

BEFORE THE IDAHO PUBLIC UTILITIES
COMMISSION

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IDAHO PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE
APPLICATION OF IDAHO POWER
COMPANY FOR AUTHORITY TO
INCREASE ITS RATES AND
CHARGES FOR ELECTRIC SERVICE
TO THE STATE OF IDAHO

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CASE NO. IPC-E-03-13

Rebuttal Testimony of

Michael Henderson

ConAgra Foods, Inc.

on behalf of

Industrial Customers of Idaho Power (ICIP)

March 19, 2004

1 **Q. Would you please state your full name and job title?**

2 A. Yes. My name is Michael E. Henderson, and I am the Energy and Environmental
3 Engineering Manager for ConAgra Foods, Inc., Specialty Potato Products. I have been a
4 part of this company for over 27 years. My current role is to support plant operations in
5 the areas of Energy and Environmental affairs.

6

7 **Q. Could you please tell the Commission a little about ConAgra Foods and the plants
8 you have in Idaho Power's service territory?**

9 A. ConAgra Foods, Specialty Potato Products is a major manufacturer of processed, frozen
10 potato products. We purchase potatoes and have operating facilities in Idaho, Oregon,
11 Washington, Minnesota, and international locations. We compete and sell into major
12 foodservice and retail markets in this country and globally. We have two major potato
13 processing plants in Idaho: they are located in Twin Falls and American Falls, both are in
14 Idaho Power's service territory. We also have a corporate office in Boise. Our total
15 employment in Idaho is over 1200 persons.

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22 **Q. What is the purpose of your Rebuttal Testimony?**

23 A. I disagree with the statements made by Dr. Dennis Goins in his pre-filed Direct
24 Testimony presented on behalf of US DOE as they relate to the mandatory Time-of-Use
25 (TOU) rates for Schedule 19 customers that are proposed by Idaho Power in this Docket.

26

27 **Q. Could you be specific about where you disagree with the US DOE witness?**

28 A. On page 20 of his Direct Testimony Dr. Goins states while discussing Idaho Power's
29 proposed Schedule 19 rates,

1
2 While I do not object to the manner in which IPC designed the rate, I am
3 concerned about the law of unintended consequences. IPC claims that the new
4 rate design is revenue neutral. However, if IPC' s large commercial and
5 industrial customers are not prepared to operate cost-effectively under the new
6 rate, they may incur unexpected and unacceptably high bills for their energy use.[Direct
7 Testimony of Dennis Goins, IPC-E-03-13, p. 20.]
8

9 I disagree with his acceptance of Idaho Power's mandatory Time-of-Use rates for
10 Schedule 19 customers. However I fully agree with his analysis that forcing TOU rates
11 on large customers can lead to "unintended consequences". In addition, he seems to
12 imply that if large commercial and industrial customers are "not prepared to operate cost-
13 effectively" they may receive unacceptably high power bills. Because we are in a highly
14 competitive global market, ConAgra Foods is continually adjusting its production process
15 to be cost effective. The problem with Idaho Power's proposed mandatory TOU rates is
16 that in attempting to lower energy costs by shifting production we may well cause other
17 costs to increase. It is not as simple as just being "prepared" to minimize electric costs.
18

19 **Q. What other costs do you mean could increase by changing your production process**
20 **in an attempt to adjust to the proposed electric charges**

21 **A.** They could include a whole range of other production costs. We attempt to optimize our
22 costs, but we have several constraints. We already operate around the clock on many
23 days, including many weekends. However, we are down for cleanup and maintenance on
24 some days and most of those include weekend days. Our workforce requires a higher rate
25 of pay to work outside normal day-shift weekday times. Many would be personally
26 impacted with movement of work activities into off shift and weekends, so we would
27 expect to see increases in absenteeism and other problems. Our costs would increase.
28 Another response to TOU rates could be to attempt to limit the rate of production. This is
29 a very expensive alternative, as the product produced at the highest production rate is

1 typically the least costly to produce, because the same fixed costs are distributed over
2 more production. The imposition of additional external constraints, such as TOU rates,
3 would then make the option of simply limiting production very expensive. We have
4 sought load shedding opportunities to reduce demand charges and found very few are
5 cost effective or offer significant hope. At the least, they typically require capital outlay,
6 artificially constrain a factory, increase costs of labor, reduce efficiency and generally
7 increase costs. These cost increases could offset any savings in electric rates and could
8 lead to overall increased production costs. The end result could mean remaining on our
9 current production schedule with no significant change in electric use but higher costs.
10 This would defeat a major reason for the recommendation for the imposition of the
11 mandatory TOU by Idaho Power. Since our plants compete not only with each other, but
12 in global economy, increased costs at a given site can reduce operations at that site as
13 production is moved to our lower cost facilities or lost to lower cost competitors in other
14 areas. The net result could be net lost jobs in Idaho.

15
16 **Q. What do you mean when you say it would defeat a major reason for a TOU rate**
17 **design?**

18 **A.** One reason Idaho Power has proposed mandatory TOU rates is because the cost of peak
19 power is more expensive than power at other times. The intent of charging higher rates
20 for power during those periods would be to cause lower use by customers and a savings
21 to Idaho Power in power expenses. If customers can't economically change their pattern
22 of power use there would be no savings in Idaho Power's power supply costs. Another
23 reason for TOU rates should be to reflect the costs imposed on the system by a customer
24 class.

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26 **Q. Does your power consumption vary significantly over different seasons of the year?**

27 **A.** When we are competitive enough to operate, which we diligently work to accomplish, we
28 do not have large seasonal load shifts. We primarily use natural gas for heat and electric
29 power for freezing, wheel turning and lighting. Weather impacts electric heating and air

1 conditioning loads much more than it impacts our loads. This is typical of many Schedule
2 19 customers. As shown in Exhibits 205 and 206 of ICIP witness Teinert's Direct
3 Testimony, the residential class demonstrates much more variation over the course of the
4 year than does the industrial class. Therefore, the cause of the peaking expense faced by
5 Idaho Power is more attributable to the residential class than industrial customers.
6 However, Idaho Power has singled out the industrial rate class to force a TOU rate
7 experiment.

8
9 **Q. Do you know why Schedule 19 was singled out for mandatory TOU rates by Idaho**
10 **Power?**

11 A. It appears we are the only class with sufficient metering capability to implement TOU
12 rates. A more rational approach by Idaho Power for offering TOU rates would be on the
13 classes that are the source of the problem and have a greater ability to adjust their
14 consumption patterns. This approach is more rational than to do it just because you can
15 without incurring metering costs.

16
17 **Q. Do you agree with his conclusions of US DOE witness Goins that the mandatory**
18 **TOU rates be allowed to go into effect subject to monitoring by the Commission?**

19 A. No. Dr. Goins recommends,

20
21 Specifically, the Commission should require IPC to prepare
22 And file semiannual reports for the first year in which the rate is in effect
23 Concerning the implementation of the new TOU rate. At a minimum, these
24 Reports should include not only analyses of how well customers understand and
25 Respond to the new rate, but also detailed customer billing analyses that would
26 Enable the Commission to evaluate whether the rate is creating unanticipated and
27 Unacceptable hardship on some customers. [Direct Testimony of Dennis Goins, IPC-E-
28 03-13, p. 21.]

1 This is putting the cart before the horse. Rates should not be imposed that cause
2 “unanticipated and unacceptable hardships” on customers only to change them after the
3 harm has been done. We are not opposed to the concept of Time-of-Use rates. We,
4 however, strongly believe that large commercial and industrial users should not be the
5 only class forced to use them. We would be willing to support optional, not mandatory,
6 TOU rates for Schedule 19 customers. This would allow those firms that could adjust
7 their production process to take advantage of the TOU rates and thus saving Idaho Power
8 higher power expenses. Changes in consumption pattern with in large commercial and
9 industrial class could then be monitored to measure the impacts with causing the
10 “unacceptable hardships” pointed out by Dr. Goins.

11

12 **Q. Does this conclude your testimony?**

13 **A. Yes it does.**