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February 7, 2013

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-09-03
Langley Gulch Power Plant – Final Report

Dear Ms. Jewell:

In Idaho Power Company's ("Idaho Power") Application filed in Case No. IPC-E-09-03, Idaho Power committed to providing the Idaho Public Utilities Commission with a final report on the Langley Gulch project. The final report in fulfillment of Idaho Power's commitment is enclosed herein.

Very truly yours,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN:csb
Enclosure

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Langley Gulch Power Plant
Final Report to the Idaho Public Utilities Commission
February 2013

On September 1, 2009, the Idaho Public Utilities Commission ("Commission") issued Order No. 30892 approving Idaho Power Company's ("Idaho Power" or "Company") Application for a Certificate of Public Convenience and Necessity ("CPCN") to build the Langley Gulch power plant ("Langley"). Langley, which was first identified as a needed resource as part of the 2004 Integrated Resource Plan, is a natural gas-fired, combined-cycle combustion turbine located approximately five miles south of New Plymouth, Idaho. The clean, highly efficient plant has two turbines to generate electricity—one using natural gas and the other steam. The exhaust heat from the combustion of natural gas is used to make steam, which drives the steam turbine. The inherent operational flexibility of this power plant is due to its ability to change generation output quickly. Idaho Power began its Request for Proposal for a 2012 baseload resource in March 2008 and the plant became commercially operable on June 29, 2012.

LOCAL IMPACT

Idaho Power is committed to supporting the state of Idaho. The construction of Langley occurred during a pivotal time as the state was moving out of economic turmoil towards economic growth. The Company's addition of Langley helped many communities in Idaho Power's service area and across the region prosper through new jobs, local procurement of supplies, and additional tax dollars. By the end of the project, nearly 160 local businesses had been utilized from Ontario, Oregon, to Rupert, Idaho, and many locations in between.

Idaho Power requested its contractors use local labor forces as much as possible. Nearly 30 percent of Idaho Power's general contractors' staff consisted of new local hires. In addition, the Company made a conscious decision to bid the other ancillary projects locally (i.e., water pipeline, substation, gas pipeline, etc.). All of these projects were awarded to local companies except for the gas pipeline as no local bids were received. The Langley project created both short- and long-term job opportunities. The construction required a workforce of over 150 workers for as long as two years, including qualified local electricians, pipefitters, steelworkers, excavators, carpenters, concrete works, and laborers. The Company added 17 full-time personnel to operate the plant upon completion.

CONSTRUCTION OF LANGLEY

The following is a summary of the construction of Langley and its auxiliary systems.

Langley Gulch Power Island

Upon receiving the CPCN, Idaho Power issued full notices to proceed to Boise Power Partners ("EPC Contractor"), a joint venture of Kiewit Power Engineers and The Industrial Company ("TIC"), and to Siemens Energy ("Siemens"), the turbine supplier, and held initial meetings with the EPC Contractor and Siemens on September 30, 2009, and October 1, 2009, respectively.

Following the issuance of the full notice to proceed, the EPC Contractor issued bid specifications for major equipment components, including the heat recovery steam generator, condenser, cooling tower, step-up transformers, and major pumps. It was at this time that the EPC Contractor started developing design drawings for the site layout and piping and instrumentation drawings.

The Company closed on the plant property on February 24, 2010, and site construction began after the issuance of the Permit to Construct from the Idaho Department of Environmental Quality in June 2010. A majority of the earthwork operation was completed by the second week of August 2010 and work started on electrical duct-banks, low elevation drain piping, and foundations for the main electrical building. At this time, approximately 145 personnel were working at the Langley site. At the end of 2010, all major equipment, including piping, valves, pumps, structures, and electrical equipment had been procured and foundations for the heat recovery steam generator ("HRSG"), combustion turbine, generator, cooling tower, step-up transformers, and crane pad were placed. The contractor had utilized over 100 vendors in the greater Treasure Valley to provide services on the Langley project.

Idaho Power personnel attended several on-site inspections, or "witness points," where Company personnel were allowed to go to the Siemens group factory to inspect and evaluate critical tests in the manufacturing process. The witness points included the rotor balance of the combustion turbine to verify weight distribution of the rotor and blades, the combustion turbine generator electrical test to verify industry standard testing was satisfied, and the steam turbine generator test. In addition, an EPC Contractor representative carried out several factory visits for the steam turbine equipment to verify that the equipment was on schedule and fabrication standards were being met. The combustion turbine and generator arrived at the Langley site in December 2010 followed by Siemens' construction staff to provide technical expertise for the installation of its equipment. Manufacturing of the steam turbine and generator by the Sweden-based Siemens group was completed in May 2011 and arrived on-site by early August 2011.

In 2011, TIC continued with full construction activities with as many as 175 people on-site. First, the majority of the underground work, including the electrical duct-banks and process piping, was completed. Step-up transformers, sections of the condenser, and structural components of the HRSG and drums were set up. Miscellaneous concrete pads were poured, combustion turbine ancillary equipment was installed, the HRSG steam piping was fabricated, and the pipe rack was built. Next was the construction of the administration building, erection of the water storage tanks and cooling tower, and set-up of the ammonia storage tank, water treatment skids and the major pumps (boiler feed, circulating water, and condensate). Then the major steam turbine equipment was set, including the high pressure turbine, intermediate/low pressure turbine, generator, and gear box. Hydro tests were performed on the steel storage tanks and the HRSG. By fall of 2011, other activities began, including the erection of the water treatment building, electrical relay testing, final alignment of the combustion turbine and generator, and installation of the steam turbines and generator. Above-grade piping for the water treatment equipment, electrical and instrumentation components, steam turbine piping and ancillary steam turbine equipment, pipe heat tracing, and insulation were installed and the distributed control system was set up. By the end of 2011, TIC increased construction staff to nearly 200 people on-site and had installed the steam turbine and generator and completed

preliminary alignment of the equipment, setting most of the ancillary equipment and erecting enclosures.

During the first quarter of 2012, TIC began transitioning equipment systems to its start-up and commissioning team. Construction continued on the final connections of the water treatment equipment, installation of instrumentation components for water treatment equipment, steam turbine electrical and instrumentation work, pipe heat tracing, insulation, checking control system loops, and overall final cleaning of equipment enclosures. Commissioning lube oil, control oil, and electrical systems of the combustion turbine system began as well as final alignment and commissioning of the lube oil and control system of the steam turbine and generator. Next, the demineralized water system was commissioned. On April 11, 2012, the "first fire" of the combustion turbine occurred, followed by the first roll of the steam turbine on May 17, 2012, and synchronization of both generators to the Idaho Power grid. After the "first fire," tuning of the combustion turbine and performance tests were done and the steam turbine was ramped up to full load, during which the control valves were tuned.

Permitting

Idaho Power took a leadership role in the permitting and approval processes, including permit research and/or applications to agencies such as the Idaho Department of Environmental Quality ("DEQ"), Payette and Canyon Counties, Idaho Department of Water Resources ("DWR"), the Bureau of Land Management ("BLM"), and others beginning in 2008 and continuing through the construction of the plant. The following is a summary of the major permits and approvals received:

- Idaho DEQ (air emissions) permit: Permit to Construct issued on June 25, 2010
- Payette County:
  - Comprehensive Plan Change completed on May 18, 2009
  - Conditional Use Applications (three total) approved on November 12, 2009
  - Rezone approval received on December 14, 2009
  - Development Agreement finalized with Payette County on March 15, 2010
- Canyon County: Conditional Use Permit for the transmission line location and the height of the structures approved on July 15, 2010
- Idaho DWR (water rights):
  - Site groundwater right having a priority date of June 12, 2009, approved on December 2, 2009
  - New ground water right from the Snake River having a priority date of September 11, 2009, approved on July 8, 2010
- BLM (National Environmental Policy Act ("NEPA"): NEPA permit for BLM right-of-way use for transmission and water pipeline; permit issued in October 2010

Wastewater Disposal

In early 2010, the Company changed course on the anticipated spent cooling water disposal method. Originally, a series of injection wells were planned for disposal of cooling water blowdown. After field evaluations of the groundwater and aquifer conditions and state agency

permitting process changes, the permitting of injection wells, infiltration ponds, or land application would not be feasible options for disposal of spent cooling water. Idaho Power entered into an agreement with the EPC Contractor to install a zero liquid discharge plan, which included a series of water treatment clarifiers, reverse osmosis systems, and other treatment equipment to reduce the total cooling water discharge flow as much as possible prior to sending it to an on-site evaporation pond.

Pump Station and Water Pipeline

Idaho Power entered into an engineering contract for the design of the pump station and water pipeline from the Snake River to the project site. The majority of the pump station property was acquired in February 2010 and the Company chose the well-field option for the water collection system of the pump station to minimize maintenance and cleaning issues associated with a traditional screen system. The well-field is made up of five shallow wells aligned along the river bank to collect water and deliver to a common pump station prior to pumping to the site. This required a new groundwater right (tributary between the pump station and the Snake River), which the Company received approval of on July 8, 2010. Construction began on the water pipeline and pump station in August 2010. By August 2011, the water pipeline and pump station were substantially complete, pump testing was performed, and the equipment worked as designed to make water available at the Langley site.

Gas Pipeline

The design of the gas lateral pipeline from the Williams Northwest main was completed in the first quarter of 2011 along with the tap and metering facility. Construction of the lateral started in May 2011 with the completion of the bore, installation of the lateral below the A-line canal, boring of the lateral beneath Interstate 84, and connecting into the Langley plant. Williams Northwest secured the land and started construction of the tap and metering station in July 2011, with construction substantially complete in October 2011. In April 2012, Williams Northwest completed its final checkout and commissioning of the metering station and gas was delivered to the site on April 7, 2012.

Transmission Lines and Substation

Two transmission lines were required to connect Langley to Idaho Power's transmission system. One of the lines is energized at 230 kilovolts ("kV") while the other is at 138 kV. Both lines cross a significant portion of BLM property and permits were obtained. Construction of the 2.8 mile 230 kV line began in November 2010 and was completed in March 2011. Construction of the 16-mile 138 kV line, which runs along State Highway 30, began after the Canyon County Conditional Use permit was received in July 2010; the line was in-service in June 2012.

Design of the substation was completed and construction on the foundations and structures began in November 2010. Phase 1, which included the ring buss, substation building, and control wiring, was completed in September 2011 in order to provide backfeed power to the site but was not energized until October 2011 to reduce time working around energized equipment. Phase 2, which included the integration of the 138-kV line, was completed in late June 2012.

PROJECT COSTS

In Order No. 30892, the Commission approved the Company's request for a CPCN with authorization and binding commitment to provide rate base treatment for the Company's capital investment in Langley and related facilities. Although, the Company's original Commitment Estimate was $427,366,739, the Commission separated costs that were known with greater certainty and competitively procured from amounts that were based on more uncertain estimates and contingencies. This approach resulted in a "Binding Pre-approved Amount" of $396,618,473.

The following chart summarizes the costs by category and compares the actual project spend to both the original Commitment Estimate and the Binding Pre-approved Amount.

LANGLEY GULCH PROJECT COSTS			
	Total Project Spend Through December 2012	**Binding Pre-Approved Amount**	**Company's Original Commitment Estimate**
Gas Turbine	$56,151,430	$56,281,662	$56,281,662
Steam Turbine	$35,832,571	$35,710,905	$35,710,905
EPC Contract	$214,753,227	$221,421,431	$221,421,431
Contingency	$-	$-	$6,800,686
Site Procurement	$1,957,322	$1,950,000	$2,000,000
Water Rights	$2,083,419	$2,081,269	$2,200,000
NEPA Permitting	$214,431	$150,000	$150,000
Air Permitting	$353,533	$320,000	$320,000
Water Line Construction	$4,573,387	$4,425,000	$8,850,000
Gas Line Construction	$3,172,951	$1,550,000	$3,100,000
Miscellaneous Equipment	$3,171,809	$331,150	$662,300
Capitalized Property Taxes	$1,444,431	$2,881,277	$2,881,277
Idaho Power Engineering & Oversight	$3,101,319	$1,900,000	$3,800,000
RFP Pricing Components	$2,292,443	$500,000	$2,250,000
Transmission	$22,540,841	$17,856,400	$31,679,100
Allowance for Funds Used During Construction	$45,411,842	$49,259,379	$49,259,378
TOTAL	**$397,054,955***	**$396,618,473****	**$427,366,739*****

* As compared to the total Langley rate base of $396,608,946 that is currently in customer rates ($7,191,606 approved in Case No. IPC-E-11-08 and $389,417,340 approved in Case No. IPC-E-12-14).

** Binding Pre-approved Amount as approved by Order No. 30892 (Staff's Revised Confidential Exhibit No. 109).

*** Company's originally filed Commitment Estimate.

Nearly all of the project costs have been paid, resulting in total project costs more than 7 percent *below* the Company's original Commitment Estimate. This is just one-tenth of one percent higher than the Binding Pre-approved Amount, which only included costs that were known with

greater certainty and competitively procured at the time of the CPCN case in 2009. Idaho Power's exceptional management oversight of Langley's construction resulted in an under budget project that came on-line in time to reliably meet customers' summer peak needs.

LANGLEY OPERATION

Langley provides system reliability benefits through stabilization during system emergencies. For example, when a strong storm with high winds rolled through southern Idaho on Monday, June 4, 2012, it knocked down hundreds of power poles and power lines, and heavily damaged electric facilities in the McCall to Garden Valley, Boise to Idaho City, and Twin Falls areas. The Valmy Power Plant ("Valmy") in northern Nevada was dispatched as allowed under the emergency provisions of its Operation Agreement to supply energy to the eastern side of the system, limiting the flows on the impaired transmission facilities that split the system in two. Langley energy helped maintain load balances on the western side of the system as the plant was running for testing purposes at the time the generation need arose. These resources were and are critical to Idaho Power's ability to maintain the system during periods when the system is constrained due to transmission facility outages. The reliability of Idaho Power's system depends on having a diverse portfolio of dispatchable resources with different fuel types and geographic areas to maintain load balance across its system; Valmy and Langley contribute to that diversity.

Commercial operation of Langley occurred on June 29, 2012. Since then, Langley has provided Idaho Power additional support for load service and load following. Utilizing Langley, deemed as internal generation for the purpose of load service, has increased reliability and reduced reliance on the wholesale market for importing energy. For the periods when Idaho Power's system is surplus, Langley has the capacity to contribute to the wholesale market. In addition, the flexible nature of Langley provides the capability to help integrate variable generation output from wind and solar producers, and for load following, by ramping up and down quickly.

In 2012, Langley contributed to the Company's ability to reliably serve load during some of the highest peak loads in recent years. By July 9, temperatures in Boise reached 108 degrees and the overall peak-hour average system load topped out just short of setting a new record—all while Langley was producing 285 megawatts ("MW"). On July 13, 2012, Idaho Power's load reached a record 3,245 MW peak-hour average system load, 275 MW of which was served by Langley generation. Langley came on-line at the perfect time to help meet some of the highest loads the Company has seen in several years.

CONCLUSION

The successful completion of the Langley Gulch power plant has served to further enhance the Company's diverse generation fleet with the addition of a clean, highly efficient baseload resource. The construction of Langley created short- and long-term job opportunities, including a workforce of over 150 workers for as long as two years and an additional 17 full-time personnel. Due to the exceptional management oversight of the construction, Langley came in under budget and is supplying low-cost energy to Idaho Power customers while also providing capacity to integrate intermittent generation and increased system reliability.