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

greg@richardsonandoleary.com

RECEIVED

2011 OCT -7 PM 2:38

IDAHO PUBLIC UTILITIES COMMISSION

Attorneys for the Industrial Customers of Idaho Power

## **BEFORE THE IDAHO**

## **PUBLIC UTILITIES COMMISSION**

	R OF IDAHO POV EQUEST TO INCI	,	CAS	E NO. IPC-E-11-08
RATES AND CH SERVICE IN ID	IARGES FOR ELE AHO	ECTIC )		
		)		

INDUSTRIAL CUSTOMERS OF IDAHO POWER
DIRECT TESTIMONY OF DEL BUTLER

October 7, 2011

1	Q.	rease state your name, occupation, and business address.	
2	Α.	My name is Del Butler, Senior Director, Business Development, J.R. Simplot	
3	Company, 1130 West Highway 30, Pocatello, Idaho.		
4	Q.	Please describe you educational background.	
5	Α.	I have a Bachelors Degree in Business Administration, from Idaho State	
6	University.		
7	Q.	What is your work experience at the J.R. Simplot Company?	
8	<b>A.</b>	I have worked for the J.R. Simplot Company for 39 years. I was the Plant	
9	Manager at the Don Plant in Pocatello for nine (9) years, from 1998 to 2007.		
10	Q.	What is the purpose of your testimony?	
11		A. The purpose of my testimony is to provide customer insight into the Idaho	
12	Power facili	ties charge for equipment located on our property and express my concern over what	
13	I consider to	be an unfair business practice.	
14	<b>Q.</b>	Please explain in general terms the location and products produced at J.R.	
15	Simplot Co	mpany's Don Plant, which takes service from Idaho Power as a special contract	
16	customer.		
17	<b>A.</b>	The Don Plant, located in Pocatello, Idaho produces a full line of agricultural	
18	phosphate fe	ertilizer.	
19	Q.	How many people does the Don Plant employ?	
20	<b>A.</b>	The plant employs 350 to 360 regular employees, with seasonal employment	
21	peaking arou	and 450 to 500 workers in late spring.	

1	Q.	How much electricity does the Don Plant receive from Idaho Power	
2	annually?		
3	<b>A.</b>	We routinely consume approximately twenty-one (21) megawatts.	
4	Q.	Does the Don Plant pay Idaho Power a facilities charge for electrical	
5	distribution equipment installed and maintained beyond the point of delivery by Idaho		
6	Power?		
7	<b>A.</b>	Yes.	
8	Q.	What types of equipment are included in the Idaho Power facilities charge?	
9	<b>A.</b>	The charge includes typical higher-voltage equipment such as transformers,	
0	switches, power poles, and wiring.		
1	Q.	Could you explain your understanding of the facilities charge when you were	
2	the Plant Ma	nager at the Don Plant?	
3	<b>A.</b>	As I understood it at the time, whenever we needed equipment such as	
4	transformers,	poles, or switches, we would contact Idaho Power and they would provide this	
5	equipment with no up-front charge. The cost of the equipment plus installation would then be		
16	added to the bill as a facilities charge. In effect, the newly installed piece of equipment would		
7	become leased equipment. Idaho Power was responsible for servicing and maintaining the		
8	equipment. If the equipment failed and required replacement once again, the asset would be		
9	retired, the remaining book value would be zeroed out and a new facility charge would be		
20	established based upon the cost and installation of the new equipment installed in place of the old		
21	equipment.		

1	Q.	Could you explain your current understanding of the facilities charge?	
2	<b>A.</b>	As I understand it now, once a piece of equipment gets added to the facilities	
3	charge, we p	ay a 20.4% annual fee every year, forever. It never gets paid off and we do not have	
4	the option to	pay it off. Additionally, if we ever wanted to purchase our own equipment, Idaho	
5	Power has pr	rovided no reasonable opportunity for us to do this. Essentially, we have no choice	
6	and no options and we are stuck paying 20.4% annually on an ongoing basis.		
7	Q.	Do you know how much the original equipment cost Idaho Power including	
8	installation?		
9	<b>A.</b>	I do, now. The total amount for the Don Plant is \$2,619,846.62.	
0	Q.	How much does the Don Plant currently pay in facilities charges annually for	
1	this equipme	ent?	
2	<b>A.</b>	We pay \$534,448.71 annually.	
13	<b>Q.</b>	What is the average age of the facilities charge equipment at the Don Plant?	
14	<b>A.</b>	The average age of the Idaho Power equipment at the Don Plant is 24.5 years.	
15	We've got si	xty-three (63) pieces of equipment that were installed in 1964, forty-seven (47)	
16	years ago. I understand that Idaho Power has informed us in this case that the annual rate at the		
17	Don Plant has been 20.4% since 1976, and was 15% annually from 1964 to 1976. For the		
18	equipment da	ating back to 1964, we have paid \$534,330 to date for equipment that cost \$75,791	
19	installed. W	e have paid for these sixty-three (63) items more than seven (7) times already.	
20	Q.	What is the total dollar amount that the Don Plant has paid to Idaho Power	
21	for facilities	charge equipment currently installed?	

1	Α.	J.R. Simplot Company has been paying a facilities charge at the Don Plant since	
2	1964, for the	past forty-seven (47) years, on equipment that was installed as early as 1964. We	
3	have estimate	ed, based on the historic rates Idaho Power has provided to us in this case, for \$2.6	
4	million in cu	rrently installed equipment, we have now paid \$10,027,224. This does not include	
5	the time-value of money, and if we included that, the actual cost would be much higher.		
6	Q.	How did you become aware of the facilities charge?	
7	<b>A.</b>	I have always been aware of the facilities charge at the Don Plant, but the full	
8	extent of this	unfair business practice was brought to my attention this fiscal year by our	
9	Corporate Er	nergy Manager, Don Sturtevant.	
0	Q.	Has Idaho Power ever requested your written consent, as a plant manager a	
1	J.R. Simplot	t Company to install any facilities beyond the point of delivery at your plants?	
2	<b>A.</b>	No. I have never given formal consent that I understood the facilities charge	
3	equipment w	ould be charged an annual 20.4% fee, never be paid off, and have no option to be	
4	paid off ever	•	
5	Q.	Are you aware of such consent given by any other J.R. Simplot Company	
6	officials?		
7	<b>A.</b>	No.	
8	Q.	What insurance requirements does J.R. Simplot Company require of	
9	electrical co	ntractors that conduct work on its property?	
20	<b>A.</b>	The J.R. Simplot Company requires all contractors, electrical or otherwise, to	
21	provide a \$5	million insurance liability policy.	

1	<b>Q.</b>	Does Idaho Power's ownership and management of electrical equipment on
2	plants owned	by J.R. Simplot Company concern you from a liability perspective?
3	<b>A.</b>	Absolutely. The safe and reliable operation of the facility could easily be
4	impacted by th	e interruption of power and the liabilities that go along with that loss.
5	Q.	Do you think it is fair for Idaho Power to continue charging the facilities
6	charge rate fo	or Idaho Power's initial investment made an average of 24 years ago?
7	<b>A.</b>	No.
8	Q.	Idaho Power has offered a reduction in the annual facilities charge from
9	20.4% of the	initial investment to 17.00%. Please explain your thoughts on that.
10	<b>A.</b>	For the Don Plant, we have paid for this equipment many times already. Simply
11	providing a sm	nall reduction in the rate is not fair.
12	Q.	When you were responsible for the Don Plant operations, what was your
13	understandin	g of the options provided by Idaho Power's facilities charge for the customer
14	to stop paying	g the charge?
15	<b>A.</b>	I believed that there were no options and that we were required to pay the
16	facilities charg	g <b>e.</b>
17	Q. What	is your current understanding of Simplot's options regarding the facilities
18	charges?	
19	Α.	We currently do not have any option other than to require Idaho Power to remove
20	their facilities	and replace their system with our own. However, as I understand it, we must pay
21	Idaho Power fo	or the remaining book value, plus the cost to remove the facilities, minus a credit

2	be a financia	lly responsible alternative.	
3	Q.	Do you consider it fair for Idaho Power to refuse to sell the equipment to you	
4	at a fairly negotiated value?		
5	<b>A.</b>	No.	
6	Q.	If you had the choice, how would you propose Idaho Power address the	
7	problems you see with its facilities charge?		
8	<b>A.</b>	We have paid for our current facilities-charge equipment more than three times	
9	already at the Don Plant. I believe that Idaho Power has already recovered its initial costs and		
10	any authorized rate of return several times over. At this point, it would only be fair to simply		
11	turn ownership of these facilities over to J.R. Simplot Company.		
12	In addition, I believe it is imperative that the Commission seriously reform the facilities		
13	charge structure and stop this unfair business practice. I fully support the recommendations		
14	contained in the direct testimony of Dr. Don Reading, which would make the monthly charge		
15	fair for those customers who wish to pay it and would provide reasonable mechanisms by which		
16	customers may take over ownership of equipment on their own property.		
17	Q.	Does this conclude your testimony?	
18	<b>A.</b>	Yes.	

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

1

## **CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 7<sup>th</sup> day of October, 2011, a true and correct copy of the within and foregoing TESTIMONY OF DON READING, DON STURDEVANT AND DELL BUTLER ON BEHALF OF THE INDUSTRIAL CUSTOMERS OF IDAHO POWER IN CASE NO. IPC-E-11-08 was served in the manner shown to:

Ms. Jean Jewell	X Hand Delivery
Commission Secretary	U.S. Mail, postage pre-paid
Idaho Public Utilities Commission	Facsimile
P O Box 83720	Electronic Mail
Boise, ID 83720-0074	
Lisa D Nordstrom	Hand Delivery
Jason B Williams	X U.S. Mail, postage pre-paid
Idaho Power Company	Facsimile
PO Box 70	X Electronic Mail
Boise, Idaho 83707-0070	
lnordstrom@idahopower.com	
jwilliams@idahopower.com	
Donovan Walker	Hand Delivery
Greg Said	X U.S. Mail, postage pre-paid
Idaho Power Company	Facsimile
PO Box 70	X Electronic Mail
Boise, Idaho 83707-0070	
dwalker@idahopower.com	
gsaid@idahopower.com	
Eric L. Olsen	Hand Delivery
Racine, Olson, Nye, Budge &	X_U.S. Mail, postage pre-paid
Bailey, Chartered	Facsimile
P.O. Box 1391; 201 E. Center	X Electronic Mail
Pocatello, Idaho 83204-1391	
elo@racinelaw.net	
	Hand Delivery
Anthony Yankel	XU.S. Mail, postage pre-paid
29814 Lake Road	Facsimile
Bay Village, Ohio 44140	$\overline{\underline{X}}$ Electronic Mail
tony@yankel.net	

Donald L Howell, II	X Hand Delivery
Karl Klein	U.S. Mail, postage pre-paid
Idaho Public Utilities Commission	Facsimile
472 W Washington	X Electronic Mail
Boise ID 83702	
don.howell@puc.idaho.gov	
karl.klein@puc.idaho.gov	
Arthur Perry Bruder	Hand Delivery
US Department of Energy	X U.S. Mail, postage pre-paid
1000 Independence Ave SW	Facsimile
Washington DC 20585	$\overline{X}$ Electronic Mail
Arthur.bruder@hq.doe.gov	
Dwight Etheridge	Hand Delivery
Exeter Associates, Inc.	$\overline{X}$ U.S. Mail, postage pre-paid
5565 Sterrett Place Ste 310	Facsimile
Columbia MD 21044	X Electronic Mail
detheridge@exeterassociates.com	
Steven A Porter	Hand Delivery
Electricity & Fossil Energy	U.S. Mail, postage pre-paid
US Department of Energy	Facsimile
steven.porter@hq.doe.gov	X Electronic Mail
(electronic service only)	
	Hand Delivery
John R Hammond Jr	U.S. Mail, postage pre-paid
Batt Fisher Pusch & Alderman LLP	Facsimile
PO Box 1308	X Electronic Mail
Boise ID 83701	
jrh@battfisher.com	
(electronic service only)	
Kurt J Boehm	Hand Delivery
Boehm Kurtz & Lowery	$\overline{X}$ U.S. Mail, postage pre-paid
36 E Seventh St Ste 1510	Facsimile
Cincinnati OH 45202	X Electronic Mail
kboehm@bkllawfirm.com	
Brad M Purdy	Hand Delivery
CAPA	X U.S. Mail, postage pre-paid
2019 N 17th St	Facsimile Facsimile
Boise ID 83702	X Electronic Mail
bmpurdy@hotmail.com	

Richard E Malmgren	Hand Delivery
Micron Technology Inc	U.S. Mail, postage pre-paid
800 South Federal Way	Facsimile
Boise ID 83716	X Electronic Mail
remalmgren@micron.com	
(electronic service only)	
(crosuromo sor vico omy)	
Mary V York	Hand Delivery
Thorvald A Nelson	_ U.S. Mail, postage pre-paid
Mark A Davidson	Facsimile
Fred Schmidt	X Electronic Mail
Holland & Hart	X Diccionic Man
6380 Fiddlers Green Circle Ste 500	
Greenwood Village CO 80111	
myork@hollandhart.com	
tnelson@hollandhart.com	
madavidson@hollandhart.com	
fschmidt@hollandhart.com	
(electronic service only)	
Benjamin Otto	Hand Delivery
Idaho Conservation League	X U.S. Mail, postage pre-paid
PO Box 844	Facsimile
Boise ID 83701	
	X Electronic Mail
botto@idahoconservation.org	
Ken Miller	Hand Delivery
Snake River Alliance	U.S. Mail, postage pre-paid
PO Box 1731	Facsimile
Boise ID 83701	<del></del>
	X Electronic Mail
kmiller@snakeriveralliance.org	
Nanov Hirah Baliov Director	Hand Delivery
Nancy Hirsh, Policy Director NW Energy Coalition	X U.S. Mail, postage pre-paid
811 – 1st Ave Ste 305	Facsimile
Seattle WA 98104	X Electronic Mail
Nancy@nwenergy.org	
Kevin Higgins	Hand Delivery
Energy Solutions	X U.S. Mail, postage pre-paid
215 S State St Ste 200	Facsimile
	<del></del>
Salt Lake City UT 84111	X Electronic Mail
khiggins@energystrat.com	

Dean J Miller
McDevitt & Miller LLP
PO Box 2564
Boise ID 83701
joe@mcdevitt-miller.com
heather@mcdevitt-miller.com

Scott Paul CEO Hoku Materials Inc One Hoku Way Pocatello ID 83204 spaul@hokucorp.com

- \_\_ Hand Delivery
- \_\_ U.S. Mail, postage pre-paid
- Facsimile
- X Electronic Mail

\_ Hand Delivery

- $\overline{\underline{X}}$  U.S. Mail, postage pre-paid
  - Facsimile

 $\overline{X}$  Electronic Mail

Gregory M. Adams