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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  
REPLY COMMENTS OF  
IDAHO POWER COMPANY

Idaho Power Company ("Idaho Power" or "Company"), by and through its attorney of record, Barton L. Kline, hereby submits the following comments in response to the comments of the Commission Staff and the Advocates For the West filed on December 15, 2003.

**Advocates For the West**

Advocates For the West (Advocates) recommend that the Commission roll this case into the Company's current general rate case. There are two problems with this approach. First, as the Company stated in its application and in its testimony, the prices from both Siemens Westinghouse and Mountain View are only valid until December 31, 2003. As Staff noted in its comments, because of a current surplus of

turbine generators, Idaho Power was able to obtain an extremely favorable price on the Siemens Westinghouse turbine generator. Deferring a final decision on the certificate until June 1, 2004 is very likely to cause that favorable pricing to be lost. Second, the general rate case is already a very substantial proceeding. Adding another major issue to that case would be disastrous.

Advocates also argue that the RFP process Idaho Power followed was flawed because the Company should have requested bids from other types of resources, specifically wind power. In fact, the RFP was open to all generating technologies, including wind. Advocates express cautious optimism that the 2004 integrated resource planning process will address their concerns. In fact, all of the issues raised by Advocates in its comments, i.e., benefits of DSM and renewables, peak load management programs and gas price volatility, will be addressed in the 2004 IRP planning process. Idaho Power suggests that this is the proper forum for addressing these extremely complex, long-term resource planning issues.

### **Commission Staff Comments**

While the Commission Staff's comments recommend that the Commission grant a certificate to Idaho Power, there are several individual portions of the Staff's comments that require some additional clarification and comment.

Sales Tax: Staff's comments indicate that the Company's commitment estimate does not include an amount for sales tax and attributes that omission to the fact that the Siemens turbine generator will be purchased on the secondary market thereby avoiding sales tax. In fact, the turbine generator will be a new turbine generator manufactured by Siemens Westinghouse specifically for this project. As a result, Idaho

Power will pay sales tax on the turbine generator and the estimated amount of that sales tax is included in the Company's commitment estimate. Of course, the final amount of sales tax for the total project will not be known until the end of construction.

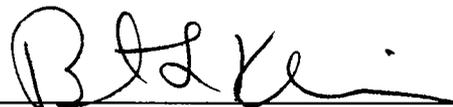
AFUDC: Idaho Power appreciates Staff's acknowledgment that recovery of AFUDC on amounts booked in conjunction with progress payments made to Mountain View is appropriate. However, the Company does not understand the rationale underlying the Staff's comments urging that the Commission limit AFUDC recovery to "the \$2,500,000 project price reduction" and making any additional amounts subject to a cost/benefit analysis. (Staff Comments, p. 25.) As explained to the Commission Staff, the initial bids by Mountain View included a single lump sum payment upon final acceptance. Subsequently it was determined that Siemens was unwilling to guarantee Mountain View's performance unless periodic progress payments were made. Without the Siemens guarantee, the Company could not consider Mountain View's otherwise very attractive proposal. Therefore, the single lump sum payment option was eliminated. Idaho Power understands that it is obligated to demonstrate that the AFUDC attributable to the amounts booked in conjunction with the progress payments is consistent with the Company's actual AFUDC cost. As a result, the Company is requesting that the Commission order allow the Company to include AFUDC attributable to progress payments based on the Company's actual cost of money at the time the amounts are booked.

Tax Increment Financing: The role of Mountain View's use of tax increment financing (TIF) in the Bennett Mountain Project has been the subject of some considerable confusion. Staff's comments express concern that Section 2.3.b(iii) may

be used to increase the cost of the Project. Section 2.3.b(iii) was included in the Project Agreement to address a very specific and highly unlikely occurrence. After reviewing Staff's comments, it is apparent that this section is causing more concern than it is worth. As a result, both Idaho Power and Mountain View hereby notify the Commission that they desire to delete subsection (iii) of Section 2.3.b of the Agreement to eliminate the confusion associated with that provision. Deletion of subsection (iii) will eliminate any risk that the base price of the Project could be increased as a result of TIF financing.

Liquidated Damages: On page 23, Staff's comments accurately describe the liquidated damages that will be assessed against Mountain View if Siemens Westinghouse has not delivered the turbine generator to the site by December 1, 2004. Staff's comments go on to state that Mountain View is *required* to have the Project approximately 95% complete by year-end 2004. In fact, Mountain View has provided a construction schedule that should result in the Project being approximately 95% complete by year-end 2004 and the above-referenced liquidated damages give them a strong economic incentive to be 95% complete. In fact, Mountain View is not contractually obligated to achieve that level of completion by year-end 2004.

DATED at Boise, Idaho, this 18th day of December, 2003.



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BARTON L. KLINE  
Attorney for Idaho Power Company

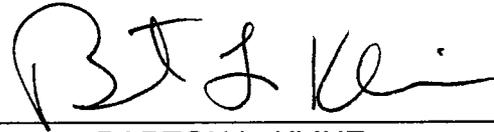
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 18th day of December, 2003, I served a true and correct copy of the within and foregoing REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

Donald L. Howell, II	<u>  x  </u>	Hand Delivered
Deputy Attorney General	<u>      </u>	U.S. Mail
Idaho Public Utilities Commission	<u>      </u>	Overnight Mail
P. O. Box 83720	<u>      </u>	FAX
Boise, Idaho 83720-0074		

Peter J. Richardson	<u>      </u>	Hand Delivered
Richardson & O'Leary	<u>  x  </u>	U.S. Mail
P.O. Box 1849	<u>      </u>	Overnight Mail
Eagle, Idaho 83616	<u>      </u>	FAX

Eric L. Olsen	<u>      </u>	Hand Delivered
Racine, Olson, Nye, Budge & Bailey	<u>  x  </u>	U.S. Mail
P.O. Box 1391	<u>      </u>	Overnight Mail
Pocatello, Idaho 83204-1391	<u>      </u>	FAX



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BARTON L. KLINE