

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

|  |   |                             |
|--|---|-----------------------------|
| <b>IN THE MATTER OF THE APPLICATION OF</b> | ) |                             |
| <b>IDAHO POWER COMPANY FOR A</b>           | ) | <b>CASE NO. IPC-E-03-12</b> |
| <b>CERTIFICATE OF PUBLIC CONVENIENCE</b>   | ) |                             |
| <b>AND NECESSITY FOR THE RATEBASING OF</b> | ) | <b>NOTICE OF MODIFIED</b>   |
| <b>THE BENNETT MOUNTAIN POWER PLANT.</b>   | ) | <b>PROCEDURE</b>            |
|  | ) |                             |
|  | ) | <b>ORDER NO. 29370</b>      |

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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 pursuant to *Idaho Code* §61-526. On October 8, 2003, the Commission issued Order No. 29354 which established a Notice of Intervention Deadline and scheduled a prehearing conference for October 22, 2003. In response to the Commission's Order, Petitions to Intervene were filed by the Industrial Customers of Idaho Power and by the Idaho Irrigation Pumpers Association, Inc.

At the prehearing conference on October 22, the Commission granted the two Petitions to Intervene without objection. The intervenors were not in attendance and no other person petitioned to intervene in this proceeding. At the conference Idaho Power and the Commission Staff recommended that this case be processed under Modified Procedure. The Commission agrees and issues this Notice of Modified Procedure.

**THE COMPANY'S APPLICATION**

***A. The Proposed Plant***

In February 2003, Idaho Power 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 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.

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***

Idaho Power 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.

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 peak loads of summer beginning in June 2005. In October 2002, the Company reported 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.<sup>1</sup>

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<sup>1</sup> 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.

### ***C. Estimated Capital Costs***

Idaho Power 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 the Commission 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.

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.

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.

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 ratebasing 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***

Idaho Power also requested 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 in his prefiled testimony 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. *Idaho Code* § 61-526. 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 MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201 through –204.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **no later than December 15, 2003**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this application shall be mailed to the Commission and the Applicant at the addresses reflected below:

COMMISSION SECRETARY  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST  
BOISE, ID 83702-5983

BARTON L KLINE, SENIOR ATTORNEY  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE, ID 83707-0070  
E-mail: [bkline@idahopower.com](mailto:bkline@idahopower.com)

JOHN P PRESCOTT  
VICE PRESIDENT – POWER SUPPLY  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE, ID 83707-0070  
E-mail: [jprescott@idahopower.com](mailto:jprescott@idahopower.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.state.id.us](http://www.puc.state.id.us). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

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](http://www.puc.state.id.us) under the "File Room" icon. The Application can also be reviewed at the principal Boise office of Idaho Power during regular business hours.

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.*

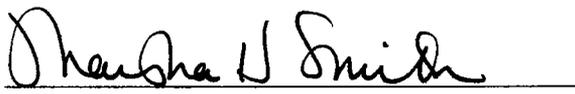
#### **ORDER**

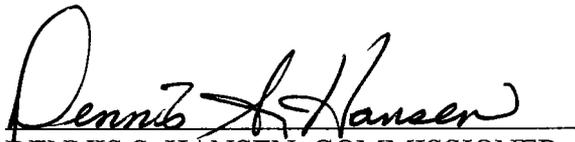
IT IS HEREBY ORDERED that the Petitions to Intervene submitted by the Industrial Customers of Idaho Power and the Idaho Irrigation Pumpers Association, Inc. are granted.

IT IS FURTHER ORDERED that this matter be processed via Modified Procedure. Persons and parties interested in submitting comments in support or opposition to the Application should do so no later than December 15, 2003.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30<sup>th</sup>  
day of October 2003.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
\_\_\_\_\_  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

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