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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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.	)	CASE NO. IPC-E-08-13

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

KARL BOKENKAMP

Q. Please state your name and business address.

A. My name is Karl Bokenkamp and my business address is 1221 West Idaho Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by Idaho Power Company as the General Manager of Power Supply Operations and Planning.

Q. Please describe your educational background.

A. I received a Bachelor of Science Degree in Mechanical Engineering from the University of Illinois at Urbana-Champaign in 1980. In 1995, I earned a Master of Engineering Degree in Mechanical Engineering from the University of Idaho. I am a registered Professional Engineer in the state of Arizona, and I have attended the Stone & Webster Utility Management Development Program and the University of Idaho's Utility Executive Course.

Q. Please describe your work experience with Idaho Power Company.

A. I became employed by Idaho Power in 1995 as the Director, and then Manager, of Thermal Production. In this position I was responsible for managing Idaho Power's Thermal Production Department. Primary responsibilities of the department included oversight and control of Idaho Power's ownership shares in its three jointly-owned coalfired generation resources, Bridger, Boardman, and Valmy, and their associated fuel supplies. In 2001, I accepted a new assignment as the Manager of Power Supply Planning and was later promoted to General Manager of Power Supply Planning. In this position, I was responsible for building and managing Power Supply's Planning Department. This department's responsibilities included operational planning, load forecasting, stream flow forecasting, integrated resource planning, cogeneration and small power producer contract management, water management/river operations, and gas and coal contract management.

In 2006, I was promoted to my current position of General Manager, Power Supply Operations and Planning. This position adds operational responsibilities, which include asset optimization, wholesale electricity, and natural gas transactions from real-time through multi-year deals as well as real-time operations and scheduling.

Q. Please describe the purpose of your testimony in this proceeding.

A. There are four major topics that comprise my testimony. First, I will briefly summarize the events that preceded the development of the Power Purchase Agreement dated June 2, 2008, between the Company and PPL EnergyPlus, LLC ("PPA" or "Confirmation Agreement"). Second, I will describe the principle provisions of the PPA. Third, I will explain why the PPA is advantageous to customers. Finally, I will discuss the treatment of PPA expenses within the Power Cost Adjustment.

Q. Will you please describe the events that led to the development of the PPA.

A. In July of 2003, in Order No. 29286, the Commission approved a fixed-term power purchase agreement between Idaho Power and PPL Montana, LLC ("PPL Montana Contract"). Since 2004, Idaho Power has been purchasing 83 megawatts of power under the PPL Montana Contract during the heavy load hours of the months of June, July, and August. The PPL Montana Contract expires at the end of August 2009. Recognizing that the PPL Montana Contract will expire at the end of the summer of 2009, in the spring of 2008, Idaho Power issued a Request for Proposals ("RFP") to consider offers for a new contract to replace the PPL Montana Contract. PPL EnergyPlus, LLC ("PPL EnergyPlus") was the successful bidder in the RFP.

Q. Has Idaho Power successfully negotiated a firm wholesale power purchase with PPL EnergyPlus?

A. Yes. A copy of the agreement with PPL EnergyPlus (the PPA) is attached as Exhibit 1 to my testimony.

Q. Would you briefly describe why the Company selected PPL EnergyPlus as the successful bidder?

A. PPL EnergyPlus is the marketing arm of PPL Montana. As a result, it is able to utilize the generating resources owned and operated by PPL Montana to provide the energy and capacity called for in the PPA. 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 1,200 megawatts of generation located in Montana to supply the PPA. PPL EnergyPlus offered the least-cost, lowest risk proposal.

Q. What about PPL EnergyPlus' credit rating?

A. PPL EnergyPlus does not maintain a separate credit rating. However, Idaho Power's transactions with PPL EnergyPlus are financially guaranteed by PPL Energy Supply LLC, which possess an investment grade credit rating. As noted in Exhibit 1, the parties have agreed to utilize the WSPP Credit Support Annex to provide credit support for the agreement. These credit provisions are consistent with electric utility standard procedures and conditions. I believe PPL EnergyPlus' access to resources and its good credit rating demonstrates that selection of PPL EnergyPlus as a contracting counterparty was prudent.

Q. In your prior answer you referred to the WSPP. In the first page of the PPA, the Confirmation Agreement, there is a reference to the WSPP Agreement and Service Schedule C and the WSPP Credit Annex dated March 1, 2003, and amended January 8, 2004. Please explain that reference.

A. WSPP stands for Western Systems Power Pool. Western Systems Power Pool is a an umbrella organization which includes dozens of energy industry participants (including Idaho Power and PPL EnergyPlus) who engage in wholesale power purchase and sale transactions in the western United States and Canada. To facilitate those transactions, the members of WSPP have negotiated and published a model power purchase and sale agreement which addresses the usual commercial terms and conditions that are required for these types of transactions. The WSPP agreement and the accompanying services schedules, including Service Schedule C, have been filed with the FERC and provide an umbrella agreement under which regulatory filings can be facilitated at the FERC. In the Confirmation Agreement, Idaho Power and PPL EnergyPlus, have agreed that the terms and conditions contained in the WSPP Agreement will be the general commercial terms and conditions that will govern the PPA. The transactionspecific arrangements are set out in the Confirmation Agreement

Q. Could you briefly summarize the principles provisions of the PPA?

A. The principle provisions of the PPA call for PPL EnergyPlus to deliver 83 megawatts of firm power during the heavy-load hours, six days a week (Monday through Saturday), sixteen hours a day (6 x 16) in the months of June, July, and August, except for NERC holidays. June, July, and August are identified in the Company's 2006 IRP as the months of Idaho Power's highest forecast peak-hour loads. The term of the PPA is June 1 through August 31 beginning in 2010 and ending in 2011. The price to be paid for this energy is $92.25 per megawatthour.

In addition to the cost of power in 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, set out in Northwestern Energy's OATT, the maximum charge for the monthly firm transmission service to Jefferson is $3.42 remove ul per kW of reserved capacity per month. Losses are charged a 4 percent.

Q. How do the energy costs of $92.25 per megawatthour in the PPA compare to other options the

Company might have?

A. The costs associated with this PPA are competitive and favorable when compared to alternative resource options. The current PPL Montana Contract ends in 2009 and the Idaho Power's next major resource is not scheduled to be on-line until early 2012. Since a major resource addition is planned for 2012, the most logical supply side alternative for meeting forecasted summertime loads between now and 2012 is with market purchases, delivered to Idaho Power's east-side. The reason for the specifying an east-side delivery is because, for planning purposes, Idaho Power's import capacity from the Pacific Northwest is assumed to be fully utilized.

Idaho Power and PPL EnergyPlus orally agreed to the price of $92.25 per megawatt hour on May 28, 2008. On that day, Idaho Power's heavy load forward price curve for Mid-Columbia (Mid-C) averaged $84.24 per megawatt hour, and Palo Verde (PV) averaged $100.42 per megawatt hour for June, July, and August of 2010 and 2011. These prices do not include costs for transmission service, or the losses incurred, to deliver the energy to Idaho Power's system. The forwards for Mid-C are slightly above the PPA contract price. However, as I noted earlier, Idaho Power's import capacity from the Pacific Northwest (Mid-C hub) is assumed to be fully utilized during summertime peak-load hours. Summertime heavy load purchases on Idaho Power's east-side will typically trade at a premium to Mid-C prices.

The total cost of the PPA, after adjusting for expected transmission costs and losses, results in a delivered cost of approximately $101 per megawatt hour. PPL EnergyPlus' proposal was selected through a competitive solicitation, and the estimated *delivered* price is nearly equal to Idaho Power's forward price curve for the PV market (which does *not* include the cost of transmission or losses to deliver the energy to Idaho power's east-side).

To give the Commission an idea of current market prices, in accordance with the Company's risk management policy Idaho Power has already purchased heavy load energy for August of 2008 at prices between $110 and $120 per megawatt hour.

Q. Are there other resources, such as the Company's gas-fired combustion turbines that provide a reasonable comparison to the purchase prices under the PPA?

A. Not really. For planning purposes, Idaho Power's peaking resources are expected to be operating during the peak-load hours of June, July, and August. Additionally, Idaho Power's 2006 Integrated Resource Plan assumed that the PPL Montana Contract, or a similarly structured replacement delivered to Idaho Power's east side, would be in place throughout the planning period. In effect, Idaho Power has planned to have its existing peaking resources on-line and an east-side purchase of 83 megawatts in place to meet planned peak hour loads during the summer of 2010 and 2011.

However, for reference, the estimated July 2010 operating costs of Idaho Power's gas-fired combustion turbines used in preparation of the May 29, 2008, Operating Plan were approximately $119 per megawatt hour for Danskin units 2 and 3, $107 per megawatt hour for Bennett Mountain, and $100 per megawatt hour for Danskin unit 1.

Q. Are there additional conditions of the PPA?

A. Yes. Usually power sellers are reluctant to hold their prices firm for an extended period of time. To accommodate Idaho Power's need for time to pursue the Commission approval process, Idaho Power has paid a deposit to PPL EnergyPlus in the amount of $100,000. Idaho Power has sixty days from June 4, 2008, to obtain Commission approval of the PPA. If the PPA is approved by the Commission on or before August 4, 2008, PPL EnergyPlus will refund the $100,000 deposit and the PPA shall remain in effect. If the Commission does not approve the PPA within the sixty-day period, then either party may terminate the

PPA and Idaho Power will forfeit the $100,000.

Q. In its final order acknowledging and accepting the Company's 2002 IRP, the Commission directed Idaho Power to consider the potential of cost effective DSM as an alternative to supply-side resources. Is the PPA compatible with available DSM options?

A. In my opinion, the PPA dovetails very well with the Company's ongoing efforts to develop energy efficiency programs targeting system peak loads. As noted in the Company's 2006 IRP, the Company's peak load requirements occur during summer months. The PPA is specifically targeted at the heavy load hours during the peak summer months. The PPL Montana Contract expires at the end of the summer of 2009. The PPA commences at the beginning of the summer of 2010 and runs through the summer of 2011. The Company currently has an RFP in process for a new base load resource to be online to meet the summer peak load requirements in 2012.

As the Company has reported to the Commission in its annual DSM reports, the Company has implemented a number of peak-period demand reduction programs, including the Cool Credit program, which cycles air-conditioning off during heavy load hours in the June, July and August months. The A/C Cool Credit had 13,692 participants at the end of 2007.

The 2008 A/C Cool Credit target is 16,000 new participants, a significant increase in participation.

The Company has also changed the incentive structure of the Irrigation Peak Rewards program. The program's maximum summer peak reduction during 2007 was approximately 18 percent higher than it was during 2006, this increase in peak-hour reduction was due primarily to the change in program incentive structure. Irrigation and air-conditioning loads represent a significant part of the Company's peak summer load, and the Company continues to incorporate forecasted peak-hour reductions from its energy efficiency and demand response programs into its integrated resource plan. In fact, if the load reductions anticipated as a result of the Company's energy efficiency and demand response programs are not achieved, Idaho Power's forecast peak-hour deficits will increase. For all these reasons, I believe the PPA is consistent with the Commissions' expectations regarding consideration of DSM in conjunction with the addition of new supply-side resources.

Q. How does the Company propose that the costs associated with this PPA be treated in the Company's Power Cost Adjustment ("PCA")?

A. I am advised by the Company's accounting department that the cost associated with acquiring firm monthly transmission service from Northwestern Energy's transmission will be booked in FERC Account 565, Transmission of Electricity by Others. These monthly transmission costs are not currently included in the Company's Power Cost Adjustment.

Idaho Power's cost for power acquired through this PPA will be booked in FERC Account 555, Purchase Power, and will appropriately flow through the Company's PCA upon contract approval by the Commission.

Q. Based on your testimony in this proceeding, what is the Company's recommendation with regard to the PPL EnergyPlus Power Purchase Agreement?

A. The Company recommends that the Commission approve the PPL EnergyPlus Power Purchase Agreement for rate making purposes and that the Commission authorize Idaho Power to include the expenses associated with Power Purchases under the PPA in the Company's PCA.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-08-13

IDAHO POWER COMPANY

KARL BOKENKAMP TESTIMONY

EXHIBIT NO. 1

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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

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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	Signed: Kim Tretheway
Name: JAMES C MILLER	Name: Kimberly J. Tretheway
Title: SVP - POWER SUPPLY	Title: Team Leader – Trading Controls
Date: JUNE 4, 2008	Date: 6-3-08