

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. IPC-E-03-12
IDAHO POWER COMPANY FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	NOTICE OF APPLICATION
AND NECESSITY FOR THE RATEBASING OF)	
THE BENNETT MOUNTAIN POWER PLANT.)	NOTICE OF INTERVENTION
)	DEADLINE
)	
)	NOTICE OF PREHEARING
)	CONFERENCE
)	
)	ORDER NO. 29354

On September 26, 2003, Idaho Power Company filed an Application for a Certificate of Public Convenience and Necessity to construct a new generating plant in Mountain Home, Idaho. *Idaho Code* § 61-526 prohibits any electrical corporation from constructing a generating plant “without having first obtained from the commission a certificate that the present or future public convenience and necessity require or will require such construction.” The Company proposes that the Bennett Mountain Power Plant be constructed and brought “on-line” in time to meet peak loads in the summer of 2005. Consequently, Idaho Power requests that the Application be processed expeditiously via Modified Procedure. The Company requests that the Commission issue a certificate and authorize the Company to recover its capital costs no later than December 31, 2003.

NOTICE OF APPLICATION***A. The Proposed Plant***

YOU ARE HEREBY NOTIFIED that in February 2003, the Company issued a request for proposal (RFP) seeking bids to supply the Company with power in a range between 100 – 200 megawatts (MWs). In response to the RFP, the Company received 11 bids and eventually selected a bid from Mountain View Power, a Boise-based generation project developer. Mountain View proposed the construction of a 162-MW, simple-cycle natural gas-fired combustion turbine. The plant will be located on approximately 10 acres within the

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Mountain Home Industrial Park in Mountain Home. According to the Application, the City of Mountain Home has already issued a conditional use permit for construction of the power plant. The plant site is also large enough to accommodate an additional future generating unit. Mountain View has contracted with Siemens-Westinghouse Power Corporation to furnish all of the labor, equipment, and materials and to perform all the engineering and construction of the proposed project. Upon completion of construction and passage of the necessary performance tests, title to the project will transfer from Mountain View to Idaho Power.

YOU ARE FURTHER NOTIFIED that the natural gas necessary to fuel the plant will be supplied by Williams Northwest Pipeline. The pipeline currently passes less than one mile from the plant. The plant will be connected to Idaho Power's existing 230 kV transmission system that passes approximately four miles north of the plant site. Water service to the plant will be supplied by the City of Mountain Home. The Company notes that the City has substantial water supply capacity and priority water rights to serve the plant. The plant's wastewater will be discharged into the City's sewer system. The Bennett Mountain Plant will operate in compliance with all appropriate Department of Environmental Quality air and water quality standards.

B. Future Necessity

YOU ARE FURTHER NOTIFIED that the Company maintains its decision to construct the new generating plant is a result or outcome of its 2002 Integrated Resource Plan (IRP). The IRP process evaluates the Company's future loads and resources and evaluates various options for meeting projected loads. These options include: the purchase of power from the wholesale market; the acquisition of additional generating resources; the implementation of pricing options; and/or implementing demand-side management programs. Order No. 29189. In short, the IRP is a planning process on how the Company intends to meet its statutory obligations to serve its customers' loads.

YOU ARE FURTHER NOTIFIED that the Company asserts its 2002 IRP included an assumption that the Company would purchase up to 250 MWs of capacity from the proposed Garnet Plant which was to be constructed in Middleton. The Garnet capacity was to be acquired to meet the summer peaks beginning June 2005. In October 2002, the Company reported that the Garnet project was being discontinued because Garnet was unable to secure the necessary

financing for the project. The Bennett Mountain Plant partly replaces the loss of the Garnet capacity.¹

C. Estimated Capital Costs

YOU ARE FURTHER NOTIFIED that Idaho Power has contracted with Mountain View for construction of the plant in the amount of \$44.6 million. Based primarily upon this contract, Idaho Power has offered a "Commitment Estimate." The Commitment Estimate is based upon the cost of the Mountain View contract and includes "certain additional costs the Company knows it will incur but cannot quantify with precision at this time." Application at 4. These additional costs include (but are not limited to): sales taxes; progress payments made to Mountain View during construction (AFUDC); the cost for Idaho Power to monitor the construction project; the cost of capitalized start-up fuel; construction contingencies such as change orders; and other unforeseen events. Idaho Power's Commitment Estimate for the project is \$54.0 million. The Commitment Estimate would also be subject to other adjustments to account for "documented legally required equipment changes and material changes in assumed escalation rates." *Id.* at 5.

YOU ARE FURTHER NOTIFIED that Idaho Power has committed to acquire the Bennett Mountain Plant for the Commitment Estimate. The Company seeks initial approval to include the capital costs of the Bennett Mountain Plant in its Idaho rate base for only those costs actually incurred up to the Commitment Estimate of \$54.0 million. If the final capital costs of the Bennett Mountain Plant exceed the Commitment Estimate, Idaho Power will absorb the extra costs.

YOU ARE FURTHER NOTIFIED that the Commitment Estimate does not include the cost of constructing the necessary transmission facilities to interconnect the plant with the Company's nearby transmission system. Although actual studies for the transmission costs have not been completed, Idaho Power estimates that constructing the necessary transmission facilities will not exceed \$11.6 million. Natural gas fuel costs should be recovered in the annual power cost adjustment (PCA) mechanism.

¹ In Order No. 29286 issued July 8, 2003, the Commission also approved a Power Purchase Agreement (PPA) between Idaho Power and PPL Montana. The PPA will provide 83 MWs during heavy load hours, six days a week, 16 hours per day in the months of June, July and August beginning in June 2004.

In summary, Idaho Power requests that the Commission issue an Order granting a Certificate of Public Convenience and Necessity to construct the project and authorize the rate-basing of plant costs up to the Commitment Estimate of \$54.0 million (excluding transmission). Idaho Power also requests that the Order confirm that the fuel costs for the project will be included in the Company's annual PCA proceeding.

D. Expedited Procedure Request

YOU ARE FURTHER NOTIFIED that the Company is requesting that the Commission expedite its review of the Application. The Company maintains that its contract with Mountain View contains a "provisional acceptance date" of April 1, 2005. Company witness Greg Said states that Mountain View needs to receive a notice to proceed on or before December 31, 2003. Idaho Power does not intend to issue such a notice until it has obtained the requested certificate from the Commission. To meet this agreement condition, the Company asks that the Application be processed expeditiously using Modified Procedure. To expedite the process, the Company filed the direct testimony of Greg Said in support of the Application. In addition, Idaho Power has assembled supporting documents that it anticipates the Staff and any intervenors will wish to review. Rather than utilize a formal discovery process, the Company indicated its willingness to work on an informal basis to expedite the review process.

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that persons desiring to intervene in this matter for the purpose of obtaining party status must file a Petition to Intervene with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -073. Persons intending to participate at any prehearing conference or hearing must file a Petition to Intervene no later than the close of business on **October 20, 2003**. Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

NOTICE OF PREHEARING CONFERENCE

YOU ARE FURTHER NOTIFIED that the Commission shall convene a prehearing conference in this matter at **10:00 A.M. ON WEDNESDAY, OCTOBER 22, 2003, IN THE COMMISSION HEARING ROOM, 472 WEST WASHINGTON STREET, BOISE,**

IDAHO (208) 334-0300. The purpose of the prehearing conference is to discuss the processing of the Application and to determine the scope of the proceedings. Interested persons desiring to participate as parties should intervene as set out above.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.state.id.us

YOU ARE FURTHER NOTIFIED that based upon the results of agreements reached or issues presented at a prehearing conference, the Commission may issue a prehearing Order or Notice. The Order or Notice shall bind all persons who could have participated in the prehearing conference, but did not, and all those who later filed untimely Petitions to Intervene. IDAPA 31.01.01.214.

YOU ARE FURTHER NOTIFIED that the Application together with supporting testimony and exhibits, have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices or on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final order consistent with its authority under Title 61 and specifically *Idaho Code* §§ 61-526 and 61-528.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

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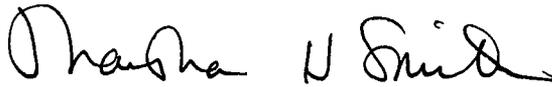
IT IS HEREBY ORDERED that persons desiring to intervene in this case shall do so no later than October 20, 2003.

IT IS FURTHER ORDERED that a prehearing conference be convened on October 22, 2003 at 10:00 A.M.

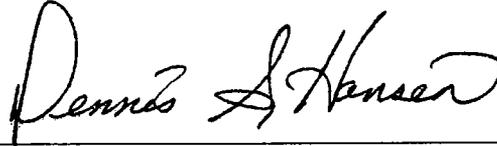
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8th day of October 2003.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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