

Peter J. Richardson (ISB # 3195)
Gregory M. Adams (ISB # 7454)
Richardson & O'Leary, PLLC
515 N. 27th Street
P.O. Box 7218
Boise, Idaho 83702
Telephone: (208) 938-7901
Fax: (208) 938-7904
peter@richardsonandoleary.com
greg@richardsonandoleary.com

RECEIVED
2011 OCT -7 PM 2:37
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for the Industrial Customers of Idaho Power

**BEFORE THE IDAHO
PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF IDAHO POWER)
COMPANY'S REQUEST TO INCREASE ITS)
RATES AND CHARGES FOR ELECTIC)
SERVICE IN IDAHO)
_____)

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

DIRECT TESTIMONY OF DON STURTEVANT

October 7, 2011

1 scattered throughout the state. We are an AgriBusiness company and have farming and cattle
2 operations, produce fertilizer, and process potatoes into frozen french-fries.

3 **Q. How many people are employed by J.R. Simplot Company in the State of**
4 **Idaho?**

5 A. We currently employ over three thousand (3,000) employees in Idaho.

6 **Q. How much does the J.R. Simplot Company spend on electricity bills to Idaho**
7 **Power annually?**

8 A. J.R. Simplot Company spends approximately \$16.5 million annually in Idaho
9 Power charges.

10 **Q. Does J.R. Simplot Company pay Idaho Power a facilities charge for electrical**
11 **distribution equipment installed and maintained beyond the point of delivery by Idaho**
12 **Power at J.R. Simplot Company's plants and facilities?**

13 A. Yes.

14 **Q. Could you explain your understanding of the facilities charge?**

15 A. The current Schedule 19 tariff states that at Idaho Power's option, it may install
16 and maintain facilities beyond the point of delivery and charge 1.7% monthly or 20.4% annually
17 for Company-owned facilities beyond the point of delivery.

18 Idaho Power has filed to reduce the facilities charge to 1.41% monthly or 17.00%
19 annually in this case for Schedule 19 customers, but not for Special Contract customers. In this
20 context, I would like to point out that although the Don Plant has a separate Special Contract
21 executed in 2004, section 15.2 of the contract specifically allows for changes to the Schedule 29
22 rates, which include the facilities charge rate.

1 provision granting the Company access to customers' premises for purposes of installing or
2 maintaining distribution facilities.

3 **Q. Does the Schedule 19 tariff appear to allow J.R. Simplot Company as an**
4 **Idaho Power customer to opt out of the facilities charge, and to take on the responsibility**
5 **for electrical distribution facilities on Simplot plants' property?**

6 **A.** No. The tariff plainly states: "At the option of the Company, transformers and
7 other facilities installed beyond the Point of Delivery to provide Primary or Transmission
8 Service may be owned, operated, and maintained by the Company in consideration of the
9 Customer paying a Facilities Charge to the Company." This tariff implies the customer has no
10 choice and it does not state that the customer has the option to itself own and maintain the
11 facilities on its property.

12 **Q. Does Idaho Power's ownership and management of electrical equipment on**
13 **plants owned by J.R. Simplot Company concern you from a liability perspective?**

14 **A.** Absolutely. In large industrial and commercial operations, safety is our highest
15 priority.

16 **Q. What insurance requirements does J.R. Simplot Company require of**
17 **electrical contractors that conduct work on its property?**

18 **A.** We require that every contractor working at any J.R. Simplot Company location
19 provide proof of \$5 million dollars in liability insurance.

20 **Q. Has Idaho Power provided J.R. Simplot Company with assurance that these**
21 **Simplot policies are met by Idaho Power's liability coverage?**

1 destruction, loss or damage to property is not due to the negligence or other
2 breach of legal duty of such other Party; provided, however, that each Party shall
3 be solely responsible for claims of and payment to its employees for injuries
4 occurring in connection with their employment or arising out of any worker's
5 compensation law. In no event shall either Party be liable to the other for any
6 indirect, incidental, special, or consequential damages of any character including,
7 without limitation, damages for lost profits or work stoppages.

8 **Q. Is this provision in the Don Plant Special Contract consistent with J.R.**
9 **Simplot Company's general insurance requirements for contractors performing work at**
10 **the plant?**

11 **A. No.** Even this provision does not expressly require J.R. Simplot Company's \$5
12 million in insurance requirement I testified to above.

13 **Q. Do you think it is reasonable for Idaho Power to agree to indemnify J.R.**
14 **Simplot at the Don Plant but not to agree to indemnify J.R. Simplot at any of the plants**
15 **taking Schedule 19 Service?**

16 **A. No.**

17 **Q. Please comment on the average age and overall rates paid by J.R. Simplot**
18 **Company for the equipment at any J.R. Simplot Company plants subject to the facilities**
19 **charge.**

20 **A. Based on the Distribution Facilities Reports provided by Idaho Power periodically**
21 **for each of our plants and an inventory of the equipment undertaken by myself and Idaho Power**
22 **representatives in the past year, we have 1,609 items on the facilities charge that were installed at**

1 a total initial investment of \$4,252,088 and an annual charge of \$867,426. Since this equipment
2 has been installed, we have paid around \$14 million or three point four (3.4) times its installed
3 investment already. We have two items that are sixty-six (66) years old and have paid for those
4 items almost seven (7) times. The average age of all our facilities charge equipment is twenty-
5 four (24) years old.

6 **Q. You stated the average age of the equipment is nearly 24 years old, and you**
7 **have already paid for this equipment 3.4 times. Do you think it is fair for Idaho Power to**
8 **continue charging the facilities charge rate for Idaho Power's initial investment?**

9 **A.** No, it is not fair at all. I believe that Idaho Power has more than earned their rate
10 of return that would have been fair and reasonable many times over. This falls under the
11 category of subsidization and unfair business practice.

12 **Q. Does a reduction in the annual facilities charge from 20.4% of the initial**
13 **investment to 17.00% of the initial investment seem adequate to you for Schedule 19**
14 **Customers?**

15 **A.** No, this seems like a very high rate for operation, maintenance, and a return on
16 investment, especially considering that the principal amount is never paid off by J.R. Simplot
17 Company and never goes away.

18 **Q. Have you calculated the remaining book value of Idaho Power facilities**
19 **charge equipment at any J.R. Simplot Company premises subject to the facilities charge.**

20 **A.** Yes. The remaining book value for all of our equipment is listed below:

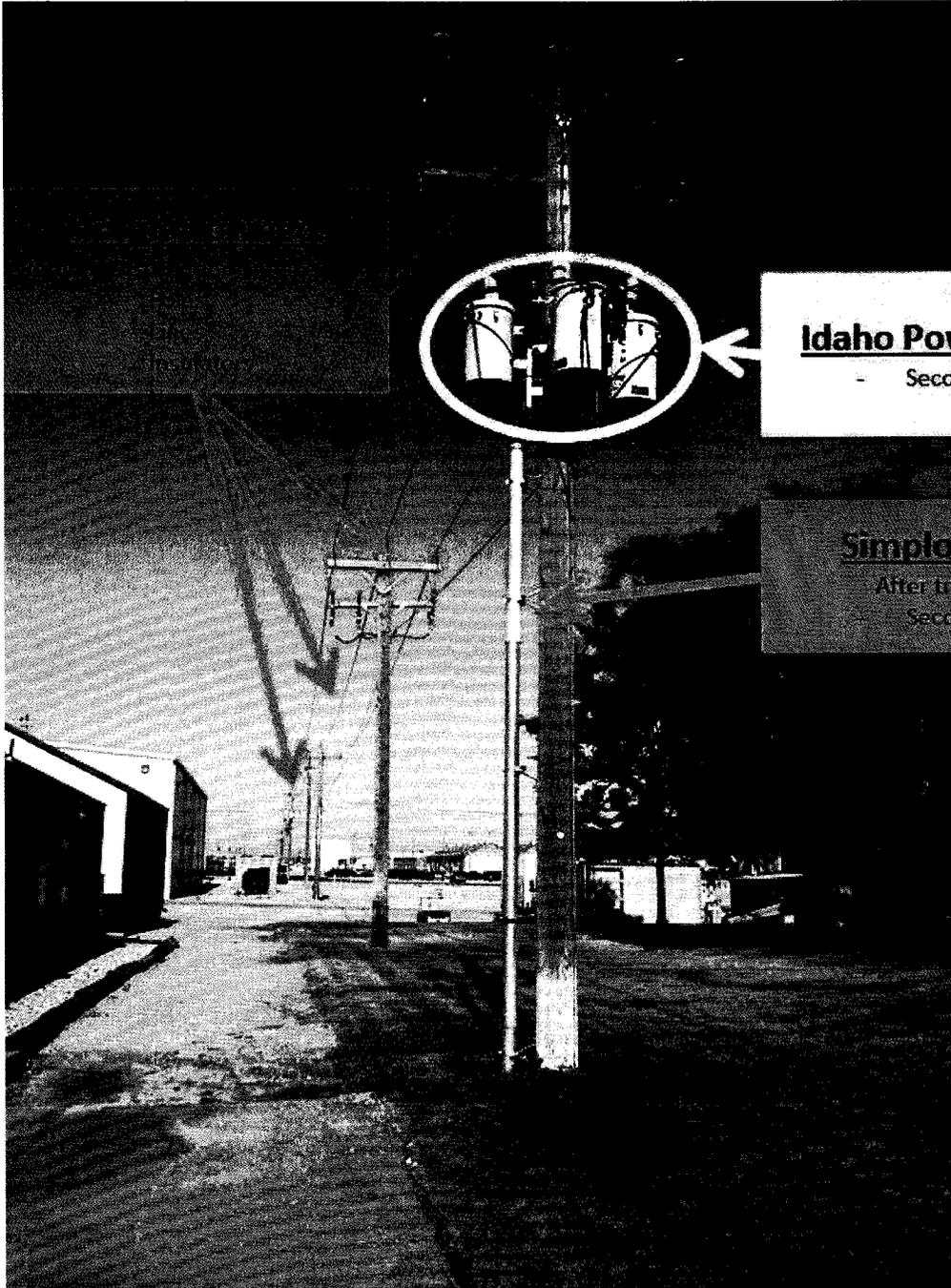
1 costs and to avoid incurring additional costs that may arise if Idaho Power is unable to find a
2 willing buyer for the facilities or otherwise salvage the facilities. In other words, the facilities
3 charge does not allow for the customer to purchase the facilities from Idaho Power, even if the
4 customer has more than paid off the initial investment and provided Idaho Power with reasonable
5 fees to cover operation and maintenance and a reasonable return.

6 **Q. Has the J.R. Simplot Company paid similar facilities charges in other**
7 **jurisdictions, or with other utilities?**

8 A. Yes. At our Othello, Washington facility, Avista was charging us 21% annually,
9 which was paid off after thirty years. When I learned of this, I approached the Avista staff and
10 requested that we be allowed to pay off this charge and get out from under the exorbitant
11 payments. They agreed, we paid it off, and they have offered to do maintenance or repairs for
12 us at a "time and materials" rate. This is the only other utility with which we pay a facilities-type
13 charge.

14 **Q. If J.R. Simplot Company were soliciting competitive bids from private**
15 **companies to lease and manage the electrical facilities similar to those services provided by**
16 **Idaho Power under the facilities charge, would you consider a bid of an ongoing annual**
17 **charge of 17.00% of the initial investment to be a reasonable bid for your Schedule 19**
18 **facilities? How about the 20.4% for the Don Plant?**

19 A. Not at all. As you know, interest rates are very low. Anyone who approached us
20 with this type of financing option would not be considered.



Idaho Power-owned:
- Secondary transformers

Simplot-owned:
After transformers
- Secondary service

Mixed Use – JR Simplot Plant, Caldwell, ID

Idaho power owns the transmission, substation, and meter. Simplot owns the majority of the distribution lines, poles, etc. Idaho Power owns some secondary transformers. Simplot owns the secondary service.

1 **Q. Did Idaho Power ever provide J.R. Simplot Company with the cost to simply**
2 **remove the equipment subject to the facilities charge, as expressly allowed in the Don Plant**
3 **Special Contract and the Schedule 19 tariff?**

4 **A.** We requested that cost in discovery in this case, and they required us to request it
5 outside of the rate case. Our attorney then sent a letter to Idaho Power requesting the removal
6 costs. Idaho Power's response letter from their attorney to our attorney, contained in ICIP
7 Exhibit No. 308 attached to Dr. Don Reading's direct testimony, said exercising the removal
8 option may require turning the power off at our facilities, thus interrupting production. Removal
9 would also require J.R. Simplot Company to first pre-pay Idaho Power to engineer a plan to
10 remove the facilities in phases. I understand that the removal cost may increase if Idaho Power
11 is not able to find a good salvage use for the equipment. I believe that this complicated removal
12 process is unnecessary when we have already paid for the equipment and when it is already
13 being put to use at our facilities. It makes no sense to charge us to remove the equipment and
14 attempt to find some other use for it when we have repeatedly paid for its full initial value
15 already.

16 **Q. What is the current status as you understand it?**

17 **A.** J.R. Simplot Company is still paying the facilities charge at each of the plants
18 served by Idaho Power, and Idaho Power has provided no description satisfactory to the J.R.
19 Simplot Company of how it would stop paying the charge.

20 **Q. If you had the choice, how would you propose Idaho Power address the**
21 **problems you see with its facilities charge?**

