Peter J. Richardson ISB # 3195
Gregory M. Adams ISB # 7454
RICHARDSON ADAMS, PLLC
515 N. 27th Street
Boise, Idaho 83702
Telephone: (208) 938-2236
Fax: (208) 938-7904
peter@richardsonadams.com
greg@richardsonadams.com

Attorneys for the J. R. Simplot Company

RECEIVED
2013 SEP -6 PM 1:21
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF THE J. R. SIMPLOT COMPANY TO PURCHASE AND ASSUME OWNERSHIP OF CERTAIN IDAHO POWER OWNED FACILITIES AND TO SET A PURCHASE PRICE THEREFORE	**CASE NO. IPC-E-13-17** J. R. SIMPLOT COMPANY'S MOTION TO TAKE OFFICIAL NOTICE AND OFFER INTO EVIDENCE

INTRODUCTION AND SUMMARY

COMES NOW the J. R. Simplot Company ("Simplot") and pursuant to Rules 262 and 263 of the Rules of Procedure of the Idaho Public Utilities Commission ("Commission") and submits this Motion to Take Official Notice (Rule 262) and Offer into Evidence (Rule 263) of relevant portions of the testimony and exhibits in Case no. IPC-E-11-08. As stated in Simplot's Reply to Idaho Power Company's ("Idaho Power" or the "Company") Motion to Dismiss for Lack of Subject Matter Jurisdiction ("Motion"):

> [T]he underlying testimony and order in the general rate case (Docket No. IPC-E-11-08) are so intertwined with the issues raised by Idaho Power's Motion, Simplot is contemporaneously filing a motion for official notice of the relevant portions of the testimony to allow for it to be a part of the record in this proceeding.[1]

[1] Simplot Reply at p. 2.

This Commission's rule of procedure, at Rule 262, provides:

> When a party offers in evidence any portion of a transcript, exhibit, or other record from any other proceeding before the Commission, the portion offered must be specifically described and, if admitted, will be made an exhibit.

In addition, Rule 263 allows for the Commission to take official notice of maters of common knowledge. Therefore, Simplot offers the following specifically describe portions of testimony and exhibits from Idaho Power's last general rate case proceeding in which Rule M was adopted:

1. The opening colloquy and the public witness testimony of Mr. Stace Campbell, Tr. 10 – 25. Exhibit 4, the Application (deemed Petition) contains Simplot's first three Exhibits.

2. The direct (live) testimony, prefiled rebuttal testimony and cross examination testimony of Mr. Warren Kline on behalf of Idaho Power Company. Tr. 133 – 178, attached as Exhibit 5.

3. The direct (live) testimony, prefiled rebuttal testimony, cross examination testimony and Exhibit 52 of Mr. Mike Youngblood on behalf of Idaho Power Company. Tr. 236 – 306, attached as Exhibit 6.

4. The direct (live) testimony, prefiled direct testimony and cross examination testimony of Mr. Del Butler on behalf of the Industrial Customers of Idaho Power. Tr. 340 – 360, attached as Exhibit 7.

5. The direct (live) testimony, prefiled direct testimony, cross examination testimony and Exhibits 301 – 308 of Dr. Don Reading on behalf of the Industrial Customers of Idaho Power. Tr. 362 – 450, attached as Exhibits 8A and 8B.

6. The direct (live) testimony, prefiled direct testimony and cross examination testimony of Mr. Don Sturtevant on behalf of the Industrial Customers of Idaho Power. Tr. 451

– 491, attached as Exhibit 9.

In order to respond to the legal issues raised by Idaho Power's Motion the Commission will need to fully understand the genesis of Rule M and Idaho Power's positions with regard to customer purchases of facilities owned by Idaho Power on the customer side of the meter. The testimony and exhibits Simplot hereby moves into the record are necessary for the Commission to make its ruling on Idaho Power's Motion and Simplot's Answer thereto.

This Motion is appropriate under Rule 263(b)(1) as the existence of the testimony and exhibits offered is commonly known and beyond dispute. Further, the substance of the testimony and exhibits are not in dispute. This Motion is also appropriate under Rule 262 as the testimony and exhibits are relevant and necessary for the Commission to make an informed decision. These testimony and exhibits should be made a part of the record in this proceeding to ensure the administrative record is complete in the event of any subsequent appeal.

Wherefore, Simplot respectively moves for official notice and/or the admission of Exhibits 4, 5, 6, 7, 8A, 8B and 9 attached hereto.

RESPECTFULLY SUBMITTED this 10th day of September 2013

RICHARDSON ADAMS, PLLC

By Pat J. Richardson

Peter J. Richardson
Attorneys for J.R. Simplot Co.

CERTIFICATE OF SERVICE

I hereby certify that the 6th day of September 2013, copies of the foregoing Motion for Official Notice and accompanying exhibits of the J. R. Simplot Company were delivered to:

Jennifer M. Reinhardt-Tessmer
Lisa Nordstrom
Idaho Power Company
1221 West Idaho
Boise, Idaho 83702

Jean Jewel
Secretary
Idaho Public Utilities Commission
472 West Idaho
Boise, Idaho 83702

Kris Sasser
Counsel
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

by Peter J. Richardson

Nina Curtis
Administrative Assistant

EXHIBIT #4

BOISE, IDAHO, MONDAY, DECEMBER 5, 2011, 9:30 A. M.

COMMISSIONER SMITH: Good morning, ladies and gentlemen. This is the time and place set for a hearing in Idaho Public Utilities Commission Case No. IPC-E-11-08. It is also further identified as in the matter of the application of Idaho Power Company for authority to increase its rates and charges for electric service in Idaho.

For those of you who haven't been here before, the three of us are the Public Utilities Commission. On my left is President Paul Kjellander, and on my right is Commissioner Mack Redford. I'm Marsha Smith and I'm Chairing this hearing.

We'll begin by taking the appearances of the parties, beginning with the Applicant.

MS. NORDSTROM: Thank you. Good morning. My name is Lisa Nordstrom and I am representing Idaho Power, and seated with me is my co-counsel, Jason Williams.

COMMISSIONER SMITH: Thank you. Mr. Otto.

MR. OTTO: Good morning. This is Benjamin Otto with the Idaho Conservation League, and with me at

J. R. SIMPLOT COMPANY'S MOTION TO TAKE
OFFICIAL NOTICE AND/OR OFFER INTO EVIDENCE
Exhibit #4

the table are Nancy Hirsh with the Northwest Energy Coalition and Ken Miller from the Snake River Alliance.

COMMISSIONER SMITH: Thank you. Mr. Howell.

MR. HOWELL: Donald Howell, Deputy Attorney General, and Karl Klein, Deputy Attorney General, representing the Commission Staff today.

COMMISSIONER SMITH: All right, Mr. Purdy.

MR. PURDY: Thank you. Brad Purdy on behalf of the Community Action Partnership Association of Idaho and with me today is Ms. Teri Ottens, CAPAI's witness.

COMMISSIONER SMITH: Mr. Olsen?

MR. OLSEN: Yes, Eric Olsen with the Idaho Irrigators Pumpers Association.

MR. NELSON: Good morning. Thor Nelson and Fred Schmidt back here with the law firm of Holland & Hart on behalf of the Micron Technologies.

COMMISSIONER SMITH: Mr. Richardson.

MR. RICHARDSON: Thank you, Madam Chair. Peter Richardson with the firm Richardson & O'Leary here on behalf of the Industrial Customers of Idaho Power, and with me are my witnesses Dr. Don Reading, Del Butler, Don Sturtevant, and also with the Industrial Customers here

this morning is Eric Erickson with Amalgamated Sugar and Jim Bergan with Glanbia Foods.

COMMISSIONER REDFORD: What was the last one, please?

MR. RICHARDSON: Jim Bergan with Glanbia.

COMMISSIONER SMITH: Mr. Miller.

MR. MILLER: Thank you, Madam Chairman. Dean J. Miller with the firm McDevitt & Miller on behalf of Hoku Materials, Inc. I'm here unaccompanied.

COMMISSIONER SMITH: How sad, and I notice they've strategically denied you a microphone.

MR. MILLER: That was probably good thinking on somebody's part.

COMMISSIONER SMITH: Okay, is there anyone here appearing on behalf of Kroger?

MS. KYLER: Yes, that's me.

COMMISSIONER SMITH: Okay.

MS. KYLER: Jody M. Kyler with the firm Boehm Kurtz & Lowry on behalf of The Kroger Company, and with me is my witness Kenneth C. Higgins.

COMMISSIONER SMITH: And Ms. Kyler, could you please spell your last name?

MS. KYLER: K-y-l-e-r.

COMMISSIONER SMITH: Thank you.

COMMISSIONER REDFORD: Where are you from?

MS. KYLER: Cinncinati, Ohio.

COMMISSIONER REDFORD: Is that part of the United States?

COMMISSIONER SMITH: All right, the only other -- that is the appearances by all the parties who are on my Notice of Parties list, except for the

Department of Energy. I would note that the DOE has sent a letter requesting to be excused from the hearing and noting their participation in the development of the stipulation and its support for that, so the attorneys for the Department of Energy are excused from today's hearing.

Before we begin with preliminary matters, I believe we have one person who is a member of the public who is not available to be at our public hearing tonight and wishes to testify, so we will take him first, wherever he is.

Our procedure for public witness testimony is you come up here, President Kjellander will ask you to raise your right hand and swear you in, and Staff counsel will ask you a couple of questions to get you on the record correctly and then you'll be able to give your statement.

STACE CAMPBELL,

appearing as a public witness, having been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. HOWELL:

Q Good morning, sir. Could you state your full name and spell your last for the record, please?

A My name is Stace James Campbell, C-a-m-p-b-e-l-l.

Q And Mr. Campbell, whom are you employed by?

A McCain Foods, USA.

Q And you are presenting public testimony on their behalf tonight?

A Yes, I am.

Q Or today, and please give the Commission your statement.

A Okay, thank you. I'm here on behalf of McCain Foods in concern of the FCA facility charges that are tied to distribution facilities. A couple of things that we wanted to comment on, especially to the Commission, is the DFIR costs associated with equipment on our properties in Idaho, and our concern is that the

facility charges aren't in line, are not actually representative of the risk for which Idaho Power faces with those, and the charges and the percentage rate for which they are billing us at are not in line with what we would expect.

I want to state some examples. After a pretty tough time of getting the information out of Idaho Power, we were able to pull a report that shows that we have transformers on our property, one of which is 56 years old, has a stated value of $904. It costs us $184 a year in facility charges. It's $10,327.30 over the lifetime that it's been there that we have been charged for and it could have been replaced 11 times.

The risk for Idaho Power is very low, very minimal in regard to these transformers as 50 percent of our transformers are over 20 years old. 70 percent are over 15 years old. The risk of failure is quite low; however, we're told on a repeated basis by Idaho Power that those charges are there to mitigate the costs of replacement and maintenance on our facilities. However, in the same conversation, they discussed that they're limiting their ability to support us via TSA's and are reducing their scope of work that they'll provide in our facility, so we question why we're billed monthly over $8,900 a month, why we pay over $107,157 a year in

♀

facility charges and why that is an impact of us that reduces our competitive edge in the market.

For us to be competitive, we have to keep our costs low. This is a cost that we feel is an added cost of the ownership of the property that results in an unnecessary revenue extreme for Idaho Power that costs jobs. We have nearly 700 direct employees at that facility. With this average annual charge, we could add two additional employees which would reflect at least an additional 1.75 in direct jobs. For us to remain competitive, we have to keep our costs low. We feel that this is an impact that needs to be looked into by the PUC and we do not agree with it.

COMMISSIONER SMITH: Does that conclude your statement?

THE WITNESS: It does.

COMMISSIONER SMITH: Let's see if there are any questions for you.

MR. WILLIAMS: Yes, Madam Chairman, just a couple. Jason Williams on behalf of Idaho Power.

CROSS-EXAMINATION

BY MR. WILLIAMS:

Q Mr. Campbell, are you aware that Idaho Power does not keep a single penny of the facility charge revenue it collects?

A I'm not completely clear on how the entire program even functions and what its actual purpose is. It's been explained in various different fashions to us and our executive management team.

Q So that's a no, you don't know?

A No.

Q Okay. The other question is are you aware that Idaho Power as part of its rebuttal case in this proceeding is proposing an option whereby facility charge customers like McCain Foods can acquire ownership of those facilities?

A I am aware of that.

MR. WILLIAMS: No further questions, Madam Chair.

COMMISSIONER SMITH: Anyone else? Mr. Richardson.

MR. RICHARDSON: Thank you. Madam Chair,

I just want to be clear. Mr. Campbell, McCain Foods is not a member of the Industrial Customers of Idaho Power;

is that correct?

THE WITNESS: That's correct.

MR. RICHARDSON: Thank you. That's all I have.

COMMISSIONER SMITH: Anyone else? Commissioners, any questions?

COMMISSIONER REDFORD: I have a couple. Go ahead.

COMMISSIONER SMITH: Commissioner Kjellander.

EXAMINATION

BY COMMISSIONER KJELLANDER:

Q Mr. Campbell, you talked about being competitive within your industry. I'm assuming that you're a member of groups within the Northwest that are similar to you in terms of what you produce and you are competitors; is that correct?

A Yes.

Q How do your overall bills compare in relationship to your competitors within the region? Is it higher? Is it lower? And not breaking it down from line item by line item, just where does it fit in?

A With our sister facilities, we have 67

J. R. SIMPLOT COMPANY'S MOTION TO TAKE
OFFICIAL NOTICE AND/OR OFFER INTO EVIDENCE
Exhibit #4

facilities across the globe and we have some in this particular market. Our facility is not the lowest cost within this particular region in Burley. We have others in this region that are lower cost.

Q Your overall bills, though?

A Our overall bills? Our overall bills are competitive in regard to our utilities; however, there is room for improvement there.

COMMISSIONER KJELLANDER: Okay, thank you.

COMMISSIONER SMITH: Commissioner Redford.

EXAMINATION

BY COMMISSIONER REDFORD:

Q Yes, sir, how long has this particular plant that you're referencing been there?

A Under various ownership, it's changed hands over the years, as far as McCain, it's been since the mid '90s; however, the facility was initially producing potatoes back in the 1950s. The first transformer that we have on site that is still under a facility charge was placed in 1955.

Q When you were doing your due diligence for

your purchase of this plant, did you take a look at or review the tariffs of Idaho Power that would be applicable to you?

A I was not employed at McCain at the time during that purchase; however, under due diligence on my part and acquiring data, it was not clear even at that time what the facility charges represented, and that information is very hard to extract from Idaho Power.

Q So how long did it take you to extract that information?

A Multiple requests, and over a three-week period of almost constant daily requests, I finally did receive the data.

Q Doesn't your invoice or your statement provide a line item for facilities charges?

A It provides a line item that shows a single dollar amount. You get a summary report that breaks it down into four categories, but you do not know what those assets are unless you actually request that data from Idaho Power. They pull a report which lists the asset by its value, its location, its description and year of service.

Q Can you work back through the numbers that you get on your invoice to gain any of that information or do you have to get it directly from Idaho Power?

A You have to get it directly from Idaho Power. It is not exposed on your bill or any billing statement.

Q Okay, well, the question I have is, it's my understanding that when whoever your predecessor was started using Idaho Power that the schedule provided for facilities charges, and for special contracts like yours, it did not provide for ownership by your company; is that correct?

A That's my understanding is that the original ownership, which was IPPI and Atlantic and Pacific corporations, the initial facility charges were laid out. From what I've been able to ascertain from employees that have 40 plus years of experience at the facility and were involved in this over the years, there's never been really a clear description of the facility charge structure. It's not even -- there isn't even any documentation that exists as far as when a piece of equipment is brought in what that equipment is valued at, what that facility charge is going to be. It's a post event, so after that equipment is put in or replaced, then the evaluation of it is given to the customer, and I just verified that recently. We did place two new transformers. I did not get the DFIR report which showed that increase for 90 days.

Q How many times has a transformer over the years that you've been involved with that been replaced?

A I did investigate into that and over the years there are no recorded instances of transformer direct failures on that facility, and as I stated, one of the original transformers from 1955 is still there. There have been replacements due to load increases. There have been removals due to load reductions, but they have not had a direct failure of a transformer on that facility.

Q Well, it seems to me like that's pretty darn good insurance that you have, that you know very well that in the event a transformer goes down that Idaho Power will be right there or within a reasonable period of time to replace the transformer.

A I don't feel as though it's an insurance policy. We don't feel as though it's an insurance policy due to the fact that some of our transformers they don't even have readily available for us and we are actually required to keep a spare of our uniques on our property and they GPS it there which we're paying a facility charge on so that they can support a failure if it were to occur.

In addition to that, with the rare event

♀

of a failure, Idaho Power has recently brought to light with this that they are no longer supporting our TSA agreements, so therefore, we are relying upon contractors to provide those services.

Q And these facilities charges are still going on?

A The facility charges have not been affected at all.

Q It seems to me that there are others similarly situated, do you belong to an organization that monitors things like this?

A Our particular facility, I am the reliability engineer for the facility and it's under my information-gathering and under my direction to feed that information to some of our corporate guidance; however, we're not a member, as we stated we're not a member, of the rest of the group that's here. We're independent.

Q It just seems to me that and the question is have you approached Idaho Power about maybe negotiating out either a new facilities charge or a purchase of these facilities?

A Yes. In fact, that conversation has gone on for more than two years now and I have discussed this directly with our large power customer representative Sam Golay and his direct management Stephen Mews. We've

discussed it with the power quality group and we have not been able to make any forward steps with that discussion.

Our facility is a mixed-use facility, I should clarify that, to where McCain Foods owns the majority of the distribution on the facility and Idaho Power owns the transformers and some of the fuse cutouts and a few of the structures on the property, however, very limited. It's a unique arrangement and we have tried to obtain ownership of that, but it falls on deaf ears.

Q But nevertheless, it's in the tariff and it's in the contract. I'm just wondering if you and others need to make another last effort and if that doesn't work out to come back to the Commission and have the Commission make some resolve of this. I realize that we're not constrained for time, but we certainly want to dispose of those issues that can be otherwise disposed of by the parties. Would you be willing to enter into some sort of an agreement with Idaho Power to negotiate with the others who are similarly situated and if it doesn't work out come back to the Commission on a single issue case?

A My feeling is, sir, and the feeling of our company is that we are being constrained on a very regular basis by changes that Idaho Power is making to

their transmission and distribution facility charges to our facility. We've tried this open discussion with them over a two-year period and we are not having great success with that and, therefore, that's why we're here to show the support to the rest of the group today, and we feel as though Idaho Power just doesn't have an open ear and does not wish to listen to us, so we're always open to any opportunity that's going to have some fruitful end.

Q Just one question more. When a transformer goes down, what's the time from the time that you note that the transformer has gone down until the time that Idaho Power is there to do the repair or replacement work?

A We haven't had a failure of a transformer. I couldn't tell you what that time is, sir.

COMMISSIONER REDFORD: Thank you very much. I appreciate you taking all your time.

COMMISSIONER SMITH: We thank you for appearing here and appreciate your help with the case.

THE WITNESS: Thank you very much.

COMMISSIONER SMITH: Thank you.

(The witness left the stand.)

COMMISSIONER SMITH: All right, we've done the appearances. Ms. Kyler, are you admitted to practice

EXHIBIT #5

J. R. SIMPLOT COMPANY'S MOTION TO
TAKE OFFICIAL NOTICE AND/OR OFFER
INTO EVIDENCE

MR. WILLIAMS: Madam Chair, at this time we would like to call Mr. Warren Kline to the stand.

♀

WARREN KLINE, .

produced as a witness at the instance of the Idaho Power Company, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WILLIAMS:

Q Good morning, Mr. Kline.

A Good morning.

Q Could you please state your name and spell your last for the record?

A My name is Warren Kline, K-l-i-n-e.

Q By whom are you employed and in what capacity?

A I'm employed by Idaho Power Company in the capacity of vice president of customer operations.

Q Are you the same Warren Kline that filed rebuttal testimony on November 16, 2011?

A I am.

Q And if I were to ask you here today under oath the same questions set forth in your prefiled testimony, would your answers be the same?

A Yes, they would.

Q Do you have any corrections or

♀

modifications to make to your testimony?

A No, I do not.

MR. WILLIAMS: Madam Chair, at this time I move that the rebuttal testimony of Warren Kline be spread upon the record as if read.

COMMISSIONER SMITH: If there is no objection, it is so ordered.

(The following prefiled rebuttal testimony of Mr. Warren Kline is spread upon the record.)

Q. Please state your name and business address..
A. My name is Warren Kline and my business address is 1221 West Idaho Street, Boise, Idaho.
Q. Are you the same Warren Kline that submitted direct testimony in this proceeding?
A. Yes, I am.
Q. What is the purpose of your rebuttal testimony?
A. I will describe Idaho Power Company's ("Idaho Power" or "Company") facilities charge service option from a customer service standpoint, particularly some of the issues associated with mixed ownership of facilities and with Company personnel maintaining customer-owned facilities. I will also respond to the characterization made by the Industrial Customers of Idaho Power ("ICIP") that the Company's facilities charge option is an unfair business practice.
Q. What issues are you not discussing in your rebuttal testimony?
A. I am not testifying about any tariff language, the appropriate rate or methodology for the facilities charge buyout, or any other regulatory or ratemaking matters. Company witness Mr. Scott Sparks will testify regarding the facilities charge rate methodology and Company witness Mr. Michael Youngblood will testify

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

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

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

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

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

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

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

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

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

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

A. With regard to customers eligible for the facilities charge service, the customer has an initial choice to make. The general rule is that customers are required to own, operate, and maintain their own equipment beyond the Company's point of delivery. Both historically and today, some Idaho Power customers do not or cannot do this for themselves; thus, they ask the Company for the facilities charge option to relieve them from this requirement. Customers request this option

because sometimes they do not want to expend the capital needed to

♀

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

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

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

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

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

/

/

/

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

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

A. Other than the J.R. Simplot Company ("Simplot"), none of the Company's other approximately 240 facilities charge customers in Idaho have formally requested a buyout option in recent memory. I believe this indicates that the vast majority of the Company's other facilities charge customers have appreciated and benefited from the Company operating and providing maintenance on facilities that they would have had to pay for and maintain themselves. Thus, I believe Simplot may be unique, if not in a very small minority of customers, who now desires to expend the financial capital and has the expertise to operate and maintain its own electrical facilities. That is not to say that other customers were in the same position when they first requested the

Company to provide facilities beyond the Company's point of delivery. Many customers may not have been in a position twenty or thirty years ago to construct, own, operate, and maintain electrical facilities when they were first starting out.

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

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

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

I think of the facilities charge as similar to a rental arrangement. If I were to rent a house for 30 years, I would not reasonably expect the owner of the house to hand it over to me at the end of the 30 years because I had "paid for it." If I was to ask the owner to sell it to me and he/she were willing to do so, he/she would require a fair price. Therefore, I do not agree with the characterization of the Company's facilities charge option as an unfair business practice. As explained by Mr. Youngblood, facilities charge customers pay to the Company an Idaho Public Utilities

Commission-approved rate for providing this service.

♀

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

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

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

A. Yes.

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

♀

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

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

A. No.

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

A. Idaho Power personnel are trained on the types of equipment that the Company deploys throughout its system. Customers may elect to install different types or brands of equipment that the Company's personnel have never worked on or been trained to work on. The result would be that Company personnel may not be properly trained to maintain the customer's equipment. In

♀

addition, the Company may be asked to maintain a piece of customer

/

/

/

♀

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

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

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

149 KLINE, REB 8
Idaho Power Company

♀

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

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

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

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

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

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

Q. Does this conclude your testimony?

A. Yes.

151 KLINE, REB 10
Idaho Power Company

(The following proceedings were had in open hearing.)

MR. WILLIAMS: The witness is now available for cross-examination.

COMMISSIONER SMITH: Thank you. Mr. Otto, do you have questions?

MR. OTTO: I do not, Madam Chair.

COMMISSIONER SMITH: Mr. Purdy, do you have questions?

MR. PURDY: No, thank you.

COMMISSIONER SMITH: Mr. Olsen.

MR. OLSEN: No, Madam Chair.

COMMISSIONER SMITH: Mr. Howell.

MR. KLEIN: Mr. Klein and we don't.

COMMISSIONER SMITH: Would you have questions?

MR. KLEIN: No.

COMMISSIONER SMITH: All right. Let's see, I'm going to strike out soon. Mr. Miller?

MR. MILLER: Over at the silent table we'll stay silent.

COMMISSIONER SMITH: Okay.

MS. KYLER: No questions.

COMMISSIONER SMITH: No questions. Well, we're back to you, Mr. Richardson.

MR. RICHARDSON: Thank you, Madam Chair. I do have a couple of questions.

CROSS-EXAMINATION

BY MR. RICHARDSON:

Q Good morning, Mr. Kline. I'm Peter Richardson. I represent the Industrial Customers of Idaho Power. What are your responsibilities as -- what's your title again?

A I'm vice president of customer operations.

Q And overall, what are your responsibilities as vice president?

A Yes, my primary responsibilities are I have the organization that directly provides service, direct services to the customer, so from the time the customer calls us through the call center to the time that something needs to be physically done out in the field, those folks out there, such as linemen and troublemen and such, all of those people report within

the same organization, that's customer operations.
Q Do you believe that all of your facilities charge customers fully understand the terms and conditions of the facilities charge service?

A I would believe that they should understand what those services are based on the fact that it's described both in our rules that are approved by this Commission and also within the tariffs that are approved by the Commission.
Q Let me ask it in a little different way. Do you believe that Idaho Power has done all that it should do or could do to ensure that its facilities charge customers fully understand the terms and conditions of the facilities charge?
A I've been in this part of the business for a long time and I do understand that there's always room for improvement in terms of communicating with our customers and we can always look for other ways based on the comments that we're getting back from our customers that we can improve that, and I am aware certainly in the testimony of the witness Mr. Youngblood, he has in his testimony described some other kinds of things that we can do in terms of communicating with our customers regarding facilities charges.
Q On page 5 of your rebuttal testimony, you state that, "Other than the J. R. Simplot Company, none of the Company's other approximately 240 facilities charge customers in Idaho have formally requested a buyout option in recent memory." Do you see that?

♀

A Yes.

Q Did you read Mr. Butler and Mr. Sturtevant's testimony on behalf of the Industrial Customers?

A I did.

Q And they're with the J. R. Simplot Company; correct?

A Yes.

Q Isn't it true that they did not recommend a buyout option, but rather stated that they have already paid for their facilities, and in the case of Mr. Butler at the Don plant in Pocatello paid for them over three times over, and in the case of Mr. Sturtevant for Simplot as a whole also paid for them over three times over; in other words, they aren't asking for a buyout option because they believe they have bought and paid for these facilities and Idaho Power ought to turn title over to them; correct?

A What I'm aware of, I've read the testimony, I'm also aware of at least conversations I did not have, but conversations between the Company and the J. R. Simplot Company and I was under the impression that they had truly asked for an option to buy those facilities.

Q But isn't their -- I won't put their words in your mouth, so I'll move on to the next question. Still on page 5 at line 15, you observe that Simplot may be unique, if not in a very small minority of customers, who now desires to extend the financial capital and has the expertise to operate and maintain its own electrical facilities. Now, when you characterize Simplot as being in a small minority of customers, you don't mean to imply that they're a small customer, do you?

A No. What I'm trying to say there is that knowing the J. R. Simplot Company and its facilities and the size of the facilities and the fact that they have folks on site and also available to contract with that they probably or could have people that are capable of maintaining and operating those type of facilities. There's a number of our customers that may not be able to have the ability to take care of their facilities.

Q And Simplot is your second largest retail customer, isn't it?

A I don't know if it's the second largest. It's one of our larger customers.

Q And they're the single largest facilities customer on your system, correct, facilities charge customer; is that correct?

A I don't know that.

Q And have other companies contacted Idaho

Power to, if you will, complain about the facilities charge?

A I'm not aware of complaints regarding the facilities charge.

MR. RICHARDSON: Madam Chair, may I approach the witness?

COMMISSIONER SMITH: You may.

(Mr. Richardson approached the witness.)

MR. RICHARDSON: Madam Chair, I'm handing the witness a document that I would like marked as Exhibit 308. This was filed --

COMMISSIONER SMITH: I believe we already have a 308, Mr. Richardson. Maybe we should try 309.

MR. RICHARDSON: Exhibit 309.

(ICIP Exhibit No. 309 was marked for identification.)

Q BY MR. RICHARDSON: This was filed with the Commission on Friday by Boise State University. I wonder if you would read for me --

MR. WILLIAMS: Madam Chair, can I just interrupt?

COMMISSIONER SMITH: You may.

MR. WILLIAMS: I just want to be clear, is Mr. Richardson suggesting that he's representing Boise State University or that Boise State University is a

member of the ICIP?

COMMISSIONER SMITH: Mr. Richardson.

MR. RICHARDSON: I never said either, Madam Chair.

COMMISSIONER SMITH: So your question to Mr. Kline is do you know about this letter that we just received?

MR. RICHARDSON: That's correct, Madam Chair.

THE WITNESS: No.

MR. RICHARDSON: I'll represent that it was filed with the Commission secretary on Friday.

MR. WILLIAMS: Madam Chair, if my witness is going to be asked questions regarding this letter, I ask that he have ample opportunity to review it. It's two pages long and it looks like it's got some pretty detailed information in it.

COMMISSIONER SMITH: Actually, I apologize, Mr. Richardson, for having to interrupt your cross-exam, but I have a noon conference call, so I think we need to break for lunch right now and come back at 1:15 which will allow the witness time to read the letter and then we can resume with cross and I apologize.

MR. RICHARDSON: Thank you, Madam Chair.

COMMISSIONER SMITH: We're at recess until

1:15.

(Lunch recess.)

BOISE, IDAHO, MONDAY, DECEMBER 5, 2011, 1:15 P. M.

COMMISSIONER SMITH: Thank you, ladies and gentlemen. I hope you're all refreshed from your noon hour break. We were having questions from Mr. Richardson. We lost our witness, Mr. Kline, so Mr. Richardson, it's back to you.

MR. RICHARDSON: Thank you, Madam Chairman.

WARREN KlINE,

produced as a witness at the instance of the Idaho Power Company, having been previously duly sworn, resumed the stand and was further examined and testified as follows:

CROSS-EXAMINATION

BY MR. RICHARDSON: (Continued)

Q Mr. Kline, we were before the lunch break discussing your testimony at page 5 at line 15 where you state that I believe Simplot maybe unique, if not in a very small minority of customers in terms of their concerns about the facilities charge and I had just handed you what what was marked 409 --

COMMISSIONER SMITH: 309.

MR. RICHARDSON: 309, thank you, Madam Chairman.

Q BY MR. RICHARDSON: -- which is a letter from Boise State University filed on Friday in this docket and I was asking you if you would read for the record the last two paragraphs of that letter.

A "It is the University's position that the facilities charge at issue is excessive and lacks justification when applied to older equipment. Both the current charge (20.4%) and proposed revised charge (16.97%) are excessive and more reflective of a consumer credit card rate of interest than a reasonable commercial finance charge. For example, were Boise State University to initiate a bond issuance for the construction of new facilities at the present time, it could do so at an interest rate of approximately 4.25%. Moreover, the charge is assessed in perpetuity, regardless of the depreciated value of the asset assessed, or its age. As a result, cumulative facilities charges assessed by Idaho Power against the equipment on Boise State University's campus have more than doubled the cumulative total of Idaho Power's initial investment in the equipment ($604,150.81 in initial investments; $1,443,774.31 in facilities charges assessed). On older transformers,

this discrepancy is even greater. In the case of the 1947 transformer, facility charges assessed over the last 64 years have exceeded Idaho Power's investment by more than 13 times ($725.35 initial investment; $9,470.17 in cumulative facility charges, with no forseeable end in sight).

Boise State University therefore concurs with the Industrial Customers of Idaho's recommendation for a reasonable, reduced facilities charge, adjusted to reflect the age and depreciated value of the equipment at issue, and that customers be provided the option to own or purchase facilities charge equipment based on a fair calculation of the depreciated book value of the assets."

Q Thank you, Mr. Kline, and were you here in the Hearing Room this morning when the public witness from McCain spoke?

A I was.

Q Were you?

A Yes.

Q So do you still believe that Simplot is in a very small minority or in fact unique when it comes to concerns about the facilities charge?

A Well, we have several hundred customers that are on the facilities charge and I'm unaware of very many of them, with the exception of what I just read and

those of those customers like Simplot that are part of the Industrial Customers of Idaho, that's the ones I'm aware of.

Q And they would in all likelihood be representative of the facilities charge customers who comprise the bulk of the facilities charges you recover, wouldn't they?

A I don't know.

Q You state on page 6 of your testimony, beginning on line 6, that you strongly disagree with Mr. Sturtevant and Mr. Butler that the facilities charge constitutes an unfair business practice. Well, wouldn't you agree that fairness is largely in the eye of the beholder?

A I believe fairness would be according to those parties that are involved in valuing a particular service or an asset.

Q And ultimately isn't it for this Commission to decide what is fair and what isn't fair?

A Yes. As I stated under that question, it is on page 6 and I stated that -- let's see, I talked about the fact that the Commission had approved this service or approved this rate in the past.

Q Well, do you think it is fair for Idaho Power to charge Simplot a facilities charge on a

transformer that was installed in 1945 that's 66 years old?

A I believe that one must consider the service that we're providing. We are providing a service in addition to just supplying the equipment and that charge encompasses all of those services. Now, Idaho Power provides this at the request of the customer and we pay the -- we cover the upfront costs of both the engineering and the design of those facilities and also buy the equipment.

In addition to that, we know that our customers rely on this equipment to run their plants and they've got to have 24-hour/7-day service, so in addition to that, we cover the inventory that's made available at any time of the day that these customers may need some equipment repair. In addition to that, we provide ongoing 24-hour/7 service by our folks. If it's during the day, if something breaks down, we've got people available, but we've got people on call 24 hours a day, seven days a week, 365 days a year to provide emergency response services.

In addition to that, we have mechanisms in place so that we've got our dispatch center staffed 24 hours a day so that they can get the information and also get crews dispatched out and, of course, like I say, we

have crews, we have stations techs, we have troublemen that are always available to respond and get them back in service and that's what this charge is covering and I think it's very fair.

Q Let me ask the question a little bit differently. This particular transformer is 66 years old and in your facilities charge, it comprises of several line items. Would you believe that it's fair for Idaho Power to charge a rate of return charge on a 66-year-old transformer, for you to continue to earn a return on that investment for 66 years?

A I would like to refer you to my testimony on page 1 and it talks about, and I'll cover the question, what issues are you not discussing in your rebuttal testimony, it says, "I am not testifying about any tariff language, the appropriate rate or methodology for the facilities charge buyout, or any other regulatory or ratemaking matters. Company witness Mr. Scott Sparks will testify regarding the facilities charge rate methodology and Company witness Mr. Michael Youngblood will testify regarding the facilities charge buyout option as well as the regulatory and ratemaking issues associated with facilities charges."

Q So you're saying you're not the witness who can testify as to the fairness of that question?

A I'm here to talk about the service that we provide customers. In fact, I will refer you to page 1 of my testimony, what is the purpose of your rebuttal testimony, it says, "I will describe Idaho Power's facilities charge service option from a customer service standpoint, particularly some of the issues associated with mixed ownership of facilities and with Company personnel maintaining customer-owned facilities. I will also respond to the characterization made by the Industrial Customers of Idaho Power that the Company's facilities charge option is an unfair business practice."

Q Do you keep a log of how often you're called to provide these emergency services for facilities charge customers?

A I don't keep a log.

Q You don't know how often you've had to provide these services?

A I believe that we could go back and look at the service orders that we got from those calls from those customers and probably come up with close to what we have covered.

Q You heard Mr. Campbell this morning state that in over a decade at McCain that they have never once needed the services that you say you're providing?

A I heard him state that.

Q And you don't keep a log, so you don't know how often you need to provide these services for other customers?

A Could you restate your question?

Q You said you didn't keep a log of when and how often you provide these services?

A I said I don't keep a log.

Q But you're the witness testifying about providing these services; right?

A Yes, I am.

Q Okay; so you didn't investigate to prepare for your testimony how often these services are used?

A I did not.

Q And you're not here to testify about how they're valued or priced?

A No.

Q You use an analogy, and I believe it's still there on page 6, yes, of a house rental situation by stating, "If I were to rent a house for 30 years, I would not reasonably expect the owner of the house to hand it over to me at the end of the 30 years because I had 'paid for it.'" Do you see that?

A Yes, I do.

Q Now, when you rent a house, is it

reasonable for the owner to tell you up front what the

rent is going to be?

A Yes.

Q When you rent a house, is it reasonable for you to have something up front in writing documenting what all the costs are going to be?

A What do you mean by "all the costs"?

Q What is it going to cost you to rent the house.

A I agree with that, yes.

Q And when you rent a house, do you actually have a choice of who you can rent it from?

A I do.

Q And when you rent a house, do you have the choice to move out and rent a different hourse if you're not satisfied with the current rental situation?

A Yes.

Q And when you rent a house, do you have the option to buy one instead of renting?

A I have the option to buy perhaps not that house but a different house.

Q Now, when Idaho Power installs, say, a new turbine at the Hells Canyon Dam, do you think it's fair for this Commission to allow Idaho Power to put the cost of that turbine into rates and to earn a return, allow Idaho Power to earn a return on it?

A Yes.

Q And it's fair for this Commission to set retail rates such that Idaho Power can collect that return from its ratepayers; correct?

A Yes.

Q And it's also fair for the ratepayers, isn't it, to require Idaho Power to depreciate the cost of that turbine over its useful life?

A Yes.

Q And it would not be fair to the ratepayers, would it, if the cost of that turbine were never depreciated for purposes of setting rates?

A No.

Q So when that turbine is fully depreciated out, who has the claim to any residual value of that turbine? Do the shareholders own it or do the ratepayers own it?

MR. WILLIAMS: Madam Chair, I'm going to object to that question. It calls for a legal conclusion. I'm also concerned that this testimony or the questions Mr. Richardson are asking, which I've let him go on a little while, are getting into the ratemaking and regulatory issues which the witness has specifically said he's not testifying to here today.

COMMISSIONER SMITH: Mr. Richardson.

MR. RICHARDSON: I'll let the question stand, Madam Chairman.

COMMISSIONER SMITH: Thank you.

Q BY MR. RICHARDSON: On page 7, you discuss mixed facilities.

A Yes.

Q And you point out there are differences in the National Electric Safety Code that Idaho Power follows and the National Electric Safety Code that the consumer is required to follow. Do you see that?

A I pointed it out, but I don't think you stated it correctly, sir.

Q Would you correct me, then?

A Yes. I said that in addition, there are differences between the National Electric Safety Code that Idaho Power follows and the National Electric Code that the customer is required to follow.

Q You're not suggesting, are you, that the J. R. Simplot Company doesn't have to comply with the same National Electric Code that Idaho Power has to comply with?

A The Company has to comply with the National Electric Safety Code. The J. R. Simplot Company has to comply with the National Electric Code.

Q You're not testifying today as an

electrical engineer, are you?

A No, I am not.

Q And have you read Mr. Sturtevant's testimony where he states that the Simplot-Caldwell plant has had mixed facilities since 1945 with no incident?

A I have read the testimony.

Q And do you know that Mr. Sturtevant is an engineer?

A Yes.

Q At page 10 of your testimony, you note that during the course of this proceeding, the Company has changed its position on the sale of facilities subject to the facilities charge. Do you see that?

A Yes.

Q When did that change occur?

A Well, it says "during the course of this proceeding," so it's just the last couple of months.

Q Is there a specific document that the Company prepared expressing this new policy that I could look at?

A No.

Q How do you know the Company has changed its position?

A Because I was part of the discussion to decide to make that change.

♀

Q And explain to me how that came about internally with the Company. What process did you follow to decide to change your position on ownership?

MR. WILLIAMS: Madam Chair, I'm going to object on relevance. The fact of the matter is the Company is proposing a new buyout option in its tariff. How the Company got there or why or the process used, I don't see the relevance in that for this proceeding.

COMMISSIONER SMITH: Mr. Richardson.

MR. RICHARDSON: I'll change directions a little, Madam Chair.

COMMISSIONER SMITH: Thank you.

Q BY MR. RICHARDSON: Do you know how long the Simplot Company has been trying to get at least that much of a concession from Idaho Power?

A I do not know how long.

Q As vice president of customer operations, do you think it is good customer relations to force the J. R. Simplot Company to expend the time and expense of participating in this proceeding to get Idaho Power to make that one small concession?

MR. WILLIAMS: Madam Chair, I'm going to object. That's argumentative.

COMMISSIONER SMITH: Mr. Richardson, I believe he's correct.

MR. RICHARDSON: I'll withdraw the question, Madam Chair, and that's all my questions for this witness.

COMMISSIONER SMITH: Thank you. I hope I haven't lost track, I think that was everyone who had the opportunity. Are there questions from the Commission?

COMMISSIONER REDFORD: Just one question or two.

EXAMINATION

BY COMMISSIONER REDFORD:

Q Do you keep an equipment log for all pieces of equipment other than maybe small tools for

Idaho Power?

A In terms of, like, the equipment that we've been discussing, Commissioner, you know, the large pieces of equipment?

Q Well, I would suggest that it's operational equipment. I don't expect you to keep a log on a hammer.

A Yes, we do keep a log.

Q And does it have several columns on it, in the log?

A I would say that it would.

Q Probably has an acquisition date?

A Yes.

Q It would have an acquisition cost?

A Yes.

Q It would have a maintenance log?

A Yes.

Q Cost of the maintenance?

A Yes.

Q So when you previously testified that you don't have that information, you may not have it with you today, but you have that information?

A Yes.

Q So if you had a generator or some piece of equipment that went into Simplot in 1959 or whatever it is, that log would continue on each year?

A Right.

Q And it would be used for purposes of depreciation and other things, so don't you have that

information readily available to you?
A We should be able to get it, yes.
Q Could you make that available to us, please?
A Yes.
Q And presumably, that would merely be a question of mathematics, that it would demonstrate how

♀

much you have into it, how much it costs to maintain it, how much it costs to replace it and so on?
A Yes.
Q So the difference there would demonstrate how much revenue, maybe not cost but revenue, that you have into that piece of equipment, so that would pretty well tell the whole story, wouldn't it?
A It would give you a good picture of it.
Q When could we expect that?
MR. WILLIAMS: Madam Chair, Commissioner Redford, the amount of information that you're talking about is incredibly voluminous. There are, I think, a couple thousand different pieces of individual equipment. I can talk to Mr. Kline. We can try to figure something out.
COMMISSIONER REDFORD: Well, you certainly have a summary, and you have column adds and subtracts.
MR. WILLIAMS: To be honest, I don't really know. I'd have to talk to some of our regulatory and finance people.
COMMISSIONER REDFORD: It doesn't seem

reasonable to me that you would simply every time your tax people would want to do a depreciation calculation that they'd have to go through 2,000 pages of documents.

MR. WILLIAMS: I don't know.

COMMISSIONER REDFORD: So you can get that information when?

MR. WILLIAMS: I would need to discuss with our regulatory and finance people to see if we could get it and give you a timeline.

COMMISSIONER REDFORD: A week?

MR. WILLIAMS: I don't know.

COMMISSIONER SMITH: I think you just could tell us maybe tomorrow when you can provide that.

MR. WILLIAMS: Sure, I will be able to provide the answer tomorrow.

COMMISSIONER SMITH: Thank you.

Q BY COMMISSIONER REDFORD: And I think that would give us, you can correct me if I'm wrong, it would give us some information of cost and all the other figures for that piece of equipment; would you agree?

A Yes, I think the information that we have and looking back on what we've done with that equipment and when we purchased it and the records that we would have on providing any kind of maintenance --

COMMISSIONER REDFORD: Well, I might suggest that I'm sure that it's available for Internal Revenue purposes, so that may be a start. Thank you. I have no further questions.

♀

COMMISSIONER SMITH: Do you have any redirect, Mr. Williams?

MR. WILLIAMS: Just a couple, Madam Chair.

REDIRECT EXAMINATION

BY MR. WILLIAMS:

Q Mr. Kline, the letter from Boise State University that Mr. Richardson handed out, he indicated it had been submitted to the Commission in this docket. Are you aware of whether it was submitted to the Company?

A I'm not aware that it was submitted. The date of it is December 2nd and whether it was mailed to us or not, I'm not aware of us receiving it at this point in time.

Q As the vice president of customer operations, would you be made aware by major customer service representatives whether or not the Company's largest customers have concerns or problems with their service?

A I believe most of the time, yes, I would.

Q And as vice president of customer operations, would you be willing to agree to have the

♀

Company's major account representatives meet with McCain

Foods or BSU or Simplot or any other large industrial customers to talk about any concerns they have with their service?

A Yes, we would.

MR. WILLIAMS: I have no further questions, Madam Chair.

COMMISSIONER SMITH: Thank you. Thank you, Mr. Kline.

EXHIBIT #6

J. R. SIMPLOT COMPANY'S MOTION TO
TAKE OFFICIAL NOTICE AND/OR OFFER
INTO EVIDENCE

EXAMINATION

BY COMMISSIONER REDFORD:

Q So you take a piece of equipment that has no further value but its scrap value, do you sell it to a scrap dealer?

A Yeah, we would get whatever value we could out of that piece of equipment for scrap, yes.

Q I thought you said that the owner of the equipment or Simplot would get the value of that.

A Well, in the charge that we would charge them for that -- I think if I understand correctly, you described a removal, a customer-requested removal.

Q Well, assume that the thing goes to pieces.

A A failure, then?

Q Yes.

A A failure would work as I just described to Mr. Williams.

COMMISSIONER REDFORD: I have no further questions.

COMMISSIONER SMITH: Thank you for your help, Mr. Sparks.

(The witness left the stand.)

MR. WILLIAMS: Madam Chair, at this time

Idaho Power would call Mr. Michael J. Youngblood to the stand.

MICHAEL J. YOUNGBLOOD,

produced as a witness at the instance of the Idaho Power Company, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WILLIAMS:

Q Mr. Youngblood, please state your name, spelling your last for the record.

A My name is Michael J. Youngblood. The last name is spelled Y-o-u-n-g-b-l-o-o-d.

Q By whom are you employed and in what capacity?

A I am employed by Idaho Power Company as the manager of rate design.

Q Are you the same Michael Youngblood that filed rebuttal testimony on November 16th, 2011, and prepared Exhibit No. 52?

A Yes, I am.

Q Do you have any corrections or changes to make to your testimony or exhibits at this time?

A I do not.

Q If I were to ask you here today under oath the same questions set forth in your rebuttal testimony, would your answers be the same?

A Yes, they would.

MR. WILLIAMS: Madam Chair, at this time I move that the rebuttal testimony of Michael J. Youngblood be spread upon the record as if read, and that Exhibit No. 52 be marked for identification.

COMMISSIONER SMITH: If there is no objection, it is so ordered.

(The following prefiled rebuttal testimony of Mr. Michael Youngblood is spread upon the record.)

♀

Q. Please state your name and business address..

A. My name is Michael J. Youngblood. My business address is 1221 West Idaho Street, Boise, Idaho.

Q. Are you the same Michael Youngblood that submitted direct testimony in this proceeding?

A. Yes, I am.

Q. What is the intent of your rebuttal testimony?

A. The intent of my rebuttal testimony is to provide Idaho Power Company's ("Idaho Power" or "Company") response to the pre-filed direct testimony of Dr. Don Reading, Mr. Don Sturtevant, and Mr. Del Butler, all witnesses for the Industrial Customers of Idaho Power ("ICIP").

Q. What is the scope of your rebuttal testimony?

A. I will respond to some of the allegations made by the witnesses from ICIP regarding the calculation and allocation of facilities charges, as well as provide testimony describing a new tariff provision giving customers the option to purchase Company-owned equipment installed beyond Idaho Power's point of delivery. The latter discussion is a direct response to requests made by Mr. Sturtevant of the J.R. Simplot Company ("Simplot") who has an interest in purchasing Company-owned facilities.

Q. Please describe the intent of the service provided under a facilities charge arrangement.

A. As described in more detail in the Rebuttal Testimony of Mr. Warren Kline, the facilities charge service was originally designed, and continues to provide, a service primarily to our Schedule 9, Large General Service, and Schedule 19, Large Power Service (Primary and Transmission) service level customers by providing them an option whereby the Company installs, owns, operates, and maintains electric facilities beyond the Company's normal point of delivery. Because facilities beyond the Company's point of delivery are solely for the purpose of meeting the electrical service requirements of an individual customer, it is not appropriate to charge any other customers for the investment and maintenance of those facilities. Therefore, the facilities charge service was designed to provide a means to charge specific customers the cost-of-service related to facilities beyond the point of delivery which are installed, owned, operated, and maintained by the Company.

Q. Please describe at a high level how the Company's facilities charge is calculated.

A. The Idaho Public Utilities Commission ("Commission") approved methodology for calculating the facilities charge is designed to provide a levelized rate

of cost recovery from individual customers using the same cost components that are included for similar facilities under the Company's approved non-levelized determination of the revenue requirement. In short, the facilities charge is a levelized method for assigning costs, whereas the cost-of-service approach is a point in time methodology of assigning costs on a non-levelized basis. Both are intended to recover, on average, the same amount of revenue over time.

Q. How are the facilities charge revenues treated in the Company's non-levelized determination of class-specific base rate revenue requirements?

A. In the Company's non-levelized determination of class-specific base rate revenue requirements, the Company determines the total revenue required for recovery on all distribution facilities-related investments, including facilities beyond the Company's point of delivery, as well as the associated operation and maintenance expense and other administrative expenses. This determination is made for each class of customers. As part of this process, the revenues the Company receives from providing facilities charge services are directly assigned as a revenue credit, or an offset, to the revenue requirements of the associated class of customers. As a result, any differences between the non-levelized revenue requirement and the levelized

revenue requirement exist as intra-class subsidies between those customers paying facilities charges and those who do not within each customer class.

Q. Please explain how the levelized revenue recovery from the facilities charge methodology for an individual Schedule 19, Large Power Service, customer would recover the same revenue as a non-levelized methodology used for determining the revenue requirement for the Schedule 19 customer class as a whole.

A. The chart below provides a pictorial representation of the two cost recovery methodologies.

(Chart contained in hard copy of transcript.)

This chart shows an ever-decreasing revenue requirement associated with plant investment that

♀

depreciates over time. The total amount of revenue recovered from either mechanism is identical. The difference is in the timing of the revenue recovery. In the early years, the levelized methodology does not recover the full revenue requirement needed, however, in the later years, the levelized methodology provides more than would be required under the non-levelized approach. It is important to note that the revenue requirement for facilities charge customers is an estimate of cost the Company incurs to provide facilities beyond the Company's point of delivery. This revenue requirement determination is only used to offset the costs that are already being collected through customers' rates, in this example Schedule 19. With that said, regardless of the amount of the facilities charge and the associated revenue, the revenue offset treatment applied by the Company ensures that Idaho Power only earns its allowed rate of return on all non-depreciated plant balances, including facilities beyond the point of delivery.

Q. How is this example applicable to the determination of the facilities charge?

A. It would be very complicated and not practical to determine an individual revenue requirement for each and every customer who has facilities beyond the Company's point of delivery. If the Company would take

that approach, as suggested by the ICIP witnesses, not only would the calculated facilities charge service rate be different for each of the approximately 240 facilities charge customers the Company currently maintains in Idaho, but the rate would continually change for each of those customers. In addition, when the Company's investment in facilities changed due to replacement of failed facilities, the individual's rate could change again significantly, depending on their position in time along the curve with regard to the recovery of investment.

Q. If the Commission were to adopt ICIP's recommendation for determining an individual facilities charge rate for each facilities charge customer, would there be an effect to the remaining customers in the class?

A. Yes. As shown in the chart above, when the levelized facilities charge recovery is less than the non-levelized rate, the amount of revenue requirement shortfall for the individual facilities charge customer is being subsidized by the remainder of the class. In the later years, when the levelized facilities charge is greater than the necessary revenue requirement at that time, the facilities charge customer is paying back the previous subsidy. These intra-class subsidies are an

expected and normal outcome of the levelized approach for ratemaking. Because the facilities charge revenue is an offset to the revenue requirement of that customer's class, any change in
/
/
/

245 YOUNGBLOOD, REB 5
Idaho Power Company

♀

the facilities charge for an individual customer would change the amount of the revenue credit being received as an offset to the revenue requirement of the class. This would require that a new revenue requirement determination be made to adjust the base rates of the entire class. Thus, to adopt the recommendation of ICIP, the Company would be required to recalculate its revenue requirement for each customer class that has the facilities charge any time there is a change in the facilities charge rate for an individual customer. An approach such as this would be extremely complicated to administer and would require continual changes to the base rates of the class.

Q. What are the ratemaking issues associated with tracking actual depreciation levels for each individual piece of equipment subject to the facilities charge, as proposed by ICIP?

A. While it is impractical to have an individual facilities charge rate for each customer as I described above, to track the actual depreciation levels for each individual piece of equipment subject to a facilities charge for ratemaking purposes would be even more complicated. The implication, as suggested by ICIP witness Dr. Reading, would be to have a separate facilities charge rate for each of the thousands of individual pieces of equipment for each of the 240

individual facilities charge

/

/

/

♀

customers in Idaho. Under Dr. Reading's approach, this would mean that the Company would be required to determine its revenue requirement any time a single piece of facilities charge equipment depreciated. The end result would be an administrative nightmare and unduly burdensome for the Company, as well as increasing the complexity of the facilities charge rate.

Q. Does the Company track depreciation levels for individual facilities for any other customer class or service?

A. No. It is a standard ratemaking practice to average the actual levels of depreciation together for a particular level of service or customer class and spread the recovery of those costs equally to all customers within the class.

Q. Does the Company believe that the facilities charges proposed in this proceeding are fair, just, and reasonable?

A. Yes. The Company's proposed facilities charges in this proceeding were developed under the methodology approved by this Commission in prior proceedings and will result in charges to customers that are fair, just, and reasonable.

Q. What is the Company's response to ICIP's suggestion that the Company should simply give away fully depreciated facilities to facilities charge customers?

A. Even if the Company were to consider this proposition, which it is not, ICIP's proposal would not be administratively feasible. As I have described above, the Company does not depreciate for ratemaking purposes individual pieces of equipment separately, so determination of when an individual piece of equipment was fully depreciated would be nearly impossible. In addition, "turning over" specific pieces of equipment which are "fully depreciated" while leaving pieces of equipment that are not "fully depreciated" would result in mixed ownership of facilities, which is contrary to the Company's current policy because it creates operational and safety issues, as described by Mr. Kline. The facilities charge has never been a "lease-to-own" charge, such that a customer would pay an amount for a number of years, and then have that piece of equipment given to them at no cost. Instead, the service provided under a facilities charge arrangement is intended to collect additional revenue that is used to offset the costs the Company incurs to own, operate, and maintain facilities installed beyond the Company's point of delivery that are solely for the purpose of meeting the service requirements of one customer.

249 YOUNGBLOOD, REB 8
Idaho Power Company

Q. Do existing facilities charge customers have the option today of owning and operating their own electrical equipment in order to eliminate the facilities charge they are paying?

A. Yes. In accordance with the tariff provisions, a customer may request the Company to remove Company-owned facilities beyond the Company's point of delivery. The customer would pay the Company the "non-salvable cost" of such removal, which is comprised of the total depreciated costs of materials, labor, and overheads of the facilities, less the difference between the salvable cost of material removed, and removal labor cost including appropriate overhead costs. All facilities charge customers have this option today. In fact, on August 25, 2011, Simplot made such a formal request to the Company to provide a quote for the removal of Company-owned facilities from its locations. The Company responded by inviting Simplot to meet with Company's operational and engineering personnel to develop such a plan.

Q. Has the Company proposed an option for customers to purchase Company-owned facilities beyond its point of delivery?

A. Yes. The Company is proposing in this case to provide changes to its tariff language that would allow facilities charge customers with a buyout option.

Q. Please describe the Company's proposal for tariff language changes in order to provide facilities charge customers with a buyout option.

A. The Company is proposing to create a new rule, Rule M - Facilities Charge Service, which would fully describe the Company's rules and policies for providing facilities charge services. Currently, rules for facilities charges are located in various schedules. Consolidating facilities charge rules and policies into a single rule will allow the Company to more efficiently manage tariff issues related to facilities charge services, as well as provide facilities charge customers with more transparency related to facilities charge rules and policies. Exhibit 52 is a copy of the Company's proposed new Rule M. Within Rule M, the Company describes the responsibilities of the Company to provide ownership, operation, and maintenance of Company-owned facilities beyond the Company's point of delivery in consideration of the customer paying a facilities charge approved by the Commission. In addition, the Company has provided a new option for customers who may request to purchase Company-owned facilities installed beyond the point of delivery. As stated in the new provisions of the Company's proposed Rule M, all sales must be approved by the Commission and meet the following provisions:

- Idaho Code Section 61-328;
- no mixed ownership of facilities;
- the customer must provide the operation and maintenance of all facilities installed beyond the point of delivery after the sale is complete; and
- the customer must pay for the engineering costs for determination of the sale.

Q. What do the provisions of Idaho Code Section 61-328 provide?

A. Within Idaho Code Section 61-328, it states that before authorizing the sale of public utility owned property, the Commission shall find that the transaction is consistent with the public interest; that the cost of and rates for supplying service will not be increased by reason of the sales transaction; and that the customer who would be making the purchase has the bona fide intent and financial ability to operate and maintain the property purchased.

Q. How does the Company interpret the provisions of Idaho Code Section 61-328 with regard to providing customers with a buyout option of Company-owned facilities beyond the point of delivery?

A. In order for the Company to agree to the sale of its facilities beyond the point of delivery, the

Company would need to determine that none of its remaining

♀

customers would be adversely impacted by the sale of those facilities. Specifically, the Company would need to ensure that the appropriate equipment is in place at the point of delivery such that no equipment failure or malfunction would result in a degradation of the Company's reliability and service to its remaining customers. In addition, the Company would need to ensure that customers' rates, which may include a revenue credit from revenues collected through the facilities charge, would not be adversely impacted by the sale. If these conditions were met, the Company would make a filing with the Commission for each proposed sale asserting that such sale would be in the public interest.

Q. Has the Company determined a proposed methodology for determining the sales price for the sale of facilities beyond the point of delivery?

A. No. The Company is not proposing any specific pricing methodology in this case, just the proposal to change its tariffs in order to provide an option for customers to purchase the facilities. If the Company's proposed tariff language is adopted and approved by the Commission, and if and when a customer requests the purchase of facilities beyond the Company's point of delivery, the Company would attempt to determine a mutually agreed upon price for the sale of the facilities prior to

♀

bringing the sales transaction to the Commission for approval. If a sales price cannot be mutually agreed upon, the Company or the customer may initiate a proceeding before the Commission in order to determine the appropriateness of the price.

Q. Are there other provisions of the new buyout option the Company wishes to discuss?

A. Yes. The Company's proposal would include the provisions that there be no mixed ownership of facilities. In other words, the customer would need to purchase all of the Company-owned equipment beyond the point of delivery, not just pick and choose which pieces of equipment they would want to purchase. Also, Idaho Power would not perform any operation or maintenance of the facilities once they have been purchased. Such activities would be an unregulated activity for services rendered beyond the Company's point of delivery, and is not a part of the Company's core business practices.

Q. If facilities charge customers elect this new tariff option and purchase Company-owned facilities, would that same customer have the option in the future to sell the facilities back to the Company and have the Company maintain and operate those facilities?

A. No. Once a customer elects this new tariff provision and the Company sells them Company-owned

♀

facilities, the customer will be solely responsible for maintaining and operating those facilities on a going-forward basis.

Q. Are you proposing anything else which responds to the issues raised by ICIP witnesses in their direct testimony?

A. Yes. The witnesses for ICIP expressed concern over the fact that the Company had no record of customers requesting that the Company install, own, operate, and maintain electrical facilities beyond the Company's point of delivery in consideration for the payment of a facilities charge. As described earlier in my testimony and in the testimony of Mr. Kline, the facilities charge service is a service the Company provides at the request of the customer, and which the Company has the discretion to accept or reject providing that service. That said, ICIP witnesses are correct that in many instances there is no written record or contract memorializing the fact that the Company was agreeing to provide this service on behalf of the customer. Therefore, the Company is proposing the Facilities Charge Consent and Acknowledgement Form which will be signed by all customers requesting to enter into a Facilities Charge Services arrangement. The new form will

be a part of the Company's newly proposed Rule M and is provided on page three of Exhibit 52. The form is intended specifically on a going-forward basis for new facilities charge transactions. However, the Company also commits to communicate with all of its existing facilities charge customers to provide them with the opportunity to sign the form and provide information regarding the new proposed facilities charge buyout option.

Q. Is the Company proposing any changes to the existing methodology for determining the appropriate facilities charge?

A. No. The Commission-approved methodology that the Company currently uses is appropriate and fair to all customers. The Company maintains that the facilities charge rate reduction that was proposed in the Direct Testimony of Mr. Scott Sparks is fair and reasonable. The Company continues to encourage the Commission to adopt its proposed revised monthly facilities charge rates of 1.41 percent for customers taking Primary or Transmission Service under Schedules 9 and 19. The Company is also proposing a rate of 1.41 percent for customers taking Transmission Service under Schedule 24.

For customers currently paying a facilities charge under Schedule 15, the Company continues to propose a rate of 1.51 percent per month and for customers currently

/

/

/

paying a facilities charge under Schedule 41, the Company is proposing a rate of 1.21 percent per month consistent with the direct testimony provided by Mr. Sparks in this case.

Q. Is it true, as Mr. Sturtevant points out in his direct testimony, that the Company is not proposing to update the facilities charge rate for the Simplot special contract, Schedule 29?

A. No, that is not true. While the Company did not specifically discuss the revised special contract Schedule 29 in its direct testimony, the updated rate was included in the proposed Schedule 29 tariff sheet submitted with the Company's Application in both Attachment No. 1 and Attachment No. 2. The proposed revised facilities charge rate for the special contract Schedule 29 is 1.41 percent, the same reduction as is being proposed for the Company's Schedule 19 customers.

Q. Have the signing parties to the general rate case settlement stipulation ("Stipulation") submitted in this proceeding agreed to any provision in the event that the Commission adopts ICIP's recommendation to modify the existing facilities charge methodology such that it changes the amount of revenue proposed to be recovered through the facilities charge?

257 YOUNGBLOOD, REB 16
Idaho Power Company

A. Yes. Paragraph 11(c) of the Stipulation submitted on September 23, 2011, in this proceeding provides that the "Signing Parties agree that any revenue requirement impacts resulting from changes to the facilities charge methodology or changes in property ownership shall be directly assigned to Schedule 19 customers in the form of a base rate increase or reduction so that no other customer classes shall be impacted by any resulting change."

Q. What would be the impact of this provision of the Stipulation if the Company were to give away Company-owned facilities to customers for free, as proposed by ICIP?

A. If the Company were to assign ownership of fully depreciated facilities to customers, as advocated by ICIP, the Company would experience a shortfall to its revenue requirement. Per the Stipulation, the Company would directly assign to all Schedule 19 customers an increase in rates to make-up for that revenue shortfall.

Q. Do you have any concerns with the proposal to give away facilities made by ICIP?

A. Yes, I do. As explained in Mr. Kline's testimony, of the Company's approximately 240 facilities charge customers in Idaho, Simplot is the only facilities charge customer in recent memory that has formally

requested a buyout option. I believe, as does Mr. Kline, that this indicates that the vast majority of the Company's other facilities charge customers have appreciated and benefited from the Company operating and providing maintenance on facilities that they would have had to pay for and maintain themselves. The Company submitted data requests to ICIP asking which of their members are actively participating in this case and whether any of their members would be willing to purchase Company-owned facilities knowing that they would need to maintain those facilities once sold. The intent of these data requests was to determine which of ICIP's members were aware that the ICIP proposal could result in a rate increase. ICIP refused to answer these questions. So, ultimately, Idaho Power has no way of knowing whether the proposals made by ICIP are representative of all of its members, let alone all of the approximately 240 facilities charge customers in Idaho.

Q. Did the Industrial Customers of Idaho Power sign the Stipulation in Case No. IPC-E-11-08?

A. Yes. Mr. Peter Richardson, Attorney for Industrial Customers of Idaho Power, signed the Stipulation on September 21, 2011.

Q. Is the Company proposing any additional commitments with regard to its facilities charge service?

A. Yes. Since the revenue received from facilities charge customers reduces the revenue requirement of the associated class, the Company commits to performing a review and potential update of its facilities charge rate as part of each future general rate case filing. In this way, the facilities charge rate will be subjected to not only the Company's internal review on a regular basis as it has in the past, but will be scrutinized by the Commission and interested intervening parties as part of the revenue requirement determination.

Q. Does this conclude your rebuttal testimony in this case?

A. Yes, it does.

♀

(The following proceedings were had in open hearing.)

MR. WILLIAMS: Thank you, Madam Chair. The witness is now available for cross-examination.

COMMISSIONER SMITH: Mr. Otto.

MR. OTTO: No questions, Madam Chair.

COMMISSIONER SMITH: Mr. Purdy.

MR. PURDY: I have no questions. Thank you.

COMMISSIONER SMITH: Mr. Olsen.

MR. OLSEN: No questions.

COMMISSIONER SMITH: Mr. Nelson.

MR. NELSON: No questions. Thank you.

COMMISSIONER SMITH: Mr. Miller. No questions. Ms. Kyler.

MS. KYLER: No questions.

COMMISSIONER SMITH: So Mr. Howell or Mr. Klein, sorry.

MR. KLEIN: No questions.

COMMISSIONER SMITH: Now to Mr. Richardson.

MR. RICHARDSON: Thank you, Madam Chair.

♀

CROSS-EXAMINATION

BY MR. RICHARDSON:

Q Good afternoon, Mr. Youngblood.

A Good afternoon, Mr. Richardson.

Q Were you here when Mr. Sparks testified?

A I was.

Q And do you recall my line of questions with Mr. Sparks on how often Idaho Power conducts the periodic review of the facility charge rates?

A Yes, I do.

Q Did you hear Mr. Sparks refer to you as the person who informed him that such reviews take place?

A Yes, I did.

Q And did you in fact tell Mr. Sparks that such reviews take place?

A They do. They do periodically.

Q Can you tell me what that means?

A Periodically means just periodically, so it's not necessarily on a fixed, set, established basis. They are done every year, every couple of years on an as-needed basis.

Q How do you know when they need to be updated? What's the as-needed trigger?

♀

A Part of the recent trigger was inquiries by the Industrial Customers and they were reviewed at that time. If interest rates change significantly, they may be reviewed at that time. If rate of returns change or change differently, they will be reviewed at that time.

Q And over the last 25 years there's never been an event such that you felt that the facilities charge rates needed to be updated?

A That is not correct. Well, it is correct that they didn't need to be updated. They were reviewed over the past 25 years.

Q I understand that. Also, Mr. Sparks was asked about salvage of equipment. Who at the Company makes the determination of the salvage value of a piece of equipment?

A I believe it's our finance department.

Q And I also started on down a line of questions with Mr. Sparks which he deferred -- which Mr. Kline, I believe, deferred to you, so I'll go down that line and see if we can't make some progress. When Idaho Power installs a new turbine at Hells Canyon Dam, do you think it's fair for this Commission to allow Idaho Power to put the cost of that turbine into rates and to earn a return on it?

A Yes, I do.

Q Is it fair for the Commission to set Idaho

Power's retail rates such that Idaho Power can in fact collect that return?
A Yes, I do.
Q Is it also fair to the ratepayers of Idaho Power to require that piece of equipment to depreciate over its useful life?
A Yes, it is.
Q So the flip side of that question is, then, it's unfair to the ratepayers to never depreciate that equipment over its useful life?
A You're speaking about the generator or turbine still?
Q Yes.
A That is correct.
Q And when that turbine is fully depreciated out, who has claim to any residual value, the ratepayers or the shareholders?
A If it is fully depreciated out, there is no residual value.
Q If it's depreciated out for ratemaking purposes, a piece of equipment may in fact have economic value after being depreciated --
A Market value?

♀

Q -- out; correct?
A Yes.
Q Who has rightful claim to that residual value, the ratepayers or the shareholders?
A I would say that both the ratepayers and the shareholders. The ratepayers have paid for it and

the shareholders have earned a return on that, so I'm not sure who the rightful claim would be. It's Idaho Power's equipment.

Q Beginning on page 2 of your testimony on line 14, you state that the facilities charge was designed to provide a means to charge specific customers the cost of service related to facilities beyond the point of delivery; correct?

A The facilities charge service was designed to provide a means to charge specific customers the cost of service related to facilities beyond the point of delivery which are installed, owned, operated, and maintained by the Company, correct.

Q Now, when I hear the phrase "cost of service" in relation to a charge that a utility is charging for a service, I naturally assume that it is attempting to identify the actual cost to provide that service; would you agree with that definition?

A I would not.

Q How would you define cost of service?

A It says cost of service related to the facilities, so it's not a one-for-one recovery of cost of service.

Q Are you not attempting to identify the cost to provide that service when you do your periodic reviews of the facilities charge rate?

A No. We are determining similar components, the same billing components, used to determine a non-levelized approach as you do in ratemaking to a levelized approach as we do in the facilities charge, so we are looking at similar billing components, cost components in order to determine that rate. It is not a one-for-one recovery of those dollars.

Q But according to your own testimony, it's an attempt to charge specific customers the cost of service related to facilities, so you're attempting to identify the cost of service, are you not?

A What it is is to try to recover those costs related to the facilities beyond the point of delivery in order to offset the costs that are being recovered through base rates.

Q Can you tell me how the J. R. Simplot Company's payment of 20 percent a year on the original

installed cost of a transformer that is now over 66 years old is in any way related to Idaho Power's cost of providing that transformer to Simplot?

A The 20 percent a year I'm assuming is the 1.7 percent facilities charge per month that is in the tariff.

Q That's correct.

A The 1.7 percent facilities charge that is in the tariff is charged on a levelized basis times the installed cost or initial cost of that equipment. That is on a pool of assets that -- would you like me to describe the facilities charge methodology?

Q Please.

A In the facilities charge methodology, we have an attempt to try to recover those costs that are associated with providing a service for facilities that are installed solely for specific customers beyond the point of delivery of the Company. All of the facilities, the distribution facilities, for the Company's customers, including all of those facilities that are beyond the point of delivery, are within base rates of all the customers, let's say, of a particular class, Schedule 19 customers.

All of those are being recovered in the rates that are determined for that class, but it's not

prudent to charge all of those customers for facilities that are only in place to serve a particular customer, so what the facilities charge methodology does is takes the same costs and on a levelized basis for administrative purposes credits back in the determination of the revenue requirement for that class, so the chart on page 4, what I was trying to demonstrate, then, is the difference between a non-levelized recovery and a levelized recovery. The non-levelized recovery mechanism is the mechanism that is used during the typical ratemaking revenue requirement and the levelized is what facilities charge customers pay. In total, the same amount of revenue is recovered.

Q Let's turn to page 4 and take a look at that chart. Now, help me understand where the phrase "levelized cost recovery" comes from, because in this venue, I'm only familiar with talking about levelized rates in the PURPA context. Where does this levelized rate concept come from?

A It is another methodology for rate recovery, revenue requirement.

Q I understand that, but what's the source of this?

A This is the approved methodology by the Commission for the facilities charge.

Q Okay, and has the Commission called it levelized cost recovery before?

A I don't recall if they have or not.

Q Okay; so possibly this levelized concept is one way of you describing this ratemaking construct to help us understand more fully what you're doing?

A It is exactly what we're trying to help you understand is how the revenue is being recovered under two different methodologies, correct.

Q And in the box on page 4, the horizontal axis, the bottom line there, that represents time; correct?

A Correct.

Q And each line, vertical line, represents a year?

A It represents nothing. It's a coloring-in, just trying to show that early on, before the midpoint, whatever time frame that you would like to use, that the non-levelized approach recovers more than the levelized approach does, and later on in that same time period, the levelized approach would be paying back the subsidy that existed at the beginning of the period.

Q Well, I counted the little lines there and it's coincidental that it's the same number of years that

the facilities charge depreciates at, 32 years, so there's 32 lines there.

A I will accept that subject -- I can count them if you would like.

Q So under what you called the traditional base revenue requirement ratemaking methodology, the non-levelized line -- correct?

A Correct.

Q -- what happens at year 32 according to your chart?

A In year 32, what do you mean by "what happens"?

Q Well, how much cost recovery is the Company entitled to at the end of that line?

A If there was an asset that was implemented or installed at the very beginning of the time and nothing ever happened during that time and it was fully depreciated over, as you said, the 31, 32 years, it would be fully depreciated. There would be zero residual value.

Q Zero cost recovery?

A There would be no cost recovery, correct.

Q So on the non-traditional levelized line, we get out to year 32, what happens then?

A Exactly the same. All the same amount of revenue recovery has been recovered under the levelized approach as it had been under the non-levelized approach.

Q So in year 33, that line goes to zero as well?

A What you're saying here, I think what you're trying to lead toward is the 31 years and saying that after 31 years that costs are fully recovered; is that what you're trying to --

Q Well, I'm just trying to understand your testimony here.

A My testimony with regard to this chart is saying that two different approaches for recovering a revenue requirement are identical in what they recover or are close to; that being the non-levelized approach recovers the same amount of revenue recovery as the levelized approach.

Q Isn't that only true if at the year 31 the levelized number also goes to zero going forward?

A At whatever time frame that you would take a non-levelized approach and a levelized approach, they would recover the same amount of recovery.

Q Okay, and the time frame you've chosen on your chart is 31 bars, 31 years, and let's keep the 31 years of depreciation that you've identified here and extend five more bars out, so it's now 37 and the non-levelized rate hits zero in year 32, what happens to the levelized rate in years 33 through 37?

A What I think you're trying to say with regard to -- I mean, I don't have a time frame on this and what I have said is that it is an average expected life and so this would be the average expected life of an asset. In the case of facilities charges, that is the average expected life of a pool of assets, and those pool of assets are determined for the facilities charge and it would be the average expected life of the pool of assets for depreciation purposes as 31 years, so that would mean that assets would depreciate or could be fully depreciated over that period of time, but that their expected life could live well beyond that point in time.

Q So if the average expected life is 31 or 32 years, if the actual life is longer in reality, then the levelized facilities charge works as a subsidy, doesn't it?

A If the average expected life was longer in reality, then it would be depreciated over a longer period of time, and both the levelized and the non-levelized approach would still recover the same

amount of revenue.

Q If the average expected life is as you represented, 32 years, and the actual asset was in service for longer than that time period, doesn't this

levelized charge work as a subsidy?
A I guess what you're saying is would customers who have equipment that are in place for a long period of time be subsidizing and the answer to that would be yes, just as customers who have equipment in for a very short period of time and it is removed are being recovered. It is an average expected life of equipment.
Q So when you state at the bottom of page 4 over to the top of page 5 that your chart shows the total amount of revenue recovered from either mechanism is identical, that statement is not true, is it, if the facilities charge equipment lasts longer than 32 years?
A If the facilities charge -- actually, the statement is true that the total amount of revenue recovered from either mechanism is identical. I'm showing it over the same time period. If a non-levelized approach was used for a longer period of time and a levelized approach was used for the same amount of time, under a levelized or a non-levelized approach the same amount of revenue would be recovered.

Q And I asked you, but whenever a facilities charge facility has a life longer than your depreciation period, that statement is no longer true, is it?
A And what I'm saying is if you have a piece of facility that is -- you're using levelized and you're trying to compare that to the non-levelized approach, you need to extend both lines.
Q Do you have any data on the actual average

life of the equipment subject to this charge?

A I believe the average expected life --

Q I said actual.

A I'm sorry?

Q The question was do you have any data on the actual average life of the equipment subject to this charge and you started answering the expected and that's not what I asked you.

A Well, average life and average expected life I would term the same and that would be 31 years.

Q So it would surprise you, then, to learn that many of these facilities are closer to 40 or 50 years old?

A It would not at all. If the average life is 31 years, that means that some facilities are less than 31 years and some facilities are greater than 31 years, so it would not surprise me at all.

Q Would you agree that much of Simplot's equipment is outliving the 31-year life?

A I would agree that Simplot who is one of the first, if not the first, facilities charge customer may have equipment that has long lives, yes. I also know that there may be some facilities on Simplot's site that may be less than 31 years.

Q In your testimony you state that Dr. Reading's proposal to track actual depreciated costs of facilities charge equipment would be difficult -- that it would be difficult to track thousands of pieces of equipment for 240 customers; do you recall that?

A I do.

Q Have you thought that statement through and researched what type of Excel program may be available to handle those calculations?

A No, I mean no.

Q So you haven't explored how to possibly do those calculations at all?

A For every single piece of equipment on a facilities charge, determining the date of their installation, determining separate depreciable lives, no. The Company's accounting does a group and pools assets. For example, all poles are pooled together. There's a depreciable life for those. There are different

depreciation tables for different pieces of equipment. Transformers may have different depreciable lives than poles or lines or switch gear. It is just administratively difficult, if not impossible.

Q So isn't Idaho Power used to dealing with thousands of calculations and many thousands of customers in very complex ways?

A Idaho Power does have billing systems that deal with hundreds of thousands of customers and provides the bills for them, yes.

Q How many customers does Idaho Power have?

A I believe it is 450 some odd thousand residential customers. I would have to check on that for sure.

Q Probably pushing as many as 500,000 total customers?

A Very easily.

Q And does each and every one of those 500,000 customers generate a unique bill each and every month?

A Yes, they do.

Q And how many facilities charge customers did you say you have?

A 240 facilities charge -- approximately 240

locations.

Q Let's just look at, for example, Schedule 19, the charges that you keep track of each month for each customer. You have seasonal time-of-use rates. You have seasonal demand rates, summer on-peak demand charges, a basic charge, a service charge, and a minimum billing charge. That's six different charges for one customer --

A Correct.

Q -- on Schedule 19 and how many Schedule 19 customers do you have?

A I believe around 136. I don't recall right now.

Q So in light of Idaho Power's ability to keep track of this seemingly unlimited amount of data on 500,000 customers and your sophisticated billing capacity to keep track of customers, doesn't it seem to you that it's not that big of a burden to keep track of 240 customers?

A No, not at all. What you're saying is

trying to keep track of the thousands of pieces of equipment for them. I did not say for those 450 or 500,000 customers that we have identified for every single one of those customers the thousands of pieces of equipment that are used to deliver the service to them.

I don't have track of each of the line miles, the meters for each individual customer identified.

Q Now, on page 4 you talk about this non-traditional cost recovery mechanism for facilities charge equipment.

A I did not say it was non-traditional.

Q Well, you characterized the non-levelized as traditional, so I assumed that you were differentiating the levelized from the non-levelized as being non-traditional.

A I was differentiating levelized from non-levelized.

Q You did not use the word traditional when you described non-levelized?

A From traditional ratemaking, correct.

Q So that's the traditional way to do it, so levelized is what way to do it?

A It is a levelized approach.

Q Non-traditional?

A The traditional ratemaking is for cost of service of general rates, not for facilities charge. What I was differentiating was between the non-levelized approach that is used in the traditional ratemaking like general base rates and a levelized approach.

Q And you differentiated the non-levelized

as being traditional and is it not a logical conclusion, therefore, to say that the levelized is non-traditional?

A Mr. Richardson, if you would like to make that assumption, that is fine, too.

Q Thank you; so on page 4, you justify this non-traditional cost recovery mechanism for facilities charge equipment from what you termed the traditional non-levelized depreciation?

A Could you please direct me to the line that you're referring to? I'm sorry.

Q It's in the box on page 4 --

A Okay.

Q -- non-levelized.

A Yes.

Q So you justify using the non-traditional line, which is the levelized line --

COMMISSIONER SMITH: Mr. Richardson, I think that's a mischaracterization of his testimony, so --

MR. RICHARDSON: Thank you, Madam Chair. I'll move on.

COMMISSIONER SMITH: Thank you.

Q BY MR. RICHARDSON: On page 8, line 8, you talk about Dr. Reading's approach for tracking

depreciation levels for individual facilities; do you see
that?
A Line 8 I see the question, "Does the
Company track depreciation levels for individual
facilities for any other customer class or service?"
Q Then on line 11, you testify that you
don't agree -- that the Company doesn't do that because
it's not a standard ratemaking practice -- no, it is a
standard ratemaking practice to average the actual levels
of depreciation; do you see that?
A Yes. I said, "No. It is a standard
ratemaking practice to average the actual levels of
depreciation together for a particular level of service
or customer class and spread the recovery of those costs
equally to all customers within the class."
Q Is it standard ratemaking practice to
never depreciate utility equipment such as
transformers?
A It is not.
Q On page 7, you express concern about
changing revenue requirement for a customer class when
changes are made to facilities charges for individual
customers; do you see that?
A Can you point me to the line, please?
Q It starts at line 6.

A Okay.
Q So I don't understand your concern about
class revenue requirement in this instance when class

revenue requirements are constantly changing, aren't they, and probably never precisely perfect?

A Class revenue requirement is determined during a general rate case.

Q And in between general rate cases those revenue requirements are constantly changing, are they not?

A The revenue requirement, I think, remains the same. The rates that are place are based upon that revenue requirement.

Q But the actual what's going on in the real world in between general rate cases, there are changes?

A There are costs that are incurred.

Q And savings that are incurred?

A Yes.

Q And isn't that what general rate cases are for is to capture those changes in between?

A That is correct.

Q And on page 8, you recite that the Company's proposed facilities charge is fair, just and reasonable, line 23.

A Yes.

Q Were you in the room when I asked Mr. Kline whether the concept of fairness is largely in the eye of the beholder?

A I was.

Q And isn't it true that this Commission will make that call and not us?

A I believe that is correct, that the

Commission will determine whether or not the rates are fair, just and reasonable.

Q And have you read the testimonies of Mr. Butler and Mr. Sturtevant where they make the assertion that this rate is not fair?

A I have read that testimony, those testimonies.

Q So it is true that at least one of your largest customers doesn't share your belief that this is a fair rate?

A The customer, I believe that the customer is misinformed on how the rate of a facilities charge is charged and may have made an erroneous assumption on their part; nevertheless, I believe that the rates have been determined by the Commission to be fair, just and reasonable.

Q And so the question was, isn't it true that at least one of your largest customers doesn't share

your belief that this is a fair rate?

A They have stated that, yes.

Q And you were here this morning when Mr. Campbell from McCain provided public testimony?

A I was.

Q And were you here this afternoon when we discussed the BSU letter?

A I was.

Q Would you turn to page 9? At the top of that page on line 2, you are asked what is your response to ICIP's suggestion that the Company should simply give away fully depreciated facilities; do you see that?

A I do.

Q Did you write that question?

A I did.

Q So I looked and I couldn't find anywhere in the ICIP's testimony of any suggestion that Idaho Power give away its facilities. Can you point to that for me?

A I do not have the testimonies of Mr. Sturtevant and Mr. Butler, but if I recall, and I will paraphrase, they were saying that facilities that they were paying a facilities charge on, by their characterization, as having no value should be given to them or turned over to them.

Q Would you agree that the Industrial Customers' witnesses have said that they have actually paid for the facilities several times over and that this suggests to me that they believe they have purchased the facilities? They're not asking for, as you say in your question, a give-away.

A I would agree that that is what is the witnesses have characterized has happened. That is not what hs occurred, that they have paid for those facilities.

Q Also, in that first answer on page 9, you state that "ICIP's proposal would not be administratively feasible," and you go on because "the Company does not depreciate for ratemaking purposes individual pieces of equipment separately," and you conclude that "so determination of when an individual piece of equipment was fully depreciated would be nearly impossible," but isn't that an impossibility of the Company's own making? I mean, one could figure out a system, couldn't one, by which the facilities charge equipment could be tracked in this day and age?

A It is just not the way accounting practices, generally accepted accounting principles and practices, go or in ratemaking, general ratemaking.

Q Okay, and I was asking you about your

statement that it's impossible, nearly impossible, and my question wasn't about what you traditionally do, levelized or non-levelized, the question was could one figure out a system by which facilities charge equipment could be tracked in this day and age?

A In this day and age, I am sure that a system could be created. The administrative cost and administrative overhead to implement such a system, I can only guess, would be astronomical.

Q That's a guess?

A That is correct.

Q And you haven't investigated the possibility of doing that?

A No, sir.

Q On page 9, also on page 9, still on page 9, on line 17, you state that the facilities charge has never been a "lease-to-own" charge and you put quotes around the phrase "lease-to-own." You weren't quoting an Industrial Customer witness, were you?

A I was not.

Q So that's your phrase?

A Yes, that is my phrase.

Q Turning over to page 10, you cite the Commission to Idaho Code Section -- I guess it's page 11 to 12 where you cite the Commission to Idaho Code Section

61-328; do you see that?

A I do.

Q And as you identify several provisions at the top of page 12 that must be met in order for the Company to sell a facility; do you see that?

A I see that. What I am describing there is the Company's proposal to provide a buyout option as part of this proceeding in response in particular to Simplot Company.

Q And then you're asked at line 8 on page 12, "What do the provisions of Idaho Code Section 61-328 provide?" And your answer is at line 10, "Within Idaho Code Section 61-328, it states that before authorizing the sale of public utility owned property..."; do you see that?

A I do, and that is correct.

Q So is your understanding that this first part of the Code section only requires that the property be public utility owned property?

A That would be a legal interpretation, but it is my understanding this is with regard to public utility owned property, this section of Idaho Code.

Q Have you read that section of the Idaho

Code?

A I have.

♀

Q So would it surprise you to learn that the test may be a little more nuanced than just public utility owned?

A I would defer to legal counsel.

Q And you note at the end of that paragraph that the customer who purchases the facility must have a bona fide intent and financial ability to operate and maintain the property; do you see that?

A The property purchased, correct.

Q Yeah, the property purchased, that's what we're talking about, so if Simplot purchased that 66-year-old transformer from you and thereafter decided that that factory is going to be closed and didn't actually use that transformer, do you think that they could legally buy it from you because they wouldn't be operating that purchased facility?

A Again, I would probably defer on legal counsel on that, but what I'm describing here were the provisions provided in the Idaho Code and it was provided as one of the conditions that would need to be met under the Company's proposed buyout option, if approved by the Commission at this point in time, but it would be, I think, a legal determination whether or not the company who purchased the equipment if it was no longer going to use that equipment would meet this qualification.

Q When I was visiting with Mr. Sparks, we were talking about facilities that are much older than your average expected 31-, 32-year life and those facilities are still being assessed the full facilities charge, which includes depreciation, return, et cetera, et cetera, and I think we talked about subsidies between individual customers and the remaining customers in the class, and we talked about -- do you recall our discussion about when, like, Simplot leaves the facilities charge family that the lost revenue from that facilities charge payments they were making are to be made up by the remaining members of the class?

A I recall the discussion, yes.

Q And do you agree with Mr. Sparks that when a facilities charge customer goes away that revenue is thereafter made up by raising the rates of the other class members?

A The revenue lost by that facilities charge revenue because it is used as a credit to the revenue requirement determination of a particular class, that class would need to recover that revenue, yes.

Q Okay, then in your further discussion at the bottom of page 12 of the operation of Section 61-328, you state starting on line 24 that the Company would need to determine -- and this is the Company's interpretation

of the provisions of this Code section according to the question -- that the Company would need to determine that none of its remaining customers would be adversely impacted by the sale of those facilities, and if what Mr. Sparks and I discussed was true and you just confirmed that every time that happens those revenues have to be made up by the other customer classes, how is it possible to make that determination?

A I believe that it would be done through a determination of a sales price that would be used to offset any kind of impact to the customer or done at the same time as a general rate case filing where the base rates for a particular class could be adjusted accordingly.

Q So you adjust the sales price, keep the remaining customer class whole for the lost facilities charge customer?

A You asked how could it happen and I said that might be one way. Another way would be through determination at the time of a general rate case.

Q So walk me through how that would work on the purchase price scenario.

A We have not determined a methodology for determining purchase price, but if you look at future revenues that would be recovered through a facilities

charge that would now be lost and those revenues were used as a determination of the base revenue requirement for a particular class, then some kind of present value analysis, I would assume, could be used to determine what that price would be.

Q So correct me if I'm not understanding you properly, so if Simplot was going to buy their facilities from you, the purchase price would not just be the non-salvagable cost, but it would also include the cost to make the remaining customers in the class whole, so how does Simplot ever get away from having to pay that?

A The Company's provision for a buyout option proposed in this case right now in my rebuttal testimony, but has not yet been approved by the Commission, was that the two companies, Idaho Power Company and the customer, would try to mutually agree upon a purchase price and that that price would be set in such a way that it would meet the provisions as stated there, the Idaho Code Section 61-328, no mixed ownership of facilities, so they could not just buy the transformer, they would have to buy all the facilities on their site, and the customer must provide the operation and maintenance of all facilities installed beyond the point of delivery and that the customer must pay for the engineering costs for determination of the sale.

The Company is not proposing at this point in time any methodology at all for determining that price. The Company is only proposing right now to provide what it does not currently have in its tariffs, which is a buyout option for facilities that are beyond the Company's point of delivery.

Q You mentioned on allowing Simplot to exercise the option to pay for removal of the facilities, have you read Idaho Power's letter that's in Exhibit 308 at pages 5 and 6 in response to Simplot's request to purchase its facilities charge equipment?

A I don't have that letter before me, but I may have read it during the course of the year.

Q Would you agree with me that that letter indicates that Simplot will need to pay substantial expenses to even devise a plan to implement such removal and purchase?

A I do not have that letter before me, but I do know and recall that there are -- that the Company told Simplot to go ahead and propose which ones that they would want to go ahead and purchase and that they would begin developing a plan with Simplot in how to remove those facilities. There's a lot of things that need to be taken into consideration about downtime of particular plants, coordination of facilities, coordination of the

changeover from Company-owned facilities to customer-owned facilities. It was part of the process, I believe.

Q Did Idaho Power ever offer to sell Simplot its facilities charge equipment?

A It did not.

Q Did you read Mr. Sturtevant's testimony on that issue where he testified that Idaho Power suggested that Simplot would have to pay Idaho Power approximately $10 million for the facilities charge equipment to be sold and that these facilities have a total initial investment of only 4.2 million?

MR. WILLIAMS: Madam Chair, I'm going to

object. This is way beyond the scope of Mr. Youngblood's testimony and he's now asking him a question based on some hearsay that might be in one of his own witnesses' testimony.

COMMISSIONER SMITH: Mr. Richardson.

Q BY MR. RICHARDSON: Mr. Youngblood, did you participate in any discussions with Simplot on the purchase or sale of their facilities charge equipment?

THE WITNESS: Is this for me to answer?

COMMISSIONER SMITH: Yes.

THE WITNESS: I did participate, yes.

Q BY MR. RICHARDSON: And do you recall the

purchase prices that were discussed?

A I do recall that a purchase price was not discussed.

Q And on page 14, line 8 in your testimony, you talk about the need to prevent mixed ownership of facilities; do you see that?

A I do.

Q And do you recall that Mr. Sturtevant also talks about mixed ownership in his testimony and he concludes that it's not such a bad thing?

A I recall that he did talk about mixed use. I don't recall whether or not he included the characterization that it was not such a bad thing or not.

Q But I'm confused, Mr. Youngblood, about exactly what mixed ownership means.

A Mixed ownership means facilities that are beyond the point of delivery of the Company that are owned both by the Company and other facilities that are owned by the customer and that they are intertwined. As Mr. Kline stated earlier, the Company desires not to have mixed use facilities on an ongoing basis and has made that determination some time ago, is in the process of trying to remove all mixed use facilities.

We have allowed customers where we

currently have mixed use facilities to continue. It is our policy not to go further into developing or increasing the number of mixed use facilities, and it is our proposal in this case here with a buyout option that the customer would purchase all of the facilities on the site so that there's not a pick and choose and pick only the ones they want to purchase, but they would buy out all of the facilities, the Company-owned facilities, on their site.

Q Can you describe for me a facility that is on the customer's side -- an Idaho Power-owned facility on the customer's side of the meter that is subject to the facilities charge, what it would like if it were not a mixed facility?

A I'm not an engineer or expert on that, but in the simplest form I would say a transformer.

Q And a transformer on Simplot's property is not a mixed facility?

A There is a delineation or a point where from that transformer on would be all customer facilities, so from the Company's point of delivery, which typically is the property line, if the transformer existed or resided on the customer's side of that property line and that is the very last piece of Idaho Power's equipment, that would not be a mixed use

♀

facility. The customer would take it from that point forward.

The difference would be on a mixed use facility where there are some, let's say a transformer and then perhaps some switch gear that is customer-owned and then perhaps some additional equipment beyond the switch gear that is Company-owned, that would be mixed use facilities. The concerns from the Company point of view is safety of its personnel, maintenance of the equipment, determining which equipment is our equipment or the customer's equipment. There have been incidences and in fact, incidences on Simplot's facility where some equipment has been moved or removed that was Company-owned and the customer removed it. Incidences like that is not something that the Company wants to continue.

Q Is there a definition of that term anywhere that I can look up?

A I'm not aware of one right now, no.

Q Who makes the call about whether a facility is mixed or not mixed?

A It seems fairly simple to me that the --

Q Well, the reason I ask is you're telling the customers in your proposed Rule M that if they want to purchase the facilities they have to purchase all of them, bundle.

A They have to purchase all of the facilities beyond the Company's point of delivery, correct.

Q And then at the same time, you're offering to continue to create situations where they're potentially mixed by offering the service to new customers.

A No, no, no. Please understand the Company is not proposing any new mixed use facilities at all.

Q But you're still proposing to provide the facilities charge service.

A The Company is continuing the facilities charge service as it is currently right now with customers on facilities that are beyond the Company's point of delivery.

Q Right; so I've got a transformer on my side of the fence and that's by definition, according to you, not mixed with my other facilities, but if the transformer is another 20 yards into the facility, does that then become mixed?

A Mr. Richardson, I'm not sure what the difficulty is here. From the Company's point of delivery, any Company-owned facilities beyond that point that are contiguous with the Company's facilities is the

Company's facilities. Beyond that point, beyond the last piece of equipment that the Company owns, if the customer has some facilities or continued distribution of the electricity throughout their property, those are customer-owned facilities. That is not mixed use facilities. If the Company has facilities beyond its point of delivery that are on the customer's property, but at the point of demarcation of the last piece of equipment all the rest of the equipment is customer-owned, that is not mixed use.

What would be mixed use would be if there are some Company-equipment beyond our point of delivery that is on customer property and then beyond that point there is some customer-owned facilities and beyond that point there is some Company-owned facilities, then that is an intermingling of facilities and that is mixed use. That is what the Company does not want to continue. It has grandfathered existing customers. It is not incurring any additional mixed use facilities with new customers on a facilities charge and is not proposing to do that for the buyout option.

Q In your Rule M proposal, Exhibit 52 to your testimony, I noticed that your consent that consumers would sign does not actually state what the facilities charge is. Could you show me where you plan

to inform customers of how much this charge will be?

A Under item No. 2 there, it says, "This service is provided at the Customer's request and at the option of Idaho Power in exchange for the Customer paying a monthly facilities charge to Idaho Power as listed in Schedule 66 of Idaho Power's current and effective tariff." These are proposed new Rule M and in part of the Rule M, this last sheet, page 3 of the Rule M, the Consent and Acknowledgement Form, the Company has proposed in recognition of the Industrial Customers' assertion that customers did not know about facilities or had not given their written endorsement of having a facilities charge, the Company is trying to respond to the Industrial Customers by committing to going out to our industrial customers who have facilities charges and having them sign this form.

Schedule 66 is a place where non-traditional charges, miscellaneous charges are put and the Company would update its Schedule 66 with the facilities charge rate. Our hope is if the Commission adopts or approves the reduction in the facilities charge rate that the Company has proposed that that rate would be 1.41 percent times the installed value or the initial value and it would be represented on Schedule 66.

Q So this form is entitled Consent and

Acknowledgment Form; correct?

A Correct.

Q And I guess I have to ask the question, why wouldn't you include what the monthly charge is on the Consent and Acknowledgment Form?

A Just for expediency. The Company did not want to have multiple forms with the charge out there so that we go ahead -- that charge or that rate could change over time, so if a customer signed a form, let's say a customer signed the form today and that rate was 1.7 percent, then a customer if the Commission approved the request by the Company to reduce that rate, at a later point in time that rate would go down. If a customer is different from a Schedule 19 or a Schedule 24 or a Schedule 15 or a 41 or special contract customer 29, there may be a different rate incurred.

Q Do you think a customer's consent may be influenced by what that rate is?

A The customer would be knowledgeable of that rate at that point in time.

Q Has that been your experience in the past with your customers?

A I have not been out with the customer. I cannot talk to that.

Q On page 19, lines 2 to 6 of your

testimony, you state that the vast majority of the Company's other facilities charge customers have appreciated and benefited from the Company operating and providing maintenance on facilities that they would have had to pay for and maintain themselves. Do you have any evidence supporting that statement?

A The evidence that we used to make that determination was prior to today. We were aware of only one customer out of the 240 who had issues or reasons or concerns and that was the Simplot Company. As of today, I believe we now have two other customers that may have concerns or issues. We have not talked, to my knowledge have not talked, to those customers and helped explain what the benefits are of the facilities charge, so based upon even that, three out of 240 customers, I think I would still say that the vast majority of the Company's other facilities charge customers have appreciated and benefited from the Company operating and providing maintenance on facilities that they would have to pay for and maintain themselves.

Q That's just based upon your assumption, though?

A Based upon the fact that the facilities charge has been in place for a number of years, as you have stated, and that we have not heard any other

complaints, yes. The companies who are paying the facilities charge continue to receive the same benefit that they received from the beginning.

MR. RICHARDSON: Madam Chair, that's all I have. Thank you, Mr. Youngblood.

THE WITNESS: Thank you.

COMMISSIONER SMITH: Thank you, Mr. Richardson. Do you have questions?

COMMISSIONER REDFORD: I only have one question.

EXAMINATION

BY COMMISSIONER REDFORD:

Q In my 32 years of life, I've heard the word levelized used in many ways, from a level for levelizing wood to what you're talking about today, tell me what levelized means.

A What I was trying to describe was that --

Q And I'm sure you did. I just didn't get it.

A Well, apparently not, but what I was trying to describe was that the revenue that would be recovered through a non-levelized approach would be exactly the same as one that would be recovered through a

levelized approach, and in saying that, that means that in a non-levelized approach, the customer would pay more in the early years, perhaps paying more -- their bill would be higher, and over the course of time, it would decrease as the investment decreases. The levelized methodology takes all of those and takes the -- it creates or calculates an equal payment --

Q The average?

A -- the average for the entire period of time, very much like, for example, your home mortgage, that is --

Q I don't want to talk about that.

A Okay. Well, yours is probably much smaller than mine, unfortunately, but it is the same amount over a period of time, rather than paying more in the beginning of the 30-year mortgage than it is at the end.

Q Why don't you use just the words differing facilities charges per year?

A For which one?

Q It appears either one.

A What I'm trying to describe is the fact and I think this is something --

COMMISSIONER REDFORD: I understand what you're talking about now, but that was just kind of a

quip, so you don't need to answer that. Thank you. I have no further questions.

EXAMINATION

BY COMMISSIONER SMITH:

Q At the risk of making it worse, I want you to confirm what I believe I understand.

A Okay.

Q The chart on page 4 I analogize what it seemed similar to me was tax depreciation. You can either take accelerated or you can do straight line, but when you get to the end, you've paid the same amount.

A That is correct.

Q And the only thing that happens if you change the time frame is that that crossover point moves.

A That is correct.

Q Okay; so what we have, too, then, is a pool of assets, just like any other Uniform System of Accounts class and assets come in and they get depreciated over an average life and some are done and some come in, but it never goes to zero because some are always coming in.

A Correct.

Q All right; so another approach if

customers don't like a facilities charge is you just roll all these costs into the revenue requirement number and calculate a base rate using the total revenue requirement instead of having separate charges that then are subtracted from the total revenue requirement.

A It could be an approach. The concern is that these are facilities that are solely for the use of specific customers.

Q So what you were trying to do with the facilities charge is more closely align the recovery of the expense from the entity who's benefiting from it?

A That is correct. What all of those facilities, including those facilities beyond the point of delivery, so including those facilities that are recovered under the facilities charge, all of those are being recovered through base rates, and so is it prudent for customers under base rates to be paying for facilities that are only used for a particular customer. The Company's determination is that is not prudent and so what we have done is a levelized approach to offset that revenue requirement being paid by the class, so it is an attempt, and it's not perfect in timing, but it is an attempt to offset that revenue requirement determination for the class.

Q And in ratemaking, I always think of it as more of an art than a science and within any customer rate class there's always the issue and the reality of intraclass subsidies.

A Absolutely. A residential customer who lives in a subdivision that is very old and has an old transformer may be subsidizing a customer who is in a brand new subdivision with a brand new transformer.

COMMISSIONER SMITH: Thank you. I think I got it.

Any redirect?

COMMISSIONER REDFORD: Could I have just one more question?

COMMISSIONER SMITH: Certainly.

EXAMINATION

BY COMMISSIONER REDFORD:

Q So Marsha's question that an old resident might be subsidizing --

COMMISSIONER SMITH: A resident with old facilities.

Q COMMISSIONER REDFORD: -- may be subsidizing a resident with new facilities; correct?

A Correct.

Q When you're talking about pooling, are you

talking about pooling assets for a particular company or for the Company-wide assets?

A The Company-wide assets of distribution facilities.

Q Okay; so that could be -- part of that pooling could be the 1947 whatever and the 2012?

A Absolutely, and if the 1947 is on the books and fully depreciated, there is no value for that.

COMMISSIONER REDFORD: No further questions. I think I'm fully convinced that I'm confused.

COMMISSIONER SMITH: Mr. Williams.

MR. WILLIAMS: Yes, Madam Chair, just a few redirect questions.

REDIRECT EXAMINATION

BY MR. WILLIAMS:

Q Mr. Youngblood, has the Company used a levelized ratemaking approach in depreciating its assets at the Hells Canyon generating station?

A I do not believe so.

Q So any comparison between using a levelized approach that we use for a facilities charge

and how we depreciate assets at Hells Canyon wouldn't be appropriate?

A Correct.

COMMISSIONER REDFORD: Well, that's because Idaho Power owns the facilities; is that correct?

MR. WILLIAMS: Is that for me or him?

THE WITNESS: The Company owns all of the facilities, including those that are being charged the facilities charge.

COMMISSIONER REDFORD: This is generating down into a discussion, I apologize. Zip it up, right?

Q BY MR. WILLIAMS: Mr. Youngblood, you talked about this pooling of assets of 31 years, is it normal to expect that some of the assets within that pool will survive the 31-year average?

A Absolutely.

Q And is it normal to say that some of those assets will last less than 31 years?

A Yes.

Q And the facilities charge customers get the same level of service for their facilities regardless of the age of those facilities?

A Yes.

Q Does the Company's cost to operate and maintain facilities disappear once a particular asset is

fully depreciated?

A No, the operation and maintenance expense continues on.

Q Other than the handful of special contracts the Company has, does the Company perform individual revenue requirements for individual customers?

A No.

Q Are you aware of whether or not this Commission has approved that type of methodology?

A I am not aware.

Q Under the currently approved tariff on file with the Commission, isn't it true that Simplot has the option to have the Company remove the facilities and it can install its own facilities to do away with the facilities charge?

A Yes, that is correct.

Q And isn't it true that in this case the Company is providing an additional alternative wherein Simplot can buy out the facilities?

A Yes, that is correct.

Q And just to be clear, as far as the existing facilities charge rate, what the Company is proposing is a reduction to that rate, the current rate; is that correct?

A That is correct. For all three of the rates, yes.

MR. WILLIAMS: No further questions, Madam Chair.

COMMISSIONER SMITH: Thank you, and thank you, Mr. Youngblood.

(The witness left the stand.)

COMMISSIONER SMITH: It is now my intention to go to the Kroger witness who apparently needs to be done today, and following that, we will go to Mr. Richardson's witnesses and get Mr. Butler on his way, and then depending on how long that takes, we will fit in Ms. Hirsh, if necessary, or will she be here tomorrow?

MR. OTTO: She's able to be here

tomorrow.

COMMISSIONER SMITH: Does she plan to be here?

MR. OTTO: Yes.

COMMISSIONER SMITH: Well, we'll see how that goes and maybe we'll get you done today, and yes, we are taking a break now until 3:15.

(Recess.)

COMMISSIONER SMITH: All right, we're ready to go back on the record. We'll go to Ms. Kyler.

MS. KYLER: Kroger calls Kevin C. Higgins

♀

to the stand.

KEVIN C. HIGGINS,

produced as a witness at the instance of The Kroger Company, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. KYLER:

Q Please state your full name and spell your last name for the record.

A My name is Kevin C. Higgins, H-i-g-g-i-n-s.

Q By whom are you employed and in what capacity?

A I'm a principal in the firm Energy Strategies.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

IDAHO POWER COMPANY

YOUNGBLOOD, REB TESTIMONY

EXHIBIT NO. 52

RULE M
FACILITIES CHARGE SERVICE

This rule applies to eligible customers taking Primary or Transmission Service under Schedules 9 and 19 or Transmission Service under Schedule 24. Eligible Customers may request that the Company design, install, own, and operate transformers and other facilities beyond the Point of Delivery that are solely provided to meet the Customer's service requirements. This service is provided at the Customer's request and at the option of the Company in exchange for the Customer paying a monthly facilities charge to the Company. Primary and Transmission Service level Customers not taking facilities charge services are responsible for providing the transformation of power beyond the Point of Delivery needed to meet the Customer's service requirements. See Rule B.

1. Company-Owned Facilities Beyond the Point of Delivery

Under a facilities charge arrangement, the Company will own and operate facilities beyond the Point of Delivery that are installed to solely benefit the Customer, and the Customer will pay a monthly facilities charge to the Company based on a percentage of the value of the facilities installed. As part of this arrangement, the Customer agrees to allow Idaho Power access to the Customer's property to provide installation of facilities, operation and maintenance, alteration, relocation, upgrade, conversion, and/or removal in order to meet the Customer's service requirements. The Customer agrees to provide rights-of-way as outlined in Rule C.

Company-owned facilities beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report (DFI) provided to the Customer. As the Company's investment in facilities beyond the Point of Delivery changes in order to meet the Customer's service requirements, the Company shall notify the Customer of the additions and/or deletions of facilities by forwarding to the Customer a revised DFI. The Company will also adjust the monthly facilities charge to be paid by the Customer based on any increase or decrease in the value of the Company-owned facilities resulting from additions and/or deletions as set forth in the revised DFI.

2. Alteration and Failure of Company-Owned Facilities

In the event the Customer requests the Company to alter (remove, reinstall, or change) Company-owned facilities beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation, or change. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor, and overheads of the facilities, less the difference between the salvable cost of material removed, and removal labor cost including appropriate overhead costs.

Failed equipment will be replaced by the Company as part of providing ongoing operation and maintenance of Company-owned facilities installed beyond the Point of Delivery. When a failed piece of equipment is replaced by the Company, the value of the failed piece of equipment will be removed from the Customer's DFI and replaced with the value of the new piece of equipment to calculate the Customer's monthly facilities charge.

Exhibit No. 52
Case No. IPC-E-11-08
M. Youngblood, IPC
Page 1 of 3

RULE M
FACILITIES CHARGE SERVICE

3. Sale of Company-Owned Facilities

Customers paying a facilities charge may request to purchase Company-owned facilities installed beyond the Point of Delivery. All sales of facilities must be approved by the Commission and meet the following provisions:

a. Idaho Code Section 61-328.

b. No mixed ownership of facilities. A Customer purchasing Company-owned facilities installed beyond the Point of Delivery must purchase all facilities listed on the DFI for that location.

c. The Customer must provide the operation and maintenance of all facilities installed beyond the Point of Delivery after the sale is complete.

d. The Customer must prepay engineering costs for sales determinations taking greater than 16 estimated hours of preparation. Sales determinations equal to or less than 16 estimated hours of preparation will be billed to the Customer as part of the sales agreement, or after the engineering is completed in instances where the sale is not finalized.

4. Monthly Facilities Charge Rate

Effective January 1, 2012, a facilities charge, as specified in Schedule 66, will be assessed on each facilities charge customer's monthly billing.

5. Consent and Acknowledge Form

Prior to entering into a facilities charge arrangement, the Customer and Company must agree to and sign the Facilities Charge Service Consent and Acknowledgement Form attached to this rule.

Exhibit No. 52
Case No. IPC-E-11-08
M. Youngblood, IPC
Page 2 of 3

RULE M
FACILITIES CHARGE SERVICE

Idaho Power Company
Facilities Charge Service
Consent and Acknowledgement Form

By signing this form, Idaho Power Company ("Idaho Power") and ________________ ("Customer") hereby consent to and acknowledge the following:

1. Idaho Power will design, install, own, and operate transformers and other facilities on the Customer's property which are beyond Idaho Power's Point of Delivery and are solely provided to meet the Customer's service requirements at the following Customer location:

____

2. This service is provided at the Customer's request and at the option of Idaho Power in exchange for the Customer paying a monthly facilities charge to Idaho Power as listed in Schedule 66 of Idaho Power's current and effective tariff.

3. Idaho Power and the Customer agree that this arrangement is provided under the terms and conditions of Rule M, Facilities Charge Service, of Idaho Power's current and effective tariff.

Dated: ____________________

IDAHO POWER COMPANY CUSTOMER

________________________ ________________________

Exhibit No. 52
Case No. IPC-E-11-08
M. Youngblood, IPC
Page 3 of 3

EXHIBIT #7

J. R. SIMPLOT COMPANY'S MOTION TO
TAKE OFFICIAL NOTICE AND/OR OFFER
INTO EVIDENCE

♀

DEL BUTLER,

produced as a witness at the instance of the Industrial Customers of Idaho Power, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. Butler, would you please state and spell your name?

A Del Butler, B-u-t-l-e-r.

Q And are you the same Del Butler who caused prefiled testimony to be filed in this docket?

A I am.

Q And you have no exhibits to your testimony, do you?

A No.

Q Thank you. Do you have any corrections or additions to make to your testimony this afternoon?

A No.

Q Mr. Butler, if I were to ask you the same questions you were asked in your prepared testimony this afternoon, would your answers be the same?

A Yes, they would.

MR. RICHARDSON: Madam Chair, I move that

the prefiled testimony of Mr. Butler be spread upon the record as if it were read in full.

COMMISSIONER SMITH: Seeing no objection, it is so ordered.

(The following prefiled direct testimony of Mr. Del Butler is spread upon the record.)

♀

Q. Please state your name,
occupation, and business address..
A. My name is Del Butler, Senior Director,
Business Development, J.R. Simplot Company, 1130 West
Highway 30, Pocatello, Idaho.
Q. Please describe you educational background.
A. I have a Bachelors Degree in Business
Administration, from Idaho State University.
Q. What is your work experience at the J.R.
Simplot Company?
A. I have worked for the J.R. Simplot Company for
39 years. I was the Plant Manager at the Don Plant in
Pocatello for nine (9) years, from 1998 to 2007.
Q. What is the purpose of your testimony?
A. The purpose of my testimony is to provide
customer insight into the Idaho Power facilities charge
for equipment located on our property and express my
concern over what I consider to be an unfair business
practice.
Q. Please explain in general terms the location
and products produced at J.R. Simplot Company's Don
Plant, which takes service from Idaho Power as a special
contract customer.
A. The Don Plant, located in Pocatello, Idaho
produces a full line of agricultural phosphate

fertilizer.

Q. How many people does the Don Plant employ?

A. The plant employs 350 to 360 regular employees, with seasonal employment peaking around 450 to 500 workers in late spring.

/

/

/

♀

Q. How much electricity does the Don Plant receive

from Idaho Power annually?
A. We routinely consume approximately twenty-one (21) megawatts.
Q. Does the Don Plant pay Idaho Power a facilities charge for electrical distribution equipment installed and maintained beyond the point of delivery by Idaho Power?
A. Yes.
Q. What types of equipment are included in the Idaho Power facilities charge?
A. The charge includes typical higher-voltage equipment such as transformers, switches, power poles, and wiring.
Q. Could you explain your understanding of the facilities charge when you were the Plant Manager at the Don Plant?
A. As I understood it at the time, whenever we needed equipment such as transformers, poles, or switches, we would contact Idaho Power and they would provide this equipment with no up-front charge. The cost of the equipment plus installation would then be added to the bill as a facilities charge. In effect, the newly installed piece of equipment would become leased equipment. Idaho Power was responsible for servicing and

maintaining the equipment. If the equipment failed and required replacement once again, the asset would be retired, the remaining book value would be zeroed out and a new facility charge would be established based upon the cost and installation of the new equipment installed in place of the old equipment.

/

/

/

345 Del Butler, DI 1
ICIP

♀

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

A. As I understand it now, once a piece of equipment gets added to the facilities charge, we pay a 20.4% annual fee every year, forever. It never gets paid off and we do not have the option to pay it off. Additionally, if we ever wanted to purchase our own equipment, Idaho Power has provided no reasonable opportunity for us to do this. Essentially, we have no choice and no options and we are stuck paying 20.4% annually on an ongoing basis.

Q. Do you know how much the original equipment cost Idaho Power including installation?

A. I do, now. The total amount for the Don Plant is $2,619,846.62.

Q. How much does the Don Plant currently pay in facilities charges annually for this equipment?

A. We pay $534,448.71 annually.

Q. What is the average age of the facilities charge equipment at the Don Plant?

A. The average age of the Idaho Power equipment at the Don Plant is 24.5 years. We've got sixty-three (63) pieces of equipment that were installed in 1964, forty-seven (47) years ago. I understand that Idaho Power has informed us in this case that the annual rate

at the Don Plant has been 20.4% since 1976, and was 15% annually from 1964 to 1976. For the equipment dating back to 1964, we have paid $534,330 to date for equipment that cost $75,791 installed. We have paid for these sixty-three (63) items more than seven (7) times already.

Q. What is the total dollar amount that the Don Plant has paid to Idaho Power for facilities charge equipment currently installed?

/

/

/

347 Del Butler, DI 2a
ICIP

♀

A. J.R. Simplot Company has been paying a facilities charge at the Don Plant since 1964, for the past forty-seven (47) years, on equipment that was installed as early as 1964. We have estimated, based on the historic rates Idaho Power has provided to us in this case, for $2.6 million in currently installed equipment, we have now paid $10,027,224. This does not include the time-value of money, and if we included that, the actual cost would be much higher.

Q. How did you become aware of the facilities charge?

A. I have always been aware of the facilities charge at the Don Plant, but the full extent of this unfair business practice was brought to my attention this fiscal year by our Corporate Energy Manager, Don

Sturtevant.

Q. Has Idaho Power ever requested your written consent, as a plant manager at J.R. Simplot Company to install any facilities beyond the point of delivery at your plants?

A. No. I have never given formal consent that I understood the facilities charge equipment would be charged an annual 20.4% fee, never be paid off, and have no option to be paid off ever.

Q. Are you aware of such consent given by any

♀

other J.R. Simplot Company officials?

A. No.

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

A. The J.R. Simplot Company requires all contractors, electrical or otherwise, to provide a $5 million insurance liability policy.

/

/

/

349 Del Butler, DI 3a
ICIP

♀

Q. Does Idaho Power's ownership and management of electrical equipment on plants owned by J.R. Simplot Company concern you from a liability perspective?
A. Absolutely. The safe and reliable operation of the facility could easily be impacted by the interruption of power and the liabilities that go along with that loss.
Q. Do you think it is fair for Idaho Power to continue charging the facilities charge rate for Idaho Power's initial investment made an average of 24 years ago?
A. No.
Q. Idaho Power has offered a reduction in the annual facilities charge from 20.4% of the initial investment to 17.00%. Please explain your thoughts on that.
A. For the Don Plant, we have paid for this equipment many times already. Simply providing a small reduction in the rate is not fair.
Q. When you were responsible for the Don Plant operations, what was your understanding of the options provided by Idaho Power's facilities charge for the customer to stop paying the charge?

A. I believed that there were no options and that we were required to pay the facilities charge.

Q. What is your current understanding of Simplot's

options regarding the facilities charges?

A. We currently do not have any option other than to require Idaho Power to remove their facilities and replace their system with our own. However, as I understand it, we must pay Idaho Power for the remaining book value, plus the cost to remove the facilities, minus a credit

/

/

/

for the salvage value of the equipment, if any. This would be a substantial cost and would not be a financially responsible alternative.

Q. Do you consider it fair for Idaho Power to refuse to sell the equipment to you at a fairly negotiated value?

A. No.

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

A. We have paid for our current facilities-charge equipment more than three times already at the Don Plant. I believe that Idaho Power has already recovered its initial costs and any authorized rate of return several times over. At this point, it would only be fair to simply turn ownership of these facilities over to J.R. Simplot Company.

In addition, I believe it is imperative that the Commission seriously reform the facilities charge structure and stop this unfair business practice. I fully support the recommendations contained in the direct testimony of Dr. Don Reading, which would make the monthly charge fair for those customers who wish to pay it and would provide reasonable mechanisms by which customers may take over ownership of equipment on their own property.

Q. Does this conclude your testimony?

A. Yes.

/

/

/

353 Del Butler, DI 5
ICIP

♀

(The following proceedings were had in open hearing.)

MR. RICHARDSON: Madam Chair, Mr. Butler

is available for cross-examination.

COMMISSIONER SMITH: Thank you. Mr. Otto.

MR. OTTO: No questions, Madam Chairman.

COMMISSIONER SMITH: All right, Mr. Nelson.

MR. NELSON: No questions.

COMMISSIONER SMITH: Olsen.

MR. OLSEN: No questions.

COMMISSIONER SMITH: Purdy.

MR. PURDY: None. Thank you.

COMMISSIONER SMITH: Klein?

MR. KLEIN: None, thanks.

COMMISSIONER SMITH: On the Company.

MR. WILLIAMS: Yes, Madam Chair, just a few.

CROSS-EXAMINATION

BY MR. WILLIAMS:

Q Good afternoon, Mr. Butler.

A Good afternoon.

♀

Q Your testimony states that you're the former manager of the Simplot Don plant; is that correct?

A That's correct.

Q And in what years were you the plant manager?

A From 1998 to 2007.

Q Okay. What does the term or phrase "special contract" mean to you in the context of your electric utility bills?

A I don't know that it necessarily --

MR. RICHARDSON: Could you give me a reference to the testimony?

MR. WILLIAMS: I'm just asking if the phrase "special contract" means anything to the witness. I'm not asking about his testimony.

MR. RICHARDSON: I'm just wondering where in his testimony you find that.

MR. WILLIAMS: I'll rephrase the question, Madam Chair.

COMMISSIONER SMITH: Thank you.

Q BY MR. WILLIAMS: Are you aware that Idaho Power has a special contract with Simplot for the electric service it provides to the Don plant?

A I don't know that I would characterize it

as special. I was aware of the working agreement that we've had with Idaho Power for a number of years from working at the Don plant.

Q So are you aware that the most recent special contract between Idaho Power and Simplot for providing electricity service to the Don plant was negotiated in 2004?

A I don't know that I would characterize that there was a special contract, once again.

Q Are you denying that a special contract, Schedule No. 29, exists between Idaho Power and Simplot for the Don plant?

A I'm not denying that there was one that existed. It's not one that I had seen.

Q So to be clear, you were the plant manager during 2004, but yet, you weren't a party for Simplot's side for negotiating the terms and conditions of that agreement?

A No, I was not.

Q So then you wouldn't be aware that that special contract explicitly contains a provision whereby the Company agrees to provide the facilities charge service and Simplot specifically agrees to pay the facilities charge service?

A Over a number of years of working within

the facility I was aware that there was a facilities charge. The exact circumstances that were and conditions around that facilities charge were never presented to me in writing or asked for approval or sign-off.

Q So I guess who at Simplot, then, negotiated that agreement or would have been responsible for negotiating that agreement?

A I would anticipate that the individuals back at that time may have been David Hawk would have been involved in the negotiation of the contract and then someone from the senior executive staff with signing authority would have signed that particular agreement.

MR. WILLIAMS: No further questions for this witness, Madam Chair.

COMMISSIONER SMITH: Thank you. Do we

have any questions from the Commissioners?

COMMISSIONER REDFORD: No.

COMMISSIONER SMITH: Any redirect?

MR. RICHARDSON: No redirect, Madam Chair.

COMMISSIONER SMITH: Thank you very much, appreciate your being here.

MR. RICHARDSON: Madam Chair, may this witness be excused?

COMMISSIONER SMITH: Seeing no objection,

this witness is excused.

EXHIBIT #8-A

facilities subject to the facilities charge, as well as the proper level of the Energy Efficiency Rider. My testimony will address these two unresolved issues.

Q. Lets turn to the first section of your testimony. Could you please describe the currently effective facilities charge on Idaho Power's system?

A. For Schedule 9, 19 and Special Contract Customer Schedule 29, the facilities charge currently is a 20.4% annual charge, which is assessed on customers' bills as a 1.7% monthly charge. The charge is the Company's rate recovery mechanism for the Company's

/

/

/

investments in Company-owned distribution facilities that are on the customer's property beyond the point of delivery. These facilities are usually comprised of poles, wires, transformers, switches, meters, etc., that are needed to provide power to the customer. The principal investment amount on which the customer is charged 20.4% annually is the total of the undepreciated sum of all the investments the Company has made in equipment currently in use at the individual customer's premises, irrespective of the year the investment was made. In other words, the Company's facilities charge imposes a 20.4% annual payment on the initial investment in the Company-owned distribution facilities on the customer's property. The principal investment amount changes only when a new piece of equipment is installed or existing equipment is replaced. If a piece of equipment is replaced, the investment amount for the original equipment is removed from the investment total and replaced by the cost of the new replacement equipment.1

Q. Could you provide an overview of your recommendation with regard to Idaho Power's facilities charge?

A. As I will explain in more detail below, I recommend that Idaho Power's proposed revised facilities

charge percentage of 17.00% should be re-calibrated to take into account the lower rate of return and other cost components that will result from approval of the Stipulation in this case. I also recommend that the Commission require the Company to calculate the monthly facilities charge using the depreciated value of the initial investment in distribution facilities in

/

/

/

---

1 There is no facilities charge language or percentage charge amount contained in tariffs for Schedules 1, 7, or 15, however the Company's cost of service study in this docket indicates $128,677 (2.1%) of the total facilities charge revenue is being collected from customers in these rates classes. There is facilities charge language and the 20.4% annual rate contained in Schedule 24, but there is no facilities revenue collected from that class.

use at a customer's premises, not Idaho Power's existing and proposed method which ignores depreciation regardless of the age of the equipment. Further, I recommend that the Commission require Idaho Power to provide customers with the option to own or purchase facilities charge equipment based on a fair calculation of the depreciated book value of the facilities. Finally, I recommend several changes to the facilities charge tariff and recommend notices be sent to customers to provide for, and inform customers of, the charge and the ownership options.

Q. How much does the Company receive in facilities charges revenue annually?

A. According to the cost of service study filed in the current docket, Idaho Power expects to collect $6,020,018 for these facilities beyond the point of delivery from customers for the test year. The following pie chart displays the revenue collected from each customer class.

/

/

/

Graph 1

As depicted above, three-fifths of the revenue (61%) is collected is from Schedule 19 customers,

/

/

/

♀

with 26% coming from Schedule 9 customers, and 9% from the J.R. Simplot Company Special Contract Schedule 29 for facilities at their Don Plant in Pocatello. These three customer classes make up 96% of the total facilities charges collected.

Q. You stated that Idaho Power is charging Schedule 9, 19, and 29 customers for Company-owned facilities beyond the point of delivery at a rate of 20.4% annually. How does the Company derive this 20.4% rate?

A. When I began investigating the derivation of the facilities charge amount in March 2010, I reviewed the Commission's docket that discussed facilities charges. I found the most recent Commission Order addressing the derivation of the facilities charge was Case No. U-1006-298 in 1988. In Order 21836 in that case the Commission stated:

This case was initiated by Idaho Power's Application on August 27, 1987, to implement a new line extension tariff Schedule No. 71. By Order No. 21475 issued in this case and in Idaho Power's general rate Case No. U-1006-265A, we added two additional issues at the behest of several Idaho cities:

(1) Are the existing charges in tariff Schedules

15 and 41 providing for 1.75% monthly rate for underground/overhead costs differences in line extension requests excessive?

(2) Is the existing charge in tariff Schedule 19 for 1.7% monthly facilities charges excessive? These issues were residual issues that through inadvertence were unaddressed in Case No. U-1006-265A. No party opposed these existing charges at either the prehearing conference or the hearing in this proceeding. The Cities did not

/

/

/

> participate in either. The Staff stated that it reviewed the charges and that the charges were reasonable. Accordingly, we find that the two charges in question are reasonable and lay this issue to rest.2

The cities addressed the facilities charge issue in the original case, however the issue appears to have been overlooked and not litigated. There have been no orders since the 1987 review of the methodology, and the methodology and its inputs have been the same for at least the past 23 years.3

Q. Please describe how the Company justified the 20.4% annual rate in 1987.

A. The philosophy behind the development of the facilities charge is to calculate a charge to the individual customer that mirrors the costs the Company would incur for an equivalent investment. The charge is intended to cover costs associated with the investment and operation of distribution equipment on the customer's property such as taxes, operations and maintenance, administration and general, etc., and provide the Company with a fair return on its investment just like any other rate based equipment. Specifically, the Company has determined the facilities charge should be made up of nine elements. Table 1 below indicates the percentage

levels for each of the elements filed by

/

/

/

---

2 Order No. 21836, Case No. U-1006-298 (1988).

3 In Order No. 29576 approving the currently effective Special Contract between Idaho Power and the J.R. Simplot Company, the Commission stated, "Section 7.2 of the 2004 Agreement sets forth the monthly Facilities Charge that Simplot agrees to pay for the use of the Company's distribution facilities. Under the 2004 Agreement, the monthly facilities charge remains unchanged at 1.7% per month." Order No. 29576, Case No. IPC-E-04-14, at p.2. That order did not analyze the facilities charge methodology.

Idaho Power in Case U-1006-298.

Table 1

Summary Facilities Charge
Costs Schedule 19; U-1006-298

Rate of Return	9.902%
Depreciation	0.560%
Income taxes	2.119%
Property tax	0.880%
Other taxes	0.250%
Operation & Maint	4.643%
Admin & General	1.556%
Working capital	0.194%
Insurance	0.379%
Total	20.483%
	______
Monthly Rate	1.71%

Q. Do you know how the Company calculated the rate of return factor of 9.902% used in deriving the 1987 facilities charge from Case No. U-1006-298?

A. Work papers filed by Idaho Power in that case indicate that 9.902% was the overall rate of return for the Company in 1987. They assumed a capital structure of 50% debt, 10% preferred stock, and 40% common stock. The Company used 7.976% for debt, 10.140% for preferred

stock, and an equity return of 12.250% for a weighted cost of capital of 9.902%.
/
/
/

372 Dr. Reading, DI 6
ICIP

♀

Q. Has the rate of return in the facilities charge been 9.902% since 1987?

A. Yes. The Company has not updated the charge since 1987.

Q. Is this calculation consistent with the Company's authorized rates of return since 1987?

A. No. Idaho Power's current weighted cost of capital is 8.18%, and it has been below the level used in the 1987 facilities charge calculation since 1994. In fact, the rate of return component for the facilities charge has been higher than Idaho Power's authorized rate of return since 1994. I have attached as ICIP Exhibit No. 302 Idaho Power's Response to ICIP's Production Request No. 28, wherein Idaho Power sets forth its Commission-approved authorized rate of return in general rate cases since 1987. The authorized rate of return was set at 9.199% in 1994, 7.852% in 2002, 8.1% in 2005, 8.1% in 2007, and 8.18% in 2008. At all times since 1987, the rate of return component of the facilities charge has been 9.902%, which has exceeded Idaho Power's actual authorized rate of return for the last 17 years, at times by as much as 2.05 percentage points.

Q. Has Idaho Power explained why it has not lowered the authorized rate of return in the facilities charge since 1987?

A. Idaho Power's response contained in ICIP Exhibit No. 302 is that Idaho Power conducted "periodic validations" to verify that the facilities charge was accurate. Prior to this general rate case, other representatives of the ICIP and I met with Idaho Power to discuss this charge and the failure to update the rate of return since 1987. The Company indicated they believed that the depreciation rate was set too low at 0.560% in 1987, and according to the Company, depreciation should have been set at a straight line value for 31 years at 3.226% (1/31=.03226). According to the Company, the over-statement of the rate of return and the

/

/

/

understatement of the depreciation rate essentially canceled each other out so the impact on the overall rate would not change significantly.

Q. During those meetings before this rate case, did the Company state the charge was still accurately set at 20.4% annually?

A. The Company did provide the ICIP with an updated facilities charge calculation based on 2009 actual charges that would result in a facilities charge rate that would be essentially the same as the one calculated 23 years ago. The Table 2 below displays the updated value supplied by Idaho Power prior to this rate case, with the percentage differences from the calculation approved in 1987.

Table 2

(Table contained in hard copy of transcript.)

Q. Has the Company filed for a new facilities charge in this general rate case?

A. Yes. The Company has proposed a new facilities charge calculation, which is set

/

/

/

376 Dr. Reading, DI 8
ICIP

♀

forth in Mr. Scott Sparks Direct Testimony and Exhibits. The Company's proposal before the Commission in this case is to lower the percentage rate, and it therefore appears to concede that the 20.4% charge has been set too high.

Q. What is the Company's proposed revision to the charge in this case?

A. For Schedule 19, the Company has proposed a rate of 16.92% rounded up to 17% annually, or 1.41% monthly, and still proposes to assess that charge as a monthly percentage of the undepreciated initial investment in all distribution facilities installed at an individual customer's premises in the month of the charge. Because the Company's charge for Schedule 9 cross references the charge for Schedule 19, this 17%

annual charge would also apply to Schedule 9. The Company has also proposed to update the rate for Schedules 15 and 41, but those parties do not appear to challenge the charge.

Q. Are you challenging how the Company derives the facilities charge in this case?

A. Yes. A charge of 17% annually assessed into perpetuity against the initial investment in equipment that will never be amortized or depreciated is an excessive charge. The percentage rate should be calculated based on the lower rate of return and other

costs contained in the Stipulation adopted in this case. Most importantly with regard to arriving at a fair calculation of the monthly charge, the principal amount of the initial investment in distribution facilities must be depreciated over time as the equipment ages, just as the principal amount of any other rate based asset depreciates over time. As I will explain below, to treat the facilities charge otherwise would result in individual customers subsidizing the rest of the customer class and, depending on how the over-charge is actually credited or not credited to other customers,

/

/

/

378 Dr. Reading, DI 8
ICIP

♀

may even over-inflate Idaho Power's revenues for equipment that is partially or wholly depreciated.

Finally, I recommend that the Commission allow certain customers to take over ownership and control of distribution facilities on their property under more fair and reasonable terms than Idaho Power has offered to date.

Q. Could you please explain in detail how the facilities charge is calculated and impacts rates?

A. According to work papers and discovery responses the Company has provided to ICIP in this case, the Company appears to derive the facilities charge rate by using costs from distribution facilities equipment on the Company's own side of the meter. The Company initially includes all of the distribution equipment, including the equipment subject to the facilities charge in the Company's rate base. But the Company has identified the components of standard distribution equipment that it believes should be allocated to an individual customer for use of distribution facilities on the customer's own property. The Company has used FERC

Form 1 account figures to calculate the percentage amount for each identified component that it believes it would need to recover from an individual customer to recover the amounts that it has placed in rate base for these

distribution facilities on the customer's side of the meter. In that manner, the Company calculated the individual components of the facilities charge set forth in the tables above, including income taxes, property taxes, other taxes, operations and maintenance, administration and general, working capital, and insurance. Along with rate of return and depreciation, these components make up the Company's estimated charge to the individual customer for its use of the distribution facilities on its property.

The sum of these nine components is the annual facilities charge rate. The product of the

/

/

/

monthly rate and the value of the initial undepreciated investment in the distribution facilities on the individual customer's property is the customer's monthly facilities charge. For example, if the Company's total initial investment in equipment in service at a customer's premises was $100,000, that customer would pay 1.41% monthly, which is $1,410.00 each month or $16,920.00 per year, for that equipment and any needed maintenance.

Once the Company receives the facilities charge revenue from the individual customer, it "credits" that revenue back to that individual customer's class in the cost of service model. In theory, the credit thereby makes the rest of the class whole for the distribution facilities and services already included in rate base for the whole class. The credit should directly offset the cost of the distribution facilities already included in rate base for that customer class. I have included ICIP Exhibit No. 303, which is the Company's explanation of how this "credit" mechanism works in its Responses to ICIP Production Request Nos. 6, 7, 46, and 47.

Q. You stated earlier that the facilities charge does not take depreciation into account. Does the distribution equipment subject to the facilities charge depreciate in rate base?

A. Yes. This is the major failure in the rationale of the facilities charge. Facilities charge revenues are treated as a credit back to the customer's class, and hence reduce the revenue required from that class when rates are set in a general rate case. As I stated above, the value of the facilities charge revenue and its credit back to the customer class's revenue requirement should directly mirror the costs already included in the customer class's revenue requirement for that customer's distribution facilities. The Company does not account for the fact that the Company is depreciating the same equipment in rate base while at the same time charging individual facilities charge customers for the accumulation of original, undepreciated

/

/

/

382 Dr. Reading, DI 9a
ICIP

costs - irrespective of the age of the equipment. This means facilities charge customers are compensating the Company for a portion of rate base that has already been depreciated. In some instances, it appears that equipment was fully depreciated by the time the Company even began utilizing the facilities charge, yet the Company began charging individual customers the facilities charge on the full initial value of the completely depreciated equipment.

ICIP discovered this treatment only after extensive discovery requests. I have included, as ICIP Exhibit 304, Idaho Power's Responses to Production Request Nos. 21, 22, 23, 24, 25, 45, 60, 64, 65, 66, 67, 69, and 71. Through these responses the Company explains the lack of depreciation. The Response to ICIP Request No. 65 is most direct - "The use of depreciated values has never been approved by the Commission and the Company has never used depreciated values to calculate monthly facilities charges."

Q. Do you think this is fair rate treatment?

A. No. This treatment either amounts (1) to an unfair subsidy from individual facilities charge customers to other ratepayers, or (2) if the Company is not crediting the entire amount of facilities charge revenue back to the customer class, this treatment could

be resulting in the Company being overcompensated for depreciated assets. It is not entirely clear to me what the impact of the charge is on all customers. For example, the J.R. Simplot Company operates its Don Plant under a Special Contract subject to its own rate class -

Schedule 29. It is not clear how the Company credits back this significant facilities charge revenue from this customer.

Q. What is the Company's justification for this different treatment between the individual customer's facilities charge rate and the amount included in that customer's class's revenue requirement?

A. The Company's justification is not entirely clear to me. ICIP Exhibit 304

/

/

/

♀

contains their justification in Response to ICIP Production Request No. 69(b). The Company stated:

Because the facilities charge calculation is based on a levelized revenue determination method and base rates are determined using a single test period method, there will always be differences in the annual revenue requirements determined under each method. These timing differences or "subsidies" go in either direction for individual customers depending on the average age of the facilities subject to the facilities charge. For example, a customer with newer facilities will pay less in facilities charges than the actual annual revenue requirement with the rest of the customer class paying the difference through their base rates. The opposite is true for customers with older facilities who pay more in facilities charges than the single-year revenue requirement would suggest.4

This does not really explain the need for this differential treatment, or why the Company cannot calculate the facilities charge based on a single test period method similar to all other rates. It also appears to concede that the charge constitutes a subsidy by individual ratepayers whenever that individual

customer's equipment is "older."

Q. Do most facilities charge customers have "newer" equipment?

A. Not based on the evidence provided by Idaho Power. Idaho Power provided the average age of the facilities charge equipment in Response to ICIP Production Request No. 60, which is contained in ICIP Exhibit 304. The average ages of equipment for the primary facilities charge customer classes are set forth below:

/

/

/

♀

Table 3

Customer Class	Average Age of Equipment
Schedule 9	17 years old
Schedule 19	18 years old
Special Contract Schedule 29	24 years old

This clearly shows that on average customers do not have "newer" equipment, and that individual customers are being overcharged for distribution facilities on their premises. As I explain below, the dollar weighted age of the equipment is even older than these average ages for the customer sites I have analyzed.

Q. What happens if a piece of facilities charge equipment fails prior to expiration of its assumed 31-year depreciation schedule?

A. Again, this equipment does not appear to be failing early on average. However, Idaho Power and other customers do not appear to lose when equipment fails early. When ICIP representatives and I first met with Idaho Power regarding this charge, Idaho Power representatives stated the lack of depreciation in the facilities charge was justified in part because Idaho Power would have to replace any equipment that did not last for its full useful life. Idaho Power believed that if equipment failed and had to be replaced prior to the

♀

31 years assumed in the depreciation schedule used in the levelized facilities charge rate, the facilities charge customer would benefit from Idaho Power replacing that piece of equipment at no additional cost to the customer. But this reasoning overlooks three important points. The insurance mechanisms and effect of early failure of equipment are explained in the Company's Responses to ICIP's Production Request Nos. 14, 15, 16, 18, 53, 54, 58, 70, and 73, which I have included

/

/

/

388 Dr. Reading, DI 13
ICIP

♀

as ICIP Exhibit No. 305.

First, the facilities charge customer pays for "insurance" as one of the components of the facilities charge. Idaho Power has stated in discovery that the actual insurance policy, accounted for in the FERC Form 1 account from which the charge is derived, does not cover losses typical with facilities charge equipment. This is demonstrated in the Company's Response to ICIP's Production Request No. 24(c), where the Company stated very clearly that it has never made an insurance claim for facilities charge equipment. Because the insurance charge to facilities charge customers includes a charge for an insurance policy that does not cover facilities charge losses, that facilities charge insurance revenue should not be considered to be used by Idaho Power to actually pay for the insurance policy. Instead, those payments for insurance from the facilities charge customer could be considered to be used in the aggregate to replace any failed equipment.

Second, Idaho Power has also stated that the replacement costs for facilities charge equipment that fails early are passed onto other ratepayers, including the individual facilities charge customer, through the Company's recovery under its "self-insurance" provisions. That is, customers are Idaho Power's "self insurance,"

♀

and the customers' rates ultimately make the Company whole for any unrecovered expenditures associated with facilities charge equipment which fails prior to the Company recovering its full expenses.

In addition, it can be reasonably assumed, due to inflation, the cost of the equipment replaced will be more expensive than the older failed equipment included in the total amount of undepreciated Company investment. The investment amount would increase, and the charges to the facilities charge customer would therefore increase.

Thus, in the rare case that a piece of equipment fails before completion of the assumed 31-year life, the Company is kept whole by ratepayers "self-insuring" Idaho Power, and the other

/

/

/

♀

ratepayers should be kept whole by the payments for insurance on the facilities charge for an insurance policy that does not cover facilities charge equipment failure. Again, those insurance payments paid by facilities charge customers are credited back to reduce the revenue requirement of the customer's customer class. In sum, the argument that the equipment might fail and have to be replaced prior to the individual customer paying for it completely through the 31-year levelized facilities charge rates is simply not a justification for ignoring depreciation in the facilities charge.

Q. You stated that some of the equipment that was in rate base was fully depreciated at the time the Company began charging the facilities charge percentage of 20.4% against the initial investment of the fully depreciated equipment. Could you provide evidence of that?

A. Yes. In fact, the Company admits this is the case in Response to ICIP Production Request Nos. 65, 66, and 67, contained in ICIP Exhibit No. 304. For example, Idaho Power stated that the oldest piece of facilities charge equipment for a Schedule 19 customer was installed in 1945. That piece of equipment was 31 years old and thus presumably fully depreciated in rate base by the time Idaho Power initiated the facilities charge for

♀

Schedule 19 in 1976. However, Idaho Power admits that it used the value of the initial investment in that piece of 1945 equipment when Idaho Power first calculated the facilities charge in 1976 and has done so ever since in calculating that Schedule 19 customer's monthly facilities charge. The same is true for a Schedule 9 customer still paying a charge calculated against the initial investment on a piece of equipment from 1969, and for the Simplot Special Contract Schedule 29 customer paying for a 47 year old piece of equipment. These items should have long ago been fully paid off by rates, but individual customers are still paying for them.

/

/

/

Q. Do you have any examples of an individual customer with very old facilities charge equipment?

A. Yes. At the request of one ICIP member company, the J.R. Simplot Company, Idaho Power completed a full audit of all of Idaho Power's equipment on Simplot's property. As shown in Graph 2 below the oldest facilities charge equipment for which Simplot is paying the facilities charge dates back to immediately following World War II in 1945.

Graph 2

(Graph contained in hard copy of transcript.)

The oldest items the Company is applying facilities charges to are 66 years old. The items are a transformer and switch installed in 1945 at Simplot's Caldwell plant, which is a Schedule 19 customer. As discussed above, a safe assumption would be that the transformer and switch have

/
/
/

♀

long since been fully depreciated and taken off Idaho Power's books, yet Simplot is currently being charged 20.4% annually for the original cost of the transformer and switch when installed in 1945. Depending on how the accounting has been handled in the rate proceedings since 1976 when the Company initiated the facilities charge for Schedule 19, those payments have either been credited back to subsidize the rates of other customers in Schedule 19, or, if not properly credited, the payments may have otherwise increased Idaho Power's revenues above what should have been authorized.

Q. If Customers are paying for facilities installed as early as 1945, is that when the Company began the facilities charge?

A. Apparently not. The Company has explained in Response to ICIP's Production Request Nos. 45 and 64, which are included in ICIP Exhibit 304, that Company records indicate that facilities charges have in place since February 1995 for Schedule 9, January 1976 for Schedule 19, and 1964 for one special contract customer. The Company explained further that prior to implementing the facilities charge provisions, the costs associated with most customer-dedicated distribution facilities installed beyond the Company's point of delivery were included in the Company's general rate base and allocated

to the associated customer class. This would mean, at least for the transformer and switch installed in 1945, that the J.R. Simplot Company began paying facilities charges based on the original cost for a piece of equipment that was 31 years old when the charges began in 1976, and for which customers had already paid for 31 years.

Q. Do you have any information regarding the total amounts paid in facilities charges and the accumulated original cost of the equipment for any customers?

A. The data we have is, again, for the J.R. Simplot Company. As shown in Graph 3

/

/

/

396 Dr. Reading, DI 17
ICIP

below, it is apparent that Simplot has paid an amount in facilities charges several times over the cost of installed equipment with plenty left over for fair operation and maintenance expenses. At two of Simplot's plants, Caldwell and WSI, Simplot has paid in facilities charges more than four times the accumulated original costs of the equipment currently installed.

Graph 3

(Graph contained in hard copy of transcript.)

397 Dr. Reading, DI 18a
ICIP

♀

Q. Who decides whether the Company can place distribution equipment on the customer's property and charge the customer the monthly facilities charge rate?

A. According to the Company's tariffs, the Company has the sole option to place equipment on the customer's premises. The tariffs for Schedules 19 contains the following

/

/

/

398 Dr. Reading, DI 19
ICIP

♀

language:

At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.

According to this language, Idaho Power can place distribution facilities on a customer's premises without even asking the customer for permission to enter their property. Additionally, the Company can refuse a customer's request for the Company to provide distribution facilities on the customer's property even if the customer is willing to pay the facilities charge.

Q. Are you aware of whether the Company obtains any formal consent from customers prior to placing distribution facilities on their property and charging the customer for such equipment under the facilities charge?

A. I have included ICIP Exhibit 306, which contains Idaho Power's Responses to ICIP's Production Request Nos. 19, 20, 57, and 72. Those responses explain

Idaho Power's position on its authority and the customer's consent that it obtains. To summarize, Idaho Power has stated that it only places facilities beyond

the point of delivery after it receives a request from a customer, but Idaho Power has not obtained written consent from customers in the form of a uniform contract or otherwise. Idaho Power believes a customer's request and the tariff itself provides it with adequate legal permission to enter onto a customer's property and to subject the customer to the facilities charge for whatever equipment the Company chooses to place there. In 2010, Idaho Power began requesting that customers sign a "Service Request form" indicating that the facilities charge will be added or adjusted on a monthly power bill. However, even this form does not contain any express explanation of the charge that would allow customers to

/

/

/

♀

understand they are agreeing to pay 20.4% annually on the initial investment of an asset that will never be depreciated.5 Also, Idaho Power has not stated that it keeps any formal record of customer "requests" prior to 2010.

Q. Can customers purchase the distribution facilities on their property for the remaining book value in order to stop paying the charge?

A. Idaho Power does not appear to be allowing that option at this point in time. I have attached ICIP Exhibit No. 307, which contains the Company's Reponses to ICIP's Production Request Nos. 9, 10, 11, and 68 on this issue as well as correspondence between the ICIP representatives and Idaho Power representatives in the year prior to this rate case. The Company allowed one customer - the Sinclair Oil Company dba Sun Valley Co. -- to purchase distribution facilities at remaining book value in Case No. IPC-E-05-16. However, the Company has now taken the position that it will not sell distribution facilities to other customers.

Q. Are you aware of any customers who have tried to take over ownership and control of all distribution facilities on their premises and thereby stop paying the charge?

A. Yes. As described in greater detail in ICIP

♀

Witness Don Sturtevant's Direct Testimony and evidenced in letters and emails contained in ICIP Exhibit No. 307, there were discussions in the past year between Simplot and Idaho Power for the potential sale of the facilities subject to the facilities charge. During the course of the discussions Idaho Power made the decision that it would not be willing to sell the facilities, at any price, to the customer. Idaho Power stated that the factors that went into that decision were: (1) the Company's statutory obligation under I.C. 61-328 to hold other customers harmless in selling utility owned assets; and (2) the way the Company runs its business as a regulated public utility.

/

/

/

---

5 See ICIP Exhibit No. 306, p.6.

Q. Please explain your understanding of why the Company believes it cannot hold other customer's harmless in a sale of the assets at book value?

A. According to Idaho Power, any reduction in facilities charge revenue through the sale or removal of the Company's equipment would result in significant increases in rates for the customer class that was being credited with those specific facilities charge revenues. Because of the credit back to the customer class's revenue requirement, Idaho Power believes that a reduction in facilities charge revenue after the sale of the facilities charge equipment would result in a corresponding increase in the revenue requirement for that customer class.

This approach ignores the other side of the facilities charge equation. For example, should the customer purchase the facilities, the rate base and maintenance costs assigned to that customer class would be reduced because the Company should remove the equipment from the revenue requirement altogether. If the Company no longer owned the facilities, then it would no longer incur the other costs that are used in the calculation of the facilities charge. The charges that should no longer exist anywhere in the Company's revenue requirement would include taxes, insurance, operations

and maintenance, administrative and general, and working capital. The customer class's revenue requirement would be "credited" with the book value "sale price" paid by the individual customer, and the class would thereby be kept whole. For longer lived assets discussed above dating back to 1945, the customer has paid for the equipment several times over and has been subsidizing other ratepayers. If the facilities were sold for their depreciated value of zero dollars, the Company and other customers would still be made whole and the associated costs would cease. Basically, if the facilities go away then all the costs should also go away as well. If the customer pays the depreciated book value, the two sides of the equation balance out and should keep all parties whole. But as I testified earlier, Idaho Power is

/

/

/

♀

not willing to agree to this arrangement.

Q. Has Idaho Power provided customers with any option to ever stop paying the charge once Idaho Power places distribution facilities on the customer's property?

A. The tariff only provides an option for the customer to pay Idaho Power to remove the facilities. The tariff for Schedule 19 states:

In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or charge. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

Q. How would that process work?

A. I have included ICIP Exhibit No. 308, which includes the Company's Response to ICIP's Production Request Nos. 12 and 51 and two letters regarding the removal option. To summarize, it would be a time consuming and difficult process for the customer, which

would include shutting off power to the customer's facilities. Although this option has been in place for some time now, it appears that no customers have exercised this option. I am aware that J.R. Simplot Company has expressed interest in exercising this option to the Company after the Company refused to sell the equipment. The Company has recently responded with an outline of a very complicated valuation process to even provide the customer with an estimate of the cost of removal. In fact, the Company suggested that J.R. Simplot Company must pre-pay Idaho Power to even obtain a removal cost estimate and removal plan before they can even determine the cost.

/

/

/

The actual removal process may require "multiple project plans that reflect phased work efforts." I have included the Company's letter to the attorney assisting J.R. Simplot Company, which explains the Company's removal proposal in ICIP Exhibit No. 308.

Q. What are your thoughts on that option the Company has provided?

A. It is entirely unreasonable and unnecessary. The customer has obviously paid for its equipment many times over, and rather than agree to sell the equipment or arrange some mechanism that will not require interrupting service, Idaho Power is now insisting on an unnecessary removal process. It is not even clear that Idaho Power will be able to find a use for all of the J.R. Simplot Company equipment if it is removed, which would of course increase the removal cost to J.R. Simplot

Company. From an economist's perspective, this makes no sense at all when the equipment is already being used in an efficient manner. The Company should not provide removal as the only option because the Company has now proved that it is an unworkable and unrealistic option.

There are valuable benefits to the customer of owning its own facilities, and the Company should provide its customers with a realistic and fair opportunity for such ownership. If a customer owned the facilities on

their property, the customer could maintain them and not be required to compensate Idaho Power for their rate of return. Customers could also take advantage of any depreciation and tax benefits. Also, as described in Mr. Don Sturtevant's testimony, there are considerations with making sure the customer is adequately insured for any accidents that may occur on its own property, which may compel certain customers to prefer to own the equipment themselves.

I understand that when J.R. Simplot Company approached Avista Utilities with very similar concerns regarding that company's facilities charge for a plant in Washington, Avista

/

/

/

408 Dr. Reading, DI 22
ICIP

♀

agreed to sell the facilities to J.R. Simplot Company and to reduce the facilities charge to a fair operations and maintenance level. It is not clear why Idaho Power cannot do the same for its customers.

Q. Idaho Power's proposal is to lower the facilities charge from 20.4% to 17.00% annually. What are your comments on that proposal?

A. Updating the percentage is a good start, albeit long overdue. Also, the Company's proposed facilities charge percentage would need to be recalculated to match the costs contained in the Stipulation. For example, the proposed facilities charge rate in the rate case filing was based on the Company's current weighted cost of capital of 8.18%. The Stipulation specifies 7.86% rate of return on page 4. Therefore, the rate of return component would need to be adjusted downward. Also, the Company requested a revenue increase of approximately $83 million; the Stipulation reduces that request by $43 million down to $34 million. The corresponding deceases in the FERC Form 1 accounts used to calculate the facilities charge should also be updated to ensure that the charge and its credits back to each customer class closely match the value of the assets contained in that class's revenue requirement. Further, as described below, I recommend that the revised percentage be

calculated against the depreciated value of the initial investment using appropriate amortization schedules discussed further below.

I also recommend that the Commission consider investigating the components of the proposed charge other than the lack of depreciation. The FERC Form 1 accounts used for the calculation the facilities charges are based primarily on the Company's distribution system. However, depending on the customer, the cost to Idaho Power for the facilities could vary

/

/

/

significantly. For example, the Operation & Maintenance component charge in the proposed rates is 3.58% which means the Company is collecting $1.25 million annually to maintain facilities on the customers' properties. Because these facilities are on a customer's property, in many cases, they would require significantly less attention than distribution systems located on public roads or in rural areas. A time and materials charge to each individual customer may be more appropriate than this system wide average calculation. Each of the individual components that make up the facilities charge could be subject to similar analysis. For customers who wish remain on the facilities charge, I would recommend the Commission open a docket to examine the equity of each of the elements that make up the facilities charge.

Q. What are your overall recommendations for changes to the ownership options for facilities charge equipment?

A. Over a 15 year time period at an annual interest rate of over 14%, the payback equals 2.5 times. Thus, I propose it would be fair for the Company to assign ownership of facilities charge equipment to existing facilities charge customers who have paid overall facilities charge rates of more than 2.5 times the original cost for the equipment currently installed.

For example, the J.R. Simplot Company has paid for their equipment 3.4 times, when a firm has paid this many times over it would seem fair that they should be allowed to just assume ownership. For existing facilities charge customers who have not paid more than 2.5 times the original cost, I propose that the Company provide such facilities charge customers with the option to purchase the facilities at depreciated book value for each piece of equipment based the Company's Commission-approved depreciation schedule for that specific type of equipment.

I also recommend that the Commission direct Idaho Power to implement an ownership option which allows the customer to take over ownership of the equipment and pays a "limited

/

/

/

♀

facilities charge" for the Company's ongoing operation and maintenance expense. This was the resolution that J.R. Simplot Company reached amicably with Avista Utilities in Washington, and it would likely be useful to

Idaho customers who would like to have Idaho Power continue to operate and maintain the equipment necessary for delivery to the customer.

Q. Do you have an alternative proposal for a purchase price if the Company believes it is unable to calculate the depreciated book value for each piece of equipment based the Company's Commission-approved depreciation schedule for that specific type of equipment?

A. Yes. I believe that the remaining book value can be approximated by calculating the initial value of all equipment installed at a customer's facility by an appropriate depreciation schedule that would apply to all facilities charge equipment. An appropriate depreciation schedule can be estimated by determining the dollar weighted age of the facilities charge equipment at actual customers' premises with facility charge equipment. Calculating the dollar weighted age of the equipment provides a more accurate picture of the economic or rate impact of the equipment's age than a simple average age of the equipment would provide. Using data supplied by

the J.R. Simplot Company for the Caldwell Plant and the Don Plant, I developed a dollar weighted age of facilities charge equipment. This first requires a simple calculation of the original cost of the equipment multiplied by the age for each item. Next, I calculated the percent of the total facilities charge dollar amount for each year beginning when the oldest piece of equipment was installed to the present. The results are shown in Graphs 4 and 5 below.

/

/

/

♀

Graph 4

(Graph contained in hard copy of transcript.)

Graph 5

(Graph contained in hard copy of transcript.)

♀

As can be seen in Graph 4 for the Caldwell Plant, approximately half (49.2%) of the cumulative amount of the dollar weighted age of the facilities charge equipment pre-dates 1975. In other words, from a dollar value perspective, half of the equipment was installed prior to 1975. That was 30 years after the first piece of equipment was installed by Idaho Power, and 36 years ago from the present. For the Don Plant, depicted in Graph 5, with the first piece of equipment installed in 1964, 60% of the dollar weighted age of the facilities charge equipment predates 1986, which is 25 years ago. The Company uses 31 years in their calculation of the depreciation component of the facilities charge rate.

However, Graphs 4 and 5 demonstrate that, from a dollar value perspective, much of the equipment at these two actual customer sites is well beyond its 31-year life expectancy, and J.R. Simplot Company has been paying for much of the equipment long after it has been fully depreciated in rate base. Because these dollar-weighted ages of much of the equipment at these representative customer sites show that the customer has already paid for fully depreciated assets beyond Idaho Power's assumed 31-year life, customers should be entitled to purchase the equipment at the remaining book value on a more accelerated depreciation scale than Idaho Power's assumed

31-year scale.

Each customer's facilities would have a different dollar weighted age profile, but these representative customer sites demonstrate that an accurate calculation of remaining book value would require the Company to use a depreciation schedule far shorter than 31 years. Otherwise, customers will get no credit for their ongoing payment for facilities charge equipment that has long been fully depreciated. Thus, if Idaho Power cannot calculate the actual remaining book value, I recommend for simplification and compromise that customers be allowed to purchase the equipment from Idaho Power at a depreciated book value using a 15-year straight line depreciation schedule.

/

/

/

417 Dr. Reading, DI 27a
ICIP

♀

Q. How do you propose the Company modify the facilities charge for those customers who do not want to buy the equipment from the Company?

A. I recommend that Idaho Power's proposed facilities charge percentage of 17.00% annually be re-calibrated for the costs contained in the Stipulation, and going forward be adjusted consistent with general rate case results. I also propose that the re-calibrated percentage amount be charged against the depreciated value of the equipment using a 15-year straight line depreciation schedule for equipment already installed, and the Company's approved depreciation schedule for the specific type of equipment for any new or replacement equipment.

Q. Do you have any other recommendations?

A. Yes. I recommend that the Commission require Idaho Power to inform each facilities charge customer in writing within 90 days informing customers of the facilities charge and its costs over the life of the equipment and to inform them of their ownership options outlined above. This should include a disclosure showing payoff amounts at different milestones, effective interest rates and other components of the charge and require written consent from the customer. The buy-out option described above should be clearly provided for in

♀

the tariff. Also, the tariff itself should state that a customer can choose to own its own distribution facilities, rather than be stated in a manner that appears to provide only the Company with the option to decide whether to sign a customer up for the facilities charge. Finally, Idaho Power should allow for a mix of ownership between the Company and customers on customer property. That would allow the customer to have the choice of which equipment will be owned by itself or be subject to the facilities charge.

Q. Does that conclude your facilities charge testimony?

A. Yes.

/

/

/

♀

Q. You stated earlier that you would also testify as to the Energy Efficiency Rider percentage. Could explain that issue?

A. The current level being collected by the Energy Efficiency Rider (EE Rider) is 4.75% of a customer's base rates. The Company has proposed moving the recovery of approximately $11.3 million projected for three demand response programs' incentive payments into "normal" base rates as a net power supply expense rather than being collect through the EE Rider.6 At the current level of Company's sales revenue, leaving the EE Rider rate at 4.75% after removing the $11.3 million of demand response costs would mean Idaho Power would collect approximately $7.5 million more than the current level of overall demand side management expenditures.

Even though some demand side management costs will be collected in base rates rather than through the EE Rider, the overall rate impact of Idaho Power's proposal on customers is the same as increasing the Rider by $11.3 million. If the EE Rider is left at 4.75%, and the demand response programs are moved to base rates, customers would be effectively paying the equivalent of a 6.1% EE Rider. A dollar for dollar reduction in the rider from removing the $11.3 million demand response incentive programs would equal an EE Rider of

♀

approximately 3.8%.

Q. What is your recommendation for the treatment of the EE Rider in this case?

A. A dollar for dollar reduction to 3.8% may be an equitable and justifiable path, particularly since this is how I understand the Commission treated Rocky Mountain Power's EE

/

/

/

---

6 Idaho Power Application, IPC-E-11-08, p.6.

♀

Rider after one of its conservation programs was moved out of the rider.[7] However, the ICIP fully supports the Commission Staff's testimony and recommendation of lowering the EE Rider to 4.0%.

Q. Does this conclude your testimony?

A. Yes.

---

7 Order No. 32196, Case No. PAC-E-10-07, p.26.

(The following proceedings were had in open hearing.)

MR. RICHARDSON: Madam Chair, Dr. Reading is now available for cross-examination.

COMMISSIONER SMITH: Thank you. Mr. Otto, do you have questions?

MR. OTTO: Unfortunately I do not, Madam Chair. It's always fun to talk to Dr. Reading.

COMMISSIONER SMITH: Mr. Nelson.

MR. NELSON: Thank you. No questions of this witness.

COMMISSIONER SMITH: Olsen.

MR. OLSEN: No questions, Your Honor.

COMMISSIONER SMITH: Mr. Purdy.

MR. PURDY: No questions.

COMMISSIONER SMITH: Mr. Miller? Ms. Kyler? Nothing from the Staff. How about from the Company?

MR. WILLIAMS: Yes, Madam Chair, a few questions for Dr. Reading.

CROSS-EXAMINATION

BY MR. WILLIAMS:

Q Dr. Reading, I'd just like to start on page 1 of your testimony beginning on the question at line 19 and going over to the next page, you at a high level describe your interpretation of the facilities charge. Do you see that?

A Yes.

Q What does Simplot get in return for the charge?

A They get the facilities that are on their property that are owned by the Company, given either all of it or what's there less what they own, and they get, as one of the Idaho Power witnesses said here, they get 24/7 maintenance on the equipment if something should go wrong.

Q Do you know whether or not the facilities charge rate includes an element for keeping back-up or spare inventory that's specific to those facilities charge customers that are paying the rate?

A I'm trying to think. I would have to look closer within the list to know whether the back-ups would be included. My first impression is they're not, but I would have to go back to the workpapers supplied by the

Company under, for instance, their maintenance charges to see whether there was a FERC account for that that would be loaded into that. I don't recall one.

Q Regardless, though, as part of the service the Company agrees to replace equipment that fails for facilities charge customers?

A Oh, certainly, yes.

Q I think -- let's turn to page 12 of your testimony. I think there's actually a couple of places in here on page 12, beginning on line 18, where you -- I'm sorry, at line 14 where you allege that if the

Company is not crediting the entire amount of the facilities charge revenue back to the customer class, this could result in the Company being overcompensated. Have you or any of the other Simplot witnesses provided any evidence at all that that is indeed the case?

A Do you mean numerically or, I'm trying to think, theoretically or methodologically? I would say there's no calculation that I've made, but as I understand the way ratemaking is done and the way facilities charges are, there is a mismatch between what's in rate base for that particular class and the level of investment that the facilities charge is calculated on for the individual customer.

Let me explain. I think this goes back to

Commissioner Smith's question that I heard her ask earlier and if you ask me the question when Idaho Power installs a piece of equipment or whatever for facilities charges, it takes that total calculated amount and it would be assigned to rate base, and then in the ratemaking procedure, given what we argue about in here all the time how the class allocations go for each one of those, then X percent of rate base would be assigned to that particular customer class. There is a mismatch in the fact that when Commissioner Smith was asking the question, what happens to that group or collectivity of rate base items, such as, you know, I'd have to look at a depreciation study, poles, transformers and whatever, it goes into rate base.

Year after year there is a depreciation

calculation, 3.24 percent, 2.4 percent, whatever that group is, and so in effect, the total amount of rate base that goes in -- that would be assigned to that particular class goes down over time if there were no new investment, and, of course, that's never true, there's new investment, but that amount tends to go down over time, and the original investment amount is depreciated over time, moved to the facilities charge.

In the facilities charge, the original cost of that investment is assigned to that particular

facilities charge customer. That never changes. Whether you ask questions to Mr. Youngblood or Tim Tatum and our negotiations supplied spreadsheets that showed on an average of 31 years or 32 years that it all comes out even. The difference is that original investment, whether it was made in 1955 or '76 or whatever, never changes at all, so the percent, this 1.7 percent or this 1.4 percent or whatever, is timesed by this cumulative amount of original cost rate base over time. That says to me that the facilities charge customer is then paying for what the equivalent is in rate base for the Company, is "overpaying" and if they're overpaying, that's constitutes a subsidy, either interclass or intraclass.

Q Thanks, let's move on. It is your testimony, is it not, that Idaho Power should assign ownership of facilities subject to the facilities charge that are fully depreciated?

A Would you repeat that, please?

Q Is it your testimony that Idaho Power

should assign ownership of facilities subject to the facilities charge that are fully depreciated to Simplot?

A Yes.

Q Would you agree with me that those fully depreciated facilities are used and useful?

♀

MR. RICHARDSON: Madam Chair?

COMMISSIONER SMITH: Mr. Richardson.

MR. RICHARDSON: Is he asking in a legal sense or is he asking in a non-legal sense?

MR. WILLIAMS: Madam Chair, however Dr. Reading would wish to respond.

COMMISSIONER SMITH: Dr. Reading.

THE WITNESS: I would say yes, they're used and useful, and without boring the Hearing Room going back through what I just said a few minutes ago that the difference is they might be used and useful, but Simplot is paying the facilities charge based on the original cost, that is different.

Q BY MR. WILLIAMS: I hear you loud and clear there, Dr. Reading, so would you agree with me that fully depreciated facilities at these locations are not only used and useful, but they may have value?

A Oh, sure, they have value, and I might add if the piece of equipment exceeds that levelization 31-year whatever time period parallel to the way we look at rates, the ratepayer, in this particular case Simplot, has paid for that equipment.

Q So what you're asking, though, really, isn't it, that facilities that the Company owns that are used and useful and which have value, you're not asking

that we simply just give those away, are you?

A I would say that your statement, give it away, if the customer has paid for it, then in my mind it's not giving it away.

Q You don't expect the Company, the Company being Idaho Power, to maintain and operate facilities for free, do you?

A No.

Q Okay. Isn't it true, Dr. Reading, that what you're proposing as part of your testimony is that the Company, again Idaho Power, calculate the monthly facilities charge using the depreciated value of the initial investment in distribution facilities at each customer premises that's subject to the facilities charge?

A That would to me be a fairer approach than the one being currently used.

Q Okay; so would that mean each facilities charge location would have a different rate?

A It wouldn't necessarily -- define "rate." It wouldn't necessarily have a different 1.4 percent or 1.7 percent or 1. whatever. What would be different is rather than the total accumulated original value of that equipment, no matter when it was put in and when it wasn't put in, that base would change and so you would be applying the 1. whatever percent or we'll argue whatever percent, I don't want to give away it's over 1 percent, that it would be charged to a -- each customer would have a different base.

Q Okay, but that different base would be based upon the depreciated value of the equipment as to when it was installed?

A Correct.

Q Dr. Reading, isn't what you're really just talking about is vintage ratemaking, vintage pricing?

A You've got to tell me more.

Q You're saying that each customer should simply have a different rate based upon when the equipment was put into service and when it was depreciated?

MR. RICHARDSON: Madam Chair, he didn't say each customer should have a different rate. He specifically differentiated what he was talking about there.

COMMISSIONER SMITH: I think, Mr. Richardson, this question attempts to get at what Dr. Reading is proposing, so I'm going to allow it.

THE WITNESS: In my mind, and I have to always do this, I'm not a lawyer, you know, if I tried to make a legal decision, you'd be all over my case

immediately, in my mind, no, it wouldn't be vintage, because if you look at the individual components of how the Company calculates the facilities charge, included in those components are rate of return, depreciation, insurance, maintenance, and in my mind, it's the equivalent to the customer buying that equipment over time and, therefore, it wouldn't be vintage ratemaking. That fits with the concept I'm trying to explain here is that the fatal flaw in my mind, a fatal flaw, is that that original investment amount never changes.

Q BY MR. WILLIAMS: Dr. Reading, are you aware of any other utility customers that have the option to purchase facilities over time as part of their regular ratemaking process?

A No, I'm not, but it wouldn't surprise me if I was diligent I couldn't find some.

MR. WILLIAMS: No further questions, Madam Chair.

COMMISSIONER SMITH: Do we have questions from the Commission?

COMMISSIONER REDFORD: I just have a couple of questions.

EXAMINATION .

BY COMMISSIONER REDFORD:

Q In 1958 Simplot orders a piece of equipment --

A Yes.

Q -- that's covered under a tariff.

A You mean Idaho Power installs on Simplot's property a piece of equipment that goes into the facilities charge; is that the question? That makes up the base --

Q I guess maybe that's one of my problems is there are two documents, one that is already in the Idaho Power tariff that says for special contracts, you will pay in addition to the cost of, the yearly cost of, whatever it is or however you purchase it that you're going to pay a facilities charge.

A You said special contract. My understanding and quick reading of the special contract, there is a clause in there that says facilities charges would apply for that special contract.

Q Okay; so at a later date there's a special contract that's a contract like you and I would know where there's signatories on both sides and then the contract terms takes care of that and includes the

tariff.

A Okay.

Q Okay?

A Yeah.

Q You've had two sophisticated parties who are certainly capable of reading the tariff and understanding what facilities charges are, and then you have the special contract and if you add those two together, you have one complete transaction; right?

A Okay.

Q So what's the rub here about enforcing contracts other than for just and reasonable and so on, what's the rub here about enforcing contracts regardless of how long they have been in existence that provide for facilities charges and for a special contract? What's the deal here?

A If I understand your question, you're saying Simplot signed the contract, therefore, they should live with it; is that the essence? You're the lawyer. Would that be a non-lawyer --

Q No, that's pretty basic law.

A Okay.

Q I mean, at what point in time do you come back and say well, wait a minute, we've gotten 32 years here and we made a bad deal and now we want to transfer

♀

this bad deal into some sort of a give-away or a sale of this equipment for a nominal amount. I'm really struggling with this.

A I would say that due to the fact that the charges, be they facilities charges or the approval of the special contract, whenever there is a rate case, special contract customers, just like individual customer classes, are subject to that rate case, what is presented by each party and also what the Commission decides is fair and reasonable, so what you have that is different from virtually all the private party contracts that I know, you have the Commission changing the costs and the terms within that contract every time there is a rate case.

Q Well, when is a contract a contract, then?

A Well, Commissioner, without being smart, you're the lawyer. Let's see, I look at what I read on the sports page and a lot of those contracts don't seem like contracts to me. I would say a special contract in my mind, my non-lawyer mind here, that a special contract with a regulated utility is a different thing than the contract --

Q It's a moving target?

A Yeah, and it moves and everybody

understands it moves and as you move forward and you see different aspects in costs and return, et cetera, every party within a class or the special contract customer can come into the Commission and say hey, whoa, that's not fair, and then the Commissioners say well, that's fair or that's not fair. You do thumbs up, thumbs down, cut the baby in half, whatever you do.

Q Well, it just seems to me that you're in a situation that no one can rely upon a contract, especially if the contract has an expiration date.

A I guess I didn't understand.

Q All right, let's assume we want to put in a generator at Simplot and the price is $500,000 or whatever and we've agreed to pay for that over a period of time, and in addition to that, there's a facilities charge and the contract lasts for five years. Is it up to Idaho Power or Simplot to say oh, no, no, no, it wasn't for five years, it's for 25 years or 35 or whatever? Don't you have difficulty, I mean, with that?

A Okay, and if this isn't responsive, get on my case again.

Q I will.

A For the case -- you wouldn't be shy about it, I'm sure. The individual generator, whatever, for

500,000 that Idaho Power would install on Simplot's property, there is no contract for that. Given the way the facilities charge has been administrated, it would simply -- Idaho Power would install it. They would take whatever the cumulative original cost investment of all those facilities charges had been up to that point and they would add 500,000, so now the 1.7 percent would be applied to an amount that would be $500,000 higher.

Q Well, that in my mind is quite a fiction, if you don't mind me saying, but I've always believed that there should be on all contracts a beginning and an end and at the end, you stop.

A I concur with that analysis and that goes back to the thing that bothers me probably the most about the way facilities charges are being applied is that it's never ending. It's when that original piece of equipment got put in at the original cost. It only ever changes if that original piece of equipment stops working, then Idaho Power would subtract that original cost and add back in the original cost of the newer equipment, which over time is, of course, always higher.

Q And that's according to Idaho Power or according to Simplot or to this Commission or who's it according to?

A According to Idaho Power, the way they

administer and calculate and charge the customer for the facilities charge and that's why I'm here, the lawyers are here, several plant managers are here. They say that is not fair and reasonable.

Q Over a period of time it's not?

A Yes.

Q If you go down and lease a car, you lease the car for five years --

A Correct.

Q -- you pay a certain amount up front.

A Correct.

Q And if you pay your yearly amount and if the engine blows up, they replace it.

A Correct.

Q No charge for replacing it.

A If it's within that leased period, correct.

Q What's the difference between that and this?

A That if you leased the car and the lease payments were calculated on X percent of what the car leasing agency assumed their costs were and that particular car cost $25,000, then the lease -- the analogous the way facilities charges work, the analogous, you would drive that car and you would be charged 1.7

♀

percent of the $25,000 for as long as it worked. If it blew up, if it died, if it did whatever, then the leasing agency would give you a new car. If that new car now had a $35,000 charge, you would pay the 1.7 percent on the 35,000. If not, you would pay that forever; otherwise, you would be buying a lifetime auto lease with a percentage charge based on the original cost of the car.

Q Sure, and that's in the terms and conditions, isn't it?

A Yeah.

Q Have you read one of the special contracts of Idaho Power?

A Briefly, yeah.

Q Does it clearly state that in its special contract?

A No. What it says in addition, you know, it says here's the special contract, the rates are based on whatever. I'm not sure they even say in the contract they'll change on every rate case. The part on facilities charge, it says something as briefly as also subject to facilities charges as listed in tariff X, Y, Z, whatever the applicable tariff is.

Q Putting aside contract law for a minute, what you're suggesting to us is the possibility that

♀

regardless of what's stated in the tariff and what's stated in the contract, we're here to say that's just not right, it's too much and we're trying to come up with some sort of a different type of situation that recognizes the equity of everything we're dealing with?

A Absolutely, yes, sir.

Q Okay, one other question and then I'll stop. The pooling, I understand that when I put in a new generator at Simplot, instead of tracking that generator, it goes into a pool.

A It's added into the total amount of facilities, original cost of equipment for the facilities for that plant. It's just added on there.

Q Okay; so that seems to further complicate the situation, because I could have a piece of equipment that went bad or I wanted to get rid of or I wanted to buy a new one and all of a sudden, instead of buying the new piece of equipment and allowing it to be depreciated over its life, I'm now picking up a portion of the charges for everything that's included in the pool.

A Yes.

Q How is that fair?

A I don't think it is.

COMMISSIONER REDFORD: Okay, thanks. No further questions.

EXAMINATION

BY COMMISSIONER SMITH:

Q Oh, Dr. Reading, I can't let this opportunity go by.
A Thank you, Commissioner Smith.
Q So you've done regulation a long time --
A Yes.
Q -- on different sides. Is this the real world?
A When I was on the Staff, the Commissioners always asked me the hardest questions. Things haven't changed. Regulation isn't the real world. Regulation is --
Q You don't need to characterize it, but just acknowledging that it's not the real world is sufficient.
A No.
Q You know, this isn't a really new issue. It's the same issue as when the widow calls and says I've been in my house 50 years, why do I have to pay a customer charge, my meter is fully depreciated, and we all know the answer to that.
A Yes.
Q And why should it be different here?

A As I explained a little while ago, the facilities charges are based on that --
Q I understand the equity argument and the original cost.
A Okay.
Q Isn't that the same thing we're doing to everybody else?

A My gut tells me no.
Q But your brain can't find an example?
A You need to give me time.
Q I'll give you time while I ask my next question --
A Okay.
Q -- which is, you know, I can't think of any other circumstance where we've told a customer yeah, you're right. You've paid this rate for 50 years. Your equipment is totally depreciated, so it's yours. That doesn't happen, does it?
A Right, I would agree with that and whether you will accept or not, my brain is working --
Q Good.
A -- or at least I think it's working. The difference is, is if you were a retail customer, your rates are made on the average rate base of all the other customers, all right, so your meter, a new meter and an

old meter and we do the averaging and I understand that. In a ratemaking process, there is not this anomaly where you're charging the retail customer, if I would say hey, I want something, something for whatever and I will pay an extra percentage of that over time; otherwise, the difference is, is that the facilities charge that customers pay are back around in a rate case and credited back to that consumer class; otherwise, that's a specific special kind of a charge that is calculated based on that specific customer's desires, wants, et cetera.
When I'm a residential customer, I can

understand why I'm in a pool and I pay like everybody else. The difference is I've got, you know, a million dollars worth of Idaho Power's investment next to my swingset, out in my pasture that my horses have to walk around, that the Company is charging me X percent for that million dollars worth of equipment, and so then Idaho Power would take that amount, roll it back under in this case and credit it back to the residential class, and to me there is a definite difference and distinction.

Q But would it surprise you to know that the very first time that facilities charges, I think, came to my attention, it actually was a residential customer over east of Pocatello who had a facilities charge on their

line extension?

A Okay.

Q And so I mean, it was the same deal.

A How was that handled, may I ask?

Q I think we told the poor woman that that was what the tariff said, but we'll have to research that, but anyway, a utility's customers, they're not out buying equipment, are they, they're buying service; right?

A Wow, from the electric company, they're buying power and depending on who you are, if you're Micron, you buy service, but you pay for the whole substation to get that service.

Q And who owns the substation after you've paid for it?

A Well, in that particular case Micron does.
Q Okay, how about Hoku?
A I'm not familiar enough with them, but if they paid a whole bunch of money to put in a lot of infrastructure to receive service from Idaho Power for their plant, then they would own it.
Q Would you be surprised to learn that Idaho Power owns the substation?
A I have too much gray hair to have things

like that surprise me.
Q Neither here nor there, and I do appreciate and I do understand the percentage is not the issue, it's the original cost is the basis against which the percentage is applied.
A Yes, accumulating over time forever.
Q I've got it.
A Thank you, Commissioner.
COMMISSIONER SMITH: Thank you. Do you have redirect, Mr. Richardson?
MR. RICHARDSON: Just a couple, Madam Chairman, with your indulgence. I neglected to ask Dr. Reading what I consider a housekeeping question. It's not in his direct testimony, but if I could ask him.

REDIRECT EXAMINATION

BY MR. RICHARDSON:
Q Dr. Reading, you were present during the

settlement negotiations of the general rate case?
A Yes.
Q And when the issue of facilities charges was being carved out, was it your understanding that the Schedule 19 facilities charge customers had agreed to accept any increase in costs that are caused by

♀

non-Schedule 19 customers?
MR. WILLIAMS: Madam Chair, I'm going to object. This is way beyond anything in Dr. Reading's testimony and it's actually plowing new ground on a new issue.
COMMISSIONER SMITH: Mr. Williams, I'll certainly give you your opportunity to ask any cross-exam on it, but I think Dr. Reading's understanding of the settlement is relevant.
THE WITNESS: If I heard your question correctly, the clause in the settlement applied only to Schedule 19 customers and changes in whatever impact there would be for Schedule 19 customers only.
Q BY MR. RICHARDSON: And you were being questioned by Commissioner Redford and you were asked if a contract is a contract is a contract kind of thing, the contracts on these special facilities charges reference a tariff, do they not?
A Correct.
Q And is it your understanding with all your considerable gray hair in the utility industry that people signing contracts that reference a rate in a tariff always expect that tariff to be changed down the

road in rate cases?

A Periodically, yes.

♀

Q So although a contract is a contract, it's not really a rate freeze, if you will, forever?

A It is not a fixed rate, yes.

Q And Commissioner Smith asked you about the poor widow complaining about the charge for her meter or whatever, isn't the significant difference here is that the widow is in a rate pool of residential customers that enjoys a depreciating rate base that if there was never any additions to it, it would eventually go to zero, and here we have a pool, the facilities charge customers, that do not enjoy a depreciating rate base?

A If you have a situation where there is essentially negligible rate base added every year, one would expect that their rates would go down over time as the rate base goes down over time and is not added to given whatever happens to expenses.

COMMISSIONER SMITH: And is that even a reasonable hypothesis?

THE WITNESS: I kind of --

COMMISSIONER SMITH: Never mind. That's rhetorical.

MR. RICHARDSON: I thought it was.

COMMISSIONER SMITH: Well, obviously, but --

THE WITNESS: I think I could probably

♀

find one somewhere, some co-op or something.

COMMISSIONER SMITH: Get real.

MR. RICHARDSON: That's all I have, Madam Chair.

COMMISSIONER REDFORD: Could I ask?

COMMISSIONER SMITH: Commissioner Redford.

EXAMINATION

BY COMMISSIONER REDFORD:

Q Dr. Reading, notwithstanding everything else that we're dealing with in this case, the stipulation, which is quite frankly a remarkable document to an extent, it appears that we've spent a great deal of our time trying to talk about a dispute between Idaho Power and Simplot.

A Yeah, I'd say that would be fair and other customers that Simplot has made aware of what is actually going on in the facilities charge, but essentially, yes.

Q Would you suggest that the most appropriate way to resolve this would be to bifurcate this issue, give Idaho Power and the other similarly situated customers and Idaho Power a further opportunity to negotiate this to come out with a just solution and if

that doesn't work to bring it back to us? I see my other Commissioners laughing at me.

COMMISSIONER SMITH: My first comment is that I think that would be a consultant's dream.

Q BY COMMISSIONER REDFORD: I realize that. I want to be a consultant in that case, but I'm just saying that as you know, there are very few issues or disputes that aren't so totally unreasonable at least in my history or lifetime, if the stakes are high enough, they haven't been able to come up with some, if not a full-time, decision, at least some sort of a decision that handles the issues.

A I would answer that in two ways and, Commissioner Smith, I'll answer this straightforward if you won't call Ben in Tallahassee, okay, that one reason that the Industrial Customers of Idaho Power wouldn't sign the stipulation unless this particular issue was carved out was that the negotiations with Idaho Power over this issue have been going on for more than two years and that the zigs and zags that have occurred, such as yeah, we'll sell it, no, we won't sell it, okay, we're going to file a tariff and sell it, that we've pushed to bring it in a rate case setting to try to get it resolved, and I personally would be fearful that if it was punted to a separate docket that it would go on and

on forever and it may be good for consulting, but the Industrial Customers of Idaho Power and Simplot have spent a significant amount of effort and expense in trying to solve this issue and it has gone around and around, so the Commission can do what the Commission will do. I understand that this is a complicated issue and you want to look at it some more, but I would not recommend that.

Q Given the reasonableness of everyone in this room, don't you think that others might say well, that's a fair resolution and we'll go ahead and sign the stipulation and carve this out and have a time set and if it's not resolved, then we've got most of the testimony in?

A I would have --

Q Give it six months, then the Commission will answer it.

A Yeah. I would have to ask the other parties. I don't know where they would be.

Q Well, I don't think that's your charge, but it certainly might be our charge of at least asking the question, but, you know, if we don't resolve this, then the stipulation is not going to get signed anyway; correct?

A It could get signed. Sometimes the

Commission approves a stipulation without all parties signing the stipulation.

Q Well, I think of the stature and the position of the parties in this case, especially the true parties. We could have a stipulation signed without some of the other signing. I see that Marsha is writing notes to me, so that must mean something, shut up, Redford, and that's it, so at any rate, that's not an issue for me certainly to decide right now, but I after all these years have found that there aren't very many disagreements that aren't negotiable and maybe you don't feel that way, but that's the way it is.

A Some aren't and that's why you three exist.

COMMISSIONER REDFORD: Okay. Thank you.

COMMISSIONER SMITH: It's good to know we have a reason for being.

THE WITNESS: Yes.

COMMISSIONER SMITH: Dr. Reading -- did you have any more redirect?

MR. RICHARDSON: No, Madam Chair.

COMMISSIONER SMITH: Okay, I just want to thank you for your good-natured endurance of the Commission's questions and ruminations.

THE WITNESS: Thank you.

COMMISSIONER SMITH: Thank you.

(The witness left the stand.)

COMMISSIONER SMITH: We're going to take a five-minute stretch break before we go to the next witness.

MR. RICHARDSON: May Dr. Reading be excused?

COMMISSIONER SMITH: If there is no objection, we will excuse Dr. Reading.

(Recess.)

COMMISSIONER SMITH: All right, I believe we are ready for Mr. Richardson's next witness.

MR. RICHARDSON: Thank you,

EXHIBIT #8-B

J. R. SIMPLOT COMPANY'S MOTION TO
TAKE OFFICIAL NOTICE AND/OR OFFER
INTO EVIDENCE

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 301

Dr. Don Reading's Curriculum Vitae

Don C. Reading

Present position	Vice President and Consulting Economist
Education	B.S., Economics — Utah State University M.S., Economics — University of Oregon Ph.D., Economics — Utah State University
Honors and awards	Omicron Delta Epsilon, NSF Fellowship
Professional and business history	Ben Johnson Associates, Inc.: 1989 --- Vice President 1986 ---- Consulting Economist Idaho Public Utilities Commission: 1981-86 Economist/Director of Policy and Administration Teaching: 1980-81 Associate Professor, University of Hawaii-Hilo 1970-80 Associate and Assistant Professor, Idaho State University 1968-70 Assistant Professor, Middle Tennessee State University

Experience

Dr. Reading provides expert testimony concerning economic and regulatory issues. He has testified on more than 35 occasions before utility regulatory commissions in Alaska, California, Colorado, the District of Columbia, Hawaii, Idaho, Nevada, North Dakota, Texas, Utah, Wyoming, and Washington.

Dr. Reading has more than 30 years experience in the field of economics. He has participated in the development of indices reflecting economic trends, GNP growth rates, foreign exchange markets, the money supply, stock market levels, and inflation. He has analyzed such public policy issues as the minimum wage, federal spending and taxation, and import/export balances. Dr. Reading is one of four economists providing yearly forecasts of statewide personal income to the State of Idaho for purposes of establishing state personal income tax rates.

In the field of telecommunications, Dr. Reading has provided expert testimony on the issues of marginal cost, price elasticity, and measured service. Dr. Reading prepared a state-specific study of the price elasticity of demand for local telephone service in Idaho and recently conducted research for, and directed the preparation of, a report to the Idaho legislature regarding the status of telecommunications competition in that state.

Exhibit No. 301
IPC-E-11-08
Reading, ICIP
Page 1

Dr. Reading's areas of expertise in the field of electric power include demand forecasting, long-range planning, price elasticity, marginal and average cost pricing, production-simulation modeling, and econometric modeling. Among his recent cases was an electric rate design analysis for the Industrial Customers of Idaho Power. Dr. Reading is currently a consultant to the Idaho Legislature's Committee on Electric Restructuring.

Since 1999 Dr. Reading has been affiliated with the Climate Impact Group (CIG) at the University of Washington. His work with the CIG has involved an analysis of the impact of Global Warming on the hydo facilities on the Snake River. It also includes an investigation into water markets in the Northwest and Florida. In addition he has analyzed the economics of snowmaking for ski area's impacted by Global Warming.

Among Dr. Reading's recent projects are a FERC hydropower relicensing study (for the Skokomish Indian Tribe) and an analysis of Northern States Power's North Dakota rate design proposals affecting large industrial customers (for J.R. Simplot Company). Dr. Reading has also performed analysis for the Idaho Governor's Office of the impact on the Northwest Power Grid of various plans to increase salmon runs in the Columbia River Basin.

Dr. Reading has prepared econometric forecasts for the Southeast Idaho Council of Governments and the Revenue Projection Committee of the Idaho State Legislature. He has also been a member of several Northwest Power Planning Council Statistical Advisory Committees and was vice chairman of the Governor's Economic Research Council in Idaho

While at Idaho State University, Dr. Reading performed demographic studies using a cohort/survival model and several economic impact studies using input/output analysis. He has also provided expert testimony in cases concerning loss of income resulting from wrongful death, injury, or employment discrimination. He is currently a adjunct professor of economics at Boise State University (Idaho economic history, urban/regional economics and labor economic.)

Dr. Reading has recently completed a public interest water rights transfer case. He is currently a member of the Boise City Public Works Commission.

Exhibit No. 301
IPC-E-11-08
Reading, ICIP
Page 2

Publications

"Energizing Idaho", Idaho Issues Online, Boise State University, Fall 2006. www.boisestate.edu/history/issuesonline/fall2006_issues/index.html

The Economic Impact of the 2001 Salmon Season In Idaho, Idaho Fish and Wildlife Foundation, April 2003.

The Economic Impact of a Restored Salmon Fishery in Idaho, Idaho Fish and Wildlife Foundation, April, 1999.

The Economic Impact of Steelhead Fishing and the Return of Salmon Fishing in Idaho, Idaho Fish and Wildlife Foundation, September, 1997.

"Cost Savings from Nuclear Resources Reform: An Econometric Model" (with E. Ray Canterbery and Ben Johnson) *Southern Economic Journal*, Spring 1996.

A Visitor Analysis for a Birds of Prey Public Attraction, Peregrine Fund, Inc., November, 1988.

Investigation of a Capitalization Rate for Idaho Hydroelectric Projects, Idaho State Tax Commission, June, 1988.

"Post-PURPA Views," In Proceedings of the NARUC Biennial Regulatory Conference, 1983.

An Input-Output Analysis of the Impact from Proposed Mining in the Challis Area (with R. Davies). Public Policy Research Center, Idaho State University, February 1980.

Phosphate and Southeast: A Socio Economic Analysis (with J. Eyre, et al). Government Research Institute of Idaho State University and the Southeast Idaho Council of Governments, August 1975.

Estimating General Fund Revenues of the State of Idaho (with S. Ghazanfar and D. Holley). Center for Business and Economic Research, Boise State University, June 1975.

"A Note on the Distribution of Federal Expenditures: An Interstate Comparison, 1933-1939 and 1961-1965." In *The American Economist*, Vol. XVIII, No. 2 (Fall 1974), pp. 125-128.

"New Deal Activity and the States, 1933-1939." In *Journal of Economic History*, Vol. XXXIII, December 1973, pp. 792-810.

Exhibit No. 301
IPC-E-11-08
Reading, ICIP
Page 3

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 302

Idaho Power's Responses to Production Request No. 28 Regarding

Idaho Power's Authorized Rates of Return Since 1987

<u>REQUEST FOR PRODUCTION NO. 28</u>: Reference Direct Testimony of Scott Sparks, p. 41, lines 1-3 (stating that the primary cost component that has driven the reduction in the facilities charge rates is the Rate of Return, which has decreased since the last update).

(a) Please admit or deny that the Rate of Return used in the 1987 calculation for Schedule 19 was 9.952%. If deny, please identify the Rate of Return used in 1987.

(b) Please identify the Commission case number for all general rate cases filed by Idaho Power since 1987, and the Company's authorized Rate of Return in each of those cases.

(c) Please admit or deny that the Rate of Return authorized in 2005 (IPC-E-05-28), 2007 (IPC-E-07-08), 2008 (IPC-E-08-10), was less than the Rate of Return used to calculate the facilities charge since 1987. If deny, please explain.

(d) Please explain why the Company has not updated the facilities charge since 1987 in light of the decrease in Rate of Return occurring at the time of general rate case filings listed in (c). Has the Company been overcharging for the facilities charge by failing to update the charge prior to now?

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 28</u>:

(a) The rate of return used in the 1987 calculation for Schedule 19 was 9.902 percent, which corresponds to a levelized rate of return of 6.905 percent. In comparison, the 2010 rate of return used in the proposed facilities charge calculation is 8.013 percent, which corresponds to a levelized rate of return of 4.81 percent; as shown on page 40 of the Direct Testimony of Mr. Sparks.

(b) The Commission case numbers for all general rate cases filed by Idaho Power since 1987 and the Company's authorized rates of return in each of those cases are shown in the table below.

General Rate Case Year Filed	Case Number	Rate of Return
1994	IPC-E-94-5	9.199%
2003	IPC-E-03-13	7.852%
2005	IPC-E-05-28	8.1%
2007	IPC-E-07-08	8.1%
2008	IPC-E-08-10	8.18%

(c) Please see the Company's responses to (a) and (b) above.

(d) The Company has not updated the facilities charges since 1987 because its periodic validations of the existing facilities charges did not warrant an update when using the current approved calculation methodology.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 303

Idaho Power's Responses to Production Request Nos. 6, 7, 46, and 47 Regarding Idaho Power's Facilities Charge "Credit"

<u>REQUEST FOR PRODUCTION NO. 6</u>: Reference Direct Testimony of Scott Sparks, p. 41 (stating that the estimated reduction in revenue received by the Company through the facilities charge "will result in increases in the revenue requirements for each customer class that collects facilities charge revenue").

(a) Please admit or deny that the Company's filing submits that a fair, just and reasonable facilities charge for Schedule 9, 19, and 24 customers would be 1.41% monthly, which is a reduction from the charge currently in effect of 1.7 % monthly. If deny, please explain.

(b) Please admit or deny that the Company's filing submits that the reduction in revenue collected from customer classes attributable to the proposed reduction in the facilities charge should result in a corresponding increase in revenue requirement for those customer classes. If deny, please explain.

(c) If the response to the (a) and (b) is to admit, please explain the Company's justification. Specifically, please fully explain why a reduction in Company's rate of return since 1987 (or any other reduction in any other component of the facilities charge) and a corresponding need to reduce the facilities charge should be coupled with a corresponding increase the revenue requirement for these customer classes.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 6</u>:

(a) The Company's filing submits that a monthly facilities charge rate of 1.41 percent is a fair, just, and reasonable facilities charge for Schedule 9, 19, and 24 customers.

(b) A reduction in revenue collected from customer classes attributable to the proposed reduction in the facilities charges will result in a corresponding increase in revenue requirement for those customer classes.

(c) Revenue received from customers paying facilities charges is directly related to the Company's cost of owning, operating, and maintaining facilities that are solely dedicated to these customers. As a result, the revenue received from these customers is applied as a direct offset or credit to the revenue requirement for the corresponding customer class. Because these facilities are only used by customers subject to facilities charges, it is reasonable to offset the respective customer classes' revenue requirement. Therefore, a reduction in the revenue credit associated with facilities charges results in a corresponding increase in the revenue requirement.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 7: Reference Direct Testimony of Scott Sparks, p. 41 (stating that the estimated reduction in revenue received by the Company through the facilities charge "will result in increases in the revenue requirements for each customer class that collects facilities charge revenue").

(a) Does the Company believe that it is entitled to remain revenue neutral with regard to any changes in the facilities charge calculated in 1987? Does the Company consider the level of facilities charge set for Schedule 19 customers in 1987 in Case No. U-1006-298 to be a "grandfathered" rate to which it is entitled into perpetuity? If not, please explain.

(b) Please identify any other rate recovery mechanism authorized by the Commission which allows the Company to increase a customer class's revenue requirement solely to keep the Company revenue neutral when it is fair, just and reasonable to reduce some component of that customer class's rates.

RESPONSE TO REQUEST FOR PRODUCTION NO. 7:

(a) As with all rates, charges, and credits in Idaho Power's tariff, the Company files to update costs periodically in order to keep all rates, charges, and credits current with the actual costs incurred by the Company. In the Company's revenue requirement calculation for the determination of base rates, facilities charges are treated as a revenue credit. Therefore, a reduction in the revenue credit results in an increase in the revenue required from base rates. The Company believes this is the appropriate manner in which to determine its revenue requirement regardless of the year in which the currently effective facilities charge rate was determined. The Company does not consider the level of facilities charge set for Schedule 19 customers in 1987 in Case No.

U-1006-298 to be a "grandfathered" rate to which it is entitled into perpetuity. This is evidenced by the Company's current request to adjust the facilities charge rate. The Company believes that it should have an opportunity to recover its prudently incurred costs and earn its authorized rate of return. This is true whether the associated revenue comes from facilities charges or base rates.

(b) All of the Company's revenues for "non-recurring charges" such as connection and disconnection charges as well as field visit charges and service establishment charges are treated in the same manner as facilities charges in the Company's revenue requirement determination for each class. That is, as revenues from non-recurring charges move up or down resulting from changes in the charge amounts without a corresponding change in costs, the revenue required from base rates is naturally adjusted accordingly. Further, under the Company's Rule H, New Service Attachments and Distribution Line Installations or Alterations, revenue collected from contributions in aid of construction ("CIAC") are booked as a direct offset to the corresponding customer classes' revenue requirement. As a result, if the Company's collection of CIAC's is reduced for a particular customer class, then the classes' revenue requirement will increase as a result.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 46: In response to ICIP's Request for Production No. 6 (c) the Company stated, "Revenue received from customers paying facilities charges is directly related to the Company's cost of owning, operating, and maintaining facilities that are solely dedicated to these customers."

Please explain why a decrease in the cost of owning, operating, and maintaining facilities should cause the rates for the customer class to increase. Does Idaho Power agree that this is counterintuitive to basic ratemaking principles?

RESPONSE TO REQUEST FOR PRODUCTION NO. 46: The cost of owning, operating, and maintaining all Idaho Power facilities, including those subject to facilities charges, is included in the Company's base rate revenue requirement determinations. However, in recognition that Idaho Power receives revenue from customers through facilities charges on certain isolated facilities, the Company offsets the revenue requirement that would otherwise be recovered through base rates with annual facilities charge revenues received for those isolated facilities. If the facilities charge rate was increased, thereby increasing facilities revenue, there would have to be an associated reduction in base rates. The opposite is true when the facilities rate is decreased, as proposed by the Company in this case. The Company does not agree that this is counterintuitive to basic ratemaking principles, but rather the Company believes that its treatment of facilities charge revenue is aligned with basic ratemaking principles.

The sum of the revenue from base rates and the revenue from facilities charges always reflects the recovery of the most currently approved cost of owning, operating, and maintaining facilities. This would be the case regardless of the amount of the facilities charge rate. The amount of the facilities charge rate and the resulting level of revenue included in a revenue requirement case simply determines the amount of the overall revenue requirements that the Company expects to collect from facilities charge customers and the amount to be recovered in base rates.

The response to this Request was prepared by Timothy E. Tatum, Senior Manager of Cost of Service, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 47: In response to ICIP's Request for Production No. 7 (a) the Company stated, "In the Company's revenue requirement calculation for the determination of base rates, facilities charges are treated as a revenue credit."

(a) Please explain why the monthly payment of a facilities charge is considered a "credit" rather than revenue to the Company such as the rate per kWh.

(b) Please explain fully how a "revenue credit" differs from other monthly revenue the Company receives from a customer. Please also identify the Commission order, page and line number authorizing this "revenue credit" treatment.

(c) Please explain whether there is a corresponding "debit" or charge to the customer class (or all customer classes) for the Company's costs associated with the facilities charge prior to payment of the facilities charge by the customer and the "credit" to the customer class revenue requirement calculation. Please fully explain how the costs associated with and recovered for the facilities charge are factored into each phase of the calculation of revenue requirement and base rates.

(d) Please explain how the customer class's revenue requirement and base rates would be affected by a failure of all customers in the class to pay the facilities charge. In that case, would the Company recover its costs associated with the facilities charge through the customer class's base rates rather than through individual customers' payments of their facilities charges? If not, please explain how the Company would recover the costs associated with the facilities beyond the point of delivery for that customer class.

RESPONSE TO REQUEST FOR PRODUCTION NO. 47:

(a) Monthly facilities charges are booked as other revenue to the Company for revenue requirement determinations. Revenue received from customers paying a facilities charge is applied as a credit or offset to the associated customer classes' base rate revenue requirement. This accounting treatment is no different than how all "Other Revenue" is credited to the associated customer classes' revenue requirements.

(b) Idaho Power prepares its revenue requirement in a general rate case for the purpose of determining the level of revenue to be collected through base rates. Because the purpose of the revenue requirement determination is related to base rate development, all "Other Revenue" is applied as an offset. This accounting treatment has been authorized in the Idaho Public Utilities Commission's ("Commission") approval of previously filed cost-of-service models, including the Company's last general rate case, IPC-E-08-10, Order No. 30722.

(c) Prior to accounting for the revenue from facilities charges, all costs for the facilities installed beyond the Company's point of delivery are included in the associated customer classes' revenue requirement. When the facilities charge revenue is applied as a revenue credit or offset, the associated customer classes' revenue requirement is thereby reduced. Please see the Company's response to Micron's Request No. 3-3 for an explanation of how revenues are applied as a credit in the Company's cost-of-service modeling.

(d) If the Company receives revenue from facilities charge customers that is either reduced or eliminated, then the amount of the offset or revenue credit to the associated customer classes' revenue will be reduced and the overall revenue

Exhibit No. 303
IPC-E-11-08
Reading, ICIP
Page 8

requirement for that associated customer class will increase as a result. In a case where all customers in a class failed to pay the facilities charge, the Company would recover all of its costs associated with the facilities charge through the customer class's base rates as there would be no offset (revenue credit) to the customer class. See the Direct Testimony of Scott D. Sparks, p. 41, the Company's response to the Industrial Customers of Idaho Power's ("ICIP") Request for Production Nos. 6(b), 7(a), and 46 which explain how reductions in revenue will result in a corresponding increase in revenue requirement for the associated customer class.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST NO. 3-3</u>: How are Acct. 456 and each sub-account credited to retail and any other customer group? Cite filing references for such credits.

<u>RESPONSE TO REQUEST NO. 3-3</u>: The first step in crediting Account 456 revenues to customer groups is to classify and functionalize each sub-account. As shown on lines 290-297 of Larkin Exhibit No. 31, each sub-account that comprises Account 456 is classified as being either customer-related, demand-related, or energy-related and is further identified with one or more of the Company's operating functions, such as production and/or transmission. Once each sub-account has been classified and functionalized, as shown in Larkin Exhibit No. 31, the segmented revenues are transferred to the "Other Revenues" summary table, provided as page 3 of Larkin Exhibit No. 32. This table compiles revenues from Accounts 415, 451, 454, and 456 by classification and functional category in order to align the various components of each account with the appropriate allocation factors. After these revenues have been compiled by classification and functional category, they are allocated to rate classes as shown on pages 25 and 26 of Larkin Exhibit No. 33. Finally, class-allocated revenues are summed on line 18 of Larkin Exhibit No. 35, serving as a credit to each class in the development of final class-specific revenue requirements.

The response to this Request was prepared by Matthew T. Larkin, Regulatory Analyst, Idaho Power Company, in consultation with Lisa D. Nordstrom, Lead Counsel, Idaho Power Company.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 304

Idaho Power's Responses to Production Request Nos. 21, 22, 23, 24, 25, 45, 60, 64, 65, 66, 67, 69, and 71 Regarding the Lack of Depreciation of Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 21: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis").

(a) Please admit or deny that the Company does not reduce the principal of the initial investment in facilities by a depreciation factor. If deny, please explain how the Company reduces the principal.

(b) Please admit or deny that the principle [sic] on facilities subject to the facilities charge is the same in year 1 as it would be in year 50. If deny, please explain.

RESPONSE TO REQUEST FOR PRODUCTION NO. 21:

(a) Under the Company's approved and effective facilities charge methodology, the principal of the initial investment for a piece of equipment does not change unless it is removed or replaced. However, the depreciation component of the facilities charge represents a declining net book value that has been converted into a levelized amount based on a 31-year useful life assumption.

(b) Please see the Company's response to (a) above.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 22: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis"). Please explain why customers should pay an additional charge for the depreciation in value of the facilities. Please explain why depreciation in value of the facilities over time should not decrease the amount customers pay over time for use of that equipment.

RESPONSE TO REQUEST FOR PRODUCTION NO. 22: Please see the Company's response to the Industrial Customers of Idaho Power's ("ICIP") Request for Production No. 21.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 23: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis"). Please identify any rate-based asset for which the Commission allows the Company to charge the same annual rate on the same principal amount over time when the value of the asset decreases over time.

RESPONSE TO REQUEST FOR PRODUCTION NO. 23: There are no rate-based assets for which the Commission allows the Company to charge the same annual rate on the same principal amount over time when the value of the asset decreases over time. This is also not the case with the facilities charge. As described by Mr. Sparks on page 38 of his testimony, the facilities charge is calculated using a 31-year depreciable life assumption.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 24: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis").

(a) Please explain what steps Idaho Power takes if a piece of equipment fails prior to the expiration of the 31-year depreciation schedule.

(b) Does the Company have manufacturer's warranties on any of the equipment subject to the facilities charge?

(c) Has the Company ever filed an insurance claim to replace equipment subject the facilities charge since 1987?

RESPONSE TO REQUEST FOR PRODUCTION NO. 24:

(a) If a piece of equipment fails prior to the expiration of the depreciation schedule, then it is removed from the customer's facilities charge investment calculation and the investment costs for a replacement piece of equipment is added to the customer's facilities charge investment.

(b) The Company has limited manufacturer's warranties on some equipment subject to the facilities charge, such as transformers.

(c) No. Please see the Company's response to ICIP's Request for Production No. 18.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 25: Reference Direct Testimony of Scott Sparks, p. 38, lines 12-13 (stating that the "Book Depreciation" component of the facilities charge uses "a straight line annual depreciation of assets based on a levelized 31 year basis").

(a) Please explain if Idaho Power continues to charge the facilities charge (the monthly percentage rate multiplied by the Company's initial investment) after the 31 year depreciation period expires.

(b) For Schedules 9, 19, 24 and Special Contract Customers, please identify the oldest pieces of equipment for which the Company is still assessing the monthly facilities charge to a customer in each class. Please include the year the Company purchased and installed the equipment, the Schedule of the customer, and the initial cost of the piece of equipment.

(c) With regard to the pieces of equipment identified in (b), is the Company still calculating the customers' monthly facilities charge by multiplying the monthly facilities charge percentage by the initial investment?

RESPONSE TO REQUEST FOR PRODUCTION NO. 25:

(a) Under the facilities charge provisions, Idaho Power charges a monthly facilities charge for equipment installed beyond its point of delivery as long as the equipment is installed and used and useful.

(b) For Schedule 9, the oldest pieces of equipment (24 in total) for which the Company is assessing a monthly facilities charge were purchased and installed in 1969 with a combined initial investment $15,329. For Schedule 19, the oldest pieces of equipment (2 in total) for which the Company is assessing a monthly facilities charge were purchased and installed in 1945 with an initial investment of $259. No customers under Schedule 24 are being assessed a facilities charge.

Importantly, whether a piece of equipment fails 5 years or 45 years after installation, the Company, under the tariffed facilities charge provisions, will replace the piece of equipment and adjust customers' facilities charge for the equipment being removed and the equipment being installed.

(c) Yes. Please see the Company's response to (a) above.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

IDAHO POWER®
An IDACORP Company

JASON B. WILLIAMS
Corporate Counsel
jwilliams@idahopower.com

September 22, 2011

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83720

Re: Case No. IPC-E-11-08
General Rate Case

Dear Ms. Jewell:

Enclosed for filing are an original and one (1) copy of Idaho Power Company's **Corrected** Response to the Industrial Customers of Idaho Power's Request for Production No. 45 in the above matter. It was recently discovered that a couple of the date ranges provided in the table in Idaho Power Company's initial response were incorrect. In addition, language has been added to the response for clarification. For everyone's convenience, the wording that has been added or changed from Idaho Power Company's initial response has been underlined.

If you have any questions about this corrected response, please do not hesitate to contact me.

Very truly yours,

J. Williams

Jason B. Williams

JBW:csb
Enclosures
cc: Service list

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

Exhibit No. 304
IPC-E-11-08
Reading, ICIP
Page 7

REQUEST FOR PRODUCTION NO. 45: Reference Direct Testimony of Scott Sparks, pp. 34-41.

(a) How long has Idaho Power charged a facilities charge for Schedules 9, 19, and Special Contract customers?

(b) Please provide the monthly facilities charge for each year separately since the Company first began charging the facilities charge for Schedules 9, 19, and Special Contract customers who have paid a facilities charge.

***CORRECTED* RESPONSE TO REQUEST FOR PRODUCTION NO. 45:**

(a) Existing Company records indicate that facilities charges have been in place since February 1995 for Schedule 9, January 1976 for Schedule 19, and 1964 for one special contract.

(b) Based on available Company records, the historical monthly facilities charge rates for Schedule 9, Schedule 19, and one special contract customer are provided in the table below.

Year	Schedule 9	Schedule 19	Special Contract
1995 - Present	1.7%		
1976 - Present		1.7%	
1964 - 1976			1.25%
1976 - Present			1.7%

Tariff and special contract revisions went into effect in January 1976, which revised the monthly facilities charge rate from 1.25 percent to 1.7 percent per the Idaho Public Utilities Commission's Order No. 12307 in Case Nos. U-1006-100 and U-1006-101.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

DATED at Boise, Idaho, this 22nd day of September 2011.

JASON B. WILLIAMS
Attorney for Idaho Power Company

Exhibit No. 304
IPC-E-11-08
Reading, ICIP
Page 9

J. R. SIMPLOT COMPANY'S MOTION TO TAKE
OFFICIAL NOTICE AND/OR OFFER INTO EVIDENCE.
Exhibit 8-B

REQUEST FOR PRODUCTION NO. 60: Reference the Company's Response to ICIP Request No. 25.

(a) What is the average and median age (in years) of distribution facilities installed beyond the point of deliver currently in service? Please organize the response by schedule or Special Contract.

(b) What is the average and median age (in years) of distribution facilities installed beyond the point of deliver at the time that the equipment fails or is taken out of service by the Company? Please organize the response by schedule or Special Contract.

RESPONSE TO REQUEST FOR PRODUCTION NO. 60:

(a) The average and median age (in years) of distribution facilities installed and currently in service beyond the Company's point of delivery for Schedule 9, Schedule 19, and one Special Contract customer is provided in the table below.

	Average Age	Median Age
Schedule 9	17	14
Schedule 19	18	16
Special Contract	24	25

(b) The Company does not track or record the average and median age (in years) of distribution facilities installed beyond the point of deliver at the time that the equipment fails or is taken out of service by the Company.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 64: Reference the Company's Response to ICIP Request No. 45.

(a) Please provide the Company's records demonstrating that the facilities charge has been in place since 1995 for Schedule 9, 1976 for Schedule 19, and 1964 for Schedule 29/Special Contract.

(b) Please explain how the Company charged customers for distribution facilities beyond the point of delivery prior to these dates for each schedule.

RESPONSE TO REQUEST FOR PRODUCTION NO. 64:

a) Please see the attached PDF file for Company records demonstrating when the facilities charge went into place for Schedule 9, Schedule 19, and Schedule 29 (Special Contract).

b) Prior to implementing facilities charge provisions, the costs associated with most customer-dedicated distribution facilities installed beyond the Company's point of delivery were included in the Company's general rate base and allocated to the associated customer class. For some large power users, the Company had service contracts in place that accounted for facilities installed beyond the Company's point of delivery.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

IDAHO PUBLIC UTILITIES COMMISSION
APPROVED EFFECTIVE
FEB 3 - '95 FEB 1 - '95
Myrna J. Walters SECRETARY

SCHEDULE 9
LARGE GENERAL SERVICE
(Continued)

FACILITIES BEYOND THE POINT OF DELIVERY

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

Company-owned Facilities Beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report provided to the Customer. As the Company's investment in Facilities Beyond the Point of Delivery changes in order to provide the Customer's service requirements, the Company shall notify the Customer of the additions and/or deletions of facilities by forwarding to the Customer a revised Distribution Facilities Investment Report.

In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or change. Non-salvable cost as used herein is comprised of the total original costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

POWER FACTOR

Where the Customer's Power Factor is less than 85 percent, as determined by measurement under actual load conditions, the Company may adjust the kW measured to determine the Billing Demand by multiplying the measured kW by 85 percent and dividing by the actual Power Factor.

MONTHLY CHARGE

The Monthly Charge is the sum of the Customer, the Basic, the Demand, the Energy, and the Facilities Charges at the following rates:

SECONDARY SERVICE

Customer Charge
$5.50 per meter per month

Basic Charge
$0.36 per kW of Basic Load Capacity

Demand Charge
$2.68 per kW for all kW of Demand

Energy Charge

Base Rate	Power Cost Adjustment*	Effective Rate*	
2.5748¢	0.1449¢	2.7197¢	per kWh for all kWh

IDAHO POWER COMPANY

SCHEDULE NO 19
UNIFORM RATE CONTRACT

AVAILABILITY
At points on the Company's distribution system in Idaho, for loads from 750 to 15,000 kilowatts where, in the Company's sole judgment, existing facilities of adequate capacity and desired voltage are adjacent to the premise to be served, and additional investment by the Company for new transmission, substation, distribution or terminal facilities is not necessary to supply the desired service, and subject to provisions set forth in an Electric Service Agreement between the Company and Customer

APPLICABILITY
To all firm electric service supplied to a Customer at one premise, where all service required by the Customer is supplied under this Schedule, at one point of delivery and measured through one meter Not applicable to seasonal, breakdown, standby, supplementary, resale, shared service, multi-family dwellings, electric boilers exceeding 2,000 KW capacity or in remote areas.

TYPE OF SERVICE
Three-phase at approximately 60 cycles and at the distribution voltage available at the premise to be served.

MONTHLY CHARGES
The sum of Demand, Energy and Facilities Charges at the following rates

Demand Charge
$3.35 per KW for the first 250 KW of Demand
2.05 per KW for each additional KW of Demand

Energy Charge
11.90 mills per KWH for the first 100 KWH per KW of Demand
5.90 mills per KWH for the next 190 KWH per KW of Demand
4.10 mills per KWH for all additional KWH

Facilities Charge
Service shall be supplied hereunder at primary distribution voltage and the Point of Delivery shall be where the Company's lines first become adjacent to Customer's property. Transformers and/or other facilities, beyond the Point of Delivery and used to deliver power at utilization voltage to points of use at the option of the Company, may be owned, operated and maintained by Company in consideration of Customer paying to Company a facilities charge of one and seven-tenths percent (1.7%) per month times the Company's investment beyond the Point of Delivery

High Voltage Discount (When service is taken at 44 KV or above)
$90 00 for the first 250 KW of Demand
0 24 per KW for each additional KW of Demand

Demand Determination
The average KW supplied during the 15-consecutive-minute period of maximum use during the month, adjusted for power factor, but not less than 100 KW (not less than 250 KW when service is supplied at 44 KV or above)

Power Factor Adjustment
Where the Customer's power factor is less than 85%, as determined by measurement under actual load conditions, the Company may adjust the KW measured to determine the Demand by multiplying the measured KW by 85 and dividing by the actual power factor

Minimum Charge
The minimum charge shall be the Facilities Charge plus the highest of the following

(A) The Demand Charge for the current month's maximum Demand

(B) An amount sufficient to make the Demand and Energy Charges for service under the agreement, for the 12-month period ending with the current month, equal to 9 6 times the maximum Demand Charge billed for any month during the term of the Agreement and any renewals or extensions thereof

(C) The minimum charge specified in the Agreement The Company may require the Customer to execute a service agreement specifying a higher minimum annual charge than would be provided under (A) or (B) when necessary to justify the Company's investment in service facilities

5

AGREEMENT FOR SUPPLY OF POWER AND ENERGY

J R SIMPLOT COMPANY
Pocatello, Idaho
IDAHO POWER COMPANY

0.1 THIS AGREEMENT, Made and entered into the 3d day of March, 1964, by and between J R SIMPLOT COMPANY, an Idaho company operating a plant for the production of fertilizer near Pocatello, Idaho, hereinafter referred to as "Customer," and IDAHO POWER COMPANY, an electric utility authorized to do business in the State of Idaho, hereinafter referred to as "Company";

W I T N E S S E T H:

0.2 WHEREAS, J R Simplot Company has pioneered the use of Southern Idaho's phosphate rock deposits and for many years has operated a plant near Pocatello, Idaho, processing phosphate rock in order to manufacture phosphate fertilizers; and J R Simplot Company is now in the process of installing a new ammonia plant for the production of various grades of ammonium phosphate fertilizer, which new plant will require the use of increasingly large amounts of power in order to process the phosphate rock and the electric power requirements at this plant have increased from approximately 1,000 KW in 1952 to approximately 6,800 KW in 1962, and it is anticipated that the new ammonia plant will increase the power requirements to approximately 15,000 KW; and

0.3 WHEREAS, the continued growth and expansion of this plant and the use and development of the phosphate rock deposits of Southern Idaho are of vital importance to the growth and prosperity of the economy of the State of Idaho and the establishment of an industrial rate for electric power supplied to this type of business will materially aid and assist the economy of Idaho; and

0.4 WHEREAS, the Idaho Power Company has developed a large industrial rate for customers whose uses will be in the neighborhood of 15,000 KW or more and are engaged, in the State of Idaho, in mining, milling, smelting, refining or processing, where such delivery can be made from the Company's existing 138 KV transmission lines without requiring additional expense for facilities supplied by the Company; and

0.5 WHEREAS, the load of the J R Simplot Company at its plant near Pocatello will meet these requirements, since this load will be used in processing, delivery can be made at the Company's existing Don Substation without additional expense to the Company and the rate will aid in developing and fostering the economy of Idaho; and

0.6 WHEREAS, the parties hereto desire to set forth and establish the terms and conditions under which power will be available to Customer;

NOW, THEREFORE, in consideration of the premises and the mutual benefits from the covenants hereinafter set forth, the parties hereby agree as follows:

Article I - Term of Agreement

1.1 The original term of this agreement shall be for a period beginning on the date of initial service and ending June 30, 1974, which term shall be automatically renewed and extended for an additional period of five (5) years, and from year to year thereafter, unless and until either party shall notify the other party in writing not less than twelve (12) months prior to any such expiration date of its intention to terminate this agreement.

1.2 The date of initial service under this agreement shall be the first day of that month in which the Customer first establishes a maximum demand of 10,000 kilowatts of power.

Article II - Power to be Supplied

2.1 The Customer agrees to purchase, receive and pay for, and the Company agrees to supply, all electric service required by Customer for its fertilizer manufacturing operations near Pocatello, Idaho, such power and energy, up to the amount of 20,000 kilowatts, shall be supplied and paid for at the rate set forth in paragraph 5.1, it being agreed that when the Customer's demand exceeds such amount it is the intention of the parties that new and superseding rates will be agreed upon, applicable to Customer's load and service as then required.

2.2 The Contract Amount of this agreement for each month shall be the maximum demand (kilowatts) of power taken by Customer in any clock half-hour interval during the calendar month but not less than 15,000 KW; provided, however, during the development period subsequent to the date of initial service, the Contract Amount for the month shall be the actual maximum demand (kilowatts) delivered to Customer in any clock half-hour period during the calendar month. The Contract Amount for the expired term of this agreement shall be the maximum Contract Amount established in any month subsequent to the date of initial service under this agreement.

Article III - Facilities to be Provided

3.1 Power and energy to be supplied hereunder by the Company is available to the Customer at 12,500 volts at the Company's Don Substation near Pocatello, Idaho, without additional investment by the Company. All facilities including switching, transformation, regulation and protective devices necessary for the delivery of power and energy at that point are installed.

3.2 The Customer requests the Company and the Company is agreeable to install, own, operate, and maintain the facilities necessary to deliver the power from the Don Substation to the Customer's plant at 12,500 volts and the transformation equipment required by Customer's utilization equipment. Customer agrees to pay the cost of such facilities and equipment in accordance with the provisions of paragraph 5.4 infra. Material and labor required beyond the secondary terminals of transformers shall be installed, owned, operated, maintained, and paid for by Customer. It is understood and agreed that all the work performed by the Company under this paragraph shall be in accordance with all local and state rules and regulations in respect to construction of said facilities, and the equipment used shall be standard items in the Company's system.

3.3 It is understood and agreed that the facilities required by Customer may vary from time to time, and the Company's investment in these facilities upon which charges herein shall be based, shall be determined in accordance with the Company's normal bookkeeping system. The Customer shall be notified of any change in equipment or investment, at the earliest practical date subsequent to any change in such equipment or investment, by letter from the Company to Customer, which letter or letters of notification shall comprise Exhibit A and shall be a part of this agreement, and each such letter shall show the net investment incurred by the Company in facilities required to deliver power and energy from the Don Substation to the Customer's plant.

Article IV - Service Specifications

4.1 The electric power supplied under this agreement shall be in the form of three-phase, alternating current at a frequency of approximately 60 cycles per second, and at a nominal phase to phase potential of approximately 12,500 volts except under emergency conditions.

4.2 The point of delivery for power supplied hereunder shall be on the 12,500 volt side of the Company's Don Substation located near Pocatello, Idaho.

4.3 The Company will provide suitable metering equipment for obtaining measurements required in connection with settlements under this agreement. Company shall, at its own expense, test such metering equipment once in each calendar year.

Article V - Charges

5.1 All electric power and energy, up to the amount hereinabove specified, shall be supplied and paid for at the Company's Pocatello office in accordance with the following monthly rate:

(a) Demand Charge -
$1.80 per KW of Billing Demand

(b) Energy Charge -
3.0 mills per KWH for all energy

(c) Billing Demand -
The Billing Demand shall be the Contract Amount of power for the current month established in accordance with paragraph 2.2.

(d) Tax Adjustment Charge -
If, after the date of this agreement, any new or increased tax or taxes (other than income taxes and taxes based on income) payable by Company are imposed upon revenues received from Customer hereunder, or upon power or energy sold to Customer hereunder, or upon power or energy generated for supply of Customer hereunder, Customer shall pay, in addition to the charges hereinabove specified, an amount sufficient to cover any such taxes payable by Company.

5.2 The minimum monthly charge shall be an amount equal to $2.00 times the Contract Amount for the expired term of this agreement in accordance with paragraph 2.2.

5.3 Power factor corrective apparatus or equipment necessary to maintain at all times as near unity power factor as possible shall be provided by Customer; however, in event Customer's power factor is less than .95 lagging, the Company shall have the right and may elect to install additional power factor corrective equipment in accordance with and under the provisions of paragraph 3.3 hereof.

5.4 In consideration for the facilities installed by the Company in accordance with Article III, Customer shall pay to Company each month one and one-quarter percent (1¼%) of the total cost to the Company as shown in the last letter submitted by Company to Customer in Exhibit A of this agreement.

In the event it becomes necessary to remove the facilities installed by the Company as provided by Article III and reinstall or change the facilities, the Customer shall pay to Company the "non-salvable cost" of such removal, reinstallation or change. Non-salvable cost as used herein is comprised of the total cost of material, labor and overheads of installing the facilities, less the difference between the salvable cost of material removed and the removal labor cost including appropriate overhead costs.

Article VI - Liability

6.1 Each party will indemnify and save harmless the other party against loss, damage or liability, exclusive of costs and attorneys' fees, resulting from claims asserted by third persons against either or both parties to this agreement on account of injury or death to persons or damage or destruction of property occurring on such (indemnifying) party's side of the aforesaid point of delivery, unless such injury or damage shall have resulted from the sole negligence of the other party; provided, however, that each party shall be solely responsible for claims of and payments to its employees and agents for injuries occurring in connection with their employment or arising out of any workmen's compensation law.

Article VII - Waivers

7.1 Any waiver at any time by either party of a right with respect to any matter arising under this agreement, or any failure to give any notice provided for hereunder, shall not be deemed to be a waiver with respect to any subsequent matter, nor as the establishment of or consent to any practice under this agreement or an interpretation of any term or provision hereof.

Article VIII - Successors and Assigns

8.1 This agreement shall inure to the benefit of and be binding upon the successors in interest, assigns and legal representatives of Customer and Company.

Article IX - Commission Jurisdiction

9.1 This agreement, the rates, terms and provisions herein set forth, and the respective rights and obligations of the parties hereunder, shall be subject to the jurisdiction and regulatory authority of the Idaho Public Utilities Commission and the laws of the State of Idaho.

Article X - Termination of Existing Agreement

10.1 The contract between the parties, dated July 18, 1961, is hereby terminated on the date of initial service set forth in paragraph 1.2 of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement by their respective proper officers, thereunto duly authorized, on the day and year first hereinabove written.

J R SIMPLOT COMPANY

By W. Grant Kilbourne
Vice President

(CORPORATE SEAL)

ATTEST:

Doris J. Alspaugh
Asst. Secretary

IDAHO POWER COMPANY

By T. E. Roach
President

(CORPORATE SEAL)

ATTEST: N. Chapman
Secretary

Exhibit No. 304
IPC-E-11-08
Reading, ICIP
Page 20

REQUEST FOR PRODUCTION NO. 65: Reference the Company's Response to ICIP Request No. 45, stating that the facilities charge has been in place since 1995 for Schedule 9, 1976 for Schedule 19, and 1964 for Schedule 29/Special Contract. Please reconcile this statement with Company's Response to ICIP Request No. 25(b), stating that the oldest piece of equipment installed for Schedule 9 was installed in 1969, for Schedule 19 was installed in 1945, and Company's Response to ICIP Request No. 25(c), stating that the Company is still calculating the monthly facilities charge by multiplying the monthly facilities charge percentage by the initial investment for these pieces of equipment.

For equipment already in the Company's possession at the time of commencement of the facilities charge, did the Company use the value of the initial investment or the depreciated value of the equipment at the time of commencement of the facilities charge? Please provide supporting evidence for the explanation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 65: The equipment identified in the Company's Response to the Industrial Customers of Idaho Power's ("ICIP") Request No. 25(b) was installed prior to implementation of the facilities charge for Schedules 9 and 19. Once the facilities charge provisions were approved by the Idaho Public Utilities Commission ("Commission" or "IPUC") and implemented per the Company's tariff schedules, the initial value of this customer-dedicated equipment was included on the associated customer's Distribution Facilities Investment report ("DFI") used to calculate the monthly facilities charge. As stated in the Company's response to ICIP's Request No. 25(a), the equipment will remain on the DFI as long as it is installed and used and useful.

For facilities beyond the point of delivery that were in service and in the Company's possession prior to implementation of the facilities charge provisions, the Company used the initial investment in its calculation of the monthly facilities charge. The Company's current DFI's show the initial investment values used to calculate each facilities charge customer's monthly facilities charge. The use of depreciated values has never been approved by the Commission and the Company has never used depreciated values to calculate monthly facilities charges.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 66: With regard to the equipment discussed in Request No. 65, did the Company began charging the customer in Schedule 9 a facilities charge in 1995 based upon the initial investment in a piece of equipment installed in 1969, or did the Company use the depreciated value of the 1969 piece of equipment in 1995? What value did the Company use and based on what depreciation schedule

RESPONSE TO REQUEST FOR PRODUCTION NO. 66: Please see the Company's response to ICIP's Request No. 65.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 67: With regard to the equipment discussed in Request No. 65:

(a) Did the Company began charging the customer in Schedule 19 a facilities charge in 1976 based upon the initial investment in a piece of equipment installed in 1945, or did the Company use the depreciated value of the 1969 piece of equipment in 1995?

(b) What value did the Company use and based on what depreciation schedule? What value is the Company using for this piece of equipment today, the value at installation in 1945, or the depreciated value when the charge commenced in 1976?

(c) Please explain why this piece of equipment was not fully depreciated at the time the Company initiated the facilities charge 31 years after the equipment was initially installed.

(d) Please explain how the Company has not over-recovered for this fully depreciated asset from the Schedule 19 customer since 1976?

RESPONSE TO REQUEST FOR PRODUCTION NO. 67:

(a) Please see the Company's response to ICIP's Request No. 65.

(b) Please see the Company's response to ICIP's Request No. 65.

(c) Including the depreciated value of equipment at the time the Company initiated the facilities charge was not, and currently is not, the Commission-approved methodology for calculating monthly facilities charges under the Company's tariff.

(d) For this asset and other assets installed under the Commission-approved facilities charge provisions, the Company has fully recovered the cost of a depreciated piece of equipment if and when it reaches its assumed 31-year depreciable life, as described on page 38 of Scott Sparks testimony and the Company's responses to ICIP's Request Nos. 5, 21, 22, and 23. If a piece of equipment is installed and used and useful beyond 31 years, the Company continues to provide readily available utility grade equipment inventories, tools, manpower, response services, and electrical knowledge and experience for keeping that piece of equipment in operation. In addition, the Company disagrees with the characterization that it has "over-recovered" as the Company charges and collects what has been authorized by the Commission.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 69: Reference the Company's Response to ICIP Request No. 47(c), stating that all costs for facilities installed beyond the point of delivery are included in the associated customer classes' revenue requirement, and when the facilities charge revenue is applied as a credit or offset, the associated customer classes' revenue requirement is reduced.

(a) When the Company includes the costs for distribution facilities beyond the point of delivery in the revenue requirement, does the Company use a depreciation schedule as it must for distribution facilities on the Company's side of the meter included in the revenue requirement? Please explain how depreciation is considered when facilities beyond the point of delivery are included in the revenue requirement prior to the point that the Company credits facilities charge revenue back to the customer class's revenue requirement.

(b) If the amount of the revenue requirement decreases over time to account for depreciation, but the principal amount of the facilities charge to the individual customer does not decrease over time, please explain how the individual facilities charge customer is not subsidizing the rest of the customer class.

(c) If the amount of the revenue requirement does not decrease over time to account for depreciation of distribution facilities beyond the point of delivery, please explain how the Company is not over-recovering for depreciated assets.

RESPONSE TO REQUEST FOR PRODUCTION NO. 69:

(a) Yes. When determining revenue requirements for base rates, the Company does not identify and treat separately facilities installed beyond the Company's point of delivery. That is, the Company uses the same depreciation methodology for all distribution facilities when determining its test year revenue requirement.

(b) Because the facilities charge calculation is based on a levelized revenue determination method and base rates are determined using a single test period method, there will always be differences in the annual revenue requirements determined under each method. These timing differences or "subsidies" go in either direction for individual customers depending on the average age of the facilities subject to the facilities charge. For example, a customer with newer facilities will pay less in facilities charges than the actual annual revenue requirement with the rest of the customer class paying the difference through their base rates. The opposite is true for customers with older facilities who pay more in facilities charges than the single-year revenue requirement would suggest.

(c) The amount of revenue requirement determined in a test year for a customer class that is eligible for facilities charges decreases over time to account for depreciation of distribution facilities installed beyond the point of delivery. All revenue received from facilities charge customers is credited back to the associated customer class leaving no chance for over-recovery.

The response to this Request was prepared under the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 71: Reference the Company's Response to ICIP Request No. 53(c), stating that the Company recovers costs associated with uninsured amounts related to failed facilities charge equipment by booking those costs as expenses and including them in customer rates. In light of this response, please explain the basis for not allowing for the facilities charge equipment's initial value to decrease over time as the piece of equipment depreciates. Please explain why the Company includes depreciation as a positive component to the facilities charge that will increase the amount the customer pays, rather than decrease it.

RESPONSE TO REQUEST FOR PRODUCTION NO. 71: The facilities charge rate calculation is based upon a 31-year depreciation schedule which is reflected in the return and depreciation components of the rate.

Depreciation is a positive component of the facilities charge because it reflects the Company's recovery of its investment in the customer-dedicated facilities that it installs, owns, operates, and maintains without increasing the rates of customers in the associated customer class. The monthly facilities charge is designed to recover all costs associated with customer-dedicated facilities installed beyond the Company's point of delivery through a levelized cost-recovery approach.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 305

Idaho Power's Responses to Production Request Nos. 14, 15, 16, 18, 53, 58, 70, and 73 Regarding the Insurance and Early Failure of Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 14: Reference Direct Testimony of Scott Sparks, p. 39, lines 15-20. Does the insurance carried by the Company cover or indemnify customers from accident or injury associated with Company- owned facilities installed beyond the Company's Point of Delivery? If not, does the Company make new customers aware of the customer's lack of coverage or indemnification for Idaho Power equipment on their property?

RESPONSE TO REQUEST FOR PRODUCTION NO. 14: For Company-owned facilities installed beyond the Company's point of delivery, the insurance carried by the Company would cover any loss for which the Company was deemed negligent in an accident or injury.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 15: Reference Direct Testimony of Scott Sparks, p. 39, lines 18-19 (stating the policy covers equipment subject to the facilities charge for "property, casualty, and workers compensation"). Please explain what "property" is covered and in what fashion. Please explain why Idaho Power believes that the policy covers "property" but does not cover "facility replacement costs."

RESPONSE TO REQUEST FOR PRODUCTION NO. 15: The property covered is the equipment on the customer's facilities charge and the resulting exposure created by Idaho Power owning, operating, and maintaining this equipment, which can result in property, third-party liability, and workers' compensation losses. Idaho Power's property insurance policy covers "property" damage that results from an insured event but does not cover "facility replacement costs" associated with normal wear and tear. Additionally, virtually all "insured" property losses occurring beyond the Company's point of delivery would fall under Idaho Power's self-insured retention (deductible) and would be an expense incurred directly by the Company.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 16: Reference Direct Testimony of Scott Sparks, p. 39, lines 15-20. Please provide a copy of the currently effective insurance polic(ies) referenced, and identify the provisions that apply to equipment subject to the facilities charge.

RESPONSE TO REQUEST FOR PRODUCTION NO. 16: Please see the attached summaries of insurance programs currently in place. Technically, there are no provisions that refer directly "to equipment subject to the facilities charge" as Idaho Power's insurance structure is a large "blanket" program that would cover catastrophic losses associated with third-party liability, property, and workers' compensation losses that could occur at or near the facilities and equipment in question. Most losses that would occur with facilities charge exposure would fall under deductible levels and would be paid directly by Idaho Power without any insurance recovery.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

Property "All Risk" Program including Boiler & Machinery

Named Insured: IDACORP and any subsidiary, and IDACORP's interest in any partnership or joint venture in which IDACORP has management control or ownership as now constituted or hereafter is acquired, as the respective interest of each may appear.

Mailing Address: P.O. Box 70
Boise, ID 83707

Carrier: Factory Mutual Insurance Company Policy #UW415

Policy Term: May 1, 2010 to May 1, 2011

Perils: All Risks of direct physical loss or damage including the perils of earthquake and flood, including boiler and machinery, and vehicle physical damage.

Policy Form: Power Generation GE 8/2008

Limits of Liability: $ 2,000,000,000 Policy Limit

Sublimits of Liability: The Company will pay up to the following sublimits of liability in any one occurrence. These sublimits are part of, and do not serve to increase, the limits of liability above or the aggregate limits of liability below:

$ 200,000,000 Annual aggregate Earthquake
$ 200,000,000 Annual aggregate Flood
$ 200,000,000 Annual aggregate Dams and Dikes
$ 2,000,000,000 Annual aggregate TRIA
$ 2,000,000,000 Demolition, Increased Cost of Construction
$ 100,000,000 Automatic Coverage (90 days reporting required) - **Excludes EM / Flood**
$ 100,000,000 Valuable Papers and Records
$ 100,000,000 Accounts Receivable
$ 10,000,000 Data, Programs or Software and Computer Systems - Non Physical Damage combined
$ 100,000,000 Errors & Omissions
$ 10,000,000 Miscellaneous Unnamed Locations - **Excludes EM**
$ 10,000,000 Bridges and Tunnels
$ 10,000,000 Protection and Preservation of Property - Time Element - **Excludes Terrorism**
$ 10,000,000 Debris Removal
$ 10,000,000 Decontamination Cost
$ 20,000,000 Expediting Expense and Extra Expense
$ 50,000 Land and Water Contaminant Cleanup, Removal and Disposal
$ 10,000,000 Rental Insurance
$ 10,000,000 Service Interruption - Non-Generation locations only - **Excludes EM**
$ 100,000,000 Fine Arts
$25,000 + 50% of Loss Professional Fees
Included in Definition of Property Course of Construction
$ 10,000,000 Soft Cost
$ 10,000,000 Transportation

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 4

Deductibles: $ 1,000,000 Combined all coverage's Including CT's, except:

$ 500,000 at locations 22,23,24,25,26,29,32,33, 34 and 41
Combined all coverage's
$ 100,000 Combined all coverage's mobile equipment/vehicle
physical damage
5% with $500,000 Min PD & TE Wind coverage in Commonwealth of Puerto Rico
and 1st Tier Wind Counties
3% with $500,000 Min
PD & TE Wind coverage in 2nd Tier Wind Counties
$ 50,000 Transportation
2 Day / $500,000 Min. Computer Systems - Non-physical Damage
1% with $100,000 Min Terrorism

Replacement cost, except on Transformers 25 years or older, or have not
Valuation: been completely rewound within the past 25 years and mobile equipment,
ACV

60-day notice of cancellation, 10 days for non-payment of premium

Exclusions: * Business Interruption
* Nuclear
* New Turbines Installed or Acquired after Inception
* Settling, cracking, shrinking, bulging or expansion of dams and dikes.

Special Conditions: * Extra Expense Coverage does not apply to the purchase of replacement power
* Extra Expense Coverage does not apply to loss from power/energy trading or brokering activities
* Definition of Occurrence: 72 Hours for Wind, Flood, Earthquake
* Written Notice of Land/Water Contaminant Loss Required in 180 Days

This Summary of Insurance is for your reference only. Please refer to your policy for additional terms, conditions and exclusions that may apply.

Total Insurable Value: $ 4,986,217,000

$ 1,897,000 *Annual Premium*
Premium: $ 229,000 *Terrorism Premium*
Included *Engineering Fees*
None *Fees & Taxes*
Total Annual Premium: **$ 2,126,000**
Rate (per $100): 0.038

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 5

IDACORP, INC.
Excess General Liability - AEGIS
July 15, 2010 - July 15, 2011

	AEGIS	AEGIS	% Change	AEGIS	% Change
	2008-2009	2009 - 2010	08-09 vs. 09-10	2010 - 2011	09-10 vs. 10-11
Exposure Data:					
Annual Gross Revenue	$ 879,394,000	$ 940,414,000	6.94%	$ 1,045,996,000	11.23%
Kilowatt Hours (Million)					
Residential	5,227,000,000	5,297,000,000	1.34%	5,300,000,000	0.06%
Commercial - Non Industrial	5,861,000,000	5,892,000,000	0.53%	5,508,000,000	-6.52%
Industrial (manufacturing)	3,454,000,000	3,355,000,000	-2.87%	3,140,000,000	-6.41%
Wholesale (public authorities & other utilities)	2,744,000,000	2,048,000,000	-25.36%	2,836,000,000	38.48%
Total	17,286,000,000	16,592,000,000	-4.01%	16,784,000,000	1.16%
Number of customers	477,094	487,165	2.11%	489,927	0.57%
Policy Form:	8100 (3/2007)	8100 (1/2008)		8100 (1/2008)	
Limits:					
Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Joint Venture - Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Combined Products and Completed Ops Liab	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Failure to Supply Aggregate Limit	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Pollution Liability Aggregate	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Medical Malpractice Injury each occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Wild Fire Liability Aggregate Limit		$ 35,000,000		$ 35,000,000	
Base Price	$ 1,601,559.00	$ 1,941,974.00	21.26%	$ 2,010,638.00	3.54%
TRIA Base Price	$ 120,117.00	$ 95,204.00	-20.74%	$ 108,500.00	13.97%
Base Price Total	$ 1,721,676.00	$ 2,037,178.00	18.33%	$ 2,119,138.00	4.02%
Fire Suppression	Included	Deleted		Deleted	
EMF Defense Costs	Included	Deleted		Deleted	
6B DropDown Feature	Included	Deleted		Deleted	
Revised Total	$ 1,721,676.00	$ 2,037,178.00	18.33%	$ 2,119,138.00	4.02%
Additional TRIA	Included	$ -		$ -	
Surplus Lines Taxes and Fees	$ 30,129.33	$ 35,650.62	18.33%	$ 37,084.92	4.02%
Total	$ 1,751,805.33	$ 2,072,828.62	18.33%	$ 2,156,222.92	4.02%
Continuity Credit	$ (123,079.00)	$ -	-100.00%	$ -	0.00%
FINAL TOTAL	$ 1,628,726.33	$ 2,072,828.62	27.27%	$ 2,156,222.92	4.02%

1

6/28/2010

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 6

IDACORP, INC.
Excess General Liability - AEGIS
July 15, 2010 - July 15, 2011

Notes:

1. Retentions to apply in combination
2. Quote is net, no commission included, expires on July 15, 2010
3. Retroactive Date: July 15, 1986
4. Coverage continues to be "Claims-First-Made" - Coverage is triggered when the claim is first made against "an insured" - not necessarily when the loss occurred. For coverage to apply under this coverage part, claims made against you must be brought during the policy period. The only other limitation is that the loss or event must have occurred on or after the retrocative date outlined above.
Furthermore, this also contains time sensitive claim reporting requires, claims must be reported as soon as practicable during the policy period. Claims may also be reported during an expented reporting period if purchased.
5. Complete copies of all quotes follow proposal

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 7

IDACORP, INC.
Schedule of Underlying
July 15, 2010 - July 15, 2011

Underlying Limits:

General Liability - any one occurrence	$	1,000,000
Pollution Liability - any one occurrence	$	1,000,000
Automobile Liability - any one occurrence	$	500,000
Care, Custody & Control - any one occurrence	$	1,000,000
Emergency Assistance Agreement - any one occurrence	$	1,000,000
Employer's Liability - any one occurrence	$	200,000
Jones Act - any one occurrence	$	200,000
Standards Board Activity	$	1,000,000
Community Service Activity	$	1,000,000
Employment Practices - each claimant	$	200,000
Employment Practices - any one occurrence	$	1,000,000
Foreign General Liability - any one occurrence *(For losses occurring prior to July 1,2007)*	$	1,000,000
(For losses occurring on or after July 1, 2007)		$200,000
Foreign Automobile Liability - any one occurrence *(For losses occurring prior to July 1, 2007)*	$	1,000,000
(For losses occurring on or after July 1, 2007)		$200,000
Foreign Employers Liability - any one occurrence *(For losses occurring prior to July 1, 2007)*	$	1,000,000
(For losses occurring on or after July 1, 2007)		$200,000
Watercraft (P&I) Liability - any one occurrence	$	1,000,000
Owned Aircraft Liability - November 13, 1997 to present - any one occurrence	$	300,000,000
Owned Aircraft Liability - prior to November 13, 1997 - any one occurrence	$	200,000,000

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 8

IDACORP, INC.
Schedule of Underlying
July 15, 2010 - July 15, 2011

AS RESPECTS IDAHO POWER COMPANY - TEXAS AND NEVADA		
Employer's Liability - any one occurrence	$	1,000,000
AS RESPECTS IDAHO POWER COMPANY - OREGON IDACORP		
Employer's Liability - any one occurrence	$	500,000
AS RESPECTS:		
Idaho Power Solutions (a business unit of Idaho Power Company)		
Hydro Services Group (a business unit of Idaho Power Company)		
IDACOMM, Inc. (a subsidiary of IDACORP, Inc.)		
IDACORP Services Company (a subsidiary of IDACORP, Inc.)		
IDACORP Energy (a subsidiary of IDACORP, Inc.) - prior to March 4, 2002		
IDACORP Financial Services, Inc. (a subsidiary of IDACORP, Inc.) prior to December 18, 2001		
Northwest Power Systems (a subsidiary of IDACORP, Inc.) prior to April 1, 1999		
General Liability - any one occurrence	$	200,000
AS RESPECTS IDACORP FINANCIAL SERVICES, INC. December 18, 2001		
General Liability - any one occurrence	$	1,000,000
General Liability - aggregate	$	2,000,000
Automobile Liability - non-owned and hired only any one occurrence	$	1,000,000
Employer's Liability - any one occurrence	$	100,000

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 9

"SEE ATTACHED"

IDACORP, INC.
Schedule of Underlying
July 15, 2010 - July 15, 2011

AS RESPECTS IDA-WEST ENERGY COMPANY		
General Liability - any one occurrence	$	1,000,000
General Liability - aggregate	$	2,000,000
Automobile Liability - only any one occurrence	$	1,000,000
Employer's Liability - any one occurrence	$	1,000,000
and		
Each Occurrence not covered by underlying insurance	$	1,000,000

"SEE ATTACHED"

6/28/2010

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 10

IDACORP, INC.

Excess Worker's Compensation - AEGIS

July 15, 2010 - July 15, 2011

	AEGIS	AEGIS	% Change	AEGIS	% Change
	2008 - 2009	*2009 - 2010*	08-09 vs. 09-10	*2010 - 2011*	09-10 vs. 10-11
Exposure Data:					
Estimated Payroll					
Electric	$ 74,335,675	$ 78,500,000	5.60%	$ 83,855,029	6.82%
Aircraft	$ 174,719	$ 185,000	5.88%	$ 203,039	9.75%
Clerical	$ 43,788,942	$ 46,500,000	6.19%	$ 54,914,610	18.10%
Office Travel	$ 30,023,063	$ 31,500,000	4.92%	$ 36,469,132	15.78%
Total Estimated Payroll	$ 148,322,399	$ 156,685,000	5.64%	$ 175,441,810	11.97%
Number of Employees	1,996	2,025	1.45%	2,020	-0.25%
Policy Form:	7100 (3/2007)	7100 (3/2007)			
Limit	$ 35,000,000	$ 35,000,000	0.00%	$ 35,000,000	0.00%
Excess of Self Insurance Retention:	$ 500,000	$ 500,000	0.00%	$ 500,000	0.00%
Average Rate/payroll	$ 0.0015	$ 0.0015	-2.80%	$ 0.0013	-13.46%
Cost:					
Premium	$ 205,979.00	$ 212,512.00	3.17%	$ 206,325.00	-2.91%
TRIA	$ 19,486.00	$ 19,000.00	-2.49%	$ 18,000.00	-5.26%
Surplus Lines Taxes and Fees	$ 3,945.64	$ 4,051.46	2.68%	$ 3,925.69	-3.10%
Total Company Expenses	$ 229,410.64	$ 235,563.46	2.68%	$ 228,250.69	-3.10%

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 11

IDACORP, INC.
Excess Worker's Compensation - AEGIS
July 15, 2010 - July 15, 2011

Notes:

1. Not later than 24 months from end of the policy period, advise company of all claims not settled that are likely to result in claims under this policy. See item (H) Reimbursement (2), page 5 of policy form
2. Policy form contains change in (N) Dispute Resolution and Service of Suit. See (2) Mediation, now using last publiched model procedure of mediation in lieu of current CPR Institue model.
3. Quote is net, does not include any commission
4. Quote expires on July 15, 2010

Claim Reporting Terms:

Written Notice to the company as soon as practicable in the event of:

a) Death;

b) Amputation of major extremity or one or more digits of dominant hand;

c) Serious head injury;

d) Loss of sight in one or both eyes;

e) Paraplegia or guadriplegia whether complete or partial;

f) Back injury requiring two or more surgical procedures;

g) Any claim involving ongoing disbility when it becomes known that the disability will continue for three years or more;

h) Burn injuries involving second degree burns over twenty-five percent (25%) or more of the body or third degree burns

i) Any incident which causes serious injury to two or more employees;

j) Any claim involving occupational disease (e.g., asbestosis, silicosis, black lung disease) when such disease becomes formally diagnosed; or

k) Any claim involving permanent and total disability.

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 12

IDACORP, INC.
Excess Liability - EIM
July 15, 2010 - July 15, 2011

	EIM 2008 - 2009	EIM 2009 - 2010	% Change 08-09 vs. 09-10	EIM 2010 - 2011	% Change 09-10 vs. 10-11
Exposure Data:					
Annual Gross Revenue	$ 879,394,000	$ 940,414,000	6.94%	$ 1,045,998,000	11.23%
Kilowatt Hours (Million)					
Residential	5,227,000,000	5,297,000,000	1.34%	5,300,000,000	0.06%
Commercial - Non Industrial	5,861,000,000	5,892,000,000	0.53%	5,508,000,000	-6.52%
Industrial (manufacturing)	3,454,000,000	3,355,000,000	-2.87%	3,140,000,000	-6.41%
Wholesale (public authorities & other utilities)	2,744,000,000	2,048,000,000	-25.36%	2,836,000,000	38.48%
Total	17,286,000,000	16,592,000,000	-4.01%	16,784,000,000	1.16%
Total Estimated Payroll	148,322,399	156,685,000	5.64%		-100.00%
Number of Employees	1,996	2,025	1.45%	2,020	-0.25%
Number of customers	477,094	487,165	2.11%	489,927	0.57%
Policy Form:	FFXS (01/01/06)	FFXS (01/01/06)		FFXS (01/01/06)	
Limits of Liability - Per Occurrence, subject to a $100,000,000 Annual Aggregate for all Occurrences	$ 100,000,000	$ 100,000,000		$ 100,000,000	
Excess of Aegis -					
Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Joint Venture - Each Occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Combined Products and Completed Ops Liab	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Failure to Supply Aggregate Limit	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Pollution Liability Aggregate	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Medical Malpractice Injury each occurrence	$ 35,000,000	$ 35,000,000		$ 35,000,000	
Policy Premium	$ 368,422.00	$ 450,000.00	22.14%	$ 464,267.00	3.17%
TRIA (Included in Premium)	$ 11,053.00	$ 13,108.00	18.57%	$ 13,522.00	3.17%
Surplus Lines Taxes and Fees	$ 6,640.81	$ 8,104.36	22.04%	$ 8,124.67	0.25%
Total Company Expenses	$ 375,062.81	$ 458,104.36	22.14%	$ 472,391.67	3.12%

8

"SEE ATTACHED"

6/28/2010

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 13

IDACORP, INC.
Excess Liability - EIM
July 15, 2010 - July 15, 2011

Notes:

EIM will agree to follow form AEGIS's Excess Liability Quote letter dated June 14, 2010, **including only endorsements:**

Nuclear Energy Liability Exclusion (Broad Form) Endorsement, Form 8202 (01/1988);

Employment Practices Liability Endorsement, Form 8262 (01/1998) (Item 4: Pending or Prior Date shall read July 1, 1997);

Care Custody and Control Endorsement, Form 8203 (12/2008)

Emergency Assistance Agreement Endorsement, Form 8204 (2/2009)

Community Service Activity Endorsement, Form 8232 (04/1997)

Standards Board Activity Endorsement, Form 8233 (01/1998) (except restricting provision D)

Watercraft and Owned Aircraft Liability Endorsement, Form 8218 (01/1997)

Amended Definition (L) Endorsement, Form 8295 (07/2004)

Amended Policy Delarations Endorsement (Limits of Liability) - Form 8419 (4/2009)

Policy Definitions Amendatory Endorsement (Wild Fire and Wild Fire Liability Form 8200 (10/00)

Insuring Agreement Amendatory Endorsement (Wild Fire) Form 8421 (4/2009)

EIM will not agree to follow

Underground Storage Tank Financial Responsibility Endorsement, Form 8224 (06/2006)

Reimbursement Endorsement, Form 8226 (8/2008)

Motor Carrier Policies of Insurance for Public Liability, form MCS 90 (10/1999)

Discovery Period Amendment, form 8200 (10/00)

Member with Voting Rights Endorsement, Form 8402 (01/2007) and Form 7217 (01/2007)

Terrorism Exclusion Endorsement Form 8291 (1/08)

Terrorism Limits and TRIPRA of 2007 Endorsement Form 8409 (1/08)

EIM will agree to follow form AEGIS's Excess Workers' Compensation quote letter dated June 7, 2010, **including only endorsements:**

Nil

EIM will not agree to follow:

Terrorism Exclusion Endorsement, form 7212 (1/2008)

Terrorism Limits and TRIPRA of 2007 Endorsement, form 7220 (1/2008)

Member with voting Rights Endorsement, form 7217 (1/2007)

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 14

IDACORP, INC.
Excess Liability - EIM
July 15, 2010 - July 15, 2011

Subjectivities:

Receipt and satisfactory review of the original EIM Excess General Liability Renewal Application (page 7 should read April 20, 2009)

Underlying Workers' Compensation Application

Status of compliance with FERC's Critical Infrastructure Protection Standards

Original signed TRIA letter returned by July 15, 2010

Payment of premium by July 15, 2010

This policy includes $0 commission

"SEE ATTACHED"

6/28/2010

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 15

MARSH

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

IDACORP, Inc.
Directors & Officers Liability
April 21, 2010 to April 21, 2011 Policy Term

Insurer	AEGIS Expiring	AEGIS Renewal	Increase/Decrease	Price Per Million
Primary Limit	$35,000,000	$35,000,000	—	
Retention: -Insuring Agreement I(A) -Insuring Agreement I(B)	$0 $500,000	$0 $500,000	—	—
Premium -Rated Premium incl TRIA -Continuity Credit -Total	$713,250 $128,246 $585,004*	$660,000 $64,167 $595,833	-7.4% -$53,250 -50% -$64,079 +1.09% +$10,829	$18,857 $17,024
Selected First excess layer (full coverage) - $50,000,000 excess of $35,000,000				
EIM (Energy Ins Mutual)	585,000*	544,050*	-7% or $40,950	$10,881
Incumbent Second excess layer (full coverage) - $15,000,000 excess of $85,000,000				
Chubb	$115,000	$106,950	-7% or $8,050	$7,130
[redacted]				
Ace	$15,000,00	$150,000 - $165,000	$10,000 - $11,000	Estimated Premium only
Chubb	$15,000,000 $ 1,000,000* *Additional limit for Independent Directors	$95,000	$6,333	Coverage is broader than Travelers with: • Side-A Fiduciary coverage included • A narrow prior notice exclusion "requires acceptance" • Conduct Exclusion trigger is narrower referring to a final adjudication in the underlying action
Travelers	$15,000,000 $ 1,000,000* *Additional limit for Independent Directors	$63,750	$4,250	Like Chubb a very solid form. • Offers $25k of Identity Fraud expense not offered by Chubb

Total Program

	$100 million Full Coverae Incumbent Renewal Program	$85 million Full Coverage $15 million Side A DIC - Travelers Alternate Program
Limits	$100,000,000	$100,000,000
Total Premium 2009	$1,285,004	$1,285,004
Total Premium 2010	$1,246,833	$1,203,633
Savings	$38,171	$81,371

for alternative excess quotes refer to the XL spreadsheet sent earlier

*** Non – admitted carriers (an additional 2.75% Idaho State Surplus Lines Tax / Fee Applies)**

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 16

AEGIS Endorsements: **Changes / Enhancements from prior year**

Endorsements attached to the primary AEGIS policy:	1. Employee Outside Position Coverage – Not-For-Profit Organizations [Form 6525 10/2006]; as per expiring Endorsement No. 1 2. Outside Position Coverage – For-Profit Organizations Including Management or Operating Committees (Form 6623 10/2008), ODL Extension for the following. Replacing expiring Endorsement No. 2: • Security Offshore Insurance, Ltd. (S.O.I.L..); • Allied Utility Network; • Marysville Hydro Partners; • Hazelton/Wilson Joint Venture; • Y-8 Hydro and Hermiston Power Partnership; • Bridger Coal Company; • I W One Percent LLC; • I W Energy Fund LLC; • Snow Mountain Hydro LLC; • Y-8 Hydro Partners • South Forks JV; 3. Amended Definition of Director or Officer – Section VI, Definitions (D) to include the General Counsel, as per expiring Endorsement No. 3; 4. Clean Air Act, Title IV and Title V Acid Rain Program Designated Representative and Responsible Official Endorsement Form 6511 5/2007 as per expiring endorsement No. 4; 5. Corporate Entity Securities Claims Endorsement (Criminal, Formal Administrative and Regulatory Proceedings, Co-defendant)(Form 6627 9/2009) With respect to the endorsement, Pending and Prior Litigation Date – 4/21/1990 – standard form replacing expiring endorsement No. 5; 6. Amended Conduct Exclusion Endorsement (Manuscript) – Per expiring Endorsement No. 6A: 7. Amended Representations and Severability – Securities Claims Endorsement (Form 6573 11/2008) – standard form replacing expiring Endorsement No. 7; 8. Outside Position Coverage – Outside For-Profit Organizations Including Management or Operating Committees (Scheduled Persons and Positions)(Form 6622 10/2008) – Extension provided for : • Lamont Keen – Security Offshore Insurance Ltd. • Richards Riazi – Allied Utility Network As pre expiring Endorsement No. 8; 9. Amended Exclusion (K)(1) Insured vs. Insured Whistleblower (Form 6612 5/2007) – SOX Whistleblower carve-back, as per expiring Endorsement No. 9. 10. Insured vs. Insured Amended Endorsement (Bankruptcy Examiner, Creditor Committee) (Form 6648 7/2008) – as per expiring Endorsement No. 10 11. Amended Definition (A)(2) Application Endorsement (Form 6636 7/2008)-reach-back amended to be one year from three years last year and five in the policy – as per expiring Endorsement No. 11; but with a one year look back; 12. Amended Prior Notice Exclusion Endorsement (Manuscript), removes GPL clause, as per expiring Endorsement No. 12.; 13. Public Offering Endorsement (Form 6630 8/2007) – Clarifies coverage under Section 11 & 12 of the Securities Act of 1933, as per expiring Endorsement No. 13. 14. Amended Definition of Claim Endorsement (Manuscript)-amends definition of Claim to provide coverage for "Wells Notice", as per expiring Endorsement No. 14 15. Amended Subrogation Endorsement (Manuscript)-subrogation clause will be amended to be consistent with the conduct exclusion, as per expiring Endorsement No. 15A; 16. Non-Cancellation Endorsement-Manuscript-Policy is non-cancellable by insurer except for non-payment of premium and (b) cancellable by the insured on a pro-rata basis at any time-Replaces expiring Endorsement No. 16 17. Amended Exclusion (E)(6) (Form 6654) – deletes exclusion E(6) pertaining to injury arising out of piracy, plagiarism, etc.- as per expiring Endorsement No. 17 18 Amended Acquisition, Merger and Dissolution Endorsement (20% Consideration Threshold) Form 6586-New

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 17

	19. Member with Voting Rights Endorsement (Form 6583 1/2007), as per expiring Endorsement No. 18 20. Terrorism Limits and TRIPRA of 2007 Endorsement [Form 6639 1/2008]: AEGIS hereby offers to provide the above-named applicant insurance coverage for an "insured loss" resulting from an "act of terrorism," each as defined by the Terrorism Risk Insurance Act, as amended (the "Federal Act"), on the same terms and in the same amounts as loss caused by other events covered by your policy. (Each of these bolded terms is defined by the Federal Act; those definitions control our grant of coverage under your policy). Please read this offer carefully.

EIM Excess Commentary –Based on updated quote of 4-8-2010

- Policy Following Form Excess Directors & Officers Indemnity Policy Form Rev. 01/01/06, as expiring
- The EIM excess Policy Form is being renewed as per the expiring terms at the premium noted above, including the below endorsements.
  1. Prior & Pending Litigation-as per expiring Endorsement No. 5
  2. Non-Cancelable except for Non-Payment –as per expiring Endorsement No. 1
  3. Terrorism – Certified Acts-as per expiring Endorsement No. 6
  - Coverage for "Acts of Terrorism" as defined in the Terrorism Risk Insurance Act of 2002, including subsequent acts of Congress pursuant to the Act, is included in your expiring policy. You should know that, effective November 26, 2002, under your existing coverage, any losses caused by Certified Acts of Terrorism could be partially reimbursed by the United States under a formula established by federal law. The additional annual premium to provide renewal coverage for acts of terrorism is $10,510 which is included in the premium stated above. You may elect to have coverage excluded for losses arising from acts of terrorism in accordance with the Terrorism Risk Insurance Act of 2002 and subsequent extensions. Attached is a letter which you are required to sign either accepting or rejecting the coverage for "Acts of Terrorism" (specimens attached). The decision to accept or reject "Acts of Terrorism" coverage must be made by April 21, 2010.
  4. Policies Followed-Per wording in expiring Endorsement No. 4-
     - EIM will agree to follow form AEGIS's Quote letter dated April 8, 2010 including only endorsement numbers: 1, 2 (except paragraph 6), 3, 4, 5, 6, 7, 8 (except paragraph 6), 9, 10, 11, 12, 13, 14, 15, 16, 17 & 18.
     - EIM will not follow endorsement numbers: 19 & 20.
     - With respect to underlying sub limits, EIM only follows form to the extent it affects the EIM attachment point.
  5. Amend Definition of Claim – as per expiring Endorsement No. 2
  6. Amend Notice of Claim – as per expiring Endorsement No. 3
  7. Treatment of Payments Side A – as per expiring Endorsement No. 7
  8. Have agreed to follow the AEGIS 20% acquisition threshold & 12 month look back for definition of application (need amended EIM quote confirming this) Received

Travelers Side-A DIC Coverage only

- Idaho Cancellation for Nonpayment of Premium
- Identity Fraud Expense Reimbursement Endorsement ($25k sublimit)
- Addition of Order of Payments
- Amend Severability of Exclusions
- Amend Definition of Loss and Fraud and Personal Profit Exclusion for Section 15 Claims
- How to Report Losses, Claims, or Potential Claims to Travelers
- Important Notice Independent Agent and Broker Compensation
- Terrorism Policy Disclosure Notice-Terrorism Risk Insurance Act of 2002
- Cap on Losses From Certified Acts of Terrorism

Subjectivities:

- AEGIS: None
- EIM:
  1. Copy of underlying binder
  2. Premium payment due by inception (4/21/2010)
- Travelers:
  1. Underlying policy binders

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 18

California Branch
777 S. Figueroa, 14th Floor
Los Angeles, CA 90017
Phone: (213) 689-2733
Fax: (213) 689-1886

Date: August 17, 2010
From: Kate Rouker
To: Steve Mikhlin
Company: MARSH AVIATION
Fax Number: programmed

CHARTIS

GOLD MEDALLION AIRCRAFT INSURANCE BINDER

These Coverages are bound per the terms, conditions, and endorsements of our quote of **08/12/10**

Named Insured: Idaho Power Company And Idacorp, Inc.

Address: P.O. Box 70
Boise, ID 83707

Policy #: GM 005393274-09 a renewal of policy: GM 5393274-08

Policy Period: From: August 26, 2010 Until: August 26, 2011
both at 12:01 AM standard time, at the address shown above.

Coverage A: $ 300,000,000 Each Occurrence
Coverage B: $ 300,000,000 Each Occurrence Maximum Seats: 45
Reporting Grace Period: 0 Grace Days
Coverage C: $ 10,000,000 Each Occurrence
Reporting Grace Period: 0 Grace Days
Coverage D: $ 10,000,000 Each Occurrence
Coverage E: $ 300,000,000 Each Occurrence
$ 100,000 Any 1 Fire
Coverage F: $ 25,000,000 Each Aircraft - Auto
$ 25,000,000 Each Occurrence
$ N/A Deductible
Coverage G: $ 2,500,000 Each Occurrence
Coverage H: $ 300,000,000 Each Occurrence
Coverage I: $ 300,000,000 Each Occurrence
Coverage J: $ 25,000,000 Each Offense/Aggregate
Coverage K: $ 500,000 Each Occurrence
$ N/A Deductible
Coverage L: $ 25,000 Each Pax
Coverage M: A. $ 500,000 Each Occurrence (Scheduled: Each Non-Crew Member)
A. $ 500,000 Each Occurrence (Scheduled: Each Crew Member)
B. $ 500,000 Each Occurrence (NO/Temp.: Each Non-Crew Member)
B. $ 500,000 Each Occurrence (NO/Temp.: Each Crew Member)
5,000,000 Total Non-Owned Aircraft
Weekly Indem 1,250 Each Passenger
Indem Period 104 consecutive weeks
Coverage N:

FAA Cert. Number	Year Built	Make & Model	Seats Crew /	Seats Pass	Insured Value	Deductibles Not in Motion	Deductibles In Motion/ Ingestion
N521TM	1992	Cessna Citation 550	2	8	$1,750,000	NIL	NIL

Coverage O: $ 5,000,000 Each Occurrence
$ N/A Deductible
Coverage P: $ 10,000,000 Each Occurrence Maximum Seats: 30
Reporting Grace Period: 30 Grace Days
Coverage Q: $ 5,000,000 Any One Aircraft
Coverage R: $ 500,000 Each Loss Minimum required repair period: 0
Coverage S: $ 50,000 Each day, no more than 60 consecutive days, not exceeding:
$ 600,000 Each Loss Minimum required repair period: 0
Coverage T: $ 2,000,000 Each Loss
Coverage U: $ 2,000,000 Each Loss
Coverage V: $ 25,000 Each Passenger and Crew
Coverage W: 65 % if the aircraft 15 or more consecutive days.
Coverage X: $ 50,000 Each Occurrence (Scheduled: Each PAX)
$ 50,000 Each Occurrence (Scheduled: Each Crew)
$ 50,000 Each Occurrence (Non-Owned: Each PAX)
$ 50,000 Each Occurrence (Non-Owned: Each Crew)
$ 50,000 Each Person (Premises)
$ 500,000 Each Occurrence (Premises)

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 19

Pilot Warranties:
As Respects All Dual Crew Aircraft:
Named Pilots: Ricky Johnson, Ian Bock, Jeff Pierose or:
Any two-person crew as approved by the named insured.

It is further required that all pilots, whether named or meeting an open pilot clause, must have successfully completed a motion-based simulator training course specifically designed for the make and model aircraft operated within the preceding Twelve (12) months of any and all flights covered by this policy, and annually thereafter.

Aircraft Premiums

Aircraft	Hull Premiums	Liability Premiums	Total Aircraft Premium
N521TM	$7,527	$42,637	$50,164

Mexican Certificate: Included at no Charge

War Hull:
N521TM - $298,

War Liability:
N521TM - $2423,

TRIA:
N521TM: Hull - $0, Liability - $15989,

Producer Commission is 0.00%
Issuing Company: National Union Fire Insurance Company of Pittsburgh, PA
Policy Form: GLD-02
Endorsements:

UE86 MEX Warning, UE1013 Policyholder Notice, UE2000A Date Recognition Exclusion Clause, UE2001A Date Recognition Limited Coverage Clause, UE857 Tria Hull, UE858 Tria Liability, GLD426 War Hull (State Specific where required), GLD52E War Liability (State Specific where required), GLD881 - Incidental Medical Malpractice Liability Endorsement, GLD937 - Charter Referral Liability, GLD834 - Knowledge of Occurrence and Failure to Report, , , , , , Any Applicable State, Provincial, or Territorial Endorsements and/or Notices, UE1066 Terrorism Exclusion - Certified Acts, UE38B Nuclear Exclusion (State Specific where required), UE46B Noise Exclusion, UE48B War Exclusion (State Specific where required), UE882 Asbestos Exclusion
0

Caveats:

This binder contains a broad outline of coverage and does not include all the terms, conditions and exclusions of the policy (or policies) that may be issued to you. The policy (or policies) contain the full and complete agreement with regard to coverage. Please review the policy (or policies) thoroughly with your broker upon receipt and notify us promptly in writing if you have any questions. In the event of any inconsistency between the binder and the policy, the policy language shall control unless the parties agree to an amendment. The European Union is defined by those countries who are bound by Regulation (EC) 785/2004 of the European Parliament and of the council of 21 April 2004. Total Premiums do not include any applicable state and/or municipal taxes.

TRIA Coverage has been Accepted, **per your instructions.**

Total Annual Premium: **$50,164**

Signature of Authorized Representative: Kate Parker

Comments:

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 20

÷ AEGIS°

Insurance Services

BINDER

June 20, 2011

NAMEDINSURED:

ADDRESS:

Western Interconnected Electric Systems (WIES)

c/o Marsh USA, Inc.

111 Southwest Columbia

Suite 500

Portland, OR 97201

Re: Excess Liability Insurance

CLAIMS-FIRST-MADE Policy

Associated Electric & Gas Insurance Services Limited hereby agrees to provide coverage under Policy No.

X0676A1A11 for the POLICY PERIOD from the 1st day of June, 2011 until the 1st day of June, 2012, both

days at 12:01 A.M., Standard Time, at the address of the NAMED INSURED.

1) Premium $415,052

Terrorism $37,948

Commission $40,000

Policy Premium $493,000

2)

3)

RETROACTIVE DATE: The 1st day of June, 1998 at 12:01 A.M. Standard Time at the address of the NAMED INSURED.

A.

B.

C.

D.

E.

F.

G.

LIMIT OF LIABILITY EACH OCCURRENCE:

1. $9,000,000*

2. $18,000,000 GENERAL AGGREGATE

JOINT VENTURE LIMIT OF LIABILITY:

Per Limit of Liability Section I.(B)(9)*

COMBINED PRODUCTS LIABILITY AND COMPLETED OPERATIONS LIABILITY AGGREGATE

LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000*

FAILURE TO SUPPLY LIABILITY AGGREGATE LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000*

POLLUTION LIABILITY AGGREGATE LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000

MEDICAL MALPRACTICE INJURY LIMIT OF LIABILITY EACH OCCURENCE:

$9,000,000*

WILD FIRE LIABILITY AGGREGATE LIMIT OF LIABILITY FOR THE POLICY PERIOD:

$9,000,000 *

* SUBJECT TO THE $18,000,000 GENERAL AGGREGATE OF THE POLICY

4) EXCLUSIONS: As per AEGIS POLICY form.

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 21

1 Meadowlands Plaza East Rutherford, NJ 07073 Telephone 201 508-2600 Facsimile 201 896-6639
AEGIS and the AEGIS Logo are Registered Service Marks of Associated Electric & Gas Insurance Services Limited
8OO0 BIND11 (01/2011)
BINDER

5) UNDERLYING LIMITS:
A. See Underlying Limits Schedule.
B. $1,000,000 any one occurrence not covered by underlying insurance.
C. In the event of any CLAIM (s) arising from any single OCCURRENCE which involve(s) two or more UNDERLYING LIMITS, the UNDERLYING LIMITS shall apply in Combination.

6) Endorsements:
The following endorsements and/or exclusions will also be attached to the policy.
1. Nuclear Energy Liability Exclusion (Broad Form), Form No. 100-E8202 (1/88)
2. Employment Practices Liability Endorsement, Form No. 100-E8262 (3/11)
3. Employment Practices Liability Exclusion, Form No. 100-E8264 (6/06)
4. Automobile Liability Exclusion, Form No. 100-E8231 (1/92)
5. Definition (S) Amendatory Endorsement, Form No. 100-M0001 (10/00) as per expiring Endt. No. 5
6. Section II Definitions Endorsement, Form No. 1O0-M0001 (10/00)
7. Failure to Supply Exclusion Amendatory Endorsement, Form No. 100-M0001 (10/00) as per expiring Endt. No. 7
8. Additional Exclusion Endorsement, Form No. 100-M0001 (10/00)
9. Condition (P) Endorsement, Form No. 1O0-M0001 (10100) as per expiring Endt. No. 9
10. Definition (L) Endorsement, Form No. 100-MO001 (10/00) as per expiring Endt. No. 10B
11. Shared Limits Endorsement, Form No. 1O0-M0001 (10/00)
12. Limitation of Liability Endorsement, Form No. 1O0-M0O01 (10100)
13. Member with Voting Rights Endorsement, Form No. 100-E8402 (1/07)
14. Terrorism Limits and TRIPRA of 2007 Endorsement, Form No. 100-E8409 (1/11)

7) Membership and Votinq Status:
This POLICY will entitle the NAMED INSURED to be a member in the COMPANY unless that membership is superseded, at any point in time, by a parent or affiliated company, which is also a member in the COMPANY.
This POLICY will also entitle the NAMED INSURED to a vote on any matter submitted to the members of the COMPANY unless that voting right is superseded, at any point in time, by the voting right of a parent or affiliated company.

8) Terrorism Coverage:
TRIPRA of 2007 (U.S. Locations Only)
Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) extends the program for seven years. It eliminates the distinction between foreign and domestic acts of terrorism while maintaining the current federal share (85%) and the insurer co-pay (15%) above the insurer's retention. It hardens the cap on all insurers' aggregate liability at $100 billion. Currently, it does not require insurers to offer coverage for nuclear, biological, chemical and radiological risks (NBCR). In addition, the bill maintains the current program trigger of $100 million and the mandatory recoupment layer of $27.5 billion for federal payments, specifying recoupment timeframes. The Act requires that 133% of federal outlays be recovered through policyholder surcharges. Finally, it provides for several studies of insurance availability/affordability for NBCR risks and for terrorism market capacity. AEGIS will continue to provide terrorism coverage for the policyholder as it has since the original bill was enacted

In 2002. Further note that any terrorism coverage provided under the AEGIS Excess Liability Policy is subject to the $18,000,000 General Aggregate of the POLICY.
Attached is an invoice for the PREMIUM listed above, which is payable within 15 days of the date hereof, or 20 days from the inception date above, whichever is later.
A POLICY reflecting the above terms will be prepared and sent to you shortly. The policy provides coverage
which is different from that provided by most other policies.

"SEE ATTACHED"

THIS BINDER SUPERSEDES ANY PREVIOUSLY ISSUED BINDER.
AEGIS Insurance Services, Inc.
Representative

&AEGIS°

Associated Electric
& Gas Insurance
Services Limited
Hamilton, Bermuda
June 20, 2011

WRITTEN STATEMENT FROM FOREIGN INSURER
REQUIRED BY REVENUE PROCEDURE 81-21

Insurer: Associated Electric & Gas Insurance Services Limited
Maxwell Roberts Building
4th Floor
One Church Street
P.O. Box HM2455
Hamilton, HMJX
BERMUDA

Premium Period: June 1, 2011 to June 1, 2012

The Internal Revenue Service ("IRS") has issued Revenue Procedure 81-21, which states that direct insureds
and U.S. brokers will be exempt from liability for any unpaid Federal Insurance Excise Tax ("FET") imposed by
section 4371 of the Internal Revenue Code on underwriting premiums if they receive a statement from a foreign insurer to the effect that the premiums they pay are subject to U.S. income tax and concomitantly exempt from FET. This statement will serve as the statement prescribed by the IRS to establish the FET exemption.

AEGIS has received a private ruling from the Internal Revenue Service to the effect that it is engaged in a U.S.
trade or business and underwriting profits attributable to premiums paid to it will be subject to income tax. The
ruling also provides that such premiums are exempt from the FET.

This is to advise you that all premiums paid by you to AEGIS with respect to the captioned premium period will
constitute an item of effectively connected income to AEGIS and thus are exempt from FET.

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED
John J. Denman Jr.
Treasurer and Controller

Maxwell Roberts Building, 4th floor, One Church Street, P.O. Box HM2455, Hamilton HM JX, Bermuda 441 296-2131
AEGIS and the AEGIS Logo are Registered Service Marks of Associated Electric & Gas Insurance Services Limited
8000 FETL (03/2007)

—9AEGIS

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

UNDERLYING LIMITS SCHEDULE

This schedule is attached to and forms a part of Item 6 of the Declarations of POLICY No. X0676A1A11 and lists all underlying insurance or self-insured retentions maintained by the NAMED INSURED effective this 1st day of June, 2011 at 12:01 A.M. Standard Time at the address of the NAMED INSURED.

Insured or Uninsured
$1,000,000 any one OCCURRENCE - General Liability

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 23

MARSH & McLENNAN COMPANIES

IDACORP, INC.
FIDUCIARY LIABILITY
JULY 15, 2011 TO JULY 15, 2012 POLICY TERM

INSURER	AEGIS EXPIRING	AEGIS RENEWAL	
POLICY FORM	AEGIS POLICY FORM 2100 (9/2009)	AEGIS POLICY FORM 2100 (9/2009)	
PRIMARY LIMIT	$25,000,000	$25,000,000	INCR/DECR
RETENTION: -EA NATURAL PERSON -AGGREGATE FOR ALL NATURAL PERSONS -AGGREGATE FOR SPONSOR ORG AND ALL EMPLOYEE BENEFIT PROGRAMS W/ RESPECT TO EA WRONGFUL ACT -$1,000,000 AGGREGATE FOR ANY CLAIM IN WHOLE OR IN PART RELATED TO COMPANY'S SECURITIES	 $0 $0 $200,000 $500,000	 $0 $0 $200,000 $500,000	
PREMIUM -PREMIUM INCL TRIA	$139,650* (INCLUDES 2% FOR TRIA)	$136,159* (INCLUDES 2% FOR TRIA)	-2.5%
FIRST LAYER OF EXCESS -$10,000,000 EXCESS OF $25,000,000			
FEDERAL INS CO (CHUBB)	$32,250	$31,445	-2.5%
TOTAL PROGRAM			
$35,000,000	$171,900	$167,604	-2.5%
ENDORSEMENTS:	1. Exclusion (C) is amended to provide a carve back for certain fines and penalties. Coverage is provided at a Sub Limit of $5 Million which is part of the overall policy aggregate-as per expiring endt #1; 2. Exclusion (B) is amended to provide a carve back to the BI/PD and PI exclusion for claims resulting from the selection of any Managed Care Service Provider or denial or delay of any benefit under a healthcare plan- as per expiring endt # 2; 3. Amend definition of claim to include investigations by the DOL and PBGC-as per expiring endt #3; 4. Amend definition of insured endorsement, Trustee to include only "natural person" trustees. This eliminates issue of Idacorp's limit being eroded to outside corporate trustees-as per expiring endt #4 & #14 5. Discovery period endorsement at 125% of the annual premium. Election remains bilateral, as per expiring endt #5, but with change to standard form. 6. Securities Deductible Endorsement - $500,000 in the aggregate for any Claim in whole or in part related to the IDACORP's Securities, as per expiring endt #6; 7. HIPPA extension endorsement provides coverage for violations of HIPPA-as per expiring endt #7; 8. Deletion of reversion of assets exclusion-as per expiring endt #8; 9. Notice of Claim or Circumstances Endorsement to "notice of risk manager or general counsel", as per expiring endorsement No. 9; 10. Punitive Damages-Most Favorable Venue Endt-as per expiring endt #10 11. FEB Exclusion (G) Endt-addresses benefits due exclusion, as per expiring endt #11 12. Acquisition, Merger and Termination Endt-amended to provide (a) 25% asset threshold and (b) pre-acquisition coverage for created and acquired subsidiaries (c) automatic coverage for created plans, as per expiring endt #12 13. Order of Payments Endt, as per expiring endt #13 14. Amended Cancellation Endt-cancellation amended to be non-cancellable by the Company except for non-payment of premium / cancellable by the Insured on a pro-rata basis, as per expiring endt #15 15. Amended Definition of Sponsor Organization-Definition (P) Sponsor Organization Amended to include the "resulting debtor in possession or		

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 24

	equivalent status outside the United States", as per expiring endt #16 16. Amended Exclusion (D)(1) – Prior notice exclusion will only apply with respect to a Fiduciary policy, as per expiring endt #17 17. Amended Condition (A) Endt-Acts, Omissions or Warranties is amended to indicate the Policy is non-rescindable with respect to Natural Person Insureds only, as per expiring endt #18 18. Deletion of Exclusion J, deletes known circumstances likely to give rise to a Claim not disclosed or misrepresented in the Long Form Application (exclusion does not apply to Renewal Applications), as per expiring endt #19. 19. Amended Non-Duplication of Limits Endorsement (manuscript) to not allow wording to apply to the AEGIS D&O limits, as per expiring endt #20. 20. Member / Voting Rights Endorsement-as per expiring endt #21 Policy also entitles the Sponsor Organization to a vote on any matter submitted to the members of the Insurer; as per expiring endt #12 21. <u>Optional:</u> Terrorism Limits and TRIEA Endorsement AEGIS hereby offers to provide the above-named applicant insurance coverage for an "insured loss" resulting from an "act of terrorism," each as defined by the Terrorism Risk Insurance Act, as amended (the "Federal Act"), on the same terms and in the same amounts as loss caused by other events covered by your policy. (Each of these bolded terms is defined by the Federal Act; those definitions control our grant of coverage under your policy). Please read this offer carefully (see AEGIS quote for full terms)
Endorsements/Forms Attached To The Chubb Excess Policy:	1. 10-02-1295-Important Notice To Policyholders (6/07 ed.)-as expiring 2. 14-02-13044-Pending Or Prior Matters Follow Form (4/07 ed.) –as per Expiring endt #1 3. 14-02-13045-Termination Follow Form (4/07 ed.) as per expiring endt #2 4. 14-02-13438-Amend Insuring Clause & Depletion of Underlying Limits Section Endt (9/08 ed.) as per expiring endt #3 5. 14-02-8034- Not Follow Form of Terrorism Exclusion (05/03 ed) as per expiring Endt #4 6. 14-02-9228-Compliance With Applicable Trade Sanction Laws(4/04 ed.), as per expiring endt #5 7. 14-02-9963-Reliance Endorsement (12/05 ed) as per expiring endt #6

***NON-ADMITTED CARRIERS-AN ADDITIONAL 1.75%% IDAHO STATE SURPLUS LINES TAX/FEE APPLIES**

Comments regarding key changes to the AEGIS primary fiduciary coverage:

- All coverage under the AEGIS policy is in accordance with the expiring policy form.

Chubb Excess Fiduciary Coverage Comments:

- All coverage under the Chubb policy is in accordance with the expiring policy form.

<u>Subjectivities:</u>

- AEGIS: None
- Chubb:
  - Underlying binder, prior to binding
  - Underlying policy, when available

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 25

MARSH & McLENNAN COMPANIES

IDACORP, INC.
COMMERCIAL CRIME
JULY 15, 2011 TO JULY 15, 2012 POLICY TERM

INSURER	FEDERAL INS CO (CHUBB) EXPIRING	FEDERAL INS CO (CHUBB) RENEWAL	INCREASE/DECREASE
PRIMARY LIMIT			
-EMPLOYEE THEFT	$25,000,000	$25,000,000	
-PREMISES	$25,000,000	$25,000,000	
-IN TRANSIT	$25,000,000	$25,000,000	
-FORGERY	$25,000,000	$25,000,000	
-COMPUTER FRAUD	$25,000,000	$25,000,000	N/A
-FUNDS TRANSFER FRAUD	$100,000	$100,000	
-MONEY ORDERS & COUNTERFEIT FRAUD	$100,000	$100,000	
-CREDIT CARD FRAUD	$25,000,000	$25,000,000	
-CLIENT COVERAGE	$25,000,000	$25,000,000	
-EXPENSE COVERAGE	$250,000	$250,000	
RETENTION:	$100,000 $5,000 FOR FUNDS TRANSFER & CREDIT CARD FRAUD	$100,000 $1,000 FOR FUNDS TRANSFER & CREDIT CARD FRAUD	N/A
PREMIUM	$62,500	$60,000	-4%
SAVINGS		$2,500	

ENDORSEMENTS/FORMS:

General Terms & Conditions

1. 14-02-7302 (Ed. 11/2002) Policy Form General Terms & Conditions-as exp
2. 10-02-1295 (Ed 6/2007) Important Notice to Policyholders-as exp
3. 14-02-14672 (09/2008)-Termination of Policy Endorsement as per exp #1
4. 14-02-7460 (11/2002) Idaho Amendatory Endt. Wording is as per exp endt #2
5. 14-02-7993-(Ed. 11/2007) Notice of Loss Control Services as per exp
6. 14-02-9228-(2/2010) Compliance with Applicable Trade Sanction Laws.

Crime Coverage Section

1. 14-02-7307 (Ed. 11/2002)Policy Form Crime Section-As Exp
2. 14-02-10243-Amend Retention for Specific Insuring Clause-as per exp endt #1.
3. 14-02-10685 (Ed 3/2005) Amend Definition of Employee as per exp endt #2
4. 14-02-10894 (04/2008) Amend Definition of Executive Endt-as per exp endt #3
5. 14-02-13658 (04/2008) Pension Protection Act Enhancement Endt-as per exp endt #4
6. 14-02-7402-(10/2002) Amend Definition of Employee Endt-as per exp endt #5
7. 14-02-8592 (7/2005) Conversion to Loss Discovered Endt-as per exp endt #6
8. 14-02-8754 (8/2003)Delete Exclusion 17 Endt-as per expiring endt #7
9. 14-02-8850 (10/2003) Joint Venture Endt-as per exp endorsement #8
10. 14-02-8907 (10/2004) -Amend Exclusion 19 Endt – Coverage does not apply if such loss is covered under a renewal or replacement policy offered by Chubb as per exp endt #9.
11. 14-02-8923- (4/2007) Amend Subsection 23 Changes in Exposure Endt – to increase the reporting time frame from 60 days to 90 days-as per exp endt #10
12. 14-02-8924 (11/2003) Amend Subsection 25 Limits of Liability and Retention Endt-as per exp endt #11
13. 14-02-8925 (11/2003) Amend Valuation of Securities Endt-as per exp endt #12
14. 14-02-8926 (11/2003) Amend Exclusions Endt-as per exp endt #13
15. 14-02-8927(11/2003) Amend Exclusion Endt-as per exp endt #14
16. 14-02-8928 (11/2003) Amend Exclusion Endt-as per exp endt #15
17. 14-02-8931A (4/2008)-Amend Definition of Employee Endt- as per exp endt #16
18. 14-02-8932 (11/2003) Amend Definition of Securities Endt-as per exp endt #17
19. 14-02-8933 (11/2003)-Amend Money Order and Counterfeit Currency Fraud Endt as per exp endt #18
20. 14-02-9146 (2/2004) Amend Exclusion 12(h)(ii) Endorsement – as per exp endt #19
21. 14-02-9261 (4/2004) Amend Definition of Computer System Endt-as per exp endt 20
22. 14-02-9461 (7/2004) Amend Definition of Discovery and Exclusion 13b as per expiring endt 21

Crime Coverage Summary:
The Chubb policy form is as expiring

- The 2011 strategy was to renew at a flat or better premium given that their retention and pricing remain below market. Chubb has agreed to a 4% reduction.

Subjectivities: None

"SEE ATTACHED"

Exhibit No. 305
IPC-E-11-08
Reading, ICIP
Page 26

saif corporation

services

IDAHO POWER COMPANY

Premium estimate for Guaranteed Cost Plan

Period: 04/01/2011 - 04/01/2012

Policy: 2598
Plan: 1

Class	Description	Payroll	Rate	Premium
7539	Elec Power Co-Noc-All Emps & Dr	$3,755,195	2.73	$102,517
8810	Office Clerical	$46,422	.15	$70

Total Payroll $3,801,617		
Manual Premium		$102,586
Experience Rating Modification	x	.92
Standard Premium		$94,380
Premium Discount	-	$12,907
Discounted Premium		$81,473
Terrorism Premium	+	$380
Catastrophe Premium	+	$380
DCBS Premium Assessment @ 6.4%	+	$5,263
Total Premiums and Assessments		$87,496

Premium discount schedule

First	$3,500	0.0%
Next	$14,500	10.0%
Next	$82,000	15.0%
Over	$100,000	16.5%

Terrorism premium = total payroll / 100 x .01
Catastrophe premium = total payroll / 100 x .01
Premium and rating factors will change on your anniversary rating date to those in effect at that time.
Your policy premium is based on your current estimated premium and may be prorated for policies issued for less than a full year or adjusted based on actual payroll by classification.

REQUEST FOR PRODUCTION NO. 18: Reference Direct Testimony of Scott Sparks, p. 39, lines 15-20. Please provide the insurance claims for Company-owned equipment associated with the facilities charge filed by the Company for each year for the years 1987 through 2010, organized by rate Schedule.

RESPONSE TO REQUEST FOR PRODUCTION NO. 18: There are technically no "insurance" claims regarding this equipment as any loss during that time frame fell within the self-insured deductible range. However, Idaho Power pays for any such losses directly (without any insurance recovery). Idaho Power's current standard property insurance deductible (i.e., self-insured) is one million dollars per loss.

The response to this Request was prepared by Tim Tucker, Property and Casualty Administrator, Idaho Power Company, at the direction of Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 53: Reference the Company's Response to ICIP Request No. 15 (stating "virtually all 'insured' property losses occurring beyond the Company's point of delivery would fall under Idaho Power's self-insured property retention (deductible) and would be an expense incurred directly by the Company"). Please explain how the Company recovers costs associated with its "self-insured property retention."

(a) Does the Company recover such self-insured amounts through rates?

(b) How would the Company pass on its uninsured losses to customers? For example, please describe the ratemaking treatment of an uninsured failure of a piece of distribution equipment on the Company's side of the meter that fails prior to expiration of its depreciation schedule.

(c) Has the Company ever implemented similar treatment for a piece of distribution equipment beyond the point of delivery. Please explain what prevents the Company from treating uninsured facilities charge distribution equipment different from uninsured distribution equipment not subject to the facilities charge.

RESPONSE TO REQUEST FOR PRODUCTION NO. 53:

(a) Yes. The Company recovers costs associated with self-insured amounts through Commission-approved ratemaking processes. Self-insured amounts (costs falling below the Company's self-insured minimums) paid by the Company are booked as expenses and included in customer rates in the same manner that other Company expenses are recovered.

(b) When distribution equipment fails on the Company's side of the meter, it is retired and a new piece of equipment is installed and begins depreciating. Any adjustment in depreciation rates resulting from early failures or retirements is reflected in the Company's next depreciation study. Depreciation studies are done on five-year cycles. Depreciation expenses are recovered through customers' rates because this equipment is used to serve multiple customers and is not solely dedicated to one customer, which is the case for equipment subject to the facilities charge. Notably, the example provided for in this Request does not represent a loss for insurance purposes.

(c) Yes. The Company treats replacement of equipment failures for distribution equipment beyond the Company's point of delivery in a similar manner by adjusting customers' facilities charges to reflect the cost of replacing failed equipment. The Company has not and does not intend to treat self-insured facilities charge equipment differently from self-insured distribution equipment not subject to the facilities charge.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 58: Reference the Company's Response to ICIP Request No. 24(c). Does the Company's investment in distribution facilities installed beyond the point of delivery (or the depreciated value thereof) remain anywhere in the Company's revenue requirement if the equipment expires prior to its 31-year depreciation schedule?

RESPONSE TO REQUEST FOR PRODUCTION NO. 58: No.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 70: Please admit or deny that in meetings with representatives of the ICIP in the fall and winter of 2010 regarding the facilities charge, Idaho Power representatives stated that the reason the Company does not apply a depreciation schedule to the initial investment in facilities charge equipment is that Idaho Power takes on the risk that it will have to replace a piece of failed equipment prior to expiration of its depreciation schedule. Please also admit or deny that Idaho Power stated that its insurance policy would not cover replacement of such equipment.

RESPONSE TO REQUEST FOR PRODUCTION NO. 70: The Company objects to the form of the question as it is not a proper form of production request per the Commission's rules. Notwithstanding, Idaho Power asserts that it uses a levelized 31-year straight-line depreciation schedule for the Company's initial investment in facilities charge equipment. Idaho Power further asserts that under the Commission-approved facilities charge provisions, the Company will replace a failed piece of equipment prior to expiration of its depreciation schedule without fully recovering the cost of the failed piece of equipment. Moreover, the Company's insurance policy does not apply to replacement of pieces of equipment that fail prior to expiration of their expected useful life as these are not considered insurable losses. This was further discussed in the Company's responses to ICIP's Request Nos. 15 and 16.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 73: Reference the Company's Response to ICIP Request No. 58. Please confirm that the Company would recover the uninsured costs of such equipment failing prior to expiration of its 31-year depreciation schedule in the manner discussed in the Company's Response to ICIP Request No. 53.

RESPONSE TO REQUEST FOR PRODUCTION NO. 73: If a piece of equipment under a facilities charge failed prior to expiration of its 31-year depreciation schedule and was included in the Company's test year base rates, then recovery of the uninsured costs of the failed equipment would occur through customer's rates as described in the Company's Response to ICIP's Request No. 53. However, if the piece of equipment failed outside of a test year, then the Company would not recover the full cost of the equipment, as is the case for all of the Company's distribution equipment.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

DATED at Boise, Idaho, this 28th day of September 2011.

JASON B. WILLIAMS
Attorney for Idaho Power Company

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 306

Idaho Power's Responses to Production Request Nos. 19, 20, 57, and 72 Regarding Customer Consent to the Facilities Charge

<u>REQUEST FOR PRODUCTION NO. 19</u>: Reference Direct Testimony of Scott Sparks, p. 35, line 7 (stating, "At the option of the Company, facilities charges may be offered . . . .). Is the facilities charge optional for Schedule 19 customers, or does the Company choose whether any facilities beyond the point of delivery will be owned by the Company?

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 19</u>: As stated in the Company's tariff, facilities charges provisions are offered at the option of the Company. When service is first established, Schedule 19 customers are expected to provide facilities beyond the point of delivery. However, if requested by the customer, Idaho Power may offer to own, operate, and maintain such facilities which, if offered and accepted, require a facilities charge that is not optional to the customer.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 20: Reference the Schedule 19 Tariff.

(a) Please admit or deny that the Schedule 19 Tariff states:

> At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.

(b) Please admit or deny that the Schedule 19 tariff provides no statement that customers have the option to own and operate all facilities beyond the point of delivery. If deny, please explain.

(c) Please provide the legal basis for the Company to require that it own facilities on the property of Schedule 19 customers. If the customer does not consent to the Company placing and maintaining such equipment on the customer's property, does the Company believe that the tariff gives it the legal right to do so? Does the Company obtain written consent from customers to place facilities on the customers' property? What type of consent does the Company obtain?

RESPONSE TO REQUEST FOR PRODUCTION NO. 20:

(a) The first paragraph of the facilities charge provisions in Schedule 19 states, "At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provide Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company."

(b) Schedule 19 states what Idaho Power will possibly do beyond the point of delivery, but is not intended to address what customers may or may not do with their property.

(c) There is no legal requirement that the Company own facilities on the property of Schedule 19 customers. At the customer's request, the Company, at its option, may install Company-owned facilities on the customer side of the point of delivery. Schedule 19, on file and approved by the Commission, gives the Company this option and the legal authority to do so.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 57</u>: Reference the Company's Response to ICIP Request No. 20(c). Please confirm that the Company does not obtain written consent – through uniform contract or otherwise – from customers prior to placing facilities beyond the point of delivery and signing the customer up for the facilities charge. If not, please explain how the Company obtains informed written consent.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 57</u>: Beginning in 2010, prior to placing facilities installed beyond the Company's point of delivery on a facilities charge, customers sign a Service Request form indicating that the facilities charge will be added or adjusted on their monthly power bill. Specifically, the language on the Service Request form states, "I understand that the Facilities Charges billing will be added or adjusted on the monthly power bill after the work order construction and reconciliation process is complete."

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

<u>REQUEST FOR PRODUCTION NO. 72</u>: Reference the Company's Response to ICIP Request No. 57. Please provide the "Service Request Form." Please confirm that the form is not provided to or signed by existing facilities charge customers, except with regard to new equipment installed at their premises.

<u>RESPONSE TO REQUEST FOR PRODUCTION NO. 72</u>: Please see the attached PDF file for a copy of the Service Request Form. The Service Request form for facilities charge customers is signed by new customers going on a facilities charge and by existing customers requesting alterations to equipment installed under the facilities charge provisions.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

IDAHO POWER

Idaho Power Company
Service Request

Page: 1
Date: 8/2/2011

Service Request Number: 00312158

Work Order Number:		SPF Location	GRAMAPP
Request Type:	FC	Service Location.	
Rate Sch.:		Required in Service Date:	8/3/2011
Reply By:		Planning Center/Team.	CCANYON

Contact Detail:

CUST	465-5111
IPCO	465-8635

Attribute Information

Facilities Charge

Service Voltage	No. Of Meters
Number of Phases	Meter Location
KW Motor Load:	Ct Loc
Largest Motor	Primary OH/UG
1 Phase KW Demand	Service OH/UG
3 Phase KW Demand	Srv Owner
Commercial KW Load	Panel Amp Size
Commercial Deposit Amount	

Notes

install primary metering underground to pme switch and radial feed to multipl

pad mounted xfrmr.

I understand that the Facilities Charges billing will be added or adjusted on the monthly power bill after the work order construction and reconciliation process is complete.

I understand that requested cost estimates for removals or transfers are billed based on estimated costs Requested estimates for installs are based on an estimate, and the actual monthly Facilities Charge is billed based on actual reconciled work order costs for installs I verify that the information I have provided is accurate to the best of my knowledge

I understand that any changes to the project including but not limited to; load, location, voltage, etc, may result in additional charges

Client Signature Date Major Customer Rep. Signature Date

Exhibit No. 306
IPC-E-11-08
Reading, ICIP
Page 6

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 307

Idaho Power's Responses to Production Request Nos. 9, 10, 11, and 68, and Correspondence Regarding Idaho Power's Position on Selling Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 9: Is the Company willing to sell the Company-owned facilities beyond the point of delivery to its customers at the depreciated book value? If yes, please explain why this option is not provided for in the Schedule 19 tariff. If no, please explain why.

RESPONSE TO REQUEST FOR PRODUCTION NO. 9: No. It is the Company's policy not to sell Company-owned facilities installed beyond the point of delivery.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 10: Is the Company willing to sell the Company-owned facilities beyond the point of delivery to its customers at the fair market value? If yes, please explain why this option is not provided for in the Schedule 19 tariff. If no, please explain why.

RESPONSE TO REQUEST FOR PRODUCTION NO. 10: No. It is the Company's policy not to sell Company-owned facilities installed beyond the point of delivery.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 11: Reference the email contained in ICIP Second Requests for Production Attachment 1. Please explain why the Company determined it could not sell Company-owned facilities beyond the point of delivery to J.R. Simplot Company. Please include explanation of both bases asserted for the decision not to sell facilities – (1) I.C. § 61-328 and (2) the way Idaho Power wants to *run its business as a regulated public utility.*

RESPONSE TO REQUEST FOR PRODUCTION NO. 11: Company representatives met with Don Sturtevant, Energy Manager, Conservation, Alternatives, & Procurement, for the J.R. Simplot Company ("Simplot"); Simplot's attorney, Mr. Greg Adams; and Simplot's consultant, Mr. Don Reading, Vice President and Consulting Economist, with Ben Johnson Associates, Inc., at their request on December 28, 2010, and again on April 11, 2011, to discuss the Company's position related to the sale of Company-owned facilities to Simplot. At the April 11, 2011, meeting, Idaho Power representatives explained that it had made a business decision that it was not going to sell Company-owned facilities to Simplot. As a regulated public utility, the Company operates its business within the parameters of the law, its regulators, and its tariffs with customers. The Company is free to make any business decision so long as it does so within those parameters. Idaho Code § 61-328 requires the Idaho Public Utilities Commission ("Commission") to authorize the sale of any public utility property finding that such sale (a) is consistent with the public interest; (b) that the cost of and rates for supplying service will not be increased by reason of such transaction; and (c) that the applicant for such acquisition or transfer has the bona fide intent and financial capability to operate and maintain the transferred property in the public service. In this instance, if

Idaho Power were to elect to sell Company-owned facilities to Simplot, it would need to increase the revenue requirement and rates to recover the revenue requirement for Schedule 19 customers as a result of the transaction. At the conclusion of the April 11, 2011, meeting, Simplot's attorney indicated it was going to send a letter to Idaho Power requesting a formal price quote for the amount necessary for Simplot to pay for the removal of Company-owned facilities on its side of the point of delivery that included an amount necessary that would hold all other Schedule 19 customers harmless. To date, Idaho Power has not received any such request. Regardless of whether the Company does receive such a request, Idaho Power has determined that, at this time, it is not in the business of selling these types of Company-owned facilities to third parties.

The response to this Request was prepared by Scott D. Sparks, Idaho Power Company, and Greg Said, Vice President of Regulatory Affairs, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 68: Reference the Company's Response to ICIP Request Nos. 9, 10, 11, and 51. Please confirm, despite the responses to these questions that it is not the Company's policy to sell distribution facilities to customers, that in Case No. IPC-E-05-16 the Company sold distribution facilities to the Sun Valley Company/Sinclair Oil Co. at depreciated book value. What is the Company's policy? Please explain why the Company will sell facilities to one customer at book value but refuses to sell to other customers at book value.

RESPONSE TO REQUEST FOR PRODUCTION NO. 68: The Company's response to ICIP Request Nos. 9, 10, and 11 all clearly state the Company's policy that it will not sell Company-owned facilities installed beyond the point of delivery. The Company's response to ICIP No. 51 states that in the last five years, one customer has requested removal of facilities installed beyond the Company's point of delivery. IPUC Case No. IPC-E-05-16 involved a unique situation whereby the Company and Sinclair Oil Company d/b/a Sun Valley Company ("Sun Valley") mutually agreed to submit a joint application to IPUC to transfer certain distribution facilities from the Company to Sun Valley. IPUC approved the transfer, concluding that the transfer would "not cause any increase in rates and Sun Valley will be able to maintain the acquired distribution facilities necessary to serve its tenants. We find the improved operating efficiencies serve the public interest." IPUC Order No. 29864 at 3-4.

The response to this Request was prepared by Jason B. Williams, Corporate Counsel, Idaho Power Company.

RICHARDSON & O'LEARY
ATTORNEYS AT LAW
Tel: 208-938-7900 Fax: 208-938-7904
P.O. Box 7218 Boise, ID 83707 - 515 N. 27th St. Boise, ID 83702

July 30, 2010

Via U.S. Mail and E-mail

Donovan E. Walker
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707-0070
dwalker@idahopower.com

Re: Idaho Power's Facilities Charge for Large Power and Special Contract Customers

Dear Donovan:

I write on behalf of my client, the Industrial Customers of Idaho Power ("ICIP"), regarding Idaho Power's Schedule 19 tariff facility charge, which is also included in special contracts for power sales above the Schedule 19 tariff limit. I left you a message regarding this matter this week, but am sending this letter to fully present my client's concerns in hopes of reaching a speedy resolution to this matter.

Background

Idaho Power's Schedule 19 tariff includes a facilities charge, which states as follows:

> FACILITIES BEYOND THE POINT OF DELIVERY
>
> At the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.
>
> Company-owned Facilities Beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report provided to the Customer. As the Company's investment in Facilities Beyond the Point of Delivery changes in order to provide the Customer's service requirements, the Company shall notify the

Exhibit No. 307
IPC-E-11-08
Reading, ICIP
Page 6

> Customers of the additions and/or deletions of facilities by forwarding to the Customer a revised Distribution Facilities Investment Report.
>
> In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or charge. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

The currently authorized monthly charge in the tariff is "the Company's investment in Company-owned Facilities Beyond the Point of Delivery times 1.7 percent" – which adds up to an annual charge of 20.4 % of Idaho Power's *initial* investment. Industrial customers do not really pay off the investment in the facilities, and as written in the tariff they continue paying 20.4 % annually on the initial investment with no provision for a depreciation of the value of that investment over time. In other words, for a $10,000 investment in a piece of equipment by Idaho Power in 1977, the charge presumes the equipment at issue retains its $10,000 value thirty-three years later in 2010, and charges the same $2,040 charge annually in year thirty-three as in year one. One of ICIP's members, J.R. Simplot Co., recently confirmed that it was indeed still being charged 20.4 % annually on the initial principal for a piece of equipment initially installed in 1977.

Our research at the Commission indicates that this facility charge was calculated way back in the mid-1980s, and approved in Case No. U-1006-298. We obtained Idaho Power's work papers supporting the calculation in that case, and I have attached the most useful portions to this letter. As you can see from the work papers, Idaho Power calculated an average of its investments in these facilities over the years 1985 and 1986 (on page 5 of 27), and then (as shown on the summary page) calculated out and summed the percentages of several facility-related expenses for which Idaho Power believed it was entitled to recover from customers. Those items included charges to the customer for depreciation, income taxes, property taxes, other taxes, operation and maintenance, administrative and general, working capital, and insurance, as well as the Company's then-authorized 9.902 % rate of return. Ultimately, Idaho Power arrived at the annual percentage of 20.483 % of the initial facility investment.

<u>ICIP's Position</u>

ICIP believes that this facilities charge of 1.7 % monthly is no longer a fair, just, and reasonable charge, and requests that Idaho Power agree to reduce the monthly charge and provide customers with the option of paying off the remaining initial costs of Company-owned facilities.

First, our research indicates that the 1.7 % monthly charge calculated in the mid-1980s is simply too high because the inputs have changed over time. For example, Idaho Power's authorized rate of return from its 2008 general rate case is now only 8.18 % – 1.772 % less than included in the facilities charge. And from Idaho Power's 2009 Federal Energy Regulatory Commission Form 1, we can tell that annual percentages for operation and maintenance and for administrative and general should decrease by a total of 2.0328 % from those in the current tariff. These items alone call for an annual percentage charge decrease by 3.7548 %, to approximately 16.728 % annually, or 1.394 % monthly.

Additionally, ICIP believes the depreciation charge is unreasonable. Regardless of what the case may have been in the mid-1980s, the Commission currently requires Idaho Power to reduce the principal of its investments by a depreciation factor if the investment is one for which the Company earns a return. In other words, the Commission does not typically allow Idaho Power to charge the annual rate on the same principal amount over time because the value of the investment decreases over time. The existing industrial facility charge mechanism includes a 0.560 % annual charge to the customer for depreciation, but it does not reduce the principal from which the facilities charge is calculated over time. To have customers continue paying interest on the initial capital investment – such as Simplot's facilities dating back to 1977 – long after expiration of the depreciation schedule utilized (be it fifteen or twenty years or some other duration of strait line depreciation) is simply unjust and unfair.

Above all, however, the Company should inform customers up-front each time it installs facilities subject to this charge such that customers are aware they are signing onto what is akin to an ongoing interest payment for facilities maintained by Idaho Power, and should allow customers to pay off the full value to avoid making such payments. In other words, ICIP requests that customers be informed of the terms of the charge at the time the facility is placed on their side of the meter. And the Company should also provide, and inform customers of, a right to opt out of the full facilities charge by paying down remaining initial costs and paying the Company a reasonable fee for the time and materials to maintain the facilities. These options should be available for existing facilities on customers' premises and for facilities that may be installed in the future.

Conclusion

On behalf of ICIP, I hope that the issues raised in this letter can be resolved in a mutually agreeable fashion, and result in a fair and reasonable facilities charge. I appreciate your consideration of the matter and look forward to meeting with you regarding it in the near future.

Very truly yours,

Peter J Richardson

Peter Richardson
Attorney for the Industrial Customers of Idaho Power

cc: Don Sturtevant, J.R. Simplot Co.
Don Reading

Exhibit No. 307
IPC-E-11-08
Reading, ICIP
Page 8

RICHARDSON & O'LEARY
ATTORNEYS AT LAW
Tel: 208-938-7900 Fax: 208-938-7904
P.O. Box 7218 Boise, ID 83707 - 515 N. 27th St. Boise, ID 83702

December 30, 2010

Via U.S. Mail and E-mail

Donovan E. Walker
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707-0070
dwalker@idahopower.com

Re: Idaho Power's Facilities Charge for Large Power and Special Contract Customers

Dear Donovan:

I write on behalf of my firm's client, the Industrial Customers of Idaho Power ("ICIP"), regarding Idaho Power's Schedule 19 tariff facility charge, which is also included in special contracts for power sales above the Schedule 19 tariff limit. First, I would like to thank you and the other Idaho Power representatives for meeting with myself, Don Sturtevant, and Dr. Don Reading regarding the charge on December 28, 2010. We appreciate Idaho Power's continued willingness to attempt to work out the issues raised in our letter to you dated July 30, 2010. I will summarize the status of our discussions as I understand them.

J.R. Simplot Company Request

As we discussed, at this time, one ICIP member – the J.R. Simplot Co. – is interested in exercising the option of owning all facilities beyond the point of delivery for some or all of its Schedule 19 or Special Contract plants taking electricity service from Idaho Power. Please consider this letter a formal request for the depreciated book value Idaho Power would charge for Simplot to take ownership of facilities beyond the point of delivery at each of the Simplot premises currently subject to Idaho Power's facilities charge, and please organize the costs by Simplot location. Simplot will be making financial decisions for the next year in the coming months, so receiving Idaho Power's cost information by the end of January 2011 is critical to its ability to make a decision for the coming year. In order to make this decision, Simplot would also like a copy of the Company's insurance policy that covers the Company-owned facilities beyond the point of delivery.

Additionally, I understand that Mr. Sturtevant requested that Idaho Power officials conduct an audit of the facilities included on the facilities charge for each Simplot location, and thereby identify the particular pieces of equipment for which Idaho Power is assessing the facilities charge. Simplot would like to know when it can expect the completion of that audit to ensure that all of the facilities included on the Distribution Facilities Investment Reports for Simplot premises are still in fact in use at Simplot premises. Once received, Simplot would like to walk through each facility in early spring, identifying each piece of equipment with an Idaho Power representative.

Proposed change to Tariff language

In response to our discussions, Idaho Power is currently engaged in recalculating the 1.7% monthly facilities charge with updated information from that used in 1986 to initially calculate that percentage. We expected to know Idaho Power's new percentage by the end of 2010, but you stated we may not have that calculation for another month. We look forward to seeing the recalculated percentage.

Also, at our meeting on October 11, 2010, we discussed the possibility of instituting two alternative arrangements to the Company-ownership model embodied in the current Schedule 19 tariff. Idaho Power expressed concern with a mixed ownership model for facilities beyond the point of delivery.

Thus, the second alternative we discussed was a customer-ownership model whereby the customer would pay Idaho Power for the depreciated book value of the existing equipment on the customer's premises. Thereafter, the customer would be responsible for all operation and maintenance of facilities beyond the point of delivery, and for acquisition and maintenance of any equipment needed in the future. Idaho Power would no longer charge such customers a facilities charge.

The third alternative we discussed was a hybrid alternative whereby the customer would make a payment for the capital value of the equipment, but the Company would still own the equipment and conduct operations and maintenance. The Company would assess only a limited facilities charge which would not include the top three components of the charge – rate of return, depreciation, and income taxes. Customers selecting this option would therefore pay a reduced facilities charge.

At our meeting this week, Idaho Power stated it is no longer interested in offering the third option, but we discussed changing the language in the tariff to adequately reflect the second option. The current tariff language states, "*At the option of the Company,*" the Company may own the equipment and assess the facilities charge, and the tariff contains no express right for the *customer* to elect to own and maintain all such facilities or to purchase Company-owned facilities at depreciated book value. We appreciate Idaho Power's position that it offers a customer-ownership option to all Schedule 19 customers as a matter of Company policy, but we believe the tariff should reflect this option. ICIP proposes Idaho Power include the modifications below in its next rate case filing (changes in bold):

FACILITIES BEYOND THE POINT OF DELIVERY

The Customer has the right to own and maintain all facilities Beyond the Point of Delivery. ~~At the Option of the Company~~ **With written consent of the Customer**, transformers

Exhibit No. 307
IPC-E-11-08
Reading, ICIP
Page 10

and other facilities installed beyond the Point of Delivery to provided Primary or Transmission Service may be owned, operated, and maintained by the Company in consideration of the Customer paying a Facilities Charge to the Company.

Company-owned Facilities Beyond the Point of Delivery will be set forth in a Distribution Facilities Investment Report provided to the Customer. As the Company's investment in Facilities Beyond the Point of Delivery changes in order to provide the Customer's service requirements, the Company shall notify the Customers of the additions and/or deletions of facilities by forwarding to the Customer a revised Distribution Facilities Investment Report.

In the Distribution Facilities Investment Report, the Company will include the depreciated book value of Company-owned facilities and include notice of the opportunity for the Customer to purchase all Company-owned facilities Beyond the Point of Delivery at the depreciated book value. The Company will not assess the Facilities Charge to the Customer after ownership transfers.

In the event the Customer requests the Company to remove or reinstall or change Company-owned Facilities Beyond the Point of Delivery **without the Customer taking ownership of the Facilities**, the Customer shall pay to the Company the "non-salvable cost" of such removal, reinstallation or charge. Non-salvable cost as used herein is comprised of the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs.

We also believe that Idaho Power should send a letter to the manager of each large power and special contract customer location currently being billed for facilities charges, wherein Idaho Power fully explains the charge, including a description of the charge's components and the total annual payment from the customer.

Conclusion

Thank you again for Idaho Power's continued efforts to work towards a mutually beneficial resolution of this matter. If you have any questions, please contact me.

Exhibit No. 307
IPC-E-11-08
Reading, ICIP
Page 11

Very truly yours,

Peter Richardson
Gregory Adams
Attorney for the Industrial Customers of Idaho Power

cc: Industrial Customers of Idaho Power Member Companies
Dr. Don Reading

Exhibit No. 307
IPC-E-11-08
Reading, ICIP
Page 12

IDAHO POWER®
An IDACORP Company

DONOVAN E. WALKER
Senior Counsel
dwalker@idahopower.com

January 31, 2011

RECEIVED
FEB 0 2 2011
BY________

Gregory M. Adams
RICHARDSON & O'LEARY, PLLC
515 North 27th Street
P.O. Box 7218
Boise, Idaho 83702

Re: J.R. Simplot Company's Request to Purchase Idaho Power Company Facilities

Dear Mr. Adams:

This letter responds to the December 30, 2010, letter sent by you on behalf of the Industrial Customers of Idaho Power ("ICIP"), and more specifically, J.R. Simplot Company ("Simplot"), as well as the face-to-face meeting we had on December 27, 2010. As with all of the ICIP customers, Idaho Power values its business relationship with Simplot and wants to work with it on resolving any concerns or issues related to the services Idaho Power provides. That said, this response is necessary to clarify Idaho Power Company's ("Idaho Power") position on certain matters that we discussed with you at the December 27, 2010, meeting so that you have clear expectations as to what Idaho Power will agree to do in regards to your requests.

First, as requested by you in your December 30, 2010, letter, Idaho Power will provide Simplot proposed "buy-out" prices, by Simplot plant locations receiving primary service, for all facilities owned and operated by Idaho Power that are located on the Simplot side of the Point of Delivery. As we discussed, Idaho Power will be prepared to offer a fair market value price of those facilities as determined by Idaho Power, not the depreciated book value price. Both Idaho Power's regulatory and finance departments are busy preparing this information, and Idaho Power will provide it to you once it is ready. At this time, Idaho Power anticipates that it will have something available to you by mid-March.

In addition, in the event Idaho Power agrees to sell these facilities to Simplot, Idaho Power will most likely need to install additional protection equipment on the facilities on the Idaho Power side of the meter that feeds the Simplot locations. This additional equipment will be necessary for system integrity and reliability purposes.

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

Currently, Idaho Power anticipates that it will provide your client with a more specific list of the necessary system equipment upgrades by mid-March as well. Idaho Power will let you know if it is going to be unable to provide you with either this information or the pricing information by mid-March.

Second, Idaho Power does not have specific insurance policies which cover "Company-owned facilities beyond the point of delivery." Like most businesses, Idaho Power has broad, general liability policies which cover various aspects of its business, insuring Idaho Power against property damage, accidents, and other loss. As we explained when we met with you in December, such policies do not cover against equipment that must be replaced after it has reached the end of its useful life, or for the replacement of equipment that fails after the expiration of the manufacturer's warranty.

Third, Idaho Power has completed facilities assessments for eight of the nine Simplot locations currently operating under Idaho Power's facilities charge tariff provisions. The assessment methodology, which includes facilities investment reports and mapping by plant location, were recently reviewed and approved by Don Sturdevant at Simplot (see enclosure). Idaho Power anticipates completing the facilities assessment for the final location, the Simplot Pocatello Donn location, by the end of February. Once Idaho Power completes all the facilities assessments, it will meet with Simplot to discuss, as well as establish, a schedule to conduct physical, on-site assessments at the Simplot locations.

Fourth, as a business matter and as discussed, Idaho Power will not maintain facilities beyond Idaho Power's Point of Delivery that are owned by third parties. Moreover, if Idaho Power facilities are transferred to third parties and removed from Idaho Power's ownership, there will be no opportunity for those facilities to be returned to Idaho Power's system for Idaho Power to operate and maintain. Put differently, once Simplot or any other customer purchases Idaho Power facilities, that customer will be wholly responsible for operating and maintaining those facilities on a going-forward basis. Any customer that elects to purchase such facilities will not have the ability at a later date to transfer those facilities back to Idaho Power to maintain and operate. Once transferred, Idaho Power will have no responsibility, or liability, associated with maintaining inventories of those facilities or failure or other operational or maintenance issues associated with those facilities, nor will Idaho Power be responsible or liable for any consequential, special, or other damages, including loss of production and lost profits, that could result. In addition, in the event Idaho Power agrees to sell any facilities located on the Simplot side of the Point of Delivery, it will need approval from the Idaho Public Utilities Commission ("IPUC") pursuant to Idaho Code § 61-328 prior to transferring the facilities. Idaho Power will likely need your support and cooperation in making that filing with the IPUC.

Fifth, as we discussed at length, the existing tariff language addressing facilities charge provisions is sufficient and adequately describes the Facilities Charge. As with any regulated public utility, ownership and responsibility for equipment and facilities beyond the utility's Point of Delivery is, by default, with the customer. Amending the tariff language, as proposed in your letter, may potentially cause more problems and ambiguity than it would resolve, and is not necessary. Moreover, as the attorney representing the ICIP customers, you are very well aware of Idaho Power's interpretation of Schedule 19 as well as Idaho Power's policy allowing Schedule 19 customers to purchase, own, and operate Idaho Power facilities located on the customer's side of the Point of Delivery. Therefore, sending out letters to all ICIP customers informing them of this interpretation and policy would be redundant and unnecessary.

Sincerely,

Donovan E. Walker

Donovan E. Walker

DEW:csb
Enclosures

Greg Adams

From: Williams, Jason [JWilliams@idahopower.com]
Sent: Wednesday, April 06, 2011 3:51 PM
To: Greg Adams
Cc: Don Reading
Subject: RE: Simplot facilities discussion

Greg,

After internal discussion, we have decided that we would rather discuss the entire issue with your client, as, from our perspective, this is not about price. As I shared with you yesterday, as a policy matter, Idaho Power has decided it is not going to sell the facilities to Simplot. The factors that went into that decision are: 1) our statutory obligation (61-328) to hold other customers harmless in selling utility owned assets; and 2) the way we run our business as a regulated public utility. So while we can go over the buy-out price methodology we ran in analyzing Simplot's request, that methodology and the resultant price ultimately had little bearing on Idaho Power's decision to not sell those facilities. At this point, debating the price methodology we used as part of this analysis would not be productive as it will not impact the decision we have already made.

Thanks,
Jason

Jason Williams
Idaho Power Company
☎(208) 388 5104

From: Greg Adams [mailto:Greg@richardsonandoleary.com]
Sent: Wednesday, April 06, 2011 9:16 AM
To: Williams, Jason
Cc: Don Reading
Subject: RE: Simplot facilities discussion

Jason,

Thanks for letting us know about the problem Idaho Power encountered in calculating the amount that Idaho Power would need to charge Simplot for existing facilities beyond the point of the meter to (1) cover the book value of the facilities, or (2) keep the other Schedule 19 customers whole.

After discussing the issue with our consultant, Don Reading, we were wondering if you could please send us the work papers associated with your investigation in advance of our meeting Monday? That would enable us to have a more substantive discussion.

Thanks again.

Greg Adams
Richardson & O'Leary PLLC
515 N. 27th Street, 83702
P.O. Box 7218, 83707
Boise, Idaho
Voice: 208.938.2236

Facsimile: 208.938.7904

Information contained in this electronic message and in any attachments hereto may contain information that is confidential, protected by the attorney/client privilege and/or attorney work product doctrine. This email is intended only for the use of the individual or entity named above. Inadvertent disclosure of the contents of this email or its attachments to unintended recipients is not intended to and does not constitute a waiver of the attorney/client privilege and/or attorney work product doctrine. This transmission is further covered by the Electronic Communication Privacy Act, 18 U.S.C. §§ 2510-2521.

If you have received this email in error, immediately notify the sender of the erroneous receipt and destroy this email and any attachments of the same either electronic or printed. Any disclosure, dissemination, distribution, copying or use of the contents or information received in error is strictly prohibited.

Thank you.

From: Williams, Jason [mailto:JWilliams@idahopower.com]
Sent: Tuesday, April 05, 2011 12:25 PM
To: Greg Adams
Subject: Simplot facilities discussion

Greg,

As a follow-up to our discussion of last week, Idaho Power has made a determination relating to the sale of Schedule 19 facilities for Simplot. We would like to invite you and representatives of Simplot to meet with our folks to discuss. We could be available at Idaho Power's downtown offices on either **Monday, April 11 at 11 am or Friday, April 15 at 11 am.**

Please let me know if either of these times work for you and Simplot. If so, I can give you a call and we can discuss an agenda to make sure we cover everything that Simplot has asked.

Thanks,
Jason

Jason Williams | Corporate Counsel | Idaho Power Company
1221 W. Idaho, Boise, ID 83702 | ☎(208) 388 5104 | ✉ jwilliams@idahopower.com

---

This transmission may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or use of the information contained herein (including any reliance thereon) is STRICTLY PROHIBITED. If you received this transmission in error, please immediately contact the sender and destroy the material in its entirety, whether in electronic or hard copy format. Thank you.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-11-08

INDUSTRIAL CUSTOMERS OF IDAHO POWER

READING, DI

TESTIMONY

EXHIBIT NO. 308

Idaho Power's Responses to Production Request Nos. 12 and 51, and Correspondence Regarding "Removal" of Facilities Charge Equipment

REQUEST FOR PRODUCTION NO. 12: Does the Company provide customers paying the facilities charge with any option to ever stop paying the facilities charge, and acquire and control their own equipment on their own property? If so, please identify the language in the existing or proposed tariff highlighting this option for customers, and explain how this process works. Please include explanation of the length of time it would take Idaho Power to provide customers with a calculation of the cost for the customer to pay Idaho Power to remove the facilities and stop paying the facilities charge. Since 1987, how many customers have (1) inquired into this option, (2) exercised this option?

RESPONSE TO REQUEST FOR PRODUCTION NO. 12: Customers paying a facilities charge can request that the Company remove all of its facilities located on the customer's property. In this case, the customer would no longer pay a monthly facilities charge after all facilities were removed and all removal fees were paid. All customers can request removals, relocations, upgrades, or conversions without specific tariff language indicating that they can make such a request.

The length of time it would take Idaho Power to provide customers with a calculation of the cost for the customer to pay Idaho Power to remove the facilities and stop paying the facilities charge will vary based on the site configuration and the number of facilities being removed. The Company does not track the number of customers that have inquired into this option or exercised this option.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

REQUEST FOR PRODUCTION NO. 51: Reference the Company's Response to ICIP Request No. 12 (stating that "Customers paying a facilities charge can request that the Company remove all of its facilities located on the customer's property"). Has any customer ever requested removal of the facilities beyond the point of delivery? If yes, please explain how the Company increased other customers' rates in that circumstance. If no, has the Company ever offered to allow a customer exercise the removal option in response to a customer's complaint regarding the facilities charge? Please explain.

RESPONSE TO REQUEST FOR PRODUCTION NO. 51: One customer has recently (within the last five years) requested removal of facilities installed beyond the Company's point of delivery. The request was for removal of two transformers. If removed, the customer was going to install, own, operate, and maintain its own transformation. In response to the customer's request, the Company provided the customer a cost quote for the removal. Ultimately, the customer did not pursue the removal and there was no impact on customer classes' revenue requirement or rates.

The response to this Request was prepared by Scott D. Sparks, Senior Regulatory Analyst, Idaho Power Company, in consultation with Jason B. Williams, Corporate Counsel, Idaho Power Company.

RICHARDSON & O'LEARY
ATTORNEYS AT LAW
Tel: 208-938-7900 Fax: 208-938-7904
P.O. Box 7218 Boise, ID 83707 - 515 N. 27th St. Boise, ID 83702

August 25, 2011

Via U.S. Mail and E-mail

Donovan Walker
Lisa Nordstrom
Jason Williams
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707-0070

Re: Formal Request for costs of removal of facilities charge equipment from J.R. Simplot Co. premises

Dear Mr. Donovan Walker, Ms. Lisa Nordstrom, and Mr. Jason Williams:

I write on behalf of my firm's client, J.R. Simplot Company, to formally request that Idaho Power provide cost figures for Simplot to exercise its right under the applicable tariffs and Special Contract to have Idaho Power remove the distribution facilities subject to Idaho Power's facilities charge at its Schedules 9, 19 and Special Contract locations. Specifically, the tariffs and Special Contract allow Simplot to pay Idaho Power the "non-salvable costs" of removal of the facilities beyond the point of delivery. The "Non-salvable cost" is "the total depreciated costs of materials, labor and overheads of the facilities, less the difference between the salvable cost of material removed and removal labor cost including appropriate overhead costs."

Please also include with the removal cost the initial investment in the facilities to be removed for each location. Please provide all work papers supporting the removal costs.

Simplot also requests that Idaho Power explain whether Simplot's payment of removal costs, as called for in the tariffs and Special Contract, will have a rate impact on other customers in the applicable rate class.

Finally, if Idaho Power includes additional protection equipment installed on the Idaho Power side of the meter as part of the removal costs, please separately itemize such equipment from other costs for each location, and please explain how the tariffs and Special Contract, as quoted

Exhibit No. 308
IPC-E-11-08
Reading, ICIP
Page 3

above, allow for inclusion of such costs to be paid by Simplot.

Very truly yours,

Greg Adams
Attorney for J.R. Simplot Co.

cc: Don Sturtevant, J.R. Simplot Co.
Dr. Don Reading, Ben Johnson Associates

Exhibit No. 308
IPC-E-11-08
Reading, ICIP
Page 4

IDAHO POWER®
An IDACORP Company

JASON B. WILLIAMS
Corporate Counsel
jwilliams@idahopower.com
(208) 388-5104

September 13, 2011

VIA U.S. MAIL AND E-MAIL

Gregory M. Adams
RICHARDSON & O'LEARY, PLLC
515 North 27th Street
P.O. Box 7218
Boise, Idaho 83707

Re: J.R. Simplot's Request for Facilities Removal

Dear Mr. Adams:

Thank you for your letter dated August 25, 2011, on behalf of J.R. Simplot Company ("Simplot") and your request for Idaho Power Company ("Idaho Power" or "Company") to provide cost figures to remove Idaho Power facilities on the Simplot "side of the meter." As you are aware, we have met with you and Simplot representatives multiple times over the last year to discuss the Company's Idaho Public Utilities Commission- ("Commission") approved facilities charges and have provided you with detailed information related to those facilities and charges. In fact, Idaho Power spent hundreds of man-hours conducting facilities audits of Simplot's locations and provided reports of those audit findings to Simplot. Idaho Power has also provided you with voluminous information related to the facilities charge in the form of responses to requests for production that you have submitted in Idaho Power's pending general rate case at the Commission, Case No. IPC-E-11-08. Idaho Power will continue to provide Simplot with all relevant information it needs so it can evaluate and plan for its electric facilities and service needs.

Your most recent request seeking "cost figures" for the removal of Idaho Power-owned distribution facilities subject to the facilities charge is in itself a substantial undertaking. As you may be aware, there are approximately 1,800 different pieces of equipment spread across nine Simplot locations that are currently subject to the facilities charge. In order to be able to provide the requested cost estimate for the removal of facilities, a specific removal plan will need to be developed for each Simplot location. The larger Simplot locations may require multiple project plans that reflect phased work efforts. In order to maintain service to Simplot during the removal of facilities, Idaho Power and Simplot will need to have extensive coordination to ensure

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

Exhibit No. 308
IPC-E-11-08
Reading, ICIP
Page 5

that the removal of Company facilities/equipment has as minimal an impact as possible on Simplot's business operations.

Accordingly, a three-step approach is required to provide Simplot with an accurate cost quote to remove Company-owned facilities from Simplot's "side of the meter." First, Idaho Power operations personnel will need to meet with Simplot operations personnel to discuss Simplot's priorities associated with each facility and to develop plans for removal. For example, removal of Company facilities and replacement with Simplot-owned facilities will require partial or full outages of some Simplot locations. Second, Idaho Power engineering personnel will need to design and engineer the removal of facilities in a manner consistent with Simplot's business operations needs. Consistent with the Company's Rule H tariff, Simplot will be responsible for prepaying all engineering charges associated with designing plans for removal of and changes to the facilities. Finally, once the Company completes the engineering work necessary to develop plans for removal, it will be able to provide Simplot with a cost quote.

Please have Simplot operations personnel contact Jim Hovda, an Idaho Power Major Customer Representative, to coordinate a time to meet to have the initial discussion related to developing facilities removal plans. As you may recall, Mr. Hovda has participated in our meetings over the last year and is familiar with Simplot's operations. After this initial meeting, Idaho Power will be able to provide Simplot with an estimate for the required prepayment of the engineering charge associated with the facilities removal plans and cost quotes. Once the engineering charges are paid, the Company will proceed with the engineering work required to develop the requested cost quote for removal of the facilities.

Sincerely,

J. Well

Jason B. Williams

JBW:csb

cc: Jim Hovda, Major Customer Representative, Idaho Power (via e-mail)
Donovan Walker, Lead Counsel, Idaho Power (via e-mail)
Don Sturtevant, J.R. Simplot Company (via U.S. Mail)
Dr. Don Reading, Ben Johnson Associates (via U.S. Mail)

Exhibit No. 308
IPC-E-11-08
Reading, ICIP
Page 6

EXHIBIT #9

J. R. SIMPLOT COMPANY'S MOTION TO
TAKE OFFICIAL NOTICE AND/OR OFFER
INTO EVIDENCE

Madam Chairman. The Industrial Customers of Idaho Power calls Don Sturtevant to the stand.

DON STURTEVANT,

produced as a witness at the instance of the Industrial Customers of Idaho Power, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Good afternoon, Mr. Sturtevant. Would you state and spell your name for the record, please?

A Donald Eugene Sturtevant, Jr., S-t-u-r-t-e-v-a-n-t.

Q And are you the same Don Sturtevant who caused prefiled testimony to be filed in this case?

A I am.

Q And do you have any corrections or additions to make to your testimony?

A I do not, but in the hopes of expediting this, I am the one that made the Code Red, so I will admit to that. Bad movie reference to Code Red, you can't handle the truth.

Q Thank you.

COMMISSIONER SMITH: This is a sheltered utility world. No one even knows what you're talking about.

Q BY MR. RICHARDSON: Mr. Sturtevant, if I were to ask you the questions, same questions, that are in your prefiled testimony today, would your answers be the same?

A They would.

MR. RICHARDSON: Madam Chair, I move that the testimony of Mr. Sturtevant be spread upon the record as if it were read in full.

COMMISSIONER SMITH: Seeing no objection, it is so ordered.

(The following prefiled direct testimony of Mr. Don Sturtevant is spread upon the record.)

♀

Q. Please state your name, occupation, and business address..

A. My name is Don Sturtevant, Corporate Energy Manager for the J.R. Simplot Company headquartered at 999 Main Street, Boise, Idaho 83702.

Q. Please describe you educational background.

A. I'm a registered Professional Engineer, licensed in the State of Idaho and a Certified Energy Manager. I hold a Bachelor's degree in Mechanical Engineering from the University of Idaho and am a Masters of Business Administration student at Boise State University.

Q. What is your work experience at the J.R. Simplot Company?

A. I've been the Corporate Energy Manager for five years, and have been with the Company for the past eleven years. In my current role, I work with twenty-two different utilities in North America, Canada, and Australia.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to shed light on the Idaho Power Facilities Charge program, explain the effects on the J.R. Simplot Company, and propose a solution to what I consider to be an unfair business practice. J.R. Simplot Company is a member of the

♀

Industrial Customers of Idaho Power (ICIP), and supports the ICIP's position in this case.

Q. Please explain in general terms the location and products produced at J.R. Simplot Company's plants taking service from Idaho Power as large power or special contract customers.

A. We are one of Idaho Power's largest customers with industrial facilities located in Pocatello, Aberdeen, Nampa, and Caldwell. We also have several commercial facilities

/

/

/

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

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

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

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

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

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

A. Yes.

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

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

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

/

/

/

Q. What types of equipment are included in the facilities charge?

A. The charge covers typical higher-voltage equipment such as transformers, poles, wires, and switches.

Q. How much does J.R. Simplot Company currently pay as a facilities charge?

A. We have $4.252 million in assets for which we pay $867,426 each year.

Q. How did you become aware of the facilities charge?

A. I was investigating our bills and noticed the facilities charges. I began to question what the charges were for and the total amount we were paying. I was very surprised to find out that the facilities charge was so large, that it never gets paid off, and we pay 20.4% annually forever.

Q. Has Idaho Power ever requested your written consent to install any facilities beyond the point of delivery at your plants?

A. No.

Q. Are you aware of such consent given by any other J.R. Simplot Company officials?

A. I am aware that section 10.1 of the Don Plant Special Contract approved in 2004 grants Idaho Power

access to Simplot premises for installation, removal, and maintenance of distribution facilities. I have reviewed the Schedule 19 tariff, and it contains no provision requiring the customer to grant Idaho Power access for purposes of installing or maintaining distribution facilities. Idaho Power formerly required customers to execute a Uniform Schedule 19 Service Agreement, but the version from 2001 that I have reviewed likewise provides no

/

/

/

♀

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

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

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

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

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

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

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

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

/

/

/

461 Don Sturtevant, DI 2a
ICIP

♀

A. No. We asked for insurance coverage documents prior to this rate case and did not receive them. The attorney for the Industrial Customers of Idaho Power was able to obtain summaries of Idaho Power's insurance policies only through discovery in the general rate case. The Company stated in its Response to ICIP Production Request No. 14 contained in ICIP Exhibit No. 305 that "the insurance carried by the Company would cover any loss for which the Company was deemed negligent in an accident or injury." It is not clear from this response, or the documents describing the Company's insurance policies providing in its Response to ICIP Production Request No. 16 contained in ICIP Exhibit No. 305, that the Company indemnifies or co-insures J.R. Simplot for such negligent acts, or that the Commission requires it to do so.

The Schedule 19 tariff provides no requirement for Idaho Power to insure or indemnify customers against any harm that may be caused to the customer or third parties by Idaho Power's intentional or negligent acts related to distribution facilities on the customers' premises.

However, the Don Plant Special Contract approved in 2004 contains a general liability requirement, in section 12.1, which states:

Each Party agrees to protect, defend, indemnify and

hold harmless the other Party, its officers directors, parent company, affiliates, subsidiaries, agents representatives, and employees against and from any and all liability, suits, loss, damage claims, actions, costs, and expenses of any nature, including court costs and reasonable attorney's fees, even if such suits or claims are completely groundless, as a result of injury to or death of any person or destruction, loss or damage to property arising in any way in connection with, or related to, this Agreement, but only to the extent such injury to or death of any person or

/

/

/

♀

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

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

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

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

A. No.

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

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

/

/

/

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

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

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

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

A. No, this seems like a very high rate for operation, maintenance, and a return on investment, especially considering that the principal amount is never

♀

paid off by J.R. Simplot Company and never goes away.

Q. Have you calculated the remaining book value of Idaho Power facilities charge equipment at any J.R.

Simplot Company premises subject to the facilities charge.

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

/

/

/

♀

(Chart contained in hard copy of transcript.)

Q. Do you think it would be fair for Idaho Power to sell this equipment to you for that price?

A. No, I do not. We have many items that are much older than 30 years. We have calculated that 520 items at our plants are over 30 years old, which is 32% of all of our facilities charge equipment. We have paid for this equipment several times already, and if we paid the net book value on the remaining items, we would not get fair credit for the overpayments that we have already made on equipment that should have been paid off long ago. Overall, we have paid for the initial value of this equipment more than 3.4 times already and should be given ownership of all items today.

Q. What is your understanding of the options provided by Idaho Power's facilities charge for the

customer to stop paying the charge?

A. Under the plain terms of the Schedule 19 tariff and sections 4.2 and 7.3 of the 2004 Don Plant Special Contract, we may require Idaho Power to "remove" the facilities. But then we must pay Idaho Power for the remaining depreciated value of the facilities plus the cost to remove the facilities minus a credit for the salvage value of the equipment. There is no express provision allowing for purchase of facilities by the customer to avoid paying removal

/

/

/

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

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

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

Q. If J.R. Simplot Company were soliciting competitive bids from private companies to lease and manage the electrical facilities similar to those services provided by Idaho Power under the facilities

charge, would you consider a bid of an ongoing annual charge of 17.00% of the initial investment to be a reasonable bid for your Schedule 19 facilities? How about the 20.4% for the Don Plant?

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

/

/

/

471 Don Sturtevant, DI 7a
ICIP

♀

Q. Has J.R. Simplot Company approached Idaho Power to request that Idaho Power sell the facilities charge equipment, or otherwise allow J.R. Simplot Company to stop paying Idaho Power for electrical equipment on J.R. Simplot Company property?

A. Yes. In meetings and letters in the year prior to this rate case, J.R. Simplot Company requested that it be allowed to exercise the option to own all of its distribution facilities beyond the point of delivery. In a letter from our attorney dated December 30, 2010, we requested that Idaho Power provide the depreciated book value of those facilities so that we could evaluate the option of ownership. We also requested that Idaho Power provide the costs by the end of January 2011 because we needed the information by that time to adequately evaluate it in time for internal financial decision timelines for the next fiscal year.

Idaho Power responded by letter on January 31, 2011, by stating that it would provide J.R. Simplot Company with "buy-out" prices by mid-March 2011. It stated that it would only provide such prices at the "fair market value price of those facilities, not at the depreciated book value price." Idaho Power also indicated it would need to install additional protective equipment on its side of the meter if it sold these pieces of equipment to

♀

Simplot, and that it would provide the cost for that equipment to us mid-March 2011 as well.

Idaho Power also stated it will not allow for mixed ownership, or an option whereby Simplot owned the equipment and paid Idaho Power a limited facilities charge for maintenance expenses, like the option offered by Avista in a similar situation. These letters are included in ICIP Exhibit No. 307, attached to Dr. Don Reading's direct testimony.

Q. Did Idaho Power provide such prices by mid-March?

/

/

/

A. No. Idaho Power contacted us at the end of March to set up a meeting in April 2011. Prior to the meeting, Idaho Power's attorney sent our attorney an email stating, for the first time, that Idaho Power would not agree to sell the facilities to us. This email is included in ICIP Exhibit No. 307 attached to the direct testimony of Dr. Don Reading. At a meeting on April 11, 2011, attended by our representatives, Idaho Power took the position that it cannot sell facilities to Simplot at a fair market price without increasing the rates of other Schedule 19 customers. The price Idaho Power stated, for discussion purposes only, that J.R. Simplot would have to pay Idaho Power was approximately $10 million for the facilities if they were to be sold, which is over twice the initial investment in the facilities provided by Idaho Power of $4.25 million.

Q. Does it seem fair to offer to sell the facilities at over twice the initial investment?

A. No, but Idaho Power never actually stated that was an option. They just provided the calculation of what they believed we would need to pay in order to purchase these facilities after years of paying the facilities charge.

Q. Does Idaho Power's response that it cannot allow for mixed ownership make sense to you?

A. Not at all. They cite that safety is the reason, and we agree that safety of all employees, theirs and ours, is of the most paramount concern. However, we have successfully had mixed ownership of equipment at our Caldwell facility since 1945 without incident. Additionally, in conversations with other customers that are paying facilities charges, they have mixed ownership as well. Below is a picture of the mixed ownership at our Caldwell facility:

/

/

/

(Picture contained in hard copy of transcript.)

♀

Q. Did Idaho Power ever provide J.R. Simplot
Company with the cost to simply remove the equipment

subject to the facilities charge, as expressly allowed in the Don Plant Special Contract and the Schedule 19 tariff?

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

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

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

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

/

/

/

♀

A. We have paid for our current facilities charge equipment more than three times already. I believe that Idaho Power has already recovered its initial costs and any authorized rate of return several times over. It would be fair to simply turn ownership of these facilities over to J.R. Simplot Company.

Additionally, I believe it is imperative that the Commission seriously reform the facilities charge according to the proposals and analysis contained in Dr.

Don Reading's testimony. I fully support the recommendations contained in the direct testimony of Dr. Don Reading, which would make the monthly charge fair for those customers who wish to pay it and would provide reasonable mechanisms by which customers may take over ownership of equipment on their own property.

Q. Does this conclude your testimony?

A. Yes.

479Don Sturtevant, DI 11a
ICIP

♀

(The following proceedings were had in open hearing.)

MR. RICHARDSON: Madam Chair, with your indulgence, I have a couple of small housekeeping direct questions.

DIRECT EXAMINATION

BY MR. RICHARDSON: (Continued)

Q Mr. Sturtevant, what's been your experience with critical spare parts with this special facilities program?

A That's a good question. Currently under critical spares, Idaho Power has facilities charge equipment that's sitting on the ground at our facilities, specifically at our Don plant, that we're paying a facilities charge on.

MR. WILLIAMS: Madam Chair, pardon me, I'm asking procedurally what's going on here, I guess. Are we entitled to call our witnesses to provide live testimony as well, then? I wasn't aware that was part of the Commission's procedures.

COMMISSIONER SMITH: You are certainly entitled to recall any of your witnesses. As the Applicant with the burden, that is always your

prerogative. The Commission frowns on, but does sometimes allow, additional direct questions by the lawyers within certain bounds, so if you think Mr. Richardson has gone over the line, then just let me know.

MR. WILLIAMS: All right, thank you, Madam Chair.

MR. RICHARDSON: That's all I had, Madam Chairman. Mr. Sturtevant is available for cross.

COMMISSIONER SMITH: Thank you. Do we have any questions from Mr. Otto?

MR. OTTO: No questions, Madam Chairwoman.

COMMISSIONER SMITH: How about Mr. Nelson.

MR. NELSON: No questions. Thank you.

COMMISSIONER SMITH: Olsen.

MR. OLSEN: No

COMMISSIONER SMITH: Purdy.

MR. PURDY: No.

COMMISSIONER SMITH: Mr. Miller.

MR. MILLER: No, thanks.

COMMISSIONER SMITH: Ms. Kyler.

MS. KYLER: No.

COMMISSIONER SMITH: Mr. Klein?

MR. KLEIN: No.

COMMISSIONER SMITH: We are back to you, Mr. Williams.

MR. WILLIAMS: Yes, Madam Chair.

CROSS-EXAMINATION

BY MR. WILLIAMS:

Q Good afternoon, Mr. Sturtevant.

A Good afternoon.

Q To start, I need just some clarification. I think there might be a typo here in your testimony, but I just want to make sure. On page 1 --

A Yes.

Q -- line 16, the sentence reads beginning with, "J. R. Simplot Company is a member of the Industrial Customers of Idaho Power (ICIP), and supports of the ICIP's position in this case." It looks like there might be a word missing there.

A It should say, "and supports the ICIP's position in this case."

Q Okay.

A Thank you, so you could strike "of."

Q Page 2, line 5 of your testimony, states that Simplot employs 3,000 people in Idaho. Does that number account for the recently announced closures of the

Aberdeen, Caldwell and Nampa Simplot facilities?

A That would.

Q I'm sorry, it would or wouldn't?

A Yes, this was prepared before we announced the closure of those facilities, so approximately 800 employees will be losing their jobs over the next three years.

Q Also, a little later on on page 2, lines 8 and 9, your testimony states that Simplot spends approximately 16.5 million annually in Idaho Power energy charges. Again, does that number account for the recently announced closures of the Aberdeen, Caldwell and Nampa facilities?

A That number would include Aberdeen, Nampa and Caldwell and it has not detracted from that number.

Q Mr. Sturtevant, is it your testimony that Idaho Power should give away assets that have value at Simplot locations that you have announced are going to be closed?

A Well, prior to our announcement in November 9th of the closure of those three facilities, that would have been our position; however, now that we're closing those facilities, we don't know exactly if we're going to sell those facilities or level them to the ground, but we know that we're not going to be producing

at those facilities anymore. I can't speak necessarily to what we're going to ask to do at that point, just that we be given the choice.

Q Are you familiar with the Schedule 29 Don -- the contract between Idaho Power and Simplot for the Don power plant?

A I am.

Q And are you aware that that contract contains specific provisions whereby Idaho Power agrees to own, operate and maintain facilities in exchange for Idaho -- pardon me, in exchange for Simplot paying a facilities charge?

A I do.

Q And are you aware that Simplot agreed to similar facilities charge provisions in previous contracts for the Don plant?

A Specifically for the Don plant, yes.

Q And that special contract doesn't contain a provision whereby Idaho Power has to give away facilities to Simplot, does it?

A Not that I'm aware of.

Q Has your counsel advised you whether this Commission has the authority to modify terms and conditions of special contracts?

A I don't know that they have or they

haven't, but I believe that's why we're approaching the Commission to determine.

Q Are you aware that Idaho Power's facilities charge methodology does contain a depreciation expense in it?

A Depreciation is included in the 20.4 percent annually or the 1.7 percent monthly. There is a line item in there, as I understand it, that hasn't been revisited since 1985.

Q So the answer, just to be clear, is yes, there is a depreciation expense component in the facilities charge methodology?

A Yes, as I understand it from Idaho Power, there's a listing on a line item that says depreciation. As I understand from my studies that depreciation means of something that you would pay off as a depreciation expense, as a capital asset.

Q Thanks. Are you aware that Idaho Power credits back 100 percent of the revenue it collects from the facilities charge customers to the class in which the customer resides?

A No, I'm not, but if you say so, okay.

Q So you agree with me, then?

A I'm not aware that you do, but I'm not that up to speed on all the rulemaking and how you

account for the money. We don't see any money back on our bills for facilities charges, if that's what you're saying.

Q Would you agree with me that as part of the facilities charge service that Idaho Power provides that Simplot receives customer service on a 24/7/365-day-a-year basis?

A Yes.

Q And do you believe that the operations and maintenance services provided by Idaho Power's field personnel have been satisfactory?

A It's been absolutely satisfactory. To the level of paying 20.4 percent forever, I think that we could do it ourselves much cheaper.

MR. WILLIAMS: All right, thank you. No further questions, Madam Chair.

COMMISSIONER SMITH: Thank you. Let's see if there are questions from the Commissioners.

COMMISSIONER REDFORD: No.

COMMISSIONER SMITH: Nor I. Mr. Richardson, do you have any redirect?

MR. RICHARDSON: Just a couple, Madam Chair.

REDIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. Sturtevant, Mr. Williams asked you about the 24/7/365 service, overall, how valuable is that to you?

A When you're in a production facility such as we are, it's extremely valuable, but value has a specific connotation with it. Would we pay a million dollars for that or would we pay 500,000 or 100,000, so it's extremely valuable. I don't think that it's necessarily priced competitively at 20.4 percent.

Q So what was your experience as an energy official for Simplot with other utilities on facilities charge-type services?

A Yeah, we had the same issue with Avista Utilities. We have a facility over in Othello, Washington. We were currently paying 21 percent annual interest rates to them or annual rate of payment. I understand it's not necessarily an interest rate, and we approached the utility over there and they said absolutely, you can buy this out if you want and we'll put it on your bill and they were very accommodating. Within three to four months, we got it resolved to great satisfaction.

♀

Q And as an energy facilities manager for Simplot and you look at a program like the facilities charge program that Idaho Power offers, in your view, who was that program designed for?

A It's definitely, I think, designed towards some of the smaller people out there that may not have the capital to go forward with transformers and poles and wiring, so it could be a good service if it was structured correctly. For us as a larger industrial customer, we actually have a pretty good position within

the community and have good access to capital and we'd like to own that equipment outright if we could.
Q But you'd like to have the choice?
A That's right. It's all about the choice.
MR. RICHARDSON: That's all I have, Madam Chair. Thank you, Mr. Sturtevant.
COMMISSIONER SMITH: Thank you, Mr. Sturtevant. We appreciate your help.
MR. RICHARDSON: May this witness be excused, Madam Chair?
COMMISSIONER SMITH: Seeing no objection, the witness is excused.
THE WITNESS: Thank you.
(The witness left the stand.)

MR. RICHARDSON: Thank you. That concludes the Industrial Customers' case, Madam Chair.
COMMISSIONER SMITH: Thank you, Mr. Richardson.
Mr. Otto, we're ready for your witness.

NANCY HIRSH,

produced as a witness at the instance of the Conservation Parties, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. OTTO:

Q Okay, could you please state your name and your position for the record?

A Nancy Hirsh, H-i-r-s-h. I'm the policy director with the Northwest Energy Coalition.

Q Are you the same Nancy Hirsh that filed direct testimony and rebuttal testimony in this case?

A Yes, I am.

Q And we discussed there were three corrections that we found to this testimony.

A Yes.

Q And the first one had to do with -- well,

let's start with the first one that actually Ms. Nordstrom brought to our attention.

A Yes. On page 10 of my direct testimony, lines 7 and 8 where it says that -- where it starts "$10,000,000" and it should say "of the back balance in energy efficiency funding" instead of the "demand response," and then on page 18 --

COMMISSIONER SMITH: Excuse me, we need that one more time.

THE WITNESS: Page 10.

COMMISSIONER SMITH: Please read how it should read right now.

THE WITNESS: Okay. Page 10, line 7 --

COMMISSIONER SMITH: Start with "the Commission."

THE WITNESS: "The Commission initially considered this accounting change in a prior case" --

COMMISSIONER SMITH: Oh, I mean on line 7.

You have a "the Commission."

THE WITNESS: Okay. "The Commission authorized Idaho Power to collect $10,000,000 of the back balance in energy efficiency funding...".

COMMISSIONER SMITH: And strike --

THE WITNESS: And strike "in demand response incentives."

♀

COMMISSIONER SMITH: Okay. All right, thank you.

THE WITNESS: Okay, and then on page 18, line 16, the word "funding" should actually be "rider."

MR. RICHARDSON: Which line is that?

THE WITNESS: That is line 16. "Funding" should be struck and in its place should be "rider," and then the third is a clarification. Throughout my testimony, I characterize that the Commission's orders --

COMMISSIONER SMITH: Would you start again, please?

THE WITNESS: In my testimony, I characterize the Commission's Orders as saying that they require the Company to acquire all cost-effective conservation or energy efficiency, and in fact, going back through some of those Orders, the language is that the Commission directs the Company to pursue all cost-effective energy efficiency. I do believe I characterize that interpretation as acquire, because pursuing is good, but acquiring savings is better. I think that was the intent of the Commission, so that's the end of my corrections.

MR. OTTO: Just on that last one, I can work with the recorder, but I have the specific -- there's about five places where it says "acquire" instead

of "pursue." I don't think it's necessary for all of us to chase through that.

Q BY MR. OTTO: Thank you for those clarifications; so with that, if I asked you the same questions in your direct and rebuttal testimony today, would your answers be the same?

A Yes.

MR. OTTO: With that, I would move to spread Ms. Hirsh's testimony, including Exhibits 801, 802 and 803 upon the record.

COMMISSIONER SMITH: Seeing no objection, the prefiled direct and rebuttal testimony of Ms. Hirsh will be spread upon the record and Exhibits 801 through 803 will be identified.

(The following prefiled direct and rebuttal testimony of Ms. Nancy Hirsh is spread upon the record.)

Q. Please state your name, affiliation, and highlight some of your qualifications.

A. My name is Nancy Hirsh. Since 1996, I have been the policy director for the NW Energy Coalition, coordinating the work of the policy team in advocating for investments in clean and affordable energy services. The NW Energy Coalition is an alliance of more than 110 environmental, civic and human service organizations, progressive utilities and businesses from Oregon, Washington, Idaho, Montana, Alaska and British Columbia. We promote energy conservation and renewable energy resources, consumer and low-income protection and fish and wildlife restoration in the Columbia River Basin. The Coalition has 11 member organizations in Idaho, including groups such as Advocates for the West, Idaho Rural Council, the Idaho Conservation League, the League of Women Voters, the Snake River Alliance, and the South Central Community Action Agency. In addition, I serve as Chair of the Board of the Renewable Northwest Project and sit on Idaho Power's Energy Efficiency Advisory Group.

Previously, I spent twelve years in Washington, D.C. working for the National Wildlife Federation and Environmental Action Foundation on federal energy policy and electric utility issues, including providing assistance to state environmental and consumer