BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE INVESTMENT IN SELECTIVE CATALYTIC REDUCTION CONTROLS ON JIM BRIDGER UNITS 3 AND 4.	)	CASE NO. IPC-E-13-16

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MICHAEL J. YOUNGBLOOD

Q. Please state your name and business address.

A. My name is Michael J. Youngblood and my business address is 1221 West Idaho Street, Boise, Idaho.

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

A. I am employed by Idaho Power Company ("Idaho Power" or "Company") as the Manager of Regulatory Projects in the Regulatory Affairs Department.

Q. Please describe your educational background.

A. In May of 1977, I received a Bachelor of Science Degree in Mathematics and Computer Science from the University of Idaho. From 1994 through 1996, I was a graduate student in the Executive MBA program of Colorado State University. Over the years, I have attended numerous industry conferences and training sessions, including Edison Electric Institute's "Electric Rates Advanced Course."

Q. Please describe your work experience with Idaho Power Company.

A. I began my employment with Idaho Power in 1977. During my career, I have worked in several departments of the Company and subsidiaries of IDACORP, including Systems Development, Demand Planning, Strategic Planning and IDACORP Solutions. From 1981 to 1988, I worked as a Rate Analyst in the Rates and Planning

Department where I was responsible for the preparation of electric rate design studies and bill frequency analyses. I was also responsible for the validation and analysis of the load research data used for cost of service allocations.

From 1988 through 1991, I worked in Demand Planning and was responsible for the load research and load forecasting functions of the Company, including sample design, implementation, data retrieval, analysis, and reporting. I was responsible for the preparation of the five-year and twenty-year load forecasts used in revenue projections and resource plans as well as the presentation of these forecasts to the public and regulatory commissions.

From 1991 through 1998, I worked in Strategic Planning. As a Strategic Planning Associate, I coordinated the complex efforts of acquiring Prairie Power Cooperative, the first acquisition of its kind for the Company in forty years. I was the team leader on combined departmental efforts responsible for evaluating performance based regulation and reviewing potential telecommunications business opportunities as a direct result of changes in telecommunication legislation. From 1996 to 1998, as a part of a Strategic Planning initiative, I helped develop and provide two-way communication between customers and

energy providers using advanced computer technologies and telecommunications.

From 1998 to 2000, I was a General Manager of IDACORP Solutions, a subsidiary of IDACORP, reporting to the VP of Marketing. I was directly responsible for the direction and management of the Commercial & Industrial ("C&I") Business Solutions division. I had the overall responsibility for the research, development and implementation of new products and services for C&I customers. These new products and services included energy information services, bill payment and management products, facility monitoring, telecommunication and internet services, onsite generation and power quality analysis. I was directly involved in the direction and product development of the Allied Utilities Network, an alliance of utilities with the common goal of providing products and services for their respective customers as well as the growth of those services into new territories, including national and regional accounts.

In 2001, I returned to the Regulatory Affairs Department and worked on special projects related to deregulation, the Company's Integrated Resource Plan, and filings with both the Idaho Public Utilities Commission ("Commission" or "IPUC") and the Public Utility Commission of Oregon ("OPUC").

In 2008, I was promoted to the position of Manager of Rate Design for Idaho Power. In that position I was responsible for the management of the rate design strategies of the Company as well as the oversight of all tariff administration.

In January of 2012, I became the Manager of Regulatory Projects for Idaho Power, which is my current position. In this position, I provide the regulatory support for many of the large individual projects and issues currently facing the Company. Most recently that has included providing regulatory support for the inclusion of the Langley Gulch power plant investment in rate base and supporting the Company's efforts to address numerous issues involving Qualifying Facilities ("QF") as defined under the Public Utility Regulatory Policies Act of 1978 ("PURPA"), including the Company's efforts in Case No. GNR-E-11-03, the review of PURPA QF contract provisions.

I. OVERVIEW

Q. What it the purpose of your testimony in this matter?

A. The Company is requesting the IPUC issue a Certificate of Public Convenience and Necessity ("CPCN") related to the Selective Catalytic Reduction ("SCR") investments planned for Jim Bridger Unit 3 and Jim Bridger Unit 4 ("the Project"). In my testimony, I will briefly

describe the portfolio analysis of coal-fired generation alternatives developed for the Company's 2013 Integrated Resource Plan ("2013 IRP"). The 2013 IRP is being filed concurrently with this filing in Case No. IPC-E-13-15 and is Attachment 4 to the Application in this case.

In addition, I will present the cost estimates for the Jim Bridger SCR systems and the estimated revenue requirement impact of including that investment in the Company's rate base. Finally, I will discuss the Company's request for the Commission to provide authorization and binding ratemaking treatment for the Company's SCR investments in Jim Bridger Units 3 and 4 pursuant to *Idaho Code* § 61-541.

Q. The Company has filed a number of CPCNs for peaking facilities over the last decade, and most recently, for the Company's combined-cycle combustion turbine project at the Langley Gulch power plant. Is this request for a CPCN different from those requests?

A. Yes it is. Most of the Company's previous requests for a CPCN were for new generating plants. This request is different in that it is for the addition of emission equipment required for the Company to remain compliant with environmental regulations at an existing generation resource. The Jim Bridger Plant is already a valued part of the Company's generation fleet, and in fact,

as noted in Ms. Lisa Grow's testimony, is the Company's lowest cost thermal plant. The Jim Bridger Plant is currently included as production plant in the Company's rate base. Ongoing operation and maintenance of the plant, including the investment in emission controls mandated by state or federal environmental regulations, would not typically be an investment for which the Company would request a CPCN.

Q. Why then is the Company requesting a CPCN at this time?

A. As described in Ms. Grow's testimony, the Company is requesting a CPCN for the SCR investment because of the magnitude of the investment and the uncertainty surrounding coal-fired generation in today's political and social environment, as well as the amount of interest expressed by stakeholders.

Q. Please generally describe the Project for which the Company is requesting a CPCN.

A. The Project refers to the Company's investment in SCR systems to reduce the emissions of nitrogen oxide for Jim Bridger Units 3 and 4. A complete discussion of the specific emission controls and equipment required for the Project can be found in Mr. Tom Harvey's testimony.

Q. Why are the investments in SCR systems at Jim Bridger Units 3 and 4 necessary?

A. The Best Available Retrofit Technology Appeal Settlement Agreement and the Wyoming Regional Haze State Implementation Plan ("Wyoming Regional Haze SIP") require the installation of SCR systems on Jim Bridger Unit 3 by the end of 2015 and on Jim Bridger Unit 4 by the end of 2016. On May 23, 2013, the Environmental Protection Agency ("EPA") proposed to approve the Wyoming Regional Haze SIP for installation of SCR systems on Jim Bridger Units 3 and 4 in 2015 and 2016, respectively, as outlined in the SIP. The EPA has indicated it will sign a notice of final rulemaking on November 21, 2013. This would make these emission reduction requirements at Jim Bridger Units 3 and 4 federally enforceable as well. This is discussed more fully in Mr. Harvey's testimony. In order for the continued operation of the plant to be compliant with environmental regulation, it will be mandatory for the SCR systems to be installed at Jim Bridger Units 3 and 4.

Q. When do the SCR emission control systems for Jim Bridger Units 3 and 4 need to be installed and operational?

A. In order to be compliant with these current state and anticipated future environmental regulations, and

enable continued operation of the Jim Bridger Plant, the SCR emission control systems for Jim Bridger Units 3 and 4 must be installed and operational by December 31, 2015, and December 31, 2016, respectively.

Q. Is Idaho Power solely responsible for the SCR investments for the Project?

A. No. Idaho Power is not the sole owner of the Jim Bridger Plant. The Company is a one-third partial owner of the plant, the remaining two-thirds being owned by PacifiCorp. PacifiCorp is also the operating partner of the plant. Nevertheless, while the decision to add SCR systems to Jim Bridger Units 3 and 4 does not solely reside with Idaho Power, the Company did conduct its own independent analysis to determine if the addition of SCR systems was economically prudent. This analysis is discussed in greater detail in Mr. Harvey's testimony.

Q. What did the Company conclude from the results of the economic analysis discussed by Mr. Harvey?

A. Based upon the economic analysis discussed in Mr. Harvey's testimony regarding both the Science Applications International Corporation ("SAIC") and Idaho Power evaluations analyzing the installation of SCR systems at Jim Bridger Units 3 and 4, the Company's conclusion is that compared to alternative compliance options, the installation of the SCR systems is the lowest incremental

cost and least risk option, and therefore, a prudent economic decision for the ongoing operation of the Jim Bridger Plant.

II. 2013 IRP ANALYSIS

Q. Subsequent to the Company's conclusion that the installation of SCR systems is the prudent economic decision for the ongoing operation of the Jim Bridger Plant, did the Company nonetheless evaluate any potential reduction or early retirement of its existing coal-fired resources?

A. Yes. As part of the development of the Company's 2013 IRP, the Company included four resource planning portfolios that explored options for reducing the amount of coal-fired generation in Idaho Power's generation portfolio. The options to reduce the reliance on coal included replacement with natural gas-fired generation, increased demand-side measures including demand response, changing the fuel at the North Valmy plant to natural gas, and the Boardman to Hemingway transmission line. Two of the portfolios specifically ceased coal-fired operations at the Company's Jim Bridger and North Valmy coal plants (the Boardman coal plant ceases coal-fired operations at year-end 2020 in all resource portfolios).

Q. What were the results of the 2013 IRP analysis with regard to the portfolios that eliminated a coal-fired resource at the Jim Bridger Plant?

A. As described on pages 93-94 of Attachment 4 to the Application, Portfolios 6 and 7 ceased coal-fired operations at the Company's Jim Bridger and North Valmy coal plants. These two portfolios ranked as the two highest cost resource portfolios of the nine portfolios analyzed. As shown on Table 9.2 on page 98 of Attachment 4, Portfolio 6 had a net present value for the 20-year planning period (2013-2032) that was $1,512,173,000 more costly than the Company's preferred portfolio, and Portfolio 7 was $1,785,578,000 more costly.

Q. Based upon the analysis conducted in the 2013 IRP, is the continued operation of the coal-fired resource at the Jim Bridger Plant cost-effective?

A. Yes. As noted on page 113 of Attachment 4, the Company's preferred resource portfolio in the 2013 IRP is Portfolio 2. Resource Portfolio 2 includes continued operations at the Jim Bridger and North Valmy coal plants. Idaho Power intends to operate its facilities, including the coal-fired generation plants, in full compliance with environmental regulations.

Q. Do you believe the 2013 IRP was sufficient in analyzing the complexities surrounding coal-fired generation?

A. Yes. I believe the 2013 IRP, in addition to the previously filed Coal Study, adequately analyzes the Company's options for compliance while supporting its obligation to reliably serve the electricity needs of its customers. The Idaho Power resource planning process has four primary goals:

(1) Identify sufficient resources to reliably serve the growing demand for energy within the Idaho Power service area throughout the 20-year planning period.

(2) Ensure the selected resource portfolio balances cost, risk, and environmental concerns.

(3) Give equal and balanced treatment to supply-side resources, demand-side measures, and transmission resources.

(4) Involve the public in the planning process in a meaningful way.

IRP analyses are conducted by the Company on an ongoing basis with the formal IRP document being filed for acceptance with the IPUC and acknowledgement with the OPUC every two years.

III. PROJECT COST ESTIMATE

Q. Has the Company determined a total project cost estimate for Idaho Power's share of the Project ("Project Cost")?

A. Yes. The total cost of the Project, before Allowance for Funds Used During Construction ("AFUDC") is $353,843,886. Idaho Power's share of that amount, the Project Cost, is one-third, or $117,947,962, comprised of a $57,649,113 investment in Jim Bridger Unit 3 and a $60,298,849 investment in Jim Bridger Unit 4, before AFUDC.

Q. What is included in the Project Cost?

A. Confidential Exhibit 7 shows the budget projections for each cost description by year for Jim Bridger Units 3 and 4. The largest portions of the total Project Cost estimate are the costs included under the engineer, procure and construct contract ("EPC Contract").

Q. Has a contract been signed with an EPC Contractor?

A. Yes. As discussed in Mr. Harvey's testimony, because of the extent of the Project and the extended period of time it takes to plan, permit, engineer, procure, and construct SCR systems, and the uncertainty of the final ruling from the EPA on approval of the portion of the Wyoming Regional Haze SIP that addresses the SCR systems at Jim Bridger Units 3 and 4, a

Limited Notice to Proceed ("LNTP") contract was signed with the successful bidder on May 31, 2013.

Q. Has PacifiCorp, the majority owner and plant operator, made regulatory filings similar to this filing by Idaho Power?

A. Yes. As indicated by Mr. Harvey, in August 2012, PacifiCorp, d/b/a Rocky Mountain Power, filed a CPCN with the Wyoming Public Service Commission ("Wyoming Commission") to construct two SCR systems on units 3 and 4 of the Jim Bridger Plant, as well as a "voluntary request for approval of resource decision to construct SCR systems on Jim Bridger units 3 and 4" with the Public Service Commission of Utah ("Utah Commission").

Q. What were the results of those filings?

A. On May 10, 2013, the Utah Commission issued a final Report and Order approving the resource decision to construct the SCR systems, which is included as Attachment 2 to the Application. The Utah Commission's conclusions are provided below:

> Based on the foregoing discussion and the evidence presented in this case, we approve the Company's resource decision to construct SCR systems to achieve 0.07 lbs/MMBtu limits at Bridger Unit 3 by 2015, and Unit 4 by 2016, as described in the Application. We find the Company has demonstrated the Bridger SCR Project is the least-cost means, adjusted for risk, to meet the emissions limits for Bridger Units 3

> and 4 established by the Wyoming emission standards. We also find the Company's proposed timing for completing the Project will benefit ratepayers by avoiding increased Project cost due to the requirements of a compressed construction schedule and possible additional outages. Coordinating the timing of the Project with the four-year maintenance schedules of the Bridger Plant also will manage costs and risks associated with potential replacement power cost while the Project is implemented. Importantly, this timing will also ensure the Project is completed in time to meet the Wyoming SIP deadlines.

Docket No. 12-035-92, Commission Report and Order, issued May 10, 2013, page 32).

On May 29, 2013, the Wyoming Commission issued a final order approving the CPCN for the SCR upgrades, which is included as Attachment 3 to the Application. A summary of the Wyoming Commission's conclusions is provided below:

> We conclude there is need for additional service which warrants construction of the proposed SCR upgrades to Bridger Units 3 and 4 based upon our findings, which are supported by the testimony of the intervenors as well as the Application and testimony and exhibits of RMP.
>
> We conclude that: [i] the proposed expenditures are reasonable and in the public interest, [ii] the present and future public convenience and necessity require the construction and operation of SCR upgrades to Bridger Units 3 and 4, and [iii] a CPCN should be issued in this case. RMP has carried its burdens of proof and persuasion. It is in the public interest that the certificate be

issued. (Docket No. 20000-418-EA-12, Record No. 13314 paragraphs 84-86).

Q. What amount has the Company determined to be the Project Cost including AFUDC ("Total Commitment Estimate")?

A. The Total Commitment Estimate for the Project is the Project Cost of $117,947,962 plus $11,889,431 in AFUDC. The Total Commitment Estimate for the Project, including AFUDC, is $129,837,393. Of this amount, $62,923,527 is the Commitment Estimate for Jim Bridger Unit 3 and $66,913,866 is the Commitment Estimate for Jim Bridger Unit 4.

Q. Please clarify what you mean by the term Commitment Estimate.

A. Based on the EPC Contract, actual costs incurred in the development phase and the forecast estimates of the work to be completed, Idaho Power is able to make a reliable estimate of the total capital cost of the Project. As it has done in prior CPCN applications, Idaho Power has termed this estimate a "Commitment Estimate." The Commitment Estimate is a good faith estimate of Idaho Power's total capital cost including AFUDC, and additional costs the Company anticipates it will incur but cannot quantify with precision at this time.

Idaho Power's Total Commitment Estimate for the Project is $129,837,393.

Q. What is the estimated revenue requirement impact of these proposed additions to the Company's rate base?

A. Based upon the system investment stated above, the Company performed a high-level jurisdictional revenue requirement analysis. Based upon the current jurisdictional split between Idaho and Oregon, the Idaho jurisdictional addition to production plant would be $60,196,724 for investments at Jim Bridger Unit 3 and $64,014,141 for investment at Jim Bridger Unit 4. At the Company's current rate of return, the additional annual revenue requirement for Jim Bridger Units 3 and 4 would be approximately $9.1 million and $9.7 million, respectively.

IV. REQUESTED REGULATORY TREATMENT

Q. What regulatory treatment is the Company requesting as part of this CPCN request?

A. The Company is requesting that the Commission issue a CPCN order by November 29, 2013. Pursuant to *Idaho Code* § 61-541, the Company is requesting that the Commission provide Idaho Power with authorization and a binding commitment to provide rate base treatment for the Company's capital investment in the SCR systems at Jim Bridger Units 3 and 4 in the amount of the Total Commitment

Estimate of $129,837,393. Of that amount, the Commitment Estimate of $62,923,527 for the investment in Jim Bridger Unit 3 would be closed-to-plant and authorized for cost recovery on or after January 1, 2016, and the Commitment Estimate of $66,913,866 for the investment in Jim Bridger Unit 4 would be closed-to-plant and authorized for cost recovery on or after January 1, 2017.

If binding ratemaking is approved for the Total Commitment Estimate of $129,837,393, the Company could be assured that amounts incurred up to the Commitment Estimate amount would be determined to be prudent. Should the cost of the Project be less than the Commitment Estimate, the savings would directly benefit the customer through a lower amount in rate base. On the other hand, should the Project come in over the Commitment Estimate, Idaho Power would have to demonstrate to the Commission that amounts above the Commitment Estimate were prudently incurred and should be recovered in rates.

The return on equity the Company expects to earn on the Project investment is the authorized rate in effect at the time the Project is placed in service. Idaho Power will depreciate the investments over the remaining life of the Jim Bridger Plant in accordance with the IPUC-approved depreciation rates in effect at the time the investment is

closed-to-plant. The Company's current depreciation rates were approved in Case No. IPC-E-12-08, Order No. 32559.

Q. Why is the Company requesting a CPCN order by November 29, 2013?

A. The LNTP concept described above was used to reduce the risk and upfront costs of a Full Notice to Proceed ("FNTP") until the final ruling from the EPA is released, and to ensure the EPC Contractor can meet the deadlines for installation as per the Wyoming Regional Haze SIP. A provision in the LNTP states that December 1, 2013, which is defined as the FNTP Date, is the deadline by which the FNTP must be issued in order for the EPC Contractor to attain the Project completion guarantee dates without requiring a contract change. Idaho Power and PacifiCorp have agreed that, as long as the FNTP is issued on or before December 1, 2013, neither the EPC Contract price nor the Project guarantee dates will be adjusted. The Company is requesting a CPCN order by November 29, 2013, so that in the event that a favorable CPCN order is issued, the Company will be able to approve PacifiCorp's execution of the FNTP by December 1, 2013.

Q. Why is the Company requesting the Commission provide authorization and binding ratemaking treatment for the Company's SCR investments in Jim Bridger Units 3 and 4 pursuant to *Idaho Code* § 61-541?

A. Because of the uncertainty and political realities surrounding the topic of coal-fired generation described in the testimony of Ms. Grow, the Company is concerned that decisions made today may be second guessed in the future. Even with a favorable determination provided with a certificate, the risk of disallowance at a future date is a concern for the Company. For that reason, the Company is requesting that the Commission provide binding ratemaking treatment under *Idaho Code* § 61-541.

Q. Does *Idaho Code* § 61-541 require the Commission to make certain determinations regarding Idaho Power's activities as a regulated utility?

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

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

A. Yes. This information has been addressed in the Company's testimony, and in the Coal Study and 2013 IRP that are filed with this case.

V. SUMMARY

Q. In summary, what specifically is the Company requesting the Commission to include in its CPCN order?

A. Idaho Power believes that the results of the Coal Study conducted by the Company (SAIC analysis and Idaho Power's Aurora simulation) and the portfolio costs identified in the 2013 IRP clearly demonstrate that the investment in SCR systems at Jim Bridger Units 3 and 4 represent the most cost-effective means of assuring continued operation of the Jim Bridger Plant to provide sufficient resources to reliably serve the growing demand for energy within Idaho Power's service area. Even so, the Company believes that the current political and environmental climate provides additional risk of future recovery of Company investments and necessitates a transparent public process to review the results that support the Company's conclusion. Therefore, the Company requests the Commission evaluate the merits of providing a favorable CPCN order. Specifically, Idaho Power requests that the Commission issue an order approving a Certificate of Public Convenience and Necessity by November 29, 2013, which finds that:

(1) The installation of Selective Catalytic Reduction systems planned for Jim Bridger Units 3 and 4 is consistent with Idaho Power's resource plans and is an appropriate investment to assure the ongoing compliant operation of the Jim Bridger Plant to reliably serve its customers.

(2) Existing Wyoming and anticipated federal regulations require the installation of Selective Catalytic Reduction systems for Jim Bridger Units 3 and 4 by December 31, 2015, and December 31, 2016, respectively.

(3) The approved Total Commitment Estimate for the Project, including $11,889,431 in AFUDC is $129,837,393, which includes a Commitment Estimate for Jim Bridger Unit 3 of $62,923,527 and a Commitment Estimate for Jim Bridger Unit 4 of $66,913,866.

(4) Pursuant to *Idaho Code* § 61-541, the Commission provides Idaho Power with authorization and a binding commitment to provide rate base treatment, as described previously in my testimony, for the Company's capital investment in SCR controls at Jim Bridger Units 3 and 4 and related facilities up to the amount of the Total Commitment Estimate of $129,837,393 at such time the plant is placed into operation. Retail customers will receive the full benefit of the Project being completed under the Total Commitment Estimate, while the Company will have the

opportunity to justify any costs above the Total Commitment Estimate as prudently incurred for recovery.

Q. Does this conclude your testimony?

A. Yes, it does.

ATTESTATION OF TESTIMONY

STATE OF IDAHO)
) ss.
County of Ada)

I, Michael J. Youngblood, having been duly sworn to testify truthfully, and based upon my personal knowledge, state the following:

I am employed by Idaho Power Company as the Manager of Regulatory Projects in the Regulatory Affairs Department and am competent to be a witness in this proceeding.

I declare under penalty of perjury of the laws of the state of Idaho that the foregoing pre-filed testimony and exhibits are true and correct to the best of my information and belief.

DATED this 28th day of June 2013.

Michael J. Youngblood

SUBSCRIBED AND SWORN to before me this 28th day of June 2013.

KIMBERLY K. TOWELL NOTARY PUBLIC STATE OF IDAHO

Kimberly K. Towell
Notary Public for Idaho
Residing at: Star, Idaho
My commission expires: 12-20-2014


NOTARY
PUBLIC
STATE OF IDAHO

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-13-16

IDAHO POWER COMPANY

YOUNGBLOOD, DI
TESTIMONY

EXHIBIT NO. 7

EXHIBIT NO. 7
IS CONFIDENTIAL AND WILL BE PROVIDED TO THE APPROPRIATE PARTIES
UPON REQUEST AND EXECUTION OF THE PROTECTIVE AGREEMENT