please describe at a very high level the
5 purpose of the facilities charge.

6 A. The facilities charge is a service that allows
7 primary and transmission service level customers the
8 option, when agreed to by the Company, of having the
9 electrical facilities necessary to supply service beyond
10 the Company's point of delivery owned, operated, and
11 maintained by Idaho Power in consideration of the customer
12 paying a monthly charge. It is very important to note that
13 Idaho Power provides this service at its option to the
14 approximately 240 Idaho jurisdictional customers that have
15 requested it.

16 Q. Please describe what you mean when you say
17 "beyond the Company's point of delivery."

18 A. The point of delivery is the point between the
19 facilities owned by the Company and the facilities owned by
20 the customer. For primary and transmission customers, the
21 point of delivery is most commonly the customer's property
22 line.

23 Q. Are all primary or transmission service level
24 customers obligated to pay a facilities charge?

25

1 A. No. The general rule is that the Company
2 delivers energy to a point at the customer's location and,
3 if necessary, the transformation of power to the voltage at
4 which it is to be used is the customer's responsibility.
5 Additionally, the service provisions for facilities beyond
6 the point of delivery detailed in Idaho Power's Schedules 9
7 and 19 state:

8 At the option of the Company, transformers and
9 other facilities installed beyond the Point of
10 Delivery to provide Primary or Transmission
11 Service may be owned, operated, and maintained
12 by the Company in consideration of the Customer
13 paying a Facilities Charge to the Company.
14

15 Customers pay a facilities charge only if the
16 Company is providing the facilities charge service.

17 Q. Please explain why Idaho Power provides a
18 facilities charge service option.

19 A. With regard to customers eligible for the
20 facilities charge service, the customer has an initial
21 choice to make. The general rule is that customers are
22 required to own, operate, and maintain their own equipment
23 beyond the Company's point of delivery. Both historically
24 and today, some Idaho Power customers do not or cannot do
25 this for themselves; thus, they ask the Company for the
26 facilities charge option to relieve them from this
27 requirement. Customers request this option because
28 sometimes they do not want to expend the capital needed to

1 construct the facilities and/or they may not have the
2 expertise in their organization or the desire to operate
3 and maintain the facilities. In these instances, when the
4 Company agrees, Idaho Power will provide this service.

5 Q. Are customers obligated to take the facilities
6 charge service from Idaho Power?

7 A. No. As I explained above, the Company only
8 provides this service upon the request of the customer and
9 if the Company agrees to provide the service. There may be
10 instances where the customer has both the capital and
11 trained personnel to fund, design, install, and maintain
12 its own facilities beyond the Company's point of delivery
13 but wants to take advantage of the other benefits that the
14 facilities charge option provides.

15 Q. What other benefits does the facilities charge
16 option provide?

17 A. If there is a problem with the equipment that
18 the customer is paying facilities charges on, Idaho Power
19 provides 24 hours a day, 7 days a week customer service for
20 that customer. Idaho Power has an inventory of equipment
21 across its service area that can be used if needed along
22 with a fleet of trucks and trained personnel ready to
23 respond to service trouble, including emergency situations.
24 Idaho Power also has the communications systems in place
25 and the dispatchers needed to dispatch the crews to

1 respond. In short, Idaho Power has the necessary business
2 infrastructure and it stands ready to respond when called
3 upon. Many facilities charge customers place a high value
4 on this service.

5 Q. What leads you to believe that facilities
6 charge customers place a high value on this service?

7 A. Other than the J.R. Simplot Company
8 ("Simplot"), none of the Company's other approximately 240
9 facilities charge customers in Idaho have formally
10 requested a buyout option in recent memory. I believe this
11 indicates that the vast majority of the Company's other
12 facilities charge customers have appreciated and benefited
13 from the Company operating and providing maintenance on
14 facilities that they would have had to pay for and maintain
15 themselves. Thus, I believe Simplot may be unique, if not
16 in a very small minority of customers, who now desires to
17 expend the financial capital and has the expertise to
18 operate and maintain its own electrical facilities. That
19 is not to say that other customers were in the same
20 position when they first requested the Company to provide
21 facilities beyond the Company's point of delivery. Many
22 customers may not have been in a position twenty or thirty
23 years ago to construct, own, operate, and maintain
24 electrical facilities when they were first starting out.

25

1 Therefore, the Company agreed to take on that risk by
2 providing the facilities charge service.

3 Q. What is your response to ICIP's
4 characterization that the Company's facilities charge is an
5 "unfair business practice"?

6 A. I strongly disagree with this
7 characterization. Both Mr. Sturtevant's and Mr. Butler's
8 statements in their direct testimony seem to be based on
9 the idea that if Idaho Power is not willing to hand over
10 ownership of all facilities to Simplot, this is somehow an
11 unfair business practice. I disagree and think it is
12 unreasonable for them to expect Idaho Power to give away
13 facilities that have value.

14 I think of the facilities charge as similar to a
15 rental arrangement. If I were to rent a house for 30
16 years, I would not reasonably expect the owner of the house
17 to hand it over to me at the end of the 30 years because I
18 had "paid for it." If I was to ask the owner to sell it to
19 me and he/she were willing to do so, he/she would require a
20 fair price. Therefore, I do not agree with the
21 characterization of the Company's facilities charge option
22 as an unfair business practice. As explained by Mr.
23 Youngblood, facilities charge customers pay to the Company
24 an Idaho Public Utilities Commission-approved rate for
25 providing this service.

1 Q. What are the operational and safety issues
2 associated with mixed ownership at locations where both the
3 Company and the customer own facilities beyond the point of
4 delivery?

5 A. Mixed ownership presents challenges for the
6 Company. If there is not an "end point" that makes it very
7 clear where Idaho Power's facilities end and a customer's
8 facilities begin, it creates confusion during an outage and
9 in maintenance situations regarding who is responsible for
10 working on what pieces of equipment. It also creates a
11 safety issue for Company personnel who may not know what a
12 customer or a contractor for the customer has been doing
13 when working on the equipment. In addition, there are
14 differences between the National Electric Safety Code that
15 Idaho Power follows and the National Electric Code that the
16 customer is required to follow. These differences can
17 result in equipment that is nonstandard for Idaho Power and
18 its employees may not be trained to safely operate or work
19 on this equipment.

20 Q. Is it not true that the Company currently has
21 some mixed-ownership locations?

22 A. Yes.

23 Q. How is the Company proposing to handle these
24 existing mixed-ownership locations?

25

1 A. In the early days of facilities charges, the
2 Company did provide its customers with a configuration that
3 sometimes allowed mixed-ownership facilities installations.
4 In the late 1980s, the Company made the decision to no
5 longer allow mixed ownership for new facilities charge
6 installations. The Company is not requiring existing
7 customers with mixed-ownership locations to make any
8 changes at this time. However, over time as opportunities
9 arise, the Company will be looking for ways to address this
10 issue at those specific locations where mixed ownership
11 exists.

12 Q. Does the Company currently grant new customer
13 requests for mixed-ownership installations?

14 A. No.

15 Q. What are the operational and safety issues
16 associated with the Company doing maintenance on facilities
17 owned by customers beyond the Company's point of delivery?

18 A. Idaho Power personnel are trained on the types
19 of equipment that the Company deploys throughout its
20 system. Customers may elect to install different types or
21 brands of equipment that the Company's personnel have never
22 worked on or been trained to work on. The result would be
23 that Company personnel may not be properly trained to
24 maintain the customer's equipment. In addition, the
25 Company may be asked to maintain a piece of customer

1 equipment that has previously been maintained by a third-
2 party contractor. Failing to have the full maintenance
3 history on a piece of equipment can create safety issues
4 for Idaho Power's personnel. At times, Idaho Power's crews
5 are called to an outage in difficult conditions (e.g.,
6 middle of the night, severe weather, etc.). When the
7 Company arrives on the scene of an outage, its personnel
8 are often under pressure to get the service restored as
9 soon as possible. Compound these high stress external
10 circumstances with the fact that the Company personnel may
11 not be properly trained or have the maintenance history of
12 a piece of customer-owned equipment and the operational and
13 safety concerns are exacerbated.

14 Q. Can you provide some specific safety concerns
15 of Company personnel doing maintenance on customer-owned
16 equipment?

17 A. Yes. In addition to the training and
18 maintenance history information mentioned above, customer-
19 owned facilities many times involve underground cabling
20 that may not be properly mapped. Company personnel may not
21 be trained on the equipment and may not know how the
22 equipment was installed or maintained because other people
23 have been working on it. These safety concerns are
24 minimized when Idaho Power owns and maintains the
25 equipment.

1 Q. Does the Company have any agreements where it
2 does maintenance only of customer-owned facilities?

3 A. Yes. Similar to the mixed use issue, there
4 are a handful of situations where, for historical and other
5 operational reasons, the Company has agreed to maintain
6 facilities owned by customers. This is not the line of
7 business the Company is in and it is migrating away from
8 this type of work. The Company is migrating away from this
9 line of work over time to give its customers the
10 opportunity to find qualified electrical contractors that
11 will be able to adequately perform the services for these
12 customers. However, on a going forward basis, the Company
13 is in the process of communicating to its customers that it
14 will not provide maintenance on customer-owned facilities.

15 Q. During the course of this proceeding, has the
16 Company changed its position on the sale of facilities
17 subject to the facilities charge?

18 A. Yes. Simplot has expressed to Idaho Power its
19 strong desire to have an option whereby it can acquire
20 Company-owned facilities that are subject to the facilities
21 charge. The Company has listened to this desire and is
22 responding by providing Simplot the option to purchase
23 Company-owned facilities. Mr. Youngblood's testimony
24 describes this option in more detail.

25

1 Q. Why is the Company changing its position with
2 regard to ownership of facilities subject to the facilities
3 charge?

4 A. As the Vice President of Customer Operations,
5 one of my primary roles is to make sure Idaho Power is
6 providing exceptional customer service, to the best of its
7 ability, to its customers. Simplot has made it very clear
8 that it wants an option to own facilities currently subject
9 to the facilities charge. As a general rule, Idaho Power
10 is not in the business of selling Company owned facilities.
11 For example, Idaho Power would never agree to sell a
12 distribution line to a residential customer, but facilities
13 charges are different. As I described earlier in my
14 testimony, initially, facilities charge customers have a
15 choice—they can make the investment and decision to
16 install, operate, and maintain facilities or they can ask
17 the Company to perform this service. From a customer
18 service standpoint, the Company can understand Simplot's
19 position and it is now providing Simplot with the option to
20 buyout Company-owned facilities.

21 Q. Does this conclude your testimony?

22 A. Yes.

23

24

25

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 16th day of November 2011 I served a true and correct copy of the within and foregoing REBUTTAL TESTIMONY OF WARREN KLINE upon the following named parties by the method indicated below, and addressed to the following:

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