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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR AN)	CASE NO. IPC-E -03- <u>08</u>
ACCOUNTING ORDER AUTHORIZING THE)	
INCLUSION OF POWER SUPPLY)	APPLICATION AND
EXPENSES ASSOCIATED WITH THE)	REQUEST FOR EXPEDITED
PURCHASE OF CAPACITY AND ENERGY)	CONSIDERATION
FROM PPL MONTANA LLC IN THE)	
POWER COST ADJUSTMENT.)	
_____)	

COMES NOW, IDAHO POWER COMPANY ("Idaho Power" or the "Company"), and pursuant to RP 52 hereby applies to the Idaho Public Utilities Commission ("Commission") for an order approving the Power Purchase Agreement between Idaho Power and PPL Montana, LLC and authorizing accounting treatment that allows Idaho Power to include the expenses associated with the purchase of capacity and energy from PPL Montana LLC in the Company's Power Cost Adjustment.

In addition, for the reasons stated herein, the Company requests that consideration of this Application be expedited by processing it under modified procedure

under RP 202. To facilitate expedited consideration, the direct testimony of Company witness Gregory W. Said is filed concurrently with this Application.

This Application is based on the following:

BACKGROUND

1. In June 2000, in accordance with long-standing Commission orders, Idaho Power filed with the Commission its 2000 Integrated Resource Plan ("2000 IRP"). The 2000 IRP was acknowledged by the Idaho Public Utilities Commission on December 18, 2000. The Company's acknowledged 2000 Integrated Resource Plan concluded that existing resources along with market purchases of 250 average megawatts of energy in July and August and 200 megawatts of energy in November and December were sufficient to meet expected load growth until the year 2004. Beginning in 2004, however, the 2000 IRP determined that additional firm resources would be required to serve expected loads.

2. The Company concluded that a resource equivalent to a 250-megawatt simple cycle combustion turbine was the optimal resource to satisfy the seasonal energy deficiencies and peak hour transmission constrained deficiencies identified in the 2000 IRP. The Company also stated that it would issue a Request for Proposal ("RFP") to determine whether another entity could provide a solution to future anticipated deficiencies at a cost to Idaho Power customers that would be less than the costs of constructing a simple cycle combustion turbine.

3. On August 4, 2000, Idaho Power issued its RFP and on January 23, 2001, the Company announced that Garnet Energy LLC ("Garnet") was the successful bidder.

4. While Garnet was selected by the Company as the successful bidder, the Garnet Purchase Power Agreement (“Garnet PPA”) was not approved by the IPUC because in July 2002, in light of the massive changes in the merchant power plant financing markets, Garnet notified Idaho Power that, without material changes to the Garnet PPA, it would not be possible to secure financing for the Garnet project.

5. On August 30, 2002, the Commission issued Order No. 29085 that directed Idaho Power to file a report with the Commission addressing whether or not the Garnet PPA could be made viable and, if not, the options that were available to the Company for satisfying future load requirements in the absence of the Garnet PPA.

6. On October 30, 2002, Idaho Power filed its “Report to IPUC on Replacing the Garnet Power Purchase Agreement,” commonly referred to as the “Garnet Report. The Garnet Report described the Company’s strategy to acquire resources to replace the power that would have been purchased via the Garnet PPA. Along with the Garnet Report filing, the Company asked that the Commission take administrative notice of the Garnet Report in making its ultimate determination as to whether or not to acknowledge the Company’s 2002 Integrated Resource Plan (“2002 IIRP”) as supplemented with the Garnet Report.

7. On February 11, 2003, the IPUC issued Order No. 29189 which acknowledged and accepted Idaho Power’s 2002 IRP filing as supplemented with the Garnet Report.

8. The Garnet Report considered several potential alternatives to replace the Garnet PPA. As described in the direct testimony of Company witness Gregory W. Said, which testimony has been concurrently filed with the Commission in

support of this Application, given the then-current forward prices and estimates of future market-clearing prices, the recommended replacement for the Garnet PPA was a combination of firm wholesale purchases and exchanges.

9. In conformance with this preferred strategy, Idaho Power has successfully negotiated a firm wholesale power agreement with PPL Montana, LLC to replace a portion of the Garnet PPA. A copy of the agreement with PPL Montana LLC (the "PPA") is included as Exhibit 1 to the direct testimony of Company witness Gregory W. Said, which testimony has been concurrently filed with the Commission in support of this Application.

ADVANTAGES OF THIS PPA

10. Contracting with PPL Montana, LLC is advantageous because existing constraints on the west side of Idaho Power's system make power purchases on the east side of Company's system preferable. In addition, PPL Montana, LLC owns, operates and maintains substantial generating resources as a result of its acquisition of most of the generating assets sold by the Montana Power Company when the State of Montana restructured its electric utility industry. Consequently, PPL Montana, LLC owns and operates eleven hydroelectric plants located in Montana with a generating capacity of 474 megawatts. PPL Montana, LLC also owns and operates coal-fired generating capacity located in the state of Montana in excess of 500 megawatts.

11. PPL Montana, LLC's ownership of generating plants on the east side of Idaho Power's system and the LLC's favorable credit rating make PPL Montana, LLC a good match for the type of power acquisition that the Company is seeking.

12. In addition and as described in the direct testimony of Company witness Gregory W. Said, the costs associated with this PPA are favorable when compared to alternative resource options. Moreover, the limited duration of the PPA dovetails well with the Company's ongoing efforts to develop DSM programs that target the Company's summer peak loads.

GENERAL DESCRIPTION OF THE PPL MONTANA LLC PPA

13. The PPA with PPL Montana LLC calls for firm power purchases for the heavy load hours during the months of June, July and August as identified in the Company's 2002 IRP. The term of the PPA is five (5) years.

14. With the exception of the month of August 2004 in which the quantity of energy to be purchased is 26 MW per hour, during each month of the PPA, Idaho Power will purchase 83 MW per hour from PPL Montana LLC at a price of \$44.50 per MWh. After deducting for losses, Idaho Power will actually receive approximately 80 MW per hour.

15. As consideration for PPL Montana, LLC's agreement to hold the price in the PPA firm to allow time for Commission review and approval, Idaho Power has paid PPL Montana LLC a deposit in the amount of \$250,000 that is refundable if this Application is approved by the IPUC no later than July 12, 2003. If the PPA does not receive Commission approval by that deadline, the Company will forfeit the deposit and either party to the PPA may terminate the agreement.

16. In addition to power costs under the PPA, Idaho Power will purchase firm monthly transmission service across NorthWestern Energy's transmission

system to Jefferson. At current rates under NorthWestern Energy's Open Access Transmission Tariff ("OATT"), the maximum charge for monthly firm transmission service is \$3.10 per kilowatt of reserved capacity per month.

SERVICE OF PLEADINGS

17. Service of pleadings, exhibits, orders and other documents relating to this proceeding should be served on the following:

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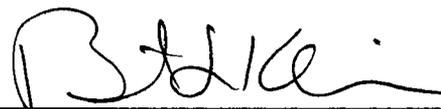
MODIFIED PROCEDURE

18. Because of the need for expedited consideration, the Company requests that this matter be processed under modified procedure.

REQUEST FOR ORDER

19. Idaho Power respectfully requests that the Commission issue its order (1) approving the PPA between Idaho Power and PPL Montana, LLC, and (2) approving Idaho Power's requested accounting treatment for inclusion of the power purchase expenses associated with the PPL Montana contract in the Power Cost Adjustment as set forth in Mr. Said's testimony in support of this Application.

DATED at Boise, Idaho, this 13th day of May 2003.



BARTON L. KLINE
Attorney for Idaho Power Company