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IDAHO PUBLIC UTILITIES COMMISSION

IPC-E-09-03

LISA D. NORDSTROM
Lead Counsel
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March 1, 2011

VIA HAND DELIVERY

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

Re: *Langley Gulch* – Quarterly Progress Report

Dear Ms. Jewell:

In Order No. 30892, the Commission directed Idaho Power Company (“Idaho Power”) to submit quarterly progress reports to the Commission describing the status of the Langley Gulch power plant construction. Enclosed with this letter is the sixth quarterly progress report.

Recently, several parties, including the media, have referenced Order No. 30892 language describing a public witness’s estimate that Langley Gulch will cost \$126 per megawatt-hour (“MWh”). Although Idaho Power is not sure of either the source or the derivation of this cost number, it appears that the number is based upon use of inconsistent assumptions and stale data when compared to the published Public Utility Regulatory Policies Act of 1978 (“PURPA”) avoided cost rates.

The calculated, levelized rate of the Langley Gulch project is substantially dependent on the capacity factor assumption used to calculate the rate. For PURPA projects, the published avoided cost rate is based on the levelized cost of a combined cycle combustion turbine plant (the same type of plant as Langley Gulch) at an assumed capacity factor of 90 percent. The current published avoided cost rate for a 20-year contract is approximately \$82 per MWh. A levelized cost for Langley Gulch using consistent capacity factor assumptions is approximately \$76 per MWh.

Because Idaho Power will own and operate the Langley Gulch plant, it will run only when Idaho Power needs the electricity to serve customers or when the plant can be operated with the surplus energy being sold into the market at a profit. This additional revenue will help reduce customer rates. The ability to economically dispatch the Langley Gulch plant makes it a better value for Idaho Power customers even at lower capacity factors than that which is assumed for the current published avoided cost rate.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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P.O. Box 70
Boise, ID 83707

Langley Gulch Power Plant
Quarterly PUC Update
March 1, 2011

PROGRESS UPDATE:

This quarterly update summarizes project costs through January 2011 and tasks associated with the Langley Gulch Power Plant through the end of February 2011. The overall project remains on schedule and costs are projected at or below the commitment estimate.

Langley Gulch Power Island:

The Engineering, Procurement, and Construction (“EPC”) Contract is a joint venture between Kiewit Power Engineers (“KPE”) and The Industrial Company (“TIC”). KPE, the engineering arm of the EPC contract, has completed nearly all the design drawings and continues to support the project by reviewing vendor submittals and construction drawing modifications. All major equipment, including piping, valves, pumps, structures, and equipment, has been procured.

TIC continues in full construction mode. TIC has completed a majority of the underground work, including the electrical duct-banks and process piping, as well as completed a majority of the earthwork. In the last quarter, TIC has set equipment like the combustion turbine, generator, step-up transformers, sections of the condenser, and structural components of the heat recovery steam generator (“HRSG”) and drums. Current construction tasks include foundation preparation for the area mats and steam turbine, fabrication of HRSG steam piping, installation of combustion turbine ancillary equipment, and erection of the plant services building.

TIC has approximately 175 people on site, which count includes its employees and subcontractors. TIC is utilizing a mix of local labor, vendors, suppliers, and subcontractors. To date, over 120 vendors in the greater Treasure Valley have provided services on the Langley Gulch project.

Idaho Power Company (“Idaho Power”) and the EPC contractor continue to work closely with Siemens on the owner-furnished equipment. The Orlando based Siemens group has finalized all design drawings and the combustion turbine and generator have arrived on site. Siemens’ construction staff arrived on site in February to provide technical expertise for the installation of its equipment. The Sweden based Siemens group has completed its design and is assembling equipment in its factory. This equipment is on schedule and slated to leave the factory in late May 2011.

Water Supply Pipeline and Gas Pipeline:

Construction started on the water pipeline and pump station in August 2010. Through February 2011, all of the underground piping has been installed except for about 2000 feet. The pump station is under construction with the foundation slab and walls completed and the equipment starting to be installed.

The gas lateral pipeline from the Williams Northwest main is under design, as is the tap and metering facility. The design team for the lateral will be applying for construction permits this spring and anticipate starting construction in early summer. Williams Northwest is in the process of securing land for the tap location and anticipates starting construction this summer.

Both of these projects remain on schedule.

Transmission Lines and Substation:

Two transmission lines and a new substation are required to connect the Langley Gulch Power Plant to Idaho Power's transmission system. One of the lines will be energized at 230 kilovolts ("kV") and the other at 138 kV. Construction of the 2.8 mile 230 kV line to the west of the power plant began in November 2010 and will be completed by March 15, 2011. The 16 mile 138 kV line is currently being designed and construction is planned to start in the fall of 2011. The 138 kV line is planned to be completed by May 2012.

The substation construction started November 2010. Phase 1, which includes the ring buss, substation building, and control wiring, is scheduled to be complete by September 15, 2011, in order to provide backfeed power to the site. Phase 2, which includes the integration of the 138 kV line, is scheduled to be complete by May 2012.

Each of these projects is on schedule and within budget.

PERMITTING UPDATE:

The permitting process is in the construction compliance phase. Idaho Power continues to monitor the permit requirements and is coordinating with the regulatory agencies as needed.

PROJECT COSTS:

The commitment summary is attached, which also identifies project costs expended through January 2011. All major components of the project have been contracted and Idaho Power believes the final project costs will remain below the commitment estimate.

SCHEDULE:

The project remains on schedule with the following major milestones:

- Construction Full Notice to Proceed: Issued to contractor on July 1, 2010
- Gas Turbine Delivery: Arrived in New Plymouth, Idaho, on December 4, 2010
- Steam Turbine Delivery: July 2011
- First Fire: February 2012
- Targeted Commercial Operation Date: June 1, 2012

Idaho Power Company
Status Update Spending Report for Langley Gulch Power Plant
Through January 2011

	<u>January</u> <u>\$s Spent To Date</u>	<u>Commitment Estimate</u>	<u>Remaining Amount</u>
Gas Turbine	54,203,748	56,281,662	2,077,914
Steam Turbine	23,360,858	35,710,905	12,350,047
EPC Contract	119,526,581	221,421,431	101,894,850
Commitment Estimate Contingency	-	6,800,686	6,800,686
Site Procurement	1,957,322	2,000,000	42,678
Water Rights	2,083,419	2,200,000	116,581
NEPA Permitting	214,431	150,000	(64,431)
Air Permitting	350,547	320,000	(30,547)
Water Line Construction	2,859,490	8,850,000	5,990,510
Gas Line Construction	803,798	3,100,000	2,296,202
Miscellaneous Equipment (Idaho Power supplied)	740,017	662,300	(77,717)
Capitalized Property Taxes	186,082	2,881,277	2,695,195
Idaho Power Engineering and Oversight	1,547,668	3,800,000	2,252,332
RFP Pricing components (includes start-up fuels)	399,303	2,250,000	1,850,697
Transmission	5,910,424	31,679,100	25,768,676
AFUDC	10,583,841	49,259,378	38,675,537
Totals	224,727,527	427,366,739	202,639,212

Reported on Accrual based accounting

Langley Gulch Project Overview

ID	Task Name	Duration	Start	Finish	2009	2010	2011	2012
1	Langley Gulch Project Milestone Schedule	950 days	Mon 10/13/08	Fri 6/1/12				
2	Idaho PUC Certification Grant	0 days	Tue 9/1/09	Tue 9/1/09				
3	Air Permitting	251 days	Wed 7/8/09	Fri 6/25/10				
4	Submit Air Permit to Construct to IDEQ	0 days	Wed 7/8/09	Wed 7/8/09				
5	DEQ Review Time (13 Months)	215 days	Thu 7/9/09	Wed 5/5/10				
6	Public Comment Period	30 days	Thu 5/6/10	Wed 6/16/10				
7	Received Air Permit to Construct	0 days	Fri 6/25/10	Fri 6/25/10				
8	County Permitting	99 days	Tue 10/20/09	Fri 3/5/10				
9	Submit CUP / Rezone / Dev. Agreement App.	0 days	Tue 10/20/09	Tue 10/20/09				
10	Commissioners Hearing and Approval	0 days	Mon 12/14/09	Mon 12/14/09				
11	Finalize Development Agreement	60 days	Mon 12/14/09	Fri 3/5/10				
12	NEPA Permitting	516 days	Mon 10/13/08	Mon 10/4/10				
13	Submit BLM ROW Application	0 days	Mon 10/13/08	Mon 10/13/08				
14	Submit Public Scoping Document	0 days	Wed 1/6/10	Wed 1/6/10				
15	BLM Public Comment Period	30 days	Wed 3/17/10	Tue 4/27/10				
16	Submit Final Biological Assessment	0 days	Mon 3/8/10	Mon 3/8/10				
17	USFWS Review and Issuance of Biological Opinion	60 days	Mon 3/8/10	Fri 5/28/10				
18	Submit Final EA	0 days	Thu 9/9/10	Thu 9/9/10				
19	BLM Right of Way Grant and NTP	0 days	Mon 10/4/10	Mon 10/4/10				
20	EPC Contract	718 days	Tue 9/1/09	Fri 6/1/12				
21	Issue FNTF to EPC Contractor	0 days	Tue 9/1/09	Tue 9/1/09				
22	Design / Engineering	400 days	Wed 9/2/09	Tue 3/15/11				
23	Construction	0 days	Mon 6/21/10	Mon 6/21/10				
24	Mobilization to Site / Start Construction	510 days	Mon 6/21/10	Mon 12/6/10				
25	Gas Turbine Delivery	0 days	Fri 7/29/11	Fri 7/29/11				
26	Steam Turbine Delivery	0 days	Wed 2/29/12	Wed 2/29/12				
27	Start-up / Commissioning / FIRST FIRE	0 days	Fri 6/1/12	Fri 6/1/12				
28	Targeted Commercial Operation Date	0 days	Tue 11/24/09	Mon 8/1/11				
29	Raw Water Supply Line	160 days	Tue 11/24/09	Mon 7/5/10				
30	Water Line / Pump Station Design	0 days	Tue 5/25/10	Tue 5/25/10				
31	File for Permits	40 days	Tue 7/6/10	Mon 8/30/10				
32	Bid Water Pipeline and Pump Station Project	240 days	Tue 8/31/10	Mon 8/1/11				
33	Water Line / Pump Station Construction	0 days	Mon 8/1/11	Mon 8/1/11				
34	Raw Water To Site	0 days	Mon 2/8/10	Fri 9/16/11				
35	Gas Pipeline	420 days	Mon 2/8/10	Mon 2/8/10				
36	File Interconnection Request	150 days	Mon 10/4/10	Fri 4/29/11				
37	Gas Pipeline Design	0 days	Mon 3/21/11	Mon 3/21/11				
38	File for Permits	60 days	Mon 6/27/11	Fri 9/16/11				
39	Gas Line Construction	0 days	Fri 9/16/11	Fri 9/16/11				
40	Complete Gas Line Construction	753 days	Fri 6/12/09	Tue 5/1/12				
41	Transmission	753 days	Fri 6/12/09	Tue 5/1/12				
42	Design	670 days	Fri 6/12/09	Thu 1/5/12				
43	Construction of 230-kV to Ontario - Caldwell	90 days	Tue 11/9/10	Mon 3/14/11				
44	230-kV Loop in-out Service Completed / BLM	0 days	Mon 10/3/11	Mon 3/14/11				
45	Construction of 138-kV to Caldwell - Willis	150 days	Mon 10/3/11	Fri 4/27/12				
46	Completion of Caldwell-Willis Tap	0 days	Tue 5/1/12	Tue 5/1/12				
47	Substation	691 days	Tue 9/6/09	Tue 5/1/12				
48	Design	283 days	Tue 9/6/09	Thu 10/7/10				
49	Phase 1 Substation Construction	200 days	Mon 11/8/10	Fri 8/12/11				
50	Control Wiring, Testing, Commissioning	100 days	Mon 3/26/11	Fri 8/12/11				
51	Energize Substation	5 days	Thu 9/1/11	Wed 9/7/11				
52	Backfeed Power to Site	0 days	Mon 10/3/11	Fri 4/27/12				
53	Phase 2 Substation Construction	150 days	Mon 10/3/11	Fri 4/27/12				
54	Substation Completion	0 days	Tue 5/1/12	Tue 5/1/12				
55								

Task
Progress
Milestone
Summary
Project Summary
Deadline

March 1, 2011