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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE RATE BASING)
OF THE BENNETT MOUNTAIN POWER)
PLANT.)

CASE NO. IPC-E-03-12

APPLICATION

COMES NOW Idaho Power Company ("Idaho Power" or "Company"), and in accordance with Idaho Code § 61-526 and RP 112, hereby applies to the Idaho Public Utilities Commission ("Commission") for a Certificate of Public Convenience and Necessity for inclusion of the Bennett Mountain Power Plant ("Project") in Idaho Power's rate base. This Application is based on the following:

1. **Corporate Status.** Idaho Power is a corporation incorporated under the laws of the state of Idaho and is duly qualified to transact business in the states of Idaho, Oregon, Nevada, Montana and Wyoming. Idaho Power is engaged in the business of generating, purchasing, transmitting and distributing electrical energy and provides retail electric service in the state of Idaho. Idaho Power's principal office is

situated in Boise, Idaho and its address is 1221 West Idaho Street, Boise, Idaho 83702. Copies of Idaho Power's Articles of Incorporation and Certificates of Convenience and Necessity are on file with the Commission.

2. **Notices.** Idaho Power requests that copies of all notices, pleadings and orders in this proceeding be served on the following:

Barton L. Kline
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3. **Description of the Bennett Mountain Power Plant.** Idaho Power requests that it be issued a Certificate of Public Convenience and Necessity for the rate basing of the Bennett Mountain Power Plant. The Project will be constructed by Mountain View Power, Inc., a Boise-based generation project developer. Siemens-Westinghouse Power Corporation will provide all labor, materials and equipment and will engineer and construct the Project. Upon completion of construction and passage of all required performance tests, including guaranteed net capacity and guaranteed heat rate, title to the Project will be transferred to Idaho Power. The Project will consist of a Siemens-Westinghouse 501F simple-cycle natural gas-fired combustion turbine rated at 162 MW, together with typical balance of plant facilities and equipment. The Project is currently scheduled to be available to meet peak loads in the summer of 2005. The Project will be located on an almost ten (10) acre (9.88) site within the Mountain Home Industrial Park in Mountain Home, Idaho. The City has issued a Conditional Use Permit for a power plant for the site. The Industrial Park site may

accommodate an additional future generating unit and the Project can also be modified to operate as a combined cycle plant at some point in the future.

The Project will be connected to the Company's existing 230 kV transmission system that passes approximately four (4) miles north of the Project.

A natural gas fuel supply will be delivered from the Williams Northwest Pipeline that passes less than one (1) mile from the site.

Water for generation will be supplied by and purchased from the City of Mountain Home, Idaho. The City has constructed a network of wells, lines and storage facilities and has substantial water supply capacity and priority water rights.

The Project's waste water will be discharged to the City of Mountain Home's sewer system.

The Project will operate in compliance with all appropriate DEQ air and water quality standards.

Maps showing the location of the Project are included as Attachments 1 and 2.

4. Consistency With IRP. In its 2002 Integrated Resource Plan ("IRP"), Idaho Power indicated in its near-term action plan that it intended to initiate a request for proposals ("RFP") to acquire additional dispatchable energy and capacity to be available during the planning period beginning with the summer of 2005. The Project is the product of that RFP.

The 2002 IRP also noted that Idaho Power intended to pursue other strategies for satisfying its incremental resource needs during the planning period. As the Commission is aware, Idaho Power has recently entered into a contract with PPL

Montana, LLP to purchase 83 MW of firm energy during system peak months for a six-year period beginning June 2004. The 2002 IRP and the PPL Montana LLP contract are both on file with the Commission and Idaho Power requests that the Commission take official notice of these documents.

5. **Capital Cost Commitment Estimate.** Idaho Power has negotiated a contract with Mountain View Power containing a firm bid for the completed Project in the amount of \$44.6 million. Based on this contract, Idaho Power is able to make a reliable estimate of the total capital cost of the Project. This estimate, which Idaho Power has termed a "Commitment Estimate," is a good faith estimate of the Project's total capital cost based on the contract with Mountain View Power plus certain additional costs the Company knows it will incur but cannot quantify with precision at this time. These additional costs include (but are not limited to) sales taxes, AFUDC on progress payments made to Mountain View Power during construction, the cost of Idaho Power oversight of the Project and the cost of capitalized start-up fuel. The Commitment Estimate also covers contingencies such as change orders and other unforeseen events. Idaho Power's Commitment Estimate for the Project is \$54.0 million. The Commitment Estimate does not include the cost of constructing transmission facilities to interconnect the Project with the Company's transmission system. The studies needed to define those costs have not been completed. However, Idaho Power's Delivery Business Unit has provided a preliminary upper limit estimate of \$11.6 million to interconnect the Project to the existing 230 kV system.

Idaho Power will commit to procure and install the Project for the Commitment Estimate. The Commitment Estimate would also be subject to adjustment

to account for documented legally required equipment changes and material changes in assumed escalation rates. If the final capital cost of the Project exceeds the Commitment Estimate, Idaho Power will absorb the extra cost. The Company will include in its Idaho rate base only the amount actually incurred up to the Commitment Estimate.

If the Project is approved for rate base treatment, Idaho Power will provide the Commission with periodic percentage of completion and cost expenditure reports during the construction phase. The final report on the Project will compare the actual completed cost to the Commitment Estimate.

6. **Fuel Cost.** A major component of the operating costs of a combustion turbine generating plant is the cost of natural gas fuel. Idaho Power owns firm fuel transportation rights that can be utilized by the Project and anticipates that management of the fuel supply will be done either by Idaho Power personnel or by Idaho Power personnel in conjunction with a third party such as IGI. As a part of this Application, Idaho Power is requesting that the Commission's order issuing the Certificate allow Idaho Power to include the Project's cost of fuel, fuel storage and fuel transportation for recovery through the existing Power Cost Adjustment mechanism. Fuel expenses should be approved for PCA inclusion prior to full review of normal operational costs in a general revenue requirement case. First year fuel and O&M costs for the Project are currently estimated to be \$57.55 per MWh based on a 20% capacity factor and a gas price of \$4.52 per MMBtu.

7. **Modified Procedure.** In order to meet the construction completion deadlines in the Agreement, Mountain View Power, Inc. has indicated that it needs to

receive a notice to proceed on or before December 31, 2003. The Agreement provides that receipt of a Certificate of Public Convenience and Necessity from the Commission is a condition precedent to Idaho Power issuing the notice to proceed to Mountain View Power. Depending on when the Certificate is actually issued, it may be necessary for Mountain View Power to modify the construction schedule and potentially the pricing for the Project. For this reason, Idaho Power is requesting that this Application be processed expeditiously. In order to streamline the process and expedite the Commission's review of this Application, the direct testimony of Gregory W. Said in support of this Application is filed concurrently with the filing of this Application. In addition, Idaho Power has already assembled the documents it anticipates, based on prior RFP cases, that Staff and any intervenors will likely desire to examine as a part of their analysis of this Application. As a result, it will not be necessary for Staff to send a formal request for production prior to reviewing these documents. If additional questions arise and additional documentation is needed, the Company will work with the Staff and intervenors on an informal basis to expedite the review process.

Some of the documents provided for review contain information that the bidders deem to be trade secrets. To assure full bidder participation in future RFP's, the Company will request that Staff and any intervenors sign a standard confidentiality agreement prior to review of these documents. Hopefully, making these documents immediately available for review will expedite the processing of this Application.

Finally, Idaho Power requests that this Application be processed under RP 201, et. seq., allowing for consideration of issues to be processed under modified procedure, i.e., by written submissions rather than by evidentiary hearing.

WHEREFORE, Idaho Power respectfully requests that the Commission issue its order granting Idaho Power a Certificate of Public Convenience and Necessity for the Project and authorizing the rate-basing of the Project with an upper limit of \$54.0 million allowed for the Company's investment in the Project (excluding transmission). Idaho Power also requests that the Commission's order confirm that the fuel costs for the rate-based Project will be included for recovery in the Company's Power Cost Adjustment mechanism.

DATED at Boise, Idaho, this 26th day of September, 2003.

A handwritten signature in black ink, appearing to read 'B L Kline', written over a horizontal line.

BARTON L. KLINE
Attorney for Idaho Power Company

ATTACHMENT 1

**MAPS WERE INCLUDED IN THIS
FILING ARE IN THE FILE**

ATTACHMENT 2

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FILING ARE IN THE FILE**