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IDAHO PUBLIC
UTILITIES COMMISSION

BARTON L. KLINE
Senior Attorney

June 16, 2008

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-08-13
*In the Matter of Idaho Power Company's Application for an Accounting Order
Authorizing the Inclusion of Power Supply Expenses Associated with the
Purchase of Capacity and Energy From PPL EnergyPlus, LLC, in the Power
Cost Adjustment*

Dear Ms. Jewell:

Enclosed please find for filing an original and seven (7) copies of Idaho Power's Application and Request for Expedited Consideration in the above matter.

In addition, enclosed are an original and eight (8) copies of the testimony and exhibits of Karl Bokenkamp that are being submitted in support of Idaho Power's enclosed filing. One copy of the testimony has been designated as the "Reporter's Copy." Also, a CD containing Mr. Bokenkamp's testimony in Word format has been labeled and enclosed for the reporter.

Finally, I would appreciate it if you would return a stamped copy of this letter for my file in the enclosed stamped, self-addressed envelope.

Very truly yours,

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

Barton L. Kline

BLK:csb
Enclosures

P.O. Box 70 (83707)
1221 W. Idaho St.
Boise, ID 83702

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UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR AN) CASE NO. IPC-E-08-13
ACCOUNTING ORDER AUTHORIZING)
THE INCLUSION OF POWER SUPPLY) APPLICATION AND REQUEST FOR
EXPENSES ASSOCIATED WITH THE) EXPEDITED CONSIDERATION
PURCHASE OF CAPACITY AND ENERGY)
FROM PPL ENERGYPLUS, LLC, IN THE)
POWER COST ADJUSTMENT.)

Idaho Power Company ("Idaho Power" or the "Company"), pursuant to RP 52, hereby applies to the Idaho Public Utilities Commission ("Commission") for an order (1) approving the Power Purchase Agreement ("PPA") between Idaho Power and PPL EnergyPlus, LLC ("PPL EnergyPlus") and (2) authorizing accounting treatment that allows Idaho Power to include the expenses associated with the PPA in the Company's Power Cost Adjustment.

The Company is also requesting that consideration of this Application be expedited by processing it under modified procedure under RP 202. To facilitate

expedited consideration, the direct testimony of Company witness Karl Bokenkamp is filed concurrently with this Application. This Application is based on the following.

BACKGROUND

1. In Order No. 29286 issued on July 8, 2003, Case No. IPC-E-03-08, the Commission approved a fixed-term power purchase contract between Idaho Power and PPL Montana, LLC ("PPL Montana Contract"). The PPL Montana Contract allows Idaho Power to purchase power during heavy load hours in the months of June through August of each year for five years, 2004 through 2009. The PPL Montana Contract provides Idaho Power with 83 megawatts per hour of firm capacity and energy during the Company's summer peak-load period.

2. Recognizing that the PPL Montana Contract will expire at the end of the summer of 2009, in the spring of 2008, the Company issued a Request for Proposals ("RFP") to consider offers for a contract to specifically replace the PPL Montana Contract. PPL EnergyPlus was the successful bidder in the RFP.

3. Idaho Power has successfully negotiated a firm wholesale power agreement with PPL EnergyPlus. A copy of the agreement with PPL EnergyPlus (the "PPA") is enclosed as Attachment No. 1 to this Application and is included as Exhibit No. 1 to the direct testimony of Company witness Karl Bokenkamp, which testimony has been concurrently filed with the Commission in support of this Application.

GENERAL DESCRIPTION OF THE PPL ENERGYPLUS PPA

4. The PPA provides firm power during the heavy load hours of the months of June, July, and August 2010 and 2011. These are the Company's critical peak hours as identified in the Company's 2006 IRP. The term of the PPA is two years.

5. Under the PPA, Idaho Power will purchase 83 megawatts ("MW") from PPL EnergyPlus at a price of \$92.25 per megawatthour ("MWh"). In addition to power costs under the PPA, Idaho Power will purchase firm monthly transmission service across Northwestern Energy's transmission system to the Jefferson point of delivery. At current rates under Northwestern Energy's Open Access Transmission Tariff, the maximum charge for monthly firm transmission service to Jefferson is \$3.42 per kilowatt of reserved capacity per month. Losses are charged at four percent. After consideration of losses and transmission costs, Idaho Power will incur a total cost of approximately \$101 per MWh under the PPA.

6. As consideration for PPL EnergyPlus' agreement to hold the price in the PPA firm during the time it takes for Commission review and approval, Idaho Power has paid PPL EnergyPlus a deposit in the amount of \$100,000 that is refundable if this Application is approved by the Commission no later than August 4, 2008. If the PPA does not receive Commission approval by that deadline, the Company will forfeit the deposit and either party to the PPA may terminate the agreement.

ADVANTAGES OF THE PPA

7. The PPA is advantageous because it provides many of the benefits previously associated with the PPL Montana Contract. PPL EnergyPlus, LLC, is the marketing arm of PPL Montana. As a result, it has access to the generating resources owned and operated by PPL Montana. PPL Montana acquired most of the generating assets sold by the Montana Power Company when the state of Montana restructured its electric utility industry several years ago. Consequently, PPL EnergyPlus has access to over 1200 MW of generation capacity located in Montana to supply the PPA.

8. PPL EnergyPlus' access to generation on the east side of Idaho Power's system and PPL EnergyPlus' investment grade credit rating make the PPA a good resource for the structured power acquisition that the Company needs.

9. In addition, and as described in the direct testimony of Company witness Karl Bokenkamp, the costs associated with this PPA are favorable when compared with alternative resource operations. Moreover, the limited duration of the PPA reduces risk by dovetailing with the Company's ongoing efforts to develop demand management programs that target the Company's summer peak loads and with the Company's planned acquisition of new base load resources in 2012 through its pending request for proposals.

SERVICE OF PLEADINGS

10. Service of Pleadings, exhibits, orders, and other documents relating to this proceeding should be served on the following:

Barton L. Kline
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bkline@idahopower.com
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John R. Gale
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MODIFIED PROCEDURE

11. Because of the need for expedited consideration, the Company requests this matter be processed under modified procedure.

REQUEST FOR ORDER

12. Idaho Power respectfully requests that the Commission issues its order (1) approving the PPA between Idaho Power and PPL EnergyPlus, LLC, and (2) approving

Idaho Power's requested accounting treatment for inclusion of the power purchase expenses associated with the PPA in the Power Cost Adjustment as set forth in Mr. Bokenkamp's testimony in support of this Application.

DATED at Boise, Idaho, this 16th day of June 2008.



BARTON L. KLINE
Attorney for Idaho Power Company

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-13

IDAHO POWER COMPANY

ATTACHMENT NO. 1

45 Basin Creek Road
Butte, MT 59701
(406) 533-0770
(406) 533-0208 - fax



CONFIRMATION

Date: June 2, 2008
Seller: PPL EnergyPlus, LLC
Purchaser: Idaho Power Company ✓
Agreement: WSPP Agreement and Service Schedule C ✓

This Confirmation is provided to confirm the oral agreement entered into between Purchaser and Seller on May 28, 2008; whereby Seller agreed to sell and deliver to Purchaser and Purchaser agreed to purchase and receive from Seller Firm Capacity/Energy Sale or Exchange Service, as described in WSPP Service Schedule C ("Firm Energy"), pursuant to the following terms and conditions:

Contract Term: From the earlier of (i) the date of IPUC approval of the final written Confirmation for this transaction (the "Confirmation") or (ii) the date of Purchaser's written notification to Seller of acceptance of the Confirmation, through August 31, 2011.

Delivery Term: June 1 through August 31 for years 2010 and 2011, Hour Ending (HE) 0700 through HE 2200, Pacific Prevailing Time (PPT), Monday through Saturday, excluding Sundays and NERC Holidays.

Price: \$92.25 per MWh ✓

Total Price: \$19,111,248 ✓

Quantity: 83 MWh per hour ✓

Total Quantity: 207,168 MWh ✓

Delivery Points: Seller's choice into NorthWestern Energy's transmission system (NWMT). ✓

Seller and Purchaser agreed to the above transaction pursuant to and in accordance with the terms and conditions of the WSPP Agreement and Service Schedule C, as amended and effective as of April 1, 2008 ("Agreement"), the WSPP Credit Support Annex dated March 25, 2003 and amended January 8, 2004, and those additional terms and conditions provided for in Special Provisions below.

Special Provisions:

1. Seller shall be responsible for contingency reserves that satisfy the requirements of the WECC applicable in the WECC-certified Balancing Authority not to exceed the sum of five percent of the Quantity provided from hydropower generation and seven percent of the Quantity provided from thermal generation (fifty percent of which shall be spinning) and of no different quality than currently required.
2. Purchaser shall acquire and pay for transmission service from the Delivery Points to Jefferson ("Transmission Service"). Such obligation includes paying for all losses in connection with such Transmission Service.

If Seller holds firm Transmission Service for any portion of the Quantity for the Delivery Term in any year during the Contract Term, the Parties agree that Seller shall reassign such firm Transmission Service to Purchaser and Purchaser shall accept such reassignment prior to the beginning of such Delivery Term. Purchaser will pay all costs and expenses at the actual tariff rate for such Transmission Service that applies during the Delivery Term. The transmission reassignment will be in a form mutually agreed to by the Parties and will be in accordance with all FERC requirements.

By October 1 of each year during the Contract Term, Purchaser will contact Seller to determine Seller's intention to rollover such Transmission Service. If Seller determines it will not rollover such Transmission Service, Seller will notify Purchaser thereof. Purchaser may elect, at any time within 10 Business Days after receipt of any such notice, to request that Seller rollover such Transmission Service



45 Basin Creek Road
Butte, MT 59701
(406) 533-0770
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and assign such Transmission Service to Purchaser for the entire term and entire quantity of the rollover.

- 3. Within three Business Days following execution of this Confirmation pursuant to the terms of the Agreement (the "Final Agreement Date"), Purchaser shall pay a deposit to Seller in the amount of \$100,000. Purchaser shall then have 60 days from the Final Agreement Date (the "Approval Period") to seek and obtain Idaho Public Utility Commission (the "IPUC") approval of the Confirmation. The Confirmation shall become effective on the earlier of 1) the date the IPUC issues a final order approving the Confirmation as submitted (or with mutually acceptable changes) within the Approval Period; or 2) any date during the Approval Period on which Purchaser notifies Seller in writing of Purchaser's election to confirm and accept the Confirmation. Seller shall, within three Business Days following receipt of a copy of such final order or Purchaser's acceptance of the Confirmation, refund the \$100,000 deposit to Purchaser.

If Purchaser has not accepted the Confirmation and if the IPUC has not issued a final order approving the Confirmation as submitted (or with mutually acceptable changes) within the Approval Period, then either Party may immediately terminate the Confirmation by providing written notice to the other Party within 5 Business Days after the end of the Approval Period. If the Confirmation is terminated by either Party during such time period, Purchaser will forfeit the \$100,000 deposit.

Notwithstanding any other provision of this Agreement, in no event shall any interruption or curtailment of transmission service resulting from or arising out of any action taken by or at the direction of any reliability coordinator under or pursuant to the WECC's Unscheduled Flow Mitigation Plan (or any replacement or successor plan) constitute an Uncontrollable Force for purposes of this Agreement, and in no event shall any Party be entitled to claim Uncontrollable Force to excuse any failure to make available capacity or deliver or receive energy as a result of any such interruption or curtailment of transmission service.

Upon receipt of this Confirmation, Purchaser shall notify Seller of its approval by executing and returning this Confirmation by fax to (406) 533-0208 within five (5) Business Days. This Confirmation shall be final and binding, whether or not signed or confirmed by Purchaser, unless Purchaser advises Seller in writing of any inaccuracy within five (5) Business Days following the receipt of this Confirmation.

Purchaser
Idaho Power Company

Seller
PPL EnergyPlus, LLC

Signed: James C Miller
Name: JAMES C MILLER
Title: SVP - POWER SUPPLY
Date: JUNE 4, 2008

Signed: Kim Tretheway
Name: Kimberly J. Tretheway
Title: Team Leader - Trading Controls
Date: 6-3-08
