



IDAHO POWER COMPANY
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MONICA B. MOEN
Attorney

September 30, 2005

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol Street NE, Suite 215
P.O. Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1182
Idaho Power Company's Opening Comments

Dear Sir or Madam:

Enclosed for filing with the Commission is the original of Idaho Power Company's Opening Comments regarding the above-described case. An electronic copy of this filing will be sent to the OPUC today.

I would appreciate it if you would return a stamped copy of this transmittal letter for our files.

Very truly yours,

Monica B. Moen

MBM:jb
Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1182

In the Matter of an Investigation)	
Regarding Competitive Bidding)	IDAHO POWER COMPANY'S
)	OPENING COMMENTS
_____)	

Idaho Power Company (“Idaho Power” or the “Company”) submits these Opening Comments in accordance with the Ruling issued on September 6, 2005 by Administrative Law Judge Logan in the above-referenced docket.

As noted by the Company in its Initial Position Statement in this matter dated April 6, 2005, Idaho Power is a multi-jurisdictional public utility that is regulated in the States of Oregon and Idaho. The Company’s service territory in the State of Oregon encompasses portions of Malheur, Harney and Baker counties. Idaho Power’s retail customers comprise only 2% of the electric load regulated by the State of Oregon Public Utility Commission (“OPUC”). About 5% of Idaho Power’s retail customers are located in the State of Oregon. The remaining 95% of the customers who obtain service from Idaho Power reside in Idaho. In Idaho, the Idaho Public Utilities Commission (“IPUC”) regulates Idaho Power.

In its Initial Position Statement, Idaho Power expressed its concern that the proceedings not create rigid competitive bidding requirements that may not be

compatible with the procedures currently followed in Idaho. The IPUC does not require Idaho Power to issue RFPs to acquire generation resources. However, the Company realizes and accepts its responsibility to justify any resource acquisition and to demonstrate and defend, if necessary, the prudence of its actions.

Idaho Power has participated in each of the workshops held in this matter. The Company's primary focus has been to monitor the proceedings to encourage continued compatibility in competitive bidding requirements between the two states.

Consistent with Proposal No. 1 of OPUC Staff's Straw Proposal dated September 26, 2005 ("Straw Proposal"), Idaho Power routinely tenders its Requests for Proposals ("RFPs") after the Company has completed its biennial filing of its Integrated Resource Plan ("IRP"). Unlike other utilities within the jurisdiction of the OPUC, Idaho Power's current practice does not include conducting all-source RFPs. Instead, the Company seeks competitive bids on a resource-by-resource basis in conformance with the IRP Action Plan. The resource-specific RFP process has proved to be successful and allows the Company to secure the individual resources identified in the IRP's preferred portfolio. By approaching resource acquisition in this manner, Idaho Power is able to preserve the benefits associated with the diversity reflected in the IRP's preferred portfolio.

Idaho Power generally concurs with the Staff that certain exceptions and waivers from the competitive bidding process should be permitted in emergency circumstances, in "situations where there is a time-limited resource opportunity of unique value to customers" and where an alternative acquisition method may be more timely and prudent.

With respect to Staff Straw Proposal No. 5, in RFPs tendered by the Company in conformance with its 2004 IRP, Idaho Power is not seeking or considering either self-build bids or bids from affiliate companies. The bid documents advise prospective bidders that bids are not to be sought or considered from those two sources.

With regard to its Straw Proposal No. 2, OPUC Staff recommends that “[u]tilities must issue RFPs for all Major Resource acquisitions” which the Staff defines as “resources with durations greater than 5 years and quantities greater than 50 MW.” The IPUC has not adopted a rule of this nature. Furthermore, the acquisition by Idaho Power of certain large capital-intensive resources, such as a large jointly owned thermal plant, may not lend itself to a traditional RFP process because of project complexity, site-specific design and multiple parties which may be involved.

For the past four resource-specific RFPs, Idaho Power has utilized four different independent consultants to assist and advise the Company’s RFP teams in drafting the single-source RFPs, establishing evaluation criteria, evaluating the bids received in response to the Company’s RFPs and monitoring the overall process. Because Idaho Power’s IRP Action Plan will generally recommend the acquisition of specific types of resources, both renewable and conventional, the independent consultants provide the Company with additional expertise regarding resources with which the Company may not have specific experience. The independent consultant also provides an objective evaluation of the bids received based on industry-wide practices and standards.

In addition to engaging the assistance of independent consultants, Idaho

Power has also solicited the input of community representatives. For example, in the Company's present wind RFP, an individual representing renewable resource interests sits on the Company's RFP evaluation team. The community representative, along with the independent consultant, has been instrumental in preparing the wind RFP, developing the evaluation criteria and assessing the bids.

With regard to Staff's Straw Proposal No. 7, it is Idaho Power's experience, based on securing the assistance of independent consultants in its RFP process, that it would be difficult and, perhaps, unwise to secure the services of an independent consultant or evaluator who has not provided "consulting services to participants in western energy markets." Idaho Power has determined that only a limited number of reputable specialists are available in the country with the expertise to evaluate bids for renewable resources. Thus, the Staff's proscription would have the effect of disqualifying several, if not most, of the evaluators/consultants with the necessary special knowledge to assist utilities in assessing the bids submitted in response to requests for renewable resources.

In addition, Idaho Power respectfully disagrees with Staff Straw Proposal No. 7 that suggests that the "IE should be paid by the utility through assessment of all bidders including the utility." In Idaho Power's experience, this funding mechanism cannot be practically implemented. First, the cost of employing an independent consultant/evaluator can be expensive. The Company has received estimates ranging from \$35,000 to \$60,000 for those services. Customarily, the actual costs of those services can exceed \$100,000. Idaho Power considers a bid-access fee of even \$10,000 impractical.

Second, the bid-access fee alone may discourage certain bidders from responding to an RFP. Since the number of bidders is unknown at the time a respondent submits a bid, the actual bid fee may exceed \$10,000. Certain bidders will not risk submitting a bid if they anticipate having to solely pay a sizeable evaluator/consultant fee or splitting the cost of that fee among a limited number of bidders. Furthermore, if the actual cost of the services exceeds the estimate at the time of receipt of bids, the ability of a utility to recoup the difference in the estimated and actual costs from those who submitted bids might also prove difficult. Alternatively, Idaho Power recommends that the costs associated with hiring an independent evaluator/consultant be borne by the utility and that, provided those costs are prudent, the utility be permitted to recoup the cost of those services in rates.

Consistent with Staff Straw Proposal No. 8, Idaho Power selects bids based on price and non-price factors that have been pre-determined prior to bid opening with the aid of an independent consultant. A copy of the evaluation is sealed and securely stored prior to bid opening. Typically, Idaho Power does not evaluate the price scores of bids using forward market prices since the State of Idaho is not a market-based jurisdiction. With regard to Staff's recommendation in Straw Proposal 8(b), certain licensing obligations that Idaho Power has with its computer software vendors may prevent access of an independent evaluator/consultant to the Company's production cost and risk models and other analytical tools.

With regard to Staff Straw Proposal No. 9, because Idaho Power routinely employs the services of an independent consultant in its RFP process, the Company does not distinguish between "Standard" and "Non-Standard" RFPs. Furthermore,

because the Company issues resource-specific RFPs instead of all-source RFPs, the Company has the flexibility of determining, once bids are opened, whether it may be in the best interests of its customers to request that bidders amend their bids to include either an ownership option, a power purchase agreement or an alternate means of acquiring the resource. All-source bid-lettings do not permit that degree of flexibility without significant difficulty.

If intended to be available for public examination, Idaho Power respectfully objects to Staff's Straw Proposal that the utility submit bid evaluation and scoring criteria to the Commission for use in workshops on any upcoming RFP. Idaho Power regards the bid evaluation and scoring criteria as proprietary. Therefore, the protective measures outlined in Staff Straw Proposal No. 15 should be afforded that proprietary information.

In Idaho, Idaho Power is required to seek a Certificate of Convenience and Necessity from the IPUC before the construction or expansion of new electrical facilities. At the time application for approval of the Certificate is made, the Company submits statements or prepared testimony and exhibits to the Commission explaining why the proposed construction or expansion is or will be in the public convenience and necessity. Cost estimates and revenue requirements are also submitted. Commonly, the Company also identifies a maximum not-to-exceed cost estimate for the project with cost overruns borne by the Company's shareholders. The Commission issues notice of the Company's application to all interested persons. This certification process serves the purposes intended by the Staff in its Straw Proposal Nos. 11 and 16.

Given Idaho Power's limited presence in the State of Oregon and the

success with which the competitive bidding process has been conducted by the Company under the present guidelines set forth by the Oregon and Idaho Commissions, Idaho Power respectfully requests and encourages the continued compatibility of the competitive bidding requirements and/or guidelines between the two states.

Respectfully submitted this 30th day of September 2005.



Monica B. Moen and
Lisa F. Rackner
Attorneys for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 30th day of September 2005, I served a true and correct copy of IDAHO POWER COMPANY'S OPENING COMMENTS in Docket No. UM 1182 upon the following named parties by the method(s) indicated below, and addressed to the following:

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