

MAY 25 1990

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY FOR THE RATE BASING OF )  
THE MILNER HYDROELECTRIC PROJECT )  
OR, IN THE ALTERNATIVE, A DETERMINA- )  
TION OF EXEMPT STATUS FOR THE )  
MILNER HYDROELECTRIC PROJECT. )**

**CASE NO. IPC-E-90-8**

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that on April 25, 1990, Idaho Power Company applied to the Idaho Public Utilities Commission for a certificate of public convenience and necessity for the rate basing of the Milner hydroelectric project or, in the alternative, for a determination of exempt status for the Milner hydroelectric project.

YOU ARE FURTHER NOTIFIED that the Applicant Idaho Power describes the Milner hydroelectric project as a project that will be undertaken in connection with the rebuild of the existing Milner Dam in conjunction with the Twin Falls Canal Company and the Northside Canal Company, Ltd. (the Canal Companies). The Application describes the Milner rebuild project and Idaho Power's arrangements with the Canal Companies in more detail than this Notice. This Notice provides the following sketch of the project:

(1) The hydroelectric project facilities will extend approximately 1.3 miles from Milner Dam along the existing Twin Falls main canal headworks on Milner Reservoir on the Snake River. From these headworks on the south side of the dam, water will be conveyed in an enlarged Twin Falls canal and diverted into a forebay and intake structure, penstock and powerhouses. Two powerhouses, located approximately 1.6 miles downstream from Milner Dam, will take advantage of the drop in elevation from the Canal to the Snake River, which is by then entering a deep canyon. The turbines in the main powerhouse will be vertical-shaft, Kaplan-type turbines directly coupled to

generators. The larger unit will have a rated output of 46,000 kilowatts (kw) at a net head of 150 feet, a discharge of 4,000 cubic feet/second and a speed of 200 revolutions per minute. The smaller unit will have a rated output of 11,500 kw at a net head of 157 feet, a discharge of 1,000 cubic feet/second, and a speed of 400 revolutions per minute.

(2) In addition, a powerhouse will be constructed near the north abutment of Milner Dam consisting of a single-propeller turbine that will discharge a constant 200 cubic feet/second when in operation with a net head of 50 feet. Its maximum output will be 770 kw.

(3) Idaho Power's construction of its hydroelectric project will be in conjunction with repairs to Milner Dam to ensure its structural integrity. Those repairs will cost approximately \$11,700,000. Idaho Power has agreed to provide interim financing for the rehabilitation of the Canal Companies' dam, and the Canal Companies have agreed to repay this initial loan with interest from funds obtained elsewhere at or near the time the project and dam are completed. Idaho Power has agreed to guarantee the payment of complete debt service on the permanent loan for the dam through a base royalty equal to the original present value of \$5,638,000 plus one-half of the total cost of repairing the dam over the term of the FERC license. Additionally, the Canal Companies will receive an incentive royalty whenever the annual project generation exceeds a base of 142,000 megawatt-hours. If Idaho Power's investment in the project is not recognized for revenue requirement purposes by the Commission, the Canal Companies may exchange the fixed royalty option for 50 percent of the net benefits derived from off-system sale of the power after deduction of Idaho Power's costs including a return on equity.

(4) The Milner project's costs are currently projected to be \$60,334,000 at completion in 1992, with dam reconstruction costing an additional \$11,700,000.

With an additional five percent, Idaho Power's commitment estimate for the powerhouse is \$63,350,600 for an installed turbine capacity of 58,300 kw. According to the Application, the commitment estimate is the estimate that places a ceiling upon the costs that Idaho Power will include in its rate base if the project is rate-based, subject to documented changes in escalation rates or scope.

(5) According to Idaho Power's calculations, the cost per kilowatt-hour would range from a maximum of 52.93 mills/kwh based upon a cost for the powerhouse of \$63,350,600, 60 years of water data and a 50-year levelized cost to 37.80 mills/kwh based upon a powerhouse cost of \$60,334,000, 20 years of water data and a 50-year levelized cost.

YOU ARE FURTHER NOTIFIED that the Application contains the following attachments:

(1) The Federal Energy Regulatory Commission's Order Approving Transfer of the License to include Idaho Power as a licensee, 47 FERC ¶62,124 (June 13, 1989), and the Order Issuing License (Major Project) for Project No. 2899-003, issued December 15, 1988.

(2) The Agreement Regarding the Ownership, Construction, Operation and Maintenance of the Milner Hydroelectric Project (FERC No. 2899) by and between the Twin Falls Canal Company, Northside Canal Company, Ltd. and Idaho Power Company.

(3) Idaho Power's cost estimate for the Milner hydroelectric project powerhouses.

YOU ARE FURTHER NOTIFIED that the Application recites the history of the Canal Companies' licensing of the Milner project and Idaho Power's participation in it in greater detail than this Notice.

YOU ARE FURTHER NOTIFIED that Idaho Power will be represented by the following persons in this proceeding and that copies of all documents required by the Commission's Rules of Practice and Procedure (IDAPA 31.A) to be served upon the Applicant Idaho Power should be served upon its following two representatives:

Larry D. Ripley  
c/o Legal Department  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83707

Steven L. Herndon  
Legal Department  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83707

YOU ARE FURTHER NOTIFIED that Idaho Power requests the following action by the Commission in this Application: A certificate of public convenience and necessity should be issued for the rate-basing of Idaho Power's participation in the Milner hydroelectric project, or, in the alternative, the project should be exempted from the Commission's regulation for a period of 20 years from the date of commercial operation to allow Idaho Power to enter into a long-term sale of energy to another utility. The details of the alternative option and the procedures under which the plant would be put in rate base after 20 years are set forth in more detail in the Application.

YOU ARE FURTHER NOTIFIED that persons desiring to intervene in this matter for the purpose of becoming a party must file a Petition to Intervene with the Commission Secretary and upon all parties to the proceeding on or before Wednesday, June 27, 1990. Persons not desiring the right of party, i.e., the right to cross-examine witnesses and to make and argue motions, need not petition to intervene.

YOU ARE FURTHER NOTIFIED that the Commission will consider this Application under the Public Utilities Law, Chapters 1-7, Title 61, *Idaho Code*. In considering this Application, the Commission may issue any order addressing the future ratemaking treatment of the Company's investment in the Milner hydroelectric project and/or the proposed exemption of the project from the Commission's regulation consistent with its authority under the Public Utilities Law.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Practice and Procedure, IDAPA 31.A.

DATED at Boise, Idaho, this *24<sup>th</sup>* day of May 1990.

  
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MYRNA J. WALTERS - COMMISSION SECRETARY

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