BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN 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

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

LISA A. GROW

Q. Please state your name and business address.

A. My name is Lisa A. Grow and my business address is 1221 West Idaho Street, Boise, Idaho 83702.

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

A. I am employed by Idaho Power Company ("Idaho Power" or "Company") as the Senior Vice President of Power Supply.

Q. Please describe your educational background and work experience with Idaho Power.

A. I graduated from the University of Idaho in 1987 with a Bachelor of Science degree in Electrical Engineering. I received an Executive Masters of Business Administration from Boise State University in 2008. I began my career at Idaho Power after graduating from the University of Idaho in 1987, and have held several engineering positions before moving into management in 2005. In 2005, I was named Vice President of Delivery Engineering and Operations. In 2009, I was appointed to my current position as Senior Vice President of Power Supply. My current responsibilities include overseeing the operation and maintenance of Idaho Power's generation fleet, power plant engineering and construction, environmental affairs, water management, power supply planning, and wholesale electricity and gas operations.

Q. Please outline the major topics you will address in your testimony in this proceeding.

A. I will briefly discuss the historical process involved with the identification of the need for a baseload generating resource, the ultimate selection for the power plant now known as Langley Gulch, the Idaho Public Utilities Commission's ("Commission") authorization and binding commitment to provide rate base treatment for the Company's investment in Langley Gulch pursuant to Idaho Code § 61-541, and the expected completion and in-service date for the Langley Gulch power plant.

Q. Please describe the Langley Gulch power plant.

A. The Langley Gulch power plant is a natural gas-fired combined cycle combustion turbine ("CCCT") generating plant with a nameplate capacity of approximately 300 megawatts ("MW"). The project is constructed on a parcel of land on the south side of Interstate 84 in Payette County approximately five miles south of the town of New Plymouth, Idaho. The project is a baseload generating resource of the size and type identified in the preferred resource portfolio in the Company's Integrated Resource Plans that have been accepted by the Commission.

Q. When was the Langley Gulch power plant first identified as a needed resource?

A. What is now known as Langley Gulch power plant was first identified as a needed resource in the Commission-accepted 2004 Integrated Resource Plan ("IRP"). In the 2004 IRP, the Company identified a need for a generic 500 MW baseload pulverized coal-fired resource in 2011. Two years later in its Commission-accepted 2006 IRP, the Company reassessed when it would need to add a coal-fired resource and adjusted its long-term resource plan to include a 250 MW pulverized coal-fired resource in 2013 and a 250 MW advanced coal-fired resource in 2017. In June of 2008, Idaho Power filed an update to its 2006 IRP in which it notified the Commission that due to uncertainties associated with permitting new coal-fired generation, the Company had decided not to proceed with the previously planned coal-fired resource. These concerns coupled with the possibility of new large loads locating in Idaho Power's service territory and the anticipated shift of flow augmentation releases of water from the federal dams on the Snake River above Brownlee Dam from July and August to May and June prompted the Company to (1) revise the 250 MW coal-fired resource to a natural gas-fired baseload resource, (2) increase the size of the baseload resource to approximately 300 MW, and (3) accelerate the on-line date of the baseload resource to 2012.

While the identification for the need of a baseload resource was first identified in the 2004 IRP, the result of the changes in the 2006 IRP and the 2008 IRP Update is what is now known as the Langley Gulch power plant.

Q. Based upon the need for a new baseload resource as identified in the Company's previous IRPs, did the Company begin a request for proposals ("RFP") process?

A. Yes. On April 1, 2008, Idaho Power issued an RFP to solicit competitive proposals for up to approximately 600 MW of dispatchable energy. The quantity sought was revised on June 25, 2008, to 300 MW. The identified product was a dispatchable, first-call, non-recallable, physically delivered firm or unit contingent energy dedicated solely to Idaho Power's use. As stated in the RFP, this product requirement could be met through a Purchase Power Agreement where the seller supplies fuel and fuel transportation or a Tolling Agreement ("TA") where the Company supplies the fuel and fuel transportation. The prescribed term required for bids was 15 years with at least one five-year contract renewal option.

The RFP also advised potential bidders that to ensure the availability of baseload resources in 2012, the Company would include a Company-developed CCCT in the competitive bidding process as one of the resource alternatives, referred to as the Benchmark Resource.

Q. Did the Company engage an independent third-party to review the Company's competitive request for proposals and bid evaluation process?

A. Yes. The Company retained R.W. Beck, an independent consulting firm offering a complete range of consulting and engineering services to the utility industry, to assist with and participate in the RFP process. Specifically, R.W. Beck was retained to assist with preparation of the RFP, the draft power purchase and tolling agreements, development of the evaluation criteria and manual, evaluation of the proposals received in response to the RFP, including a self-build alternative as a benchmark, and to provide assurance to the Commission and bidders that the Company evaluated all proposals submitted in response to the Company's RFP in a reasonable, fair, and equitable manner.

Q. Why did the Company ultimately select the Langley Gulch project as the preferred bidder?

A. Ultimately, based on a comparison of the price and non-price attributes of each of the proposals, the Company concluded that the self-build alternative used as the benchmark provided the greatest value for customers. The Company's decision to select the Langley Gulch project, based on the results of the RFP, was primarily dictated by its substantially lower price. The differential between

the 20-year net present value ("NPV") of the revenue requirements of the Langley Gulch and the closest TA for a combined cycle project showed the second place project was approximately $108 million more expensive, and the NPV analysis for the TA for the third-place combined cycle project was $220 million more expensive than the Langley Gulch project.

Q. Following the conclusion of the RFP process, did the Company apply to the Commission for a Certificate of Public Convenience and Necessity ("CPCN")?

A. Yes, on March 6, 2009, in Case No. IPC-E-09-03, the Company applied for a CPCN authorizing construction of the Langley Gulch power plant.

Q. Did the Commission issue an order in Case No. IPC-E-09-03 approving the Company's application for a CPCN for the Langley Gulch power plant?

A. Yes. The Commission, in Order No. 30892, issued on September 1, 2009, approved the Company's application for a CPCN. Subsequently, the Commission issued Certificate No. 486 for the Langley Gulch power plant.

Q. Did the Company make any other requests in Case No. IPC-E-09-03 other than the request for a CPCN?

A. Yes. 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. The Company made this request because it felt it was necessary in order to attract capital and finance the project at reasonable rates and terms.

Q. Did the Commission grant the Company's request for authorization and binding commitment rate base treatment for the Company's capital investment in the Langley Gulch power plant and related facilities?

A. Yes. 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.

Q. Did the Commission direct the Company to submit quarterly progress reports in consideration of the ratemaking assurance it granted pursuant to Idaho Code § 61-541?

A. Yes. In consideration of the ratemaking assurance the Commission granted pursuant to Idaho Code §

61-541, the Commission directed the Company to submit quarterly progress reports to the Commission describing the status of the Langley Gulch power plant in reasonable detail. The quarterly reports were to include information showing the actual progress against the project schedule, estimates of cost to complete, and changes to the construction schedule and any other notations of importance to the Commission's understanding of deviations or adjustments to the project schedule initiated between quarterly reports. The reports were to also include a budget update showing the total amount expended and billed to date and remaining contract dollars.

Q. Has the Company complied with the Commission's directive to file quarterly progress reports describing the Langley Gulch power plant project?

A. Yes. The Company filed its first Langley Gulch quarterly progress report on December 17, 2009, and has continued to file a progress report each quarter through the present. The last Langley Gulch quarterly progress report was filed February 29, 2012.

Q. What is the current status of the Langley Gulch power plant and related facilities?

A. To date, the overall project for the Langley Gulch power plant remains on schedule and the Company expects total project costs to be very close to the

Commission-approved binding amount of $396,618,473, which was approved in Order No. 30892 ("Binding Pre-approved Amount"). Construction is complete on the water pipeline and pump station and water is available to the plant site. Construction of the gas lateral pipeline from the Williams Northwest main to the site was completed in July 2011. Construction of the tap and metering station was substantially completed in October 2011. Williams Northwest will perform final checkout of its system prior to delivering gas in April 2012.

The construction of the 2.8 mile 230 kilovolt ("kV") line to the west of the power plant was completed in March 2011 and is currently in operation. The 16.3 mile 138 kV line is under construction and planned to be completed by May 2012.

All permits for air, water, conditional use, and the National Environmental Policy Act are completed and in the construction compliance phase. The Company continues to monitor the permit requirements and is coordinating with the regulatory agencies as needed.

Q. Has the Company made use of local labor forces in the construction of the Langley Gulch power plant?

A. Yes. In fact, on September 12, 2011, the Company filed a Langley Gulch supplemental quarterly progress report which responded to an inquiry about Idaho

Power's use of local construction labor. That report, which has now been included in more recent quarterly reports, identifies nearly 150 local businesses which have been utilized from Ontario, Oregon, to Rupert, Idaho. Idaho Power has requested its contractors use local labor forces as much as possible. Nearly 30 percent of Idaho Power's general contractor's staff is local hires. Idaho Power made a conscious decision to bid the other ancillary projects locally (i.e., water pipeline, substation, gas pipeline, etc.). All of those projects were awarded to local companies except for the gas pipeline because no local bids were received.

Q. Has the Langley Gulch power plant project created additional job opportunities?

A. Yes, the Langley Gulch power plant has created both short- and long-term job opportunities. The construction work force has averaged over 150 workers over the last 18 months, including qualified local electricians, pipefitters, steelworkers, excavators, carpenters, concrete workers, and laborers. Additionally, in the third quarter of 2011, the Company completed the hiring of 17 new full-time positions stationed at the Langley Gulch power plant.

Q. Are you sponsoring an exhibit that shows the Company's total expected investment for the Langley Gulch plant?

A. Yes, Exhibit No. 1 details the Company's total expected investment for the Langley Gulch project when the project is finally completed. The total investment will be $401,416,575, which is $26 million less than the Company's originally filed commitment estimate of $427,366,739 ("Commitment Estimate"). Also shown on Exhibit No. 1 is the Company's actual spend through January 2012, the remaining dollars to be spent by the end of June, and the Company's total estimated spend through June 2012 of $398,133,778. In addition, Exhibit No. 1 shows, for comparison purposes, the Commission-approved binding cost estimate of $396,618,473.

Q. How does the total expected investment in Langley Gulch of $401 million compare to the Binding Pre-approved Amount of $396 million approved in Case No. IPC-E-09-03?

A. The Company's total investment for the Langley Gulch project will be $26 million less than the Company's originally filed Commitment Estimate, and approximately $4.8 million greater than the Commission's Binding Pre-approved Amount of $396 million. The Company has kept the Commission notified of the various deviations and adjustments to cost estimates and project schedule contained in the original estimate through the Company's

filing of the quarterly progress reports as directed by the Commission.

Q. Please identify some of the reasons why the total expected cost of $401 million for the Langley Gulch project is $26 million below the Company's originally filed cost commitment.

A. There are several notable reductions from the cost estimates included in both the Company's originally filed Commitment Estimate and the pre-approved $396 million. Most notably, the Engineering, Procurement, and Construction contract will come in $5.7 million less than the pre-approved amount. In addition, Capitalized Property Taxes will be $1.4 million less, allowance for funds used during construction will be $2.7 million less, and the gas turbine will be $37,823 less than the amounts included in the $396 million.

Q. While the Company's expected investment in Langley Gulch is $26 million less than its original Commitment Estimate, you stated that it is $4.8 million greater than the Binding Pre-approved Amount. Please explain why.

A. One of the primary reasons for the differences between the Company's total investment of $401 million and the pre-approved $396 million has to do with some of the individual cost components that were included in the pre-

approved amount. In Order No. 30892, 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 $30.7 million reduction to the Company's filed Commitment Estimate of $427 million and resulted in the Commission establishing a pre-approved amount of $396 million. Any costs the Company incurs above the pre-approved $396 million are subject to a prudency review for Commission approval.

Q. Please describe at a high level any significant variations in the cost components included in the $396 million and the Company's total expected investment of $401 million.

A. As is expected with any project of this magnitude, the actual costs for the Langley Gulch project were higher than estimated in some individual cost categories and lower than estimated in other cost categories. Three of the Company's projected investments that are expected to be significantly higher are expenditures related to the gas line construction, RFP pricing components, and transmission. With regard to the gas line construction, the Company's total investments are twice as much as stated in the $396 million. However, this is primarily due to the fact I just described above. Due

to uncertain estimates included in the Company's original cost commitment, the Commission established the gas line construction cost estimate at only 50 percent of the Company's anticipated costs. The Company's original estimate for gas line construction was $3,100,000. The actual total spend will be $3,170,000, just $70,000 above Idaho Power's original estimate. However, by only including 50 percent of Idaho Power's original estimate, the actual costs incurred appear to be much greater than the pre-approved amount.

Q. Please describe the increase incurred between cost estimates for the RFP pricing.

A. The expected RFP pricing component costs of $5,574,298 are $5 million higher than the costs included in the $396 million. Most of this deviation comes from a combination of higher than anticipated required fuel usage during project commissioning and a lower than expected surplus energy sales offset value. In the Company's original estimate, it was expected that commissioning would occur during the spring of 2012 when market energy prices were higher; i.e., April or May, allowing the Company to offset the incurred gas costs. Now the commissioning of the plant is expected to occur during June when market energy prices are typically lower, resulting in less of an offset than was originally anticipated.

Q. What variation in costs estimates has occurred with transmission?

A. While actual transmission costs are $4 million above the pre-approved amount, the Commission-approved estimate did not include some of the Company's original contingency estimates and upgrades, resulting in a pre-approved amount that was a fraction of the original Commitment Estimate. Actual total transmission costs incurred are $22 million, which is $9.5 million below the Company's original Commitment Estimate.

Q. Does the Company's request in this docket include its total investment of $401 million in the Langley Gulch project?

A. No, not at this time. While the $401 million is $26 million less than the Company's originally filed Commitment Estimate, the Company is only requesting recovery of the amount of investment that will be closed to books by June 30, 2012, or $398,133,778. Company witness Timothy E. Tatum details the development of the incremental revenue requirement associated with Langley Gulch in his testimony, as it relates to the $398 million.

Q. When does the Company expect the Langley Gulch power plant to be in commercial operation?

A. The Langley Gulch power plant is expected to be in commercial operation on or before July 1, 2012. The first fire of the plant is expected in April 2012.

Q. Although it would be inappropriate to re-litigate need for the plant in this proceeding, which the Commission affirmed when it issued Order No. 30892, does Idaho Power's current load and resource balance indicate the Langley Gulch is still needed in the summer of 2012?

A. Yes. The peak-hour load and resource balance from the 2011 IRP was updated to include the Company's latest load forecast, which accounts for reduced Hoku load based on the recently proposed terms of a restated contract currently before the Commission for approval, an updated forecast of Public Utility Regulatory Policies Act of 1978 generation taking into account recent contracts and expected on-line dates, and updated estimates of transmission capacity available for July market purchases from the Pacific Northwest. Without Langley Gulch, the updated peak-hour load and resource balance shows July deficits of 28 MW in 2012, 169 MW in 2013, and 224 MW in 2014. With the Langley Gulch plant being available this summer, Idaho Power will be able to reliably meet the summer peak needs of customers.

Q. In your opinion, will the Langley Gulch power plant be used and useful on July 1, 2012?

A. Yes. The need for a new baseload power plant was first identified in Idaho Power's 2004 and 2006 IRPs in order to meet system reliability and load growth within Idaho Power's service territory. The Langley Gulch power plant will be immediately used and useful once it is in commercial operation in order to help meet the Company's summer peak demand requirements and provide additional system reliability needed year-round due to the increased challenges of integrating variable and intermittent renewable generation resources.

Q. Does this conclude your direct testimony in this case?

A. Yes, it does.

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-12-14

IDAHO POWER COMPANY

GROW, DI
TESTIMONY

EXHIBIT NO. 1

Idaho Power Company
Langley Gulch Power Plant Cost Summary

	January $s spent to date	Remaining $'s to Spend	Total Spend through June, 2012	Total expected project spend	Binding Pre-Approved Amount	Company's Original Component Summary
Gas Turbine	54,493,369	1,600,470	56,093,839	56,243,839	56,281,662	56,281,662
Steam Turbine	34,972,736	739,623	35,712,359	35,862,359	35,710,905	35,710,905
EPC Contract	203,287,526	10,058,927	213,346,453	215,723,168	221,421,431	221,421,431
Commitment Estimate Contingency	-	-	-	-	-	6,800,686
Site Procurement	1,957,322	42,678	2,000,000	2,000,000	1,950,000	2,000,000
Water Rights	2,083,419	-	2,083,419	2,083,419	2,081,269	2,200,000
NEPA Permitting	214,431	-	214,431	214,431	150,000	150,000
Air Permitting	350,547	14,453	365,000	390,000	320,000	320,000
Water Line Construction	4,560,042	19,958	4,580,000	4,580,000	4,425,000	8,850,000
Gas Line Construction	3,166,087	3,913	3,170,000	3,170,000	1,550,000	3,100,000
Miscellaneous Equipment (Idaho Power supplied)	1,668,066	902,566	2,570,632	2,570,632	331,150	662,300
Capitalized Property Taxes	953,926	490,505	1,444,431	1,444,431	2,881,277	2,881,277
Idaho Power Engineering and Oversight	2,408,918	330,000	2,738,918	2,820,000	1,900,000	3,800,000
RFP Pricing components (includes start up fuels)	399,303	4,674,996	5,074,298	5,574,298	500,000	2,250,000
Transmission	17,746,432	4,423,628	22,170,060	22,170,060	17,856,400	31,679,100
AFUDC	33,624,957	12,944,980	46,569,937	46,569,937	49,259,379	49,259,378
Totals	**361,887,082** *	**36,246,696**	**398,133,778**	**401,416,575**	**396,618,473** **	**427,366,739** ***

* Reported on Accrual based accounting
** Binding Pre-approved Amount as approved by Order No.30892 (Staff's Revised Confidential Exhibit No. 109)
*** Company's Originally Filed Commitment Estimate

Exhibit No. 1
Case No. IPC-E-12-14
L. Grow, IPC
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