

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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IN THE MATTER OF THE APPLICATION OF IDAHO POWER CO.)
FOR AUTHORITY TO RATE BASE THE INVESTMENT REQUIRED)
FOR THE REBUILD OF THE SWAN FALLS HYDROELECTRIC)
FACILITY)

CASE NO. IPC-E-90-2 2 05

IDAHO PUBLIC
UTILITIES COMMISSION

R. Satter

IN THE MATTER OF THE APPLICATION OF IDAHO POWER CO.)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESS-)
ITY FOR THE RATE BASING OF THE MILNER PROJECT OR IN)
THE ALTERNATIVE A DETERMINATION OF EXEMPT STATUS)
FOR THE MILNER HYDROELECTRIC PROJECT)

CASE NO. IPC-E-90-8

COMMENTS OF IDAHO CONSUMER AFFAIRS, INCORPORATED, (ICA)

COMES NOW, Idaho Consumer Affairs, Inc. (ICA) through its Intervenor representative, Mr. Harold C. Miles, 316 Fifteenth Avenue South, Nampa, Idaho 83651, and offers the following statements of position in accordance with the Commission's requirement that they be submitted on or before December 7, 1990, for the Commission's consideration.

1. "CONSERVATION" is ICA's preferred source of additional generating capacity and can, in part, be attained by the nine recommendations for Conservation measures ICA submitted to this Commission at pages 10 & 11 filed in the "Conservation Standards & Practice" Case No. U-1500-165 on November 14, 1987, which by reference we ask be incorporated into the official record of this hearing.

2. We feel the Idaho Public Utilities Commission (IPUC) and the Idaho Power co. (IPC) have not been and are not now fully committed to Conservation, e.g. the lights are left on in the employee's rooms, when not in use, at both the IPUC's and IPC's office building rooms, thereby needlessly consuming electricity. In addition, IPC at their most recent Technical Advisory Panel meeting, of which ICA is a member, acknowledged that IPC had not committed itself adequately to viable Conservation Programs in the past to the extent they should have, but now they are increasing their Conservation efforts for not only their residential class of customers, but commercial, industrial and irrigation customers as well. This fact was also addressed by IPUC staff member, Thomas Faull's, uncontested statement at page 13 of his direct testimony Case No. IPC-E-2. Quote, "The Commission has been

encouraging Idaho Utilities to acquire cost effective conservation resources for years, but with little avail. Now, when it appears that new resources are needed, the utilities have little conservation "on line", and are essentially unprepared to aggressively bring such resources on line. Therefore, it appears inequitable to ascribe a benefit to IPC in evaluating its supply side resources by ignoring the utility's apparent negligence in acquiring demand side resources", endquote.

Dr. Reading at page 9 of his direct testimony in the Swan Falls case states. Quote, "The company has not presented evidence showing that reconstruction of the Swan Falls project is less costly than installation of demand side management measures"; endquote.

3. Although "Conservation" is our preferred source of new generating capacity, there is a strong feeling by many of ICA's members and supporters that Idaho, at this time, is not convinced that Conservation should be totally relied on as the sole NEW source of IPC's projected need for additional generating capacity by the mid to late 1990's under a medium or high medium growth scenario.

4. It is ICA's belief that hydroelectric generation as well as fish & wild-life protection and enhancement are "beneficial uses" of water. Also the "Idaho Energy Resource Policy Board" adopted the following policy in its February 1982 publication. We quote from page 5, "It is the policy of the State of Idaho that the private and public utility companies place a high priority on conservation, renewable resources, generating resources of high fuel conversion efficiency, and then on all other resources in meeting the future electrical needs of the state. Further, in the development of renewable resources, the state should give a high priority to hydroelectric projects, (emphasis added) in particular, the upgrading of current facilities within the state"; endquote. The Swan Falls and Milner projects qualify under this State of Idaho Policy.

5. ICA feels that hydroelectric projects can be constructed or upgraded that are reasonably environmentally acceptable and should be built at an early date for the following reasons:

a. Projects such as Milner and Swan Falls should not become "lost opportunities" for Idaho's and the Pacific Northwest's future needs for additional generating capacity.

b. Over the life of the project their O & M costs will be far less than for thermal projects.

c. They do not contribute to the acid rain, air pollution, fly ash, and radio active waste disposal problems that coal or nuclear plants do.

d. Their fuel costs (water) are considerably less than coal or uranium.

e. Their plant life is considerable longer, probably over double, that of thermal plants.

f. They are not great consumptive users of water, particularly run of the river plants.

6. Idaho, including IPC, needs to plan, where possibilities exist, for additional hydroelectric generation, particularly in view of the fact the "Pacific Northwest Coordination Agreement" and the five "Entitlement Agreements" with Canada start ending in 1998. The Canadian share of the power, probably in the neighborhood of 900 average megawatts, will revert to British Columbia for their use, instead of BPA who has distributed and sold this Canadian power to its customers, principally in the Pacific Northwest. Even if British Columbia decided to sell this reclaimed power, in total or in part, to U.S. based utilities after these agreements expire the cost of this power most assuredly will be greater than now. Therefore, since IPC is a Northwest utility and a member of the Northwest Power Pool any additional electrical generation produced in the Northwest region contributes to this region's reliability.

7. The classification of some or all of Idaho's anadromous fish as threatened or endangered also will have a bearing on the future cost of electricity in the Pacific Northwest; and even though Milner's and Swan Falls' power may not be "least cost" compared to Conservation, the cost of this power on a levelized basis over the life of the plants will not be excessive. (see ICA's appendix A of two pages). Furthermore, the estimated increase of this power percentage wise will

be from 1.3% to 2.4% for Milner power, depending on the scenario adopted according to Stephanie Miller of the IPUC staff, see page 4 of her direct testimony, and in all probability not more than 3% more for Swan Falls power, in our judgment, due to the extra costs of the historical preservation requirements required by the FERC's relicensing requirements. In this connection, we believe these plants should be constructed now and in support of this position we would like to say that "we pay now or we pay even more later" as Idaho's Northwest Power Council's member quite often has said. And we reiterate again, we don't want these plants to become "lost opportunities" for the future addition of power to IPC's system.

8. In spite of the fact ICA believes the construction of these plants should proceed now and very likely some or all of the power they produce may have to be sold, short term off system at a reduced rate, we still maintain our position they should not be ratebased until they become "used and useful" for IPC's ratepayers. To do otherwise would require IPC's ratepayers assume most of the risks. Dr. Reading lists 9 of them on pages 19 & 20 of his direct testimony in the Swan Falls case and reiterates them again on pages 18 & 19 in his direct testimony in the Milner case, which we incorporate by reference in these comments to the IPUC. In addition, we support the additional comments of Dr. Reading on page 19 of his direct testimony in the Milner case, quote, "Idaho Power's stockholders, on the other hand, would face only the risk that the Company would not use reasonable and prudent construction practices and the risk that some costs of the plant might not be allowed in rate base if the Company exceeded its cap. The latter risk is practically eliminated by the broadly defined escalation and scope reservations that accompany the Company's proposal."

"Clearly, while ratepayers would bear a great deal of risk, the stockholders would incur very little," endquote. Thus, it can be seen IPC's ratepayers will become liable for too many risks before the plants are completed, their costs audited by the IPUC staff, and allowed in rate base.

9. We point out that Dr. John Wilmoth of IPC in his exhibit No. 7, Case No. IPC-E-89-1 on page 2 shows that under median hydro conditions, with IPC's expected load forecast, the cross over time between IPC's surplus and need will

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be the last of 1998 or the first part of 1999 (see ICA's appendix B). Therefore, plenty of time exists for the IPC to justify its expenditures for constructing the Milner and Swan Falls power plants and for the IPUC staff to ascertain the expenditures for same were prudently incurred.

10. As regards the rebuilding of the Milner dam itself, not the construction of its powerhouse, we feel all the costs of rebuilding the dam should be born by the stockholders of the canal companies owning the dam, since the primary purpose of this dam is to irrigate farmland in the Magic Valley, and the revenue received from the sale of power generated at the dam will go to retire the debt incurred by the rebuilding of the dam. We strongly object to the proposed plan to rate base these dam rebuilding costs in the form of higher than necessary royalty payments, since most of IPC's ratepayers will not receive any revenue from the dam's irrigated farmland. The stockholders of this dam should provide their own financing separate from Idaho Power Company, as was done when the Milner Dam was originally constructed.

11. We request the IPUC to order at least a 200 cfs minimum flow at the Milner Dam, not a target flow as stated by Mr. Moss during cross examination of his testimony at the Milner hearing, for the protection and enhancement of the fish & wildlife downstream from the dam, as stipulated in the FERC environmental assessment, if a minimum flow for fish & wildlife protection is not a FERC license requirement.

12. With further reference to ratebasing the Milner dam's electrical generating plant, in the event the plant is determined not to be needed upon completion and the power is sold off-system for an interim period of time, the amount allowed in rate base when the power generated by the plant is actually needed, should be the Milner plant's actual depreciated costs at that time. In support of our position we quote from Staff witness, Stephanie Miller's direct testimony at line 6, page 12, "I think the most sensible thing to do would be to replace the reproduction cost language with a general statement that the commission would determine the value of the plant at that time for rate making purposes", endquote.

13. ICA has no great problems with the FERC's order for IPC to rebuild their Swan Falls Dam, or IPC's desire to increase its generating capacity to 25 MW, since our preliminary investigation has determined there will be sufficient water during several months of the year to justify this additional generating capacity, also IPC could use this additional electrical power at a later date, if not when the rebuild is completed.

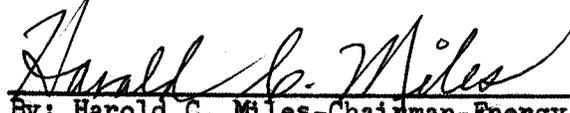
This rebuild will be more expensive than it would be under ordinary circumstances, due to the FERC requirements that it be rebuilt in compliance with certain historical preservation requirements. However, this aspect is important to many people so IPC's ratepayers will have to fund these requirements by having their future rates slightly increased.

14. Regarding the FERC requirements that the picnic and boating facilities at Swan Falls be upgraded at the time of the rebuild, ICA respectfully requests the Commission to require the building of a boat launching dock downstream from the dam and the installation of picnic tables, a drinking water fountain and rest rooms in the wooded area downstream from the dam. The present picnic and other mentioned facilities near the present lawn, as well as the present boat launching area are not adequate for the increased useage of the recreation facilities by the general public.

15. We feel IPC's decision to add additional generating capacity when the Swan Falls Dam is rebuilt, as ordered by FERC, is in the best interests of IPC's ratepayers, long term at least. However, we request any contracts for off-system power sales made by IPC be short term, five to ten years, and recallable.

Respectfully submitted,

IDAHO CONSUMER AFFAIRS, INC.



By: Harold C. Miles-Chairman-Energy & Natural Resources Committee

Dated at Nampa, Idaho, December 5, 1990

This is to certify that on December 5, 1990, I have hand delivered two copies of this document to the IPC at their corporate headquarters in Boise, Idaho, eight copies to the IPUC at 472 W. Washington Street, Boise, Idaho, and a copy mailed, postage prepaid, first class to all the other parties of record in these cases.

ICA Comments

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Harold C. Miles

DRAFTSWAN FALLS REBUILD

PLANT SIZE (MW)	25
GENERATION	
(MWH)	167,338
(AVERAGE MW)	19
SEASONALITY	SEE PAGE 37
CAPACITY FACTOR	76%
DISPATCHABILITY	NO
INVESTMENT COST (1990 \$000)	\$64,228.0
PRIMARY FUEL	HYDRO
HEAT RATE (BTU/KWH)	-
FUEL COST (1990 \$'S)	0
O&M COST (1990 \$'S)	2.00 MILLS
FIXED (\$/KW)	-
VARIABLE (MILLS/KWH)	-
ESTIMATED ECONOMIC LIFE (YEARS)	50
CONSTRUCTION TIME OR FIRST YEAR AVAILABLE	1994
STATUS OF TECHNOLOGY	MATURE
<u>LEVELIZED COST (MILLS/KWH)</u>	<u>57.0</u>

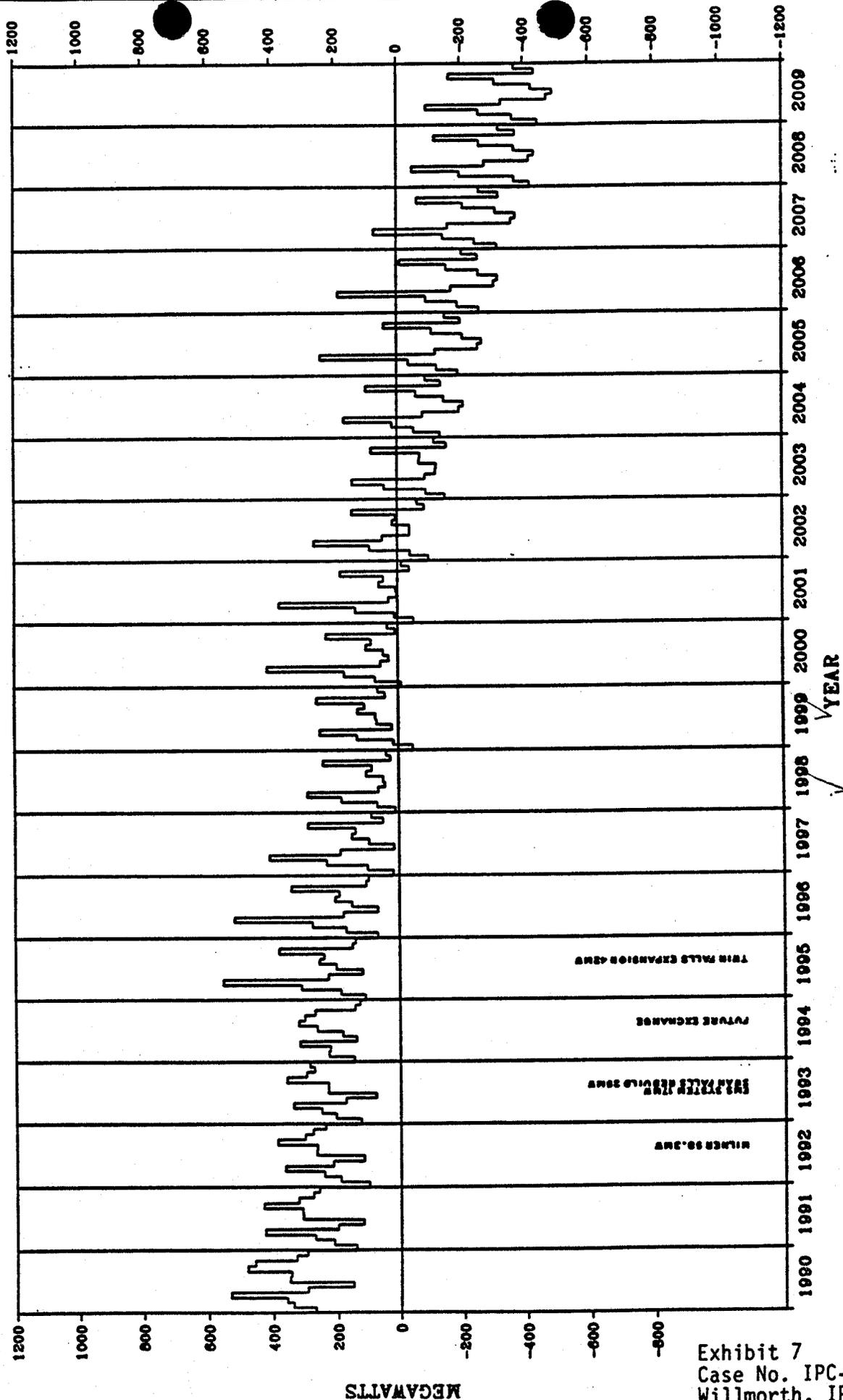
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DRAFT

MILNER

SOURCE	IDAHO POWER COMPANY
PLANT SIZE (MW)	58
GENERATION	
(MWH)	194,719
(AVERAGE MW)	22
SEASONALITY	SEE PAGE 37
CAPACITY FACTOR	40%
DISPATCHABILITY	NO
INVESTMENT COST (1990 \$000)	\$59,967.8
PRIMARY FUEL	HYDRO
HEAT RATE (BTU/KWH)	-
FUEL COST (1990 \$'S)	0
O&M COST (1990 \$'S)	1.66
FIXED (\$/KW)	-
VARIABLE (MILLS/KWH)	-
ESTIMATED ECONOMIC LIFE (YEARS)	50
CONSTRUCTION TIME OR FIRST YEAR AVAILABLE	1992
STATUS OF TECHNOLOGY	MATURE
<u>LEVELIZED COST (MILLS/KWH)</u>	<u>50.3</u>

**IDAHO POWER COMPANY
MONTHLY PEAK SURPLUS/DEFICIENCY
EXISTING AND NON-DEFERRABLE RESOURCES
WITH EXPECTED LOAD FORECAST AND MEDIAN HYDRO**



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