

**Comments of the Snake River Alliance  
On the Matter of the Application of Idaho Power Company for Authority to Increase its Rates  
and Charges for Electric Service Due to the Inclusion of the Langley Gulch Power Plant  
Investment in Rate Base**

**Case No. IPC-E-12-14**

**Submitted by  
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The Snake River Alliance ("Alliance") appreciates the opportunity to provide comments relating to the application by Idaho Power to increase its rates and charges for electric service due to the inclusion of the Langley Gulch Power Plant investment in rate base, Case No. IPC-E-12-14, filed with the Idaho Public Utilities Commission on March 2, 2012.

The Alliance has long advocated energy efficiency and development of certain renewable energy resources in the portfolios of Idaho Power and all regulated electric utilities in Idaho. The Alliance also advocates clean supply-side and demand-side resources as alternatives to traditional fossil fuel generation deployed by these utilities. As the Commission knows, the Alliance was among multiple stakeholders that did not support Idaho Power's 2009 application to this Commission for a Certificate of Public Convenience and Necessity (CPCN) authorizing Idaho Power to construct and operate the Langley Gulch natural gas generation plant. We believed then in case No. IPC-ER-09-03 that the company failed to demonstrate a need for construction of the plant at the time. Recent developments, including changes in Idaho Power's anticipated load growth and in its supply-side portfolio, have re-enforced our belief that construction of this plant was and continues to be ill-timed.

However, the Alliance's position did not prevail in IPC-E-09-03 and the Commission in Order No. 30892 granted Idaho Power the CPCN for Langley. We are not interested in relitigating the facts of that case, although our comments do address in part the purported need for the plant as expressed by Idaho Power in testimony supporting this application.

**Customer Burden for an Unfinished Asset**

One of the many matters litigated in IPC-E-09-03 was the issue of advance financing of supply-side generation resources, whether as construction work in progress (CWIP) or in another form. We believed in 2009 and continue to believe today that assets such as Langley Gulch should not be recovered in rates until such time as they are used and useful. The reasons many jurisdictions to not allow CWIP or a variant is because utility customers should not be saddled with heavy rate-based resources until such time as the resources are producing power and until such time as the costs claimed by the utility have been audited and verified by regulatory staff.

While this application is not a case of CWIP, it has some CWIP-like components, including the request for cost recovery before the asset is operating. We urge the Commission to remain unambiguous in letting regulated utilities know that Idaho is not embarking on a regime in which costs can be prematurely shifted to customers.

For instance, in her direct testimony, Company witness Lisa Grow explains the circumstances surrounding the approval of the Langley CPCN:

“In addition to requesting a CPCN which enabled the Company to begin the construction of the Langley gulch power plant, the Company also requested that the Commission order authorization and binding commitment to provide rate base treatment for the Company’s capital investment in the Langley Gulch power plant and related facilities. ...

“In Order No. 30892, the Commission found that Idaho Power had satisfied the statutory requirements of Idaho Code 61-541 and provided Idaho Power with authorization and binding commitment to provide for rate base treatment of the Company’s capital investment in the Langley Gulch power plant and related facilities in the amount of \$396,618,473 at such time as the plant was placed in commercial operation.” [GROW Direct, PP 6-7]

In essence, Idaho Power contends that the Commission in 2009 determined the outcome of this case through the “binding commitment” language in Order No. 30892. It may well be correct, but if so we are troubled about the proximity this places us with regard to a CWIP-like regulatory regime for new asset cost recovery.

Customers are being asked to absorb an average 7.1 percent rate increase associated with the nearly \$400 million cost of Langley Gulch, or an annual revenue increase of \$59,869,823. This is a staggering increase in terms of magnitude and one that will shock many customers when they begin seeing it on their monthly bills. As discussed below, no amount of supposedly offsetting, contemporaneous, rate filings with the effect of washing away some of the magnitude of the Langley rate hike can mask its true impact on customers.

The Commission has expressed its concern about the frequency and magnitude of rate increases that are befalling customers not only of Idaho Power but of all regulated electric utilities. It is understandable to hear customer concerns about these increases, particularly when they are being asked to carve more room in their household budgets for a utility asset that is not yet operating. The new burden on customers is not only for Idaho Power’s capital investment in Langley, but also for “other plant expenses such as depreciation, taxes, and operational costs.” [ORDER NO. 32523, P. 2].

### **Langley’s Role in Idaho Power’s Generation Portfolio**

Langley Gulch has been advertised by Idaho Power as a supply-side Swiss Army Knife. In its formative years, before it was built and while Idaho Power was still supportive of wind integration, Langley was touted as useful to help shape wind and integrate the resource onto Idaho Power's system. It has been portrayed by Idaho Power as both a peaking resource and also as a baseload resource. Now it is also described as a resource that will generate significant amounts of surplus energy for off-system sales.

As mentioned, this is not the place to litigate the need for this generation asset; the Commission has already made its determination. But like Idaho Power, we feel compelled to refresh one or two of our arguments in IPC-E-09-03. We note that Idaho Power has ample forecasted energy supply for the next several years. That may be even more so if, as we fear, one of the company's expected new large loads – Hoku – fails to materialize, or fails to materialize on the expected schedule. Other changes in market conditions, such as the recently reported collapse of the Micron-Origins Energy Transform Solar endeavor, may also depress new load demand. Ultimately, Langley presents Idaho Power and its customers with the clear challenge of a half-billion-dollar generating asset for which the demand is, at best, tepid.

Conditions have changed so much since the Commission's 2009 approval of the Langley Gulch CPCN that the Commission may want to review whether the entire amount sought for inclusion in rates by Idaho Power should be granted at this time. Langley is designed in part to help Idaho Power follow wind, although Idaho Power is currently engaged in a full assault on the inclusion of more wind on its system. Idaho Power has not seen a record seasonal peak in more than three years (winter or summer). For now, at least, Langley's role in Idaho Power's portfolio seems varied.

Idaho Power witness Tim Tatum said in his direct testimony at P. 10 that Langley "is projected to increase surplus sales by \$32,271,040," which indicates this asset will be producing more power than required at various times. This, as well as projected fuel expense increases and decreased firm purchases due to Langley, will be reflected in future PCA filings, according to Mr. Tatum.

### **Contemporaneous Filings**

While it is interesting that Idaho Power and the Commission took notice of other Idaho Power filings impacting rates alongside this docket, we believe there might be a tendency to view the magnitude of this Langley Gulch filing as somehow moderated by the impacts of other, unrelated filings such as the revenue sharing case (IPC-E-12-13).

Idaho Power has filed many dockets with the potential to raise or lower rates in the past 12 months. It does not seem particularly persuasive or helpful from a consumer awareness standpoint to suggest that rolling Langley Gulch into the impact of the revenue sharing and fixed-cost adjustment cases results in an actual billed rate increase of approximately 4.03 percent [ORDER No. 32523, P. 3]. The fact is, Langley represents an average increase in billed

rates of 7.10 percent and not 4.03 percent. That is the number that should fairly be represented to customers.

One could argue that, based on the theory of averaging unrelated contemporaneous filings, Idaho Power's recent power cost adjustment should also be included, which would have the impact of a more alarming overall perceived billed rate increase.

As always, the Alliance is grateful to the Commission for the opportunity to provide its comments in Case No. IPC-E-12-14 and anticipates participating in future discussions as appropriate on the issues raised by this docket.

Respectfully submitted,

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