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IDAHO PUBLIC UTILITIES COMMISSION

BARTON L. KLINE
Lead Counsel

April 28, 2009

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-09-03
LANGLEY GULCH POWER PLANT

Dear Ms. Jewell:

Enclosed for filing in the above matter are nine (9) copies each of the testimonies of John R. Gale (supplemental direct) and Steve Stein (direct). One copy of each of the testimonies has been designated as the "Reporter's Copy." In addition, a disk containing Word versions of each of the above testimonies is enclosed for the Reporter and has been marked accordingly.

Also enclosed for filing are nine (9) copies of Idaho Power's Certificate of Service indicating who received copies of the above testimonies.

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

Very truly yours,

Barton L. Kline

BLK:csb
Enclosures

CERTIFICATE OF SERVICE

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I HEREBY CERTIFY that on this 28th day of April 2009 I served a true and correct copies of the SUPPLMENTAL DIRECT TESTIMONY OF JOHN R. GALE AND DIRECT TESTIMONY OF STEVEN STEIN upon the following named parties by the method indicated below, and addressed to the following:

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IDAHO PUBLIC UTILITIES COMMISSION

Commission Staff

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
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Idaho Conservation League

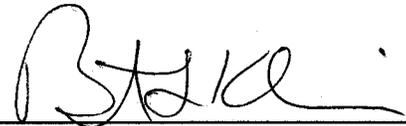
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Barton L. Kline

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2009 APR 28 PM 4:57

IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR A) CASE NO. IPC-E-09-03
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE LANGLEY)
GULCH POWER PLANT.)
_____)

IDAHO POWER COMPANY

SUPPLEMENTAL DIRECT TESTIMONY

OF

JOHN R. GALE

1 Q. Please state your name and business address.

2 A. My name is John R. Gale and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

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

6 A. I am employed by Idaho Power Company ("the
7 Company") as the Vice President of Regulatory Affairs.

8 Q. Have you previously submitted direct
9 testimony in this docket?

10 A. Yes, I submitted direct testimony addressing
11 the ratemaking and regulatory matters associated with Idaho
12 Power's March 6, 2009, filing for a Certificate of Public
13 Convenience and Necessity ("CPCN") for the Langley Gulch
14 Power Plant ("Langley Gulch" or "the Project").

15 Q. What is the purpose of your supplemental
16 testimony in this matter?

17 A. I will provide an update to the status of
18 Idaho legislation previously discussed in my direct
19 testimony and describe the relationship of that legislation
20 to the Company's ratemaking request. I will also specify
21 Idaho Power's preference between the two ratemaking
22 alternatives.

1 Q. What is the status of the legislation
2 designated as Senate Bill 1123?

3 A. Senate Bill 1123 was signed into law on
4 April 9, 2009, and will become effective on July 1, 2009,
5 as Idaho Code § 61-541. For the convenience of the
6 Commission's review, I have included a copy of the enacted
7 legislation as Exhibit No. 8 to my testimony. This law
8 provides a public utility with the ability to file an
9 application with the Commission for an order specifying in
10 advance the ratemaking treatments that shall apply when the
11 costs of the proposed facility are included in the
12 utility's revenue requirement for ratemaking purposes.

13 Q. To obtain the benefits of Senate Bill 1123,
14 what does a utility need to include in its Application to
15 the Commission?

16 A. The utility requesting advanced ratemaking
17 determinations must provide a description of the proposed
18 project; how the utility plans to address the risks
19 associated with the project; the proposed date of lease,
20 purchase, or commencement of construction; the proposed
21 cost recovery; and any proposed ratemaking treatments.

22 Q. Has Idaho Power addressed these requirements
23 in its Application and supporting testimony?

24 A. Yes.

1 Q. Does Senate Bill 1123 require the Commission
2 to make certain determinations regarding Idaho Power's
3 activities as a regulated utility?

4 A. The law provides that the Commission will
5 determine whether: (1) the utility has a Commission-
6 accepted integrated resource plan in effect, (2) the
7 project is in the public interest, (3) the utility has
8 considered other resources, (4) the project is reasonable
9 compared to other resource options such as energy
10 efficiency, demand-side management, and other alternative
11 sources of supply or transmission, and (5) the utility
12 participates in regional transmission planning.

13 Q. Based upon the information the Company has
14 presented in this case, will the Commission be able to make
15 these determinations with regard to Idaho Power?

16 A. Yes.

17 Q. With the enactment of Senate Bill 1123, does
18 Idaho Power wish to supplement and clarify its requested
19 ratemaking treatment of Langley Gulch?

20 A. Yes. Although my initially filed direct
21 testimony addresses most of these items specifically, the
22 Company requests that the Commission issue its order
23 finding:

1 1. The return on equity ("ROE") authorized
2 for Langley Gulch will be the same as the ROE authorized
3 for the rest of the Company's rate base when Langley Gulch
4 achieves commercial operation and that the ROE for Langley
5 Gulch will change with Commission-authorized changes to the
6 Company's ROE over the life of the Project.

7 2. The depreciation life for the Project
8 is 35 years asset deprecation for the production plant and
9 45 years asset depreciation for the transmission plant.

10 3. The construction of the Langley Gulch
11 Power Plant is consistent with Idaho Power's resource plans
12 and is an appropriate resource to supplement the Idaho
13 Power system.

14 4. The December 2012 on-line date is
15 consistent with Idaho Power's resource plans and the
16 anticipated load requirements of Idaho Power's retail
17 customers.

18 5. The approved total Commitment Estimate
19 is \$427,366,729, which includes the power plant and the two
20 transmission interconnection projects described previously
21 in my testimony related to the Ontario-Caldwell connection
22 and the Caldwell-Willis connection.

23 6. The Commitment Estimate is subject to a
24 soft cap that provides retail customers with the full

1 benefit of the Project being completed under the Commitment
2 Estimate, while providing the Company with an opportunity
3 to justify any costs above the Commitment Estimate as
4 prudent should that be the case.

5 7. The Company can expect to include in
6 its rates, at the time of commercial operation, the
7 specific ratemaking determinations I described previously
8 in my testimony.

9 Q. With the enactment of Senate Bill 1123, both
10 ratemaking alternatives put forth by Idaho Power in its
11 initial direct testimony are legally available to the
12 Commission to incorporate into the final CPCN order. Does
13 Idaho Power have a stated preference between the
14 alternatives?

15 A. Before indicating a preference, there are
16 two points to call to the Commission's attention. First,
17 the two alternatives can work together, if the Commission
18 desires, and, second, a stated Company preference will
19 likely change with the circumstances present for both Idaho
20 Power and its customers.

21 Q. How would the two alternatives work
22 together?

23 A. The Commission could order the ratemaking
24 treatment provided under the Senate Bill 1123 and either

1 prospectively (as part of this proceeding) or subsequently
2 (in future proceedings) authorize inclusion of Construction
3 Work in Progress ("CWIP") associated with the Project
4 investment into rates. The Commission could also apply
5 CWIP to all or a portion of the Langley Gulch investment.

6 Q. What circumstances might influence a
7 decision regarding the preferred ratemaking alternative.

8 A. The Company's cash flow requirements need to
9 be balanced against the state of the southern Idaho economy
10 and rate pressure on customers to recover other Company
11 costs. CWIP provides increased cash flow to fund
12 operations and new construction, while smoothing rate
13 changes. However, CWIP also increases rate pressure in the
14 short term.

15 Q. What is the preferred alternative under
16 current circumstances?

17 A. Given the current economic situation in the
18 service territory and rate demands created by costs other
19 than the Langley Gulch project, including a significant
20 Power Cost Adjustment presently before the Commission, the
21 Company prefers that the Commission issues an Order under
22 the provisions of Senate Bill 1123. However, it is
23 important to recognize that these are very unsettled times
24 in the economy and the capital markets and raising capital

1 in this scale is currently very problematic. There is no
2 guaranty the Company will be able to attract this amount of
3 capital under reasonable terms in the current environment
4 using any one methodology. Therefore, including CWIP in
5 rate base must remain an option for the future.

6 Q. Does this conclude your testimony?

7 A. Yes, it does.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-09-03

IDAHO POWER COMPANY

GALE, SUPP DI
TESTIMONY

EXHIBIT NO. 8

IN THE SENATE

SENATE BILL NO. 1123

BY STATE AFFAIRS COMMITTEE

AN ACT

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RELATING TO PUBLIC UTILITY RATES; AMENDING CHAPTER 5, TITLE 61, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 61-541, IDAHO CODE, TO DEFINE A TERM, TO PROVIDE THAT PUBLIC UTILITY COMMISSION BINDING RATEMAKING TREATMENTS ARE APPLICABLE WHEN COSTS OF A NEW ELECTRIC GENERATION FACILITY ARE INCLUDED IN RATES, TO PROVIDE PROCEDURES AND TO PROVIDE FOR RULES.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Chapter 5, Title 61, Idaho Code, be, and the same is hereby amended by the addition thereto of a NEW SECTION, to be known and designated as Section 61-541, Idaho Code, and to read as follows:

61-541. BINDING RATEMAKING TREATMENTS APPLICABLE WHEN COSTS OF A NEW ELECTRIC GENERATION FACILITY ARE INCLUDED IN RATES. (1) As used in this section, "certificate" means a certificate of convenience and necessity issued under section 61-526, Idaho Code.

(2) A public utility that proposes to construct, lease or purchase an electric generation facility or transmission facility, or make major additions to an electric generation or transmission facility, may file an application with the commission for an order specifying in advance the ratemaking treatments that shall apply when the costs of the proposed facility are included in the public utility's revenue requirements for ratemaking purposes. For purposes of this section, the requested ratemaking treatments may include nontraditional ratemaking treatments or nontraditional cost recovery mechanisms.

(a) In its application for an order under this section, a public utility shall describe the need for the proposed facility, how the public utility addresses the risks associated with the proposed facility, the proposed date of the lease or purchase or commencement of construction, the public utility's proposal for cost recovery, and any proposed ratemaking treatments to be applied to the proposed facility.

(b) For purposes of this section, ratemaking treatments for a proposed facility include but are not limited to:

- (i) The return on common equity investment or method of determining the return on common equity investment;
- (ii) The depreciation life or schedule;
- (iii) The maximum amount of costs that the commission will include in rates at the time determined by the commission without the public utility having the burden of moving forward with additional evidence of the prudence and reasonableness of such costs;
- (iv) The method of handling any variances between cost estimates and actual costs; and

- 1 (v) The treatment of revenues received from wholesale purchasers of service
2 from the proposed facility.
- 3 (3) The commission shall hold a public hearing on the application submitted by the
4 public utility under this section. The commission may hold its hearing in conjunction with an
5 application for a certificate.
- 6 (4) Based upon the hearing record, the commission shall issue an order that addresses
7 the proposed ratemaking treatments. The commission may accept, deny or modify a proposed
8 ratemaking treatment requested by the utility. In determining the proposed ratemaking
9 treatments, the commission shall maintain a fair, just and reasonable balance of interests
10 between the requesting utility and the utility's ratepayers.
- 11 (a) In reviewing the application, the commission shall also determine whether:
- 12 (i) The public utility has in effect a commission-accepted integrated resource plan;
13 (ii) The services and operations resulting from the facility are in the public
14 interest and will not be detrimental to the provision of adequate and reliable
15 electric service;
16 (iii) The public utility has demonstrated that it has considered other sources for
17 long-term electric supply or transmission;
18 (iv) The addition of the facility is reasonable when compared to energy efficiency,
19 demand-side management and other feasible alternative sources of supply or
20 transmission; and
- 21 (v) The public utility participates in a regional transmission planning process.
- 22 (b) The commission shall use its best efforts to issue the order setting forth the
23 applicable ratemaking treatments prior to the date of the proposed lease, acquisition or
24 commencement of construction of the facility.
- 25 (c) The ratemaking treatments specified in the order issued under this section shall be
26 binding in any subsequent commission proceedings regarding the proposed facility that is
27 the subject of the order, except as may otherwise be established by law.
- 28 (5) The commission may not require a public utility to apply for an order under this
29 section.
- 30 (6) The commission may promulgate rules or issue procedural orders for the purpose of
31 administering this section.