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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO IMPLEMENT POWER COST ADJUSTMENT (PCA) RATES FOR ELECTRIC SERVICE FROM MAY 16, 2003 THROUGH MAY 15, 2004	)	CASE NO. IPC-E-03-05

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

GREGORY W. SAID

Q. Please state your name and business address.

A. My name is Gregory W. Said and my business address is 1221 West Idaho Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by Idaho Power Company as the Director of Revenue Requirement in the Pricing and Regulatory Services Department.

Q. Please describe your educational background.

A. In May of 1975, I received a Bachelor of Science Degree with honors in Mathematics from Boise State University.

Q. Please describe your work experience with Idaho Power Company.

A. I became employed by Idaho Power Company in 1980. My first responsibility with the Company was to develop the Secondary Transactions Simulation Model for use in determining the average net power supply expenses associated with multiple hydro conditions as well as the expenses associated with each hydro condition.

In December 1981, the Company applied for an increase in its general revenue requirement in Case No. U-1006-185. The Secondary Transactions Simulation Model became the basis for determining the Company's normalized net power supply expenses in that revenue requirement proceeding.

In the next general revenue requirement proceeding, Case No. U-1006-265, filed in September of 1985, I was the Company's power supply witness providing direct and rebuttal testimony as well as direct testimony upon rehearing. At the same time I was also the power supply witness in the Company's Oregon jurisdictional filing.

In 1988, the Company applied for a temporary rate increase because of drought conditions. Once again, I was the Company witness addressing power supply expenses.

In August of 1989, after nine years in the Resource Planning Department, I was offered and I accepted a position in the Company's Rate Department. With the Company's application for a temporary rate increase in 1992, my responsibilities as a witness were expanded. While I continued to be the Company's witness concerning power supply expenses, I also sponsored the Company's rate computations and proposed tariff schedules.

Because of my combined resource planning department and rate department experience, I was asked to design a power cost adjustment which would impact customers' rates based upon changes in the Company's net power supply expenses. I presented my recommendations to the Idaho Public Utilities Commission in 1992 at which time the Commission established the power cost adjustment ("PCA") as an annual adjustment to the Company's rates. I have sponsored the

Company's annual PCA adjustment for the years 1996 through 2002.

Q. Did the Commission's issuance of Order No. 29050 approving the Astaris/FMC settlement agreement on June 10, 2002 affect this year's PCA computations?

A. Yes.

Q. Please describe the Astaris/FMC settlement.

A. At the time Astaris/FMC, Idaho Power Company's largest customer, announced its decision to cease operation at its Pocatello plant, it was determined that resolution of the consequent ratemaking and revenue issues would be required. Representatives from the Idaho Public Utilities Commission Staff, Idaho Power Company, Astaris LLC, Astaris Idaho LLC, and FMC Corporation entered into negotiations with the goal of creating a settlement agreement. Mr. Gale, VP of Regulatory Affairs, and Mr. Ripley, Senior Attorney, negotiated on behalf of Idaho Power Company. The settlement between the Company, Astaris/FMC and the Staff was provided to representatives from the Industrial Customers of Idaho Power Company and to the Idaho Irrigation Pumpers' Association for their review before final approval by the Idaho Public Utilities Commission through Order No. 29050.

The settlement addressed the issues of: (1) the December 30, 1997 Electrical Service Agreement ("ESA") between Idaho Power Company and Astaris/FMC, (2) the March 15, 2001 Letter Agreement amending the ESA, (3) the then active Commission Investigation of the payments Astaris/FMC was receiving for load reductions (Case No. IPC-E-01-43), and (4) a related action filed in the Fourth Judicial District Court.

The resulting settlement and order provided for a $5,000,000 reduction in payments to Astaris/FMC from Idaho Power Company. The Idaho customers' share of this benefit ($3,825,000) is reflected as a reduction within the 2002/2003 PCA true-up computations. Idaho Power Company agreed as a part of the settlement to also include its Idaho jurisdictional share of the $5,000,000 reduction ($425,000) as a benefit to Idaho retail customers in the 2002/2003 PCA true-up computations. Idaho Power Company agreed that it would not seek the recovery of the $6,968,473 in under-collected take-or-pay obligations from its Idaho retail customers in a rate proceeding. It was also agreed that the under-collection of PCA commitments from Astaris/FMC in the amount of $275,663 would be included as a one-time charge in the 2002/2003 true-up balance without the addition of carrying charges.

Q. Are there any other changes in PCA computations required at this time as a result of the Astaris settlement?

A. No. Prior to performing this year's computations, I met with Mr. Gale and Mr. Ripley to determine if the Astaris/FMC contract dispute resolution impacted any additional PCA computations. I was advised that the intent of the contract dispute resolution was that neither customers nor the Company be harmed by additional PCA computations after the contract dispute was resolved.

Prior to March 2003, actual loads as reported in the PCA true-up report were to include 120 MW of Astaris/FMC load whether served or not because Idaho Power Company was receiving revenues from Astaris/FMC regardless of whether Astaris/FMC received power. This has been referred to as a take-or-pay commitment. Customers were not responsible for Astaris/FMC load decline impacts while Idaho Power Company was receiving revenues from Astaris/FMC.

After March 2003, actual loads would no longer be adjusted to include 120 MW of "phantom" Astaris/FMC load because Idaho Power Company would no longer be receiving any revenues from Astaris/FMC.

Idaho Power Company and the parties to the dispute resolution envisioned that Idaho Power would re-establish base rates and PCA computations in a general rate case proceeding after March 2003. At this time, Idaho Power Company has not re-established base rates or corresponding PCA computations.

Q. What is the projection of PCA expenses for the period April 1, 2003 through March 31, 2004?

A. The projection of PCA expenses for the period April 1, 2003 through March 31, 2004 is $111,209,453. This amount is $38,130,325 more than the $73,079,128 normalized level of PCA expenses.

Q. What is the basis for the projection of April 1, 2003 through March 31, 2004 PCA expenses?

A. The Commission, in Order No. 24806 issued in Case No. IPC-E-92-25, the proceeding which created the PCA, adopted a natural logarithmic function of projected April through July Brownlee runoff to compute the projection of April through March PCA expenses. The derivation of the current equation is contained on Exhibit No. 1 ("Current Regression"). Qualifying facilities ("QF") purchase expense and normalized Astaris/FMC second block energy revenue are constants, which have been included in the projection computation. The current equation is:

PCA expense = $1,023,185,930
- $63,236,861*(ln(runoff))
+ $47,574,344
- $9,074,032

In this formula, the $47,574,344 is the constant for QF purchase expense, established in Order No. 27997. The $9,074,032 is the normalized Astaris/FMC second block of energy revenue. This amount was not changed as a result of the cancellation of the Astaris/FMC contract because an equal and offsetting reduction in purchase power expenses would also be required. The PCA true-up calculation has captured both the decrease in power supply expenses and the offsetting decrease in Astaris/FMC second block revenues.

Q. What is the April through July Brownlee runoff forecast that you used to arrive at the projection of PCA expenses?

A. The National Weather Service River Forecast Center, in its April 1 forecast, projected April through July Brownlee runoff to be 3.37 million acre feet. Inserting this value into the equation results in a projection of net PCA expenses of $111,209,453 for the period April 1, 2003 through March 31, 2004. This amount is $38,130,325 more than the normalized level of PCA expenses of $73,079,128. The Brownlee runoff information supplied by the National Weather Service is contained on Exhibit No. 2 ("National Weather Service April 1 Forecast"). The Brownlee reservoir inflow appears on page 4 of Exhibit No. 2.

Q. You have stated that the projected net PCA expenses are more than the normalized level of PCA expenses by $38,130,325. Please describe the computation of the rate adjustment associated with the $38,130,325 difference from base PCA expenses?

A. The normalized PCA expense of $73,079,128, divided by the normalized system firm load value of 13,952,283 MWh is used to arrive at the normalized base power cost of 0.5238¢ per kWh. For the period April 1, 2003 through March 31, 2004, the projected power cost of serving firm loads is 0.7971¢ per kWh which is computed by dividing the projected PCA expense of $111,209,453 by the 13,952,283 MWh normalized system firm load. The Company adjusts its rates by 90 percent of the difference between the projected power cost of serving firm loads (0.7971¢ per kWh) and the normalized base power cost (0.5238¢ per kWh.) Restated, this year's computation is (.9)(0.7971¢ per kWh-0.5238¢ per kWh)=0.2460¢ per kWh. The resulting adjustment is a 0.2460¢ per kWh adder to the base power cost.

Q. Please describe the true-up required from the comparison of the April 1, 2002 through March 31, 2003 actual expenses to last year's projection of expenses?

A. The PCA true-up deferral for the year April 1, 2002 through March 31, 2003 is shown on Exhibit No. 3 ("True-up Deferral"). This Exhibit compares the actual expenses to last year's projection of expenses, month-by-month, with the differences accumulated in a deferred expense account. Monthly carrying charges have been applied to the deferred expense account.

Q. Are there any amounts included in this year's deferral balance that are unique to this year's PCA filing?

A. Yes. There are deferrals in this year's true-up computations that I would characterize as non-traditional deferrals. These non-traditional deferrals, both charges and credits, that are included in this year's PCA, can be divided into four distinct categories: (1) intervener funding charges--some allocated to all classes and some allocated to a specific class, (2) mobile home metering charges, (3) IdaCorp Energy contract benefit payments reflected as a credit, and (4) the Astaris/FMC settlement charges and credits. All of the non-traditional deferrals are Idaho jurisdictional specific and are not subject to sharing by the Company or other jurisdictions.

Q. Please describe the intervener-funding charges in this year's PCA deferral balance that were attributable to all classes.

A. In Order No. 29147, the Commission authorized the Company to book $1,137.50 of intervener funding awarded in Case No. GNR-E-02-1. The Commission provided that the expenses booked for funding should be treated in a similar manner as purchase power expenses, i.e. recoverable in the PCA true-up computation. This amount has been included in the deferred expense account balance and is listed at line 58 on page 1 of Exhibit No. 3.

In Order No. 29085, the Commission authorized the Company to include $25,000 of intervener funding awarded in Case No. IPC-E-01-42. This amount has been included in the deferred expense account balance and is listed at line 58 on page 1 of Exhibit No. 3.

Q. Was there any class-specific intervener funding awarded during the PCA deferral period?

A. Yes. In Order No. 28992, the Commission authorized the Company to book $7,314.19 of intervener funding in the PCA for recovery from the Company's Schedule 24 customers. The $7,314.19 and related carrying charges have been isolated from the total deferred expense account balance and have been included as an adjustment to the Schedule 24 2003/2004 PCA rate. Please see page 2 of Exhibit No. 3 for the calculation of the $7,314.19 plus related carrying charges.

Q. Please describe the true-up charges related to the mobile home metering costs.

A. In Order No. 28753 the Commission approved the inclusion of mobile home metering costs in the Company's PCA for recovery. The total mobile home metering cost of $16,499 is shown at line No. 57 on page 1 of Exhibit No. 3.

Q. Please describe the benefits of the IdaCorp Energy contract that are reflected in the true-up.

A. In Order No. 28596, the Commission authorized the contract between the Company and IdaCorp Energy. As part of the contract, the Company agreed to flow-back a $2 million annual benefit to the Idaho jurisdiction as a credit to the PCA balance on a monthly basis. Line 59 on page 1 of Exhibit No. 3 reflects this amount as $166,667 monthly credits to the PCA true-up balance.

Q. Please describe the true-up charges and credits related to the Astaris/FMC contract settlement agreement?

A. In Order No. 29050, the Commission authorized the inclusion of the Idaho Power Company payments to Astaris/FMC in the traditional PCA true-up charges allocated to jurisdictions and shared by the Company. The amount of the monthly payments for the Astaris/FMC VLR component of the contract settlement is listed at line 18 on page 1 of Exhibit No. 3.

In Order No. 29050, as a result of the Astaris/FMC settlement agreement, the Commission authorized the Company to include a $1 million take-or-pay charge that was not to be jurisdictionally allocated or shared by the Company. This amount is shown as two $500,000 entries at line 56 on page 1 of Exhibit No. 3. The Commission also directed the Company to include $419,727 and $5,273 of non-traditional Idaho jurisdictional VLR credits in January 2003 and February 2003 respectively. These values are listed at line 55 on page 1 of Exhibit No. 3. Finally, in Order No. 29050, the Commission directed the Company to include a charge for uncollected Astaris/FMC April 1, 2003 through May 15, 2003 take-or-pay obligations in the amount of $275,663 in the 2002/2003 PCA true-up balance. This adjustment recognizes the difference between the Astaris/FMC take-or-pay obligation under the Commission's 2002 PCA order and the expiration of the Astaris/FMC contract under the settlement agreement before the end of the PCA rate recovery period May 15, 2003. Line 56 on page 1 of Exhibit No. 3 includes this value as an adder to the final true-up balance with no accumulation of carrying charges.

Q. What is the total PCA deferred expense including the non-traditional deferrals you have described?

A. Line 84 on page 1 of Exhibit No. 3 lists the total deferred expense account balance that is comprised of the non-traditional components discussed above and the traditional components, which include fuel, purchased power and surplus sales. The total of deferred expenses applicable to all customer classes at the end of March 2003 is $38,707,636.

Q. How is the deferred expense account balance of $38,707,636 reflected in the true-up portion of the PCA rate?

A. In accordance with Order No. 26455 from Case

No. IPC-E-96-5, the true-up component is calculated by dividing the deferred expense balance of $38,707,636 by the 1993 normalized Idaho jurisdictional firm sales of 10,802,636 MWh. The resulting PCA true-up component is 0.3583¢ per kWh.

Q. Why did you use 1993 Idaho jurisdictional firm sales instead of the 1999 or 2000 normalized sales value used in the last two PCA computations?

A. Standard PCA computations require the use of 1993 normalized Idaho jurisdictional firm sales. The Commission accepted the Company's voluntary proposal that 1999 and 2000 normalized sales values be used in the last two PCA filings as a temporary deviation from ordered methodology because of the magnitude of the true-up dollars. In 2001, the true-up was $161 million. In 2002, the true-up was $223 million.

Q. What was the effect of the Commission's acceptance of the Company proposal to deviate from standard PCA computations?

A. Using a larger sales denominator resulted in a smaller increase for customers with a consequential greater cost responsibility for the Company at the same time the Company was experiencing very high power supply costs.

Q. Did customers receive other benefits associated with a large deferral balance?

A. Yes. The Company has never calculated carrying charges on the deferred expense account balance during the PCA collection term. In effect, for each of the last two years the Company has provided a large interest-free loan/deferral to customers once the PCA rates became effective.

Q. Why do you propose returning to standard PCA computations?

A. I propose a return to standard PCA computations because this year the magnitude of the true-up balance is much less than in the previous two years and customers will experience rate reductions. In addition, the Company is not in a financial position to absorb a higher cost burden. In my opinion, it is appropriate to return to the 1993 Idaho jurisdictional sales volume in accordance with Order No. 26455, which specified the sales volume for use in the PCA true-up calculation. Not returning to the 1993 Idaho jurisdictional sales volume would create an undue financial hardship on the Company particularly during the extended drought.

Q. What is the PCA rate that will become effective May 16, 2003 as a result of: (1) the adjustment for the 2003/2004 projected power cost of serving firm loads and (2) the 2002/2003 true-up portion of the PCA?

A. The Company's PCA rate for May 16, 2003 through May 15, 2004 is 0.6043¢ per kWh. The rate is comprised of: (1) the 0.2460¢ per kWh adjustment for 2003/2004 projected power cost of serving firm loads, and (2) the 0.3583¢ per kWh for the 2002/2003 true-up portion of the PCA. The components used to calculate the 0.6043¢ per kWh are shown in the Company's proposed Schedule 55, which is Exhibit No. 4 ("Schedule 55, Proposed Power Cost Adjustment, Effective 5-16-03 through 5-15-04").

Q. Do any customer classes have adders to this year's PCA rate?

A. Yes. Three classes: (1) Schedule 24 (Irrigation) (2) Schedule 7 (Small Commercial), and 3) Schedule 19 (Large Industrial) have specific adders to the PCA rate as a result of the Commission postponing collection of a portion of last year's PCA.

Q. Does the termination of the Astaris/FMC Special Contract impact the specific class computations for the PCA component associated with rate postponements?

A. Yes. In order to maintain the relationship between PCA expenses and the level of loads served, it was necessary to redistribute the Astaris/FMC Special Contract energy sales across the customer classes, so that the total 1993 Idaho jurisdictional sales of 10,802,636 MWh would remain constant.

Q. How were the Astaris/FMC special contract sales redistributed to individual classes without changing the total 1993 normalized system sales for the Idaho jurisdiction?

A. This redistribution was accomplished by adding a percentage of the total Astaris/FMC 1993 normalized sales to each class. The class specific adders were determined by computing the ratio of class-specific changes in sales from 1993 to 2002 to the total change in sales from 1993 to 2002 and multiplying this ratio by the 1,051,200 MWh of Astaris/FMC special contract sales.

Q. Please detail the specific class adjustments that are required as a result of last year's postponements.

A. First, as a result of Order No. 29026, the Commission authorized a deferral, or postponement of recovery of a portion of the 2002/2003 PCA for Schedule 24 customers in the amount of $10,953,165. As of April 1, 2003, the balance of the Schedule 24 deferral with carrying charges was $11,610,346. As I mentioned previously, there was also a class-specific intervener funding charge including carrying charges, for Schedule 24 customers in the amount of $7,534. When the total $11,617,880 ($11,610,346 + $7,534) is divided by the Schedule 24 redistributed class sales (1,631,722 MWh) the PCA class-specific adder becomes 0.7120¢ per kWh. This class-specific adder and the PCA rate of 0.6043¢ per kWh are the two components that comprise the total Schedule 24 PCA rate of 1.3163¢ per kWh. The 1.3163¢ per kWh compares to last year's rate of 1.3415¢ per kWh.

Next, second class that will receive a class-specific adder is Schedule 7, Small General Service. As authorized by the Commission in Order No. 29026, a class-specific deferral of $577,033 was booked for later recovery similar to the Schedule 24 class PCA postponement discussed previously. The April 1, 2003 deferral balance with carrying charges was $611,655. When divided by the redistributed sales for the class (250,901 MWh) the adjustment for the Schedule 7 class is an additional 0.2438¢ per kWh to the 2003/2004 PCA rate of 0.6043¢ per kWh. This results in a total class-specific rate for Schedule 7, of 0.8481¢ per kWh, a 0.8760¢ per kWh decrease from last year's rate of 1.7241¢ per kWh.

Finally, the third class with a class-specific adder is Schedule 19, Industrial Customers. In Case No. IPC-E-02-02 and IPC-E-02-03, the Industrial Customers of Idaho Power, requested similar treatment as the deferrals for Schedule 24 and Schedule 7, with the argument the irrigation class should not be singled out for special treatment. As a result, in Order No. 29026, the Commission authorized the deferral or postponement of the recovery of $3,635,405. With the inclusion of carrying charges, the balance of the deferral, on April 1, 2003, was $3,798,998.

The total deferral divided by Schedule 19 redistributed sales of 1,744,618 results in a 0.2178¢ per kWh class-specific rate adder. The total rate for Schedule 19, 0.8221¢ per kWh, is the sum of the two rates, 0.6043¢ per kWh plus 0.2178¢ per kWh. The 0.8221¢ per kWh is a 0.9020¢ per kWh decrease from last year's PCA rate of 1.7241¢ per kWh.

Q. Have you computed additional carrying charges on the postponed amounts during the recovery period?

A. No. Although the postponed amounts are not typical PCA components, the Company is not requesting additional compensation for carrying charges during the period for recovery of the postponed amounts.

Q. What is the overall decrease in revenues as a result of the proposed PCA rates?

A. The revenue decrease as a result of implementing the proposed PCA rates is $113,972,587.

Q. In summary, what would you attribute the decrease in the PCA rate to this year?

A. The PCA decrease is the result of a much smaller true-up balance this year compared to last year. This year's stream flow forecast of 3.37 million acre feet is lower than last year's projected April through July Brownlee runoff of 3.63 million acre feet which in isolation would contribute to a modest upward pressure on the PCA rates. This increase is more than offset by the much smaller true-up amounts.

Q. Have you directed the preparation of the remaining Idaho jurisdictional tariffs as a result of implementing the PCA for the period May 16, 2003 through May 15, 2004?

A. Yes. Exhibit No. 5 ("Proposed Tariff Schedules and Tariffs with Legislative Format") includes the Company's proposed service schedules, which reflect the PCA that will take effect May 16, 2003. The rate changes are also noted in legislative format.

Q. Does this conclude your testimony?

A. Yes, it does.