

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: DONOVAN E. WALKER

DATE: MAY 2, 2006

**SUBJECT: IDAHO POWER'S APPLICATION FOR A CERTIFICATION OF PUBLIC
CONVENIENCE AND NECESSITY FOR THE EVANDER ANDREWS
POWER PLANT – CASE NO. IPC-E-06-9**

On April 14, 2006, Idaho Power Company filed an Application with the Commission seeking an Order granting the Company a Certificate of Public Convenience and Necessity for the construction of the Evander Andrews Power Plant. The Application also requests that the Order note that the Company can expect to rate base the prudent capital costs for the project and recover prudent fuel costs in the Company's Power Cost Adjustment (PCA) mechanism. The Company requests that its Application "be processed expeditiously" by Modified Procedure in order to purchase certain equipment at competitive prices.

THE APPLICATION

The Company requests that it be issued a Certificate of Public Convenience and Necessity for the construction of the Evander Andrews Power Plant. According to the Application the plant will be constructed by Siemens Power Generation, Inc., the same entity that provided labor, materials, equipment, engineered and constructed the Company's Bennett Mountain Power Plant. Application at 2. The plant would consist of a new Siemens-Westinghouse simple cycle, natural gas-fired combustion turbine rated at 170 MW, along with the typical plant facilities and equipment. *Id.* at 3. The Project would be located at the existing, 40 acre Evander Andrews Power Complex north of Mountain Home. *Id.* The Evander Andrews Power Complex is currently the home of two 45 MW gas-fired generators built by Idaho Power in 2001. *Id.* The plant is currently scheduled to be available to meet peak loads in the summer of 2008. *Id.*

According to the Application the Project would be interconnected with the Company's 230 kV transmission system which is located approximately seven miles from the Evander Andrews site. *Id.* The Company states that there is sufficient capacity in the existing 16-inch lateral gas line running from the Williams Northwest Pipeline to the site to meet the requirements of the existing and new facility. *Id.* The Application also states that substantial water supply capacity and priority water rights exist for both the existing and new facilities from a deep well on the Evander Andrews premises, and that the Project will comply with all appropriate air and water quality standards. *Id.*

The Application, and accompanying testimony of Gregory W. Said, states that construction of this plant is consistent with the Company's 2004 Integrated Resource Plan (IRP). Application at 3-4. According to the filed testimony, the Company initiated a Request for Proposals (RFP). Consistent with the recommendations of the 2004 IRP, the peaking resource RFP requested proposals for an 80 MW - 200 MW turnkey electric generation resource located within the Company's service territory that would meet anticipated peak energy demands. Said Direct at 10. The Company received 31 proposals from 9 companies that offered generation units ranging in size between 71 MW and 170 MW. *Id.* The RFP evaluation team selected Siemens as the preferred bidder based upon the predetermined price and non-price criteria developed for this RFP. *Id.* at 12.

The Application and testimony also note other strategies the Company has employed for satisfying the incremental resource needs identified in the 2004 IRP. Application at 4; Said Direct at 5-8. These efforts include: additional demand-side measures, an RFP for approximately 100 MW of wind-powered generation, and an RFP for 100 MW of geothermal energy. Application at 4.

The Company states that it has a "Commitment Estimate" of \$60 million for the Project. Application at 5. The Commitment Estimate is a good faith estimate of the Project's total capital cost based upon a negotiated Agreement for Engineering, Procurement and Construction with Siemens Power Generation, Inc., as well as certain additional costs the Company knows it will incur but cannot quantify with precision at this time, such as sales taxes, allowances for funds used during construction (AFUDC), cost of Idaho Power oversight of the Project, and the cost of capitalized start-up fuel. Application at 4-5. The Commitment Estimate does not include the approximately \$22.8 million estimated cost of constructing transmission and

substation facilities required to interconnect the Project with the Company's transmission system. Application at 5. The Company proposes to procure and install the Project for the Commitment Estimate, subject to adjustment, and to rate base only the amount actually incurred up to the Commitment Estimate. *Id.*

The Application states that the Company owns firm fuel transportation rights sufficient to supply the new plant, and that management of the fuel supply will be done by Idaho Power personnel possibly in conjunction with a third party such as IGI Resources, Inc. Application at 6. The Company request that the Commission allow it to include the cost of fuel, fuel storage, and fuel transportation for recovery through the existing PCA mechanism. *Id.*

Along with the Application, the Company filed the direct testimony of Gregory W. Said and a map showing the location of the Evander Andrews Power Complex.

STAFF RECOMMENDATION

Staff has read the Company's Application and recommends that the Commission issue a Notice of Application and set an Intervention Deadline of May 18, 2006, for interested parties to petition for intervention.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application for the Company's filing? Does the Commission wish to set an Intervention Deadline of May 18, 2006? Anything else?



DONOVAN E. WALKER