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IDAHO PUBLIC  
UTILITIES COMMISSION

BARTON L. KLINE  
Lead Counsel

July 2, 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 rebuttal testimonies of John R. Gale, Karl Bokenkamp, Vernon Porter, Lori Smith, Peter Pengilly, and Michael Mace. One copy of each of the testimonies has been designated as the "Reporter's Copy." In addition, a redacted version of both Mr. Bokenkamp's and Mr. Porter's testimonies have been provided for posting on the Commission's website. Finally, 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 service of the testimonies on the Intervenors.

Very truly yours,

Barton L. Kline

BLK:csb  
Enclosures

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 2<sup>nd</sup> day of July 2009 I served a true and correct copy of **IDAHO POWER COMPANY'S REBUTTAL TESTIMONY OF JOHN R. GALE, KARL BOKENKAMP, VERNON PORTER, LORI SMITH, PETER PENGILLY, AND MICHAEL MACE** upon the following named parties by the method indicated below, and addressed to the following:

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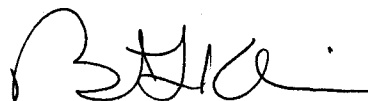
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IDAHO PUBLIC  
UTILITIES COMMISSION

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. )  

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IDAHO POWER COMPANY

DIRECT REBUTTAL 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 ("Idaho  
7 Power" or "the Company") as the Vice President of  
8 Regulatory Affairs.

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

11 A. Yes. I submitted direct testimony  
12 addressing the ratemaking and regulatory matters associated  
13 with Idaho Power's March 6, 2009, filing for a Certificate  
14 of Public Convenience and Necessity for the Langley Gulch  
15 power plant ("Langley Gulch" or "the Project"). I also  
16 submitted supplemental direct testimony in this same docket  
17 on April 28, 2009.

18 Q. What is the scope of your rebuttal  
19 testimony?

20 A. My testimony rebuts statements made and/or  
21 positions taken by Community Action Partnership Association  
22 of Idaho ("CAPAI") witness Terri Ottens, Industrial  
23 Customers of Idaho Power ("ICIP") witness Cynthia Mitchell,  
24 Northwest & Independent Power Producers Coalition ("NIPPC")

1 witness Don Reading, and Idaho Public Utilities Commission  
2 ("the Commission") Staff witness Rick Sterling.

3 CAPAI

4 Q. On page 4 of her testimony, Ms. Ottens  
5 states that "a regulatory public utility should, among  
6 other things, make every attempt to pursue least cost  
7 alternatives, best suited to meet the needs in question,  
8 when it does acquire new resources, thereby minimizing  
9 increases to rates." From the Company's perspective, what  
10 are the "other things"?

11 A. The Company's stated goals in resource  
12 planning are (1) to identify sufficient resources to  
13 reliably serve the growing demand for energy within the  
14 Company's service area and (2) to balance costs, risks, and  
15 environmental concerns. Selected resources need to provide  
16 economic solutions reliably and in an environmentally  
17 responsible way.

18 Q. On page 6 of her testimony, Ms. Ottens  
19 states, "With an estimated cost of \$247 million, Langley  
20 Gulch will constitute approximately one-fourth of Idaho  
21 Power's entire rate base." Is this an accurate statement?

22 A. No, it contains two factual errors. First,  
23 the cost, in terms of the Commitment Estimate proposed by  
24 the Company, is \$427 million, including the transmission

1 portion. Second, even at this higher amount, the Project  
2 will represent less than 20 percent of Company rate base as  
3 determined in our last general rate case order. More  
4 importantly, I think Ms. Ottens is saying that Langley  
5 Gulch is a big investment that will have a significant rate  
6 impact. I agree. However, the larger issue is that  
7 whatever Idaho Power does to serve load in the next five  
8 years is going to have a significant rate impact. Simply  
9 doing nothing will not avoid additional costs and may very  
10 well impact reliability and quality of service.

11 **ICIP**

12 Q. Ms. Mitchell states on page three of her  
13 testimony that the Langley Gulch in-service date has  
14 slipped to December 2013 and accordingly the Company has  
15 given the Commission an additional six months to review its  
16 Application. Is December 2013 the in-service date?

17 A. No. The in-service date for Langley Gulch  
18 is December 2012. As described in Mr. Vern Porter's  
19 rebuttal testimony, the Company believes it is in its  
20 customers' best interest to have Langley Gulch available in  
21 the summer of 2012 and is actually pursuing a strategy to  
22 make that happen. The strategy will include an incentive  
23 payment, which I would urge the Commission to include in

1 its final determination of the Company's Commitment  
2 Estimate.

3 Q. On pages 5 and 6 of her testimony, Ms.  
4 Mitchell lists a number of items that suggest that the  
5 Project might be delayed without a reliability consequence,  
6 such as the contract load at Hoku not materializing and  
7 additional demand-side resources appearing. Are there  
8 other dynamics that counter these speculative assertions?

9 A. Yes. One important development not  
10 mentioned is the delay from 2012 to 2015 in the anticipated  
11 completion of the 500 kilovolt Boardman to Hemmingway  
12 transmission project, which would open up access to  
13 resources from the west. With this transmission option  
14 unavailable in 2012, it is even more important to have  
15 additional generation in place by then. The other wild  
16 card in planning for the future is the emergence of new  
17 large loads in our service area. These potential new loads  
18 are being attracted by the lowest industrial rates offered  
19 by investor-owned utilities in the nation and are being  
20 actively recruited by Idaho cities, economic developers,  
21 and other local agencies eager to get the Idaho economy  
22 revived.



1           Q.       Ms. Mitchell describes an emerging winter  
2 peak for Idaho Power on page 6 of her testimony. Please  
3 comment on her discovery.

4           A.       Actually, Idaho Power has a history of being  
5 dual peaking, which was more pronounced in the past than it  
6 is today. However, continued irrigation operations,  
7 increased air conditioning load, and a high natural gas  
8 penetration for space heat have resulted in the summer peak  
9 growing faster than the winter peak. Company witness  
10 Michael Mace discusses in detail the nature and history of  
11 the Company's peak periods in his testimony.

12          Q.       Continuing her discussion on Idaho Power's  
13 secondary winter peak on page 25 of her testimony, Ms.  
14 Mitchell recommends a review of the Company's current  
15 retail tariffs to "ensure that rate design is not at cross  
16 purposes with energy efficiency activities and programs."  
17 What does Idaho Power presently do to ensure this result?

18          A.       On an ongoing and regular basis, management  
19 from within the Pricing and Regulatory Department (where  
20 rates are designed) and from the Customer Relations and  
21 Energy Efficiency Department (where programs are developed)  
22 meet and discuss current issues and developments in each of  
23 their respective areas. Development of new energy  
24 efficiency and demand response programs, as well as new

1 proposed rate design and regulatory issues, are discussed  
2 and coordinated.

3           As stated in my direct testimony in the Company's  
4 last general rate case (Gale Direct, IPC-E-08-10), the  
5 Company is committed to providing customers cost-based  
6 price signals which encourage the wise and efficient use of  
7 energy and has designed rates in such a manner. Idaho  
8 Power's goal is to design rates reflecting the relative  
9 cost to operate the system. Customers can then use this  
10 pricing information to alter their discretionary patterns  
11 of usage, increasing efficiency and lowering the overall  
12 cost of energy to the system.

13           To implement this goal, Idaho Power proposed, and  
14 the Commission approved, inclining block rates for  
15 residential and small commercial customers, mandatory time-  
16 of-use rates for large general and large power customers,  
17 and load-factor pricing for irrigation customers. These  
18 rate designs send seasonally differentiated cost-based  
19 price signals to our customers and provide specific  
20 opportunities for customers to benefit through energy  
21 efficiency activities.

22           Q.           For the irrigation class, does a load-factor  
23 energy pricing rate design interfere with or become  
24 counter-productive to the goals of either the Company's

1 Irrigation Efficiency Rewards Program or the Irrigation  
2 Peak Rewards Program?

3           A.       No. Participants in the Irrigation  
4 Efficiency Rewards Program receive rewards to improve the  
5 energy efficiency of their existing irrigation systems or  
6 their installation choices for new systems. The right-  
7 sizing of equipment encouraged by this program should  
8 enhance the customer's load factor. Therefore, load-factor  
9 energy pricing has the potential to provide a second set of  
10 benefits to the participants in the Irrigation Efficiency  
11 Rewards Program.

12           The Irrigation Peak Rewards Program provides  
13 economic credits to customers who allow the Company to turn  
14 off specific irrigation equipment on a dispatchable basis.  
15 Participants in this program generally shift their usage to  
16 another time period. Therefore, load-factor energy pricing  
17 should not make any significant changes to their monthly  
18 load factor.

19           Q.       Does the Company anticipate continuing  
20 actively proposing new rate design?

21           A.       Yes. In 2008, Idaho Power commissioned Dr.  
22 Ahmad Faruqui, a nationally recognized expert in the field  
23 of dynamic rate design to develop a white paper entitled  
24 "*Transitioning to Innovative Rates at Idaho Power:*

1 *Pathways to the Future.*" Idaho Power continues to work  
2 with Dr. Faruqui in developing new rate design. Since  
3 2005, Idaho Power has successfully operated a Critical Peak  
4 Pricing program in the Emmett Valley with customers who  
5 piloted the Company's Advanced Metering Infrastructure  
6 ("AMI") system. With the full implementation of the AMI  
7 system, which is in its first year of a three-year system-  
8 wide roll out, and with the implementation of billing and  
9 data management systems to manage the AMI data, Idaho  
10 Power's intent is to offer additional programs, including  
11 dynamic pricing, for customers in all rate classes.

12 Q. Does the Company have other pricing  
13 structures that are supportive of the Company's energy  
14 efficiency programs?

15 A. Yes. In Case No. IPC-E-04-15, the Company  
16 proposed, and the Commission approved, a three-year pilot  
17 of a Fixed Cost Adjustment ("FCA") mechanism for its  
18 residential and small general service customers. The FCA  
19 annually adjusts rates up or down to recover the difference  
20 between the fixed costs authorized by the Commission in the  
21 most recent rate case and the fixed costs the utility  
22 actually recovers from customers during the previous year.  
23 In this way, any financial disincentive to the utility  
24 investment in energy efficiency programs is removed.

1 Q. On page 32 of her direct testimony, Ms.  
2 Mitchell discusses a shareholders' resolution regarding  
3 Company planning for greenhouse gas ("GHG") reductions and  
4 its relationship to demand-side management ("DSM")  
5 programming. Please comment.

6 A. Both prior to and after the shareholder  
7 resolution vote, the Company has repeatedly been on the  
8 record both in word and deed as completely supportive of  
9 pursuing *cost-effective* energy efficiency, demand response  
10 measures, and renewable resources. The Commission and  
11 customer groups are aware of the expedited ramp-up of these  
12 programs, resources, funding, and results. Absent the  
13 removal of the "cost-effective" criterion, there is no GHG  
14 plan that would have Idaho Power do more than it is already  
15 committed to do to further DSM initiatives. Likewise, our  
16 commitment has to stay in step with the public policy  
17 determinations of the Commission.

18 In the final analysis, our energy future requires  
19 ongoing energy efficiency, renewable resources, and the  
20 Langley Gulch production plant.

21 Q. On page 34, Ms. Mitchell states that CWIP is  
22 "an artifact of monopoly regulation that is unavailable in  
23 the competitive business world." Do you agree with her  
24 conclusion?

1           A.       No. In the real world customers sometimes  
2 make prepayments to new production ventures for product  
3 that will be received in the future. These payments can  
4 become an important source of financing, which can enable a  
5 company to build facilities to produce the product. In  
6 Idaho Power's own service territory, it has seen Hoku  
7 Materials use this method to finance facilities.

8           Q.       Ms. Mitchell testifies that including CWIP  
9 in rate base distorts the resource selection process in  
10 three ways: (1) by encouraging utilities to build power  
11 plants rather than purchasing power, (2) by creating a  
12 financial disincentive for energy efficiency, and (3)  
13 providing benefits to generation technologies with long  
14 lead times. Do you see the same distortions to the  
15 resource selection process used in Idaho Power's Integrated  
16 Resource Plan ("IRP")?

17          A.       I do not. First of all, I would think that  
18 most industrial customers really want to optimize the  
19 economic and reliability aspects of a resource selection  
20 and would be indifferent to the buy versus build decision.  
21 The Idaho Power IRP is indifferent to this decision and  
22 does not make such a distinction when selecting the  
23 resource portfolios. Those distinctions come in the actual  
24 acquisition process, as there are some resources that the

1 Company has traditionally filled exclusively through power  
2 purchase agreements, while others have included a self-  
3 build option among the possibilities.

4           The inclusion of Construction Work in Progress  
5 ("CWIP") can help finance a self-build option, thus adding  
6 some discipline to a competitive bidding process; however,  
7 it is not a factor in the resource selection. The reverse  
8 situation might be argued when the inability to put CWIP  
9 into rate base takes a self-build option off the table  
10 because of financing difficulties.

11           Q.       Do you believe that CWIP is a financial  
12 disincentive to energy efficiency?

13           A.       Idaho Power, along with others, has given  
14 much thought to the appropriate regulatory model for energy  
15 efficiency. We have pursued ongoing recovery of energy  
16 efficiency expenditures via a tariff rider, which typically  
17 provides timely cash flow to the utility to finance demand-  
18 side measures. Since these measures are financed on the  
19 front end, while benefits are enjoyed over the life of the  
20 measures, I would argue it is the equivalent of CWIP  
21 recovery for supply-side investments rather than a  
22 disincentive.

23           Many parties, including the ICIP, have investigated  
24 the financial disincentives to energy efficiency through a

1 fairly exhaustive process resulting in the current Fixed  
2 Cost Adjustment pilot previously discussed. Thus far, the  
3 ICIP has expressed a preference to be excluded from the FCA  
4 pilot. As I previously stated, the Company is fully  
5 committed to the pursuit of all cost-effective energy  
6 efficiency and demand response programs. The inclusion or  
7 exclusion of CWIP in generation rate base will not have a  
8 bearing on this commitment.

9 Q. Does the inclusion of CWIP in rate base  
10 create a bias toward long-lead-time resources?

11 A. No. CWIP availability does not create a  
12 bias toward long lead-time assets for the same reasons as  
13 it does not favor Company-built options. Again, the  
14 reverse is more likely; CWIP can help the financial  
15 viability of a long-lead-time Company-built option, which  
16 should make for a better resource decision.

17 Q. Please respond to Ms. Mitchell's concern of  
18 an intergenerational impact of CWIP.

19 A. Ratemaking is rife with impacts that in  
20 isolation appear to be unfair. In Ms. Mitchell's example,  
21 a senior citizen starts paying for a resource before it  
22 begins operating and may not live long enough to fully  
23 enjoy its benefits. In isolation, it is factually true.  
24 We have the similar generational mismatch with our funding



1 of demand-side resources - early payment through the Energy  
2 Efficiency Rider with longer-lived benefits over the life  
3 of the DSM measure. A generational dynamic in the opposite  
4 direction is developing in the proposed approaches to  
5 addressing carbon concerns, where it is very likely that  
6 future customers are going to have to bear the cost of  
7 existing carbon-intensive resources. "Gold Medallion"  
8 homes and irrigation were once incented and now are a cost  
9 concern. New industrial load raises the costs of existing  
10 industrial customers. Bonneville Power Administration  
11 Residential Exchange program distributes residential and  
12 small farm credits during some periods and withholds them  
13 in others, often depending on the latest court ruling. The  
14 list goes on and on. The bottom line is the Commission  
15 will have to determine whether it is good public policy to  
16 allow all or some CWIP into rates. On balance they have to  
17 weigh all the rate impacts, including the higher long-term  
18 rates that come from traditional cost plus AFUDC treatment,  
19 the rate shock that comes when the large, long-lead-time  
20 asset is placed into rates in a single step, and the  
21 financing implications to the utility of having CWIP  
22 available or not.

23 Q. Ms. Mitchell also makes statements  
24 regarding CWIP and Idaho Power's current financial

1 situation and credit rating implications. Will you address  
2 those issues?

3 A. No. Company witness Lori Smith will respond  
4 to those issues. However, I would like to respond to the  
5 totality of Ms. Mitchell's CWIP testimony by restating the  
6 Company's position that CWIP is a tool that is provided to  
7 the Commission to use at their discretion either fully or  
8 partially and either with or without the ratemaking  
9 measures provided by Idaho Code § 61-541.

10 **NIPPC**

11 Q. In his testimony on behalf of NIPPC, Dr.  
12 Reading testifies that even though the Company is a  
13 regulated utility in Oregon, the Company simply ignored the  
14 Oregon Public Utility Commission ("OPUC" or "Oregon  
15 Commission") Guidelines for Competitive Bidding. Is Dr.  
16 Reading correctly presenting the facts?

17 A. No he is not. The Company complied with the  
18 Oregon Competitive Bidding Guidelines when it initiated the  
19 2012 baseload resource RFP process that selected the  
20 Langley Gulch project. In accordance with Guideline No. 2,  
21 on April 17, 2008, Idaho Power filed a Petition with the  
22 OPUC requesting a partial waiver of the OPUC's Competitive  
23 Bidding Guidelines ("the Petition"). A copy of the  
24 Petition is attached as Exhibit No. 9.

1           In its Petition, the Company described the events  
2 and risk factors that caused the Company to accelerate its  
3 issuance of an RFP to acquire a baseload resource to meet  
4 anticipated loads in 2012 ("RFP Resource"). The RFP  
5 Resource, now known as Langley Gulch, was intended to  
6 replace the 250 MW pulverized coal-fired generating  
7 resource that had been scheduled to be on-line for 2013 in  
8 the Company's acknowledged 2006 IRP.

9           In its Petition, the Company identified those areas  
10 in which its RFP would not be in strict compliance with the  
11 Competitive Bidding Guidelines. The Company also explained  
12 how it had structured its RFP so that it would be in  
13 substantial compliance with the Competitive Bidding  
14 Guidelines and would provide a fair and cost-effective  
15 competitive bidding process. As part of that explanation,  
16 the Company described the extensive review process the  
17 Idaho Commission would undertake. During May, June, and  
18 July of 2008, Idaho Power responded to data requests from  
19 the Oregon Commission Staff and participated in a number of  
20 discussions with Staff to explain the Company's filing and  
21 to provide Staff with additional information concerning the  
22 reasons underlying the filing of the Petition.

23           Idaho Power's purpose in asking for the waiver was  
24 to comply with Competitive Bidding Guideline No. 2 under

1 which the OPUC can waive the competitive bidding  
2 requirements on a case-by-case basis. In so doing, the  
3 Company apprised the Oregon Commission of the Company's  
4 changing resource plans and gave the Commission an  
5 opportunity to review and suggest changes to the Company's  
6 RFP process. In filing the Petition, Idaho Power also  
7 hoped to obtain the Commission's concurrence with the  
8 Company's position that strict compliance with the  
9 Competitive Bidding Guidelines would compromise the  
10 Company's ability to move quickly enough to secure a needed  
11 resource required to meet expected demand and, therefore,  
12 strict compliance with the Competitive Bidding Guidelines  
13 would not be in the best interest of the customers.

14           The Oregon Commission Staff interprets the Oregon  
15 guidelines to require that in order to conduct a RFP, a  
16 potential resource must have been explicitly included in an  
17 acknowledged IRP. Ultimately, in August of 2008, the OPUC  
18 Staff advised the Company that Staff could not conclude  
19 that a baseload natural gas-fired resource had been  
20 included in an acknowledged IRP and, as such, the Company  
21 could not proceed with the waiver request. They reached  
22 this conclusion despite the fact that the Company had  
23 included a baseload coal-fired generating resource  
24 scheduled to be on-line in 2013 in its 2006 acknowledged

1 IRP, the Company's 2008 IRP Update, and the Company's  
2 responses to the Staff's data requests. While Idaho Power  
3 did not agree with the Oregon Staff's conclusion, its only  
4 recourse at that point was to engage in a contested case.  
5 A contested case would have been extremely time consuming  
6 and expensive. Because the Company planned on opening bids  
7 in the RFP process in October, most of the benefits the  
8 Company had hoped to receive from the petition process,  
9 i.e., suggested changes to the Company's RFP process, would  
10 not have been realized even if it ultimately prevailed.  
11 From the Company's standpoint, the Petition had become  
12 essentially moot. As a result, the Company accepted Oregon  
13 Staff's recommendation that the Company withdraw the  
14 Petition and address the results of the 2012 RFP in a  
15 subsequent proceeding.

16 Q. The bulk of Dr. Reading's testimony on  
17 behalf of NIPPC consists of a comparison of the process  
18 Idaho Power pursued in this 2012 baseload resource RFP with  
19 the Oregon Competitive Bidding Guidelines. Do you have a  
20 response to that portion of Dr. Reading's testimony?

21 A. I am not sure what relevance that portion of  
22 Dr. Reading's testimony has to this proceeding. The state  
23 of Idaho does not have competitive bidding requirements in  
24 place and this Commission has already opened another

1 docket, GNR-E-08-03, in which the Commission can address,  
2 presumably with all three electric utilities in Idaho, the  
3 question of what, if any, competitive bidding guidelines  
4 are needed in Idaho. Apparently NIPPC is making a  
5 "preemptive strike" by presenting testimony in this  
6 proceeding which, presumably, will also be presented in the  
7 GNR-E-08-03 docket. Because the Commission has the  
8 opportunity to undertake a comprehensive review of the need  
9 for competitive bidding guidelines in Idaho in another  
10 current docket, I do not think it is fruitful to engage in  
11 a point-by-point refutation of Dr. Reading's testimony  
12 here.

13           If the Commission decides to proceed with GNR-E-08-  
14 03, Idaho Power will participate in good faith. However,  
15 in considering Dr. Reading's recommendation in this case  
16 that the Commission terminate this proceeding, adopt a new  
17 set of bidding guidelines like the Oregon Competitive  
18 Bidding Guidelines, and repeat the RFP with the guidelines  
19 in place, the Commission should be cognizant of the  
20 following facts:

21           1. In July of 2006, PacifiCorp filed an  
22 application with the OPUC under the Oregon Competitive  
23 Bidding Guidelines to conduct a RFP for a baseload resource  
24 to be available in 2012 (PacifiCorp's Draft 2012 Request

1 for Proposals, UM 1208). After that lengthy proceeding had  
2 been underway for two and a half years, PacifiCorp withdrew  
3 its RFP prior to the completion of the case citing the  
4 economic downturn and its belief that it might be able to  
5 obtain better pricing. However, by that time PacifiCorp  
6 had incurred nearly \$800,000 in Independent Evaluator's  
7 ("IE") fees and expected to incur another \$250,000 in IE  
8 fees to conclude the case (PacifiCorp's Application for  
9 Reauthorization of Deferral Accounting, UM 1285(2),  
10 December 15, 2008).

11 2. Conducting RFPs under the Oregon  
12 Competitive Bidding Guidelines requires a very large  
13 investment of Oregon Commission and Staff time and  
14 resources to closely manage the utility's RFP process.

15 **COMMISSION STAFF**

16 Q. Did you review the testimony of the  
17 Commission Staff witnesses?

18 A. Yes. I have no rebuttal comments to the  
19 testimonies of Ms. Patricia Harms and Ms. Teri Carlock and  
20 just a few regarding Mr. Sterling's testimony.

21 Q. What is your understanding of Mr. Sterling's  
22 testimony?

23 A. Mr. Sterling is supportive of the need for  
24 the resource and confirms the integrity of the resource

1 acquisition process. Mr. Sterling expresses concerns  
2 regarding the Company's decision not to consider "build-  
3 and-transfer" bids into the selection process. Mr.  
4 Sterling also states concerns regarding certain aspects of  
5 the timing of the process - including its relationship to  
6 Senate Bill 1123 - and the potential "box" in which he  
7 feels the Commission was placed by the Company.  
8 Additionally, Mr. Sterling takes a different approach as to  
9 the application of caps to the Commitment Estimate.

10 Q. What is Idaho Power's general response to  
11 Mr. Sterling's testimony?

12 A. The Company views Mr. Sterling as an expert  
13 in the areas of resource planning, resource costing, and  
14 resource selection processes and values his support of the  
15 need for the resource and the validity of the process to  
16 acquire it. The Company has a different perspective on the  
17 value of the "build-and-transfer" option in this  
18 circumstance, which Idaho Power witness Porter will  
19 address. I would like to respond to Mr. Sterling's  
20 proposal to apply a cap to the Commitment Estimate and his  
21 concern that the Company handcuffed the Commission into a  
22 less than optimal set of decisions.



1           Q.       Please restate the Company's request in this  
2 proceeding related to the application of a cap to the  
3 Commitment Estimate.

4           A.       Idaho Power is requesting approval of a  
5 total Commitment Estimate of \$427,366,729, which includes  
6 the power plant and the two transmission interconnection  
7 projects related to the Ontario-Caldwell connection and the  
8 Caldwell-Willis connection. We are requesting that the  
9 Commitment Estimate be subject to a soft cap that provides  
10 retail customers with the full benefit of the Project being  
11 completed under the Commitment Estimate, while providing  
12 the Company with the *opportunity* to justify any costs above  
13 the Commitment Estimate as prudent should that be the case.

14          Q.       In what ways do you view the CPCN request  
15 for the Langley Gulch project as different from the CPCN  
16 requests for peaking facilities in recent years?

17          A.       Idaho Power has filed CPCNs with the  
18 Commission in 2001 (Evander Andrews #2 and #3), 2003  
19 (Bennett Mountain), and 2006 (Evander Andrews #1). All of  
20 these projects were simple cycle turbine peaking plants  
21 compared to Langley Gulch's combined cycle combustion  
22 turbine design. They are smaller in size, less expensive  
23 to construct, and quicker to construct than Langley Gulch.  
24 With smaller dollars to finance and less than a year from

1 the issuance of a CPCN and the commercial date, these  
2 projects were financially more secure than the current  
3 Project. The uncertainty in today's capital markets has  
4 added yet an additional complication to Langley Gulch not  
5 experienced in previous projects.

6 Q. Why did the Company not propose a hard cap?

7 A. Idaho Power does not believe a hard cap is  
8 necessary to ensure that the project is well managed in an  
9 economic manner. The Company has a good track record of  
10 bringing projects in at or below cost estimates as  
11 demonstrated through our series of combustion turbines and  
12 upgrades to our hydro facilities. With the soft cap on the  
13 Commitment Estimate, the Commission is in full control as  
14 the gatekeeper for the recovery of any additional costs  
15 with the full burden of prudence on the utility.  
16 Additionally, in this instance, the Project is  
17 significantly less expensive than the second best option.

18 Q. Does the Company have concerns regarding Mr.  
19 Sterling's proposed implementation of a hard cap?

20 A. Yes. Mr. Sterling's proposal would  
21 introduce new features that add risks to cost recovery that  
22 have been absent from past CPCN cases where the Company has  
23 provided Commitment Estimates. In my view, these new  
24 features are not consistent with the intent of the new law.

