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December 28, 2012

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: UM 1182 – In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation Regarding Competitive Bidding.

Enclosed for filing in Docket UM 1182 are an original and five copies of Idaho Power Company's Errata to the Direct Testimony of M. Mark Stokes, which was originally filed on November 16, 2012. The errata deletes from page 5 the sentence: "In addition, nearly all EPC contracts provide for damages for cost over-runs."

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Wendy McIndoo

Wendy McIndoo
Office Manager

Enclosures
cc: Service List

COST OVER- AND UNDER-RUNS

Q. Please describe the Cost Over- and Under-Run issue.

A. In response to this issue, the parties have been asked to account for the difference in risk between a utility self-build bid and an IPP bid related to the possibility that the ultimate costs of either project will be over or under the estimated costs used to develop the bid. The assumption underlying this issue is that an IPP contractually guarantees a construction cost for a project and therefore customers are insulated from the risk of a cost over-run. On the other hand, for utility self-build resources, the assumption is that the actual costs, rather than the bid costs, are included in rates. Thus, the assumption is that customers bear the risk that a utility self-build project will exceed the estimate that was used to develop the winning bid.

Q. Are the assumptions that you described valid?

A. Not necessarily. It is important to note that the actual costs that are incurred by a utility to acquire a utility-owned resource are included in rates only if the investment was determined to be prudently incurred. Thus, if construction of the utility-owned resource results in a cost over-run, the utility will be required to justify and defend that cost over-run before the full costs of the resource are included in rates. It is incorrect to assume that customers will always bear cost over-runs.

Q. Are there any other ways to mitigate the customer risk associated with a cost over-run?

A. Yes, through contracting with the Engineering, Procurement, and Construction ("EPC") contractors that will be retained to construct the utility-owned resource. It is not uncommon for EPC contracts to include fixed-price terms that limit the utility and customer risk of construction cost variances. Thus, the contracting process that is used to construct the utility-owned resource often provides protections for both the utility and

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1182 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: December 28, 2012

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