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March 26, 2018

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Re: Docket LC 68 - Idaho Power Company's 2017 Integrated Resource Plan ("IRP")

Attention Filing Center:

Attached for filing in the above-identified docket is Idaho Power Company's Supplemental Comments.

Please contact this office with any questions

Sincerely,

Alisha Till
Legal Assistant

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 68

In the Matter of:

IDAHO POWER COMPANY'S

2017 Integrated Resource Plan.

**IDAHO POWER COMPANY'S
SUPPLEMENTAL COMMENTS**

March 26, 2018

I. INTRODUCTION

1 Idaho Power Company (“Idaho Power” or “Company”) respectfully submits this response
2 to the supplemental comments submitted by the STOP B2H Coalition (“STOP”) to the Public Utility
3 Commission of Oregon (“Commission”) on March 19 and March 20, 2018.¹

4 In its supplemental comments, STOP claims that (1) actions taken by Idaho Power’s
5 operating partners with respect to the North Valmy and Jim Bridger coal-fired power plants
6 undermine the Company’s stated intent to shut down its ownership share of operations; and (2)
7 Idaho Power inaccurately described and inappropriately modeled the transmission revenues
8 associated with the Boardman-to-Hemingway (“B2H”) transmission line. STOP’s arguments
9 misinterpret the actions of Idaho Power’s co-owners and misconstrue the analysis and
10 implications of B2H’s transmission revenues. As a result, STOP’s arguments fail to raise any
11 legitimate questions regarding Idaho Power’s comprehensive analysis provided in both its
12 Integrated Resource Plan (“IRP”) and B2H Supplement.

13 STOP’s arguments also largely reiterate issues already raised by STOP and other parties
14 and addressed by the Company in previous filings.² Nonetheless, in the interests of transparency
15 and clarity, Idaho Power responds to each argument below.

II. DISCUSSION

A. Actions Taken by Idaho Power’s North Valmy and Jim Bridger Operating Partners Do Not Affect Idaho Power’s Intended Dates to Cease Operations.

16 STOP states that Idaho Power’s operating partners have taken actions related to the Jim
17 Bridger and North Valmy generation plants that are inconsistent with Idaho Power’s planned

¹ Supplemental Comments from the STOP B2H Coalition (Mar. 19, 2018) (“STOP’s March 19 Comments”); Supplemental Comments from the STOP B2H Coalition (Mar. 20, 2018) (“STOP’s March 20 Comments”).

² See Idaho Power Company’s Final Comments at 34 (responding to STOP’s argument concerning transmission revenue forecasts) (“Idaho Power’s Final Comments”); *id.* at 37-39 (discussing the anticipated closure dates for Idaho Power’s share of Valmy units 1 and 2 and Bridger units 1 and 2).

1 retirement of its shares in those plants. STOP concludes that Idaho Power’s “2017 IRP qualitative
2 risk factor analysis” is therefore “invalid,” and by extension cannot support the Company’s portfolio
3 analysis. In reaching this conclusion, STOP misinterprets the actions taken by Idaho Power’s
4 owners, neither of which impact Idaho Power’s intentions or portfolio analyses.

1. North Valmy

5 For North Valmy Units 1 and 2, Idaho Power intends to cease operation of its ownership
6 share by year-end 2019 and 2025 for each unit, respectively. This was Idaho Power’s stated
7 position in the 2017 IRP, and it remains Idaho Power’s intent going forward.³ Idaho Power has
8 continued to provide information to the Commission and all intervening parties stating that intent,
9 and has refuted claims to the contrary. Most recently, in the Company’s Final Comments, the
10 Company explained that Idaho Power and Valmy co-owner NV Energy have had, and continue
11 to have, ongoing negotiations concerning Idaho Power’s intent to cease operating its ownership
12 share by these dates.⁴ The executed confidential Term Sheet—signed on December 29, 2017
13 and provided as Confidential Attachment 3 to Idaho Power’s Final Comments—lays out the initial
14 provisions for this cessation of operations. Idaho Power and NV Energy are in the process of
15 finalizing a Definitive Agreement that will set forth terms surrounding Idaho Power’s ability to
16 cease operations of its ownership share of both Valmy units. Regardless, ***Idaho Power’s ability
17 to cease operating its ownership share of the Valmy units is independent of NV Energy’s
18 decision to continue operating its half of each unit.***

19 Moreover, Idaho Power has taken other concrete actions consistent with this timeline for
20 terminating its operations in Valmy Units 1 and 2. Given that Idaho Power’s Valmy Unit 1
21 termination date is less than two years away, the Company recently filed Tariff Advice No. 18-02

³ Idaho Power Company’s 2017 Integrated Resource Plan Application at 5 (June 30, 2017) (“2017 IRP”).

⁴ Idaho Power’s Final Comments at 37 (“Idaho Power and NV Energy are now in the process of determining the fixed and variable cost responsibilities and finalizing a Definitive Agreement providing for Idaho Power’s conclusive exit from both Valmy units.”).

1 on February 28, 2018, reflecting this unit's accelerated depreciation schedule. The Tariff Advice
2 filing described necessary adjustments to the incremental recovery amount approved by the
3 Commission in Order No. 17-235.⁵ Idaho Power's intention to cease operations in Valmy Unit 1
4 by the end of 2019 has also received the support of both Commission Staff⁶ and the Idaho Public
5 Utilities Commission, which has already acknowledged the Company's 2017 IRP.⁷

2. Jim Bridger

6 STOP's concern regarding the Jim Bridger units misunderstands the nature of a recent
7 letter filing by PacifiCorp. By way of context, both Bridger Units 1 and 2 require additional
8 emissions-control measures in order to achieve reductions in nitrogen oxide (NOx) emissions
9 rates as required by the Wyoming State Implementation Plan ("SIP").⁸ These reductions may be
10 achieved by installing Selective Catalytic Reduction ("SCR") equipment, installing alternative add-
11 on NOx control systems, or by otherwise reducing emissions to achieve the required emissions
12 rate. As an alternative to achieving these reductions, Idaho Power and PacifiCorp, as joint
13 owners,⁹ may also receive an alternative compliance plan in cooperation with the Wyoming
14 Department of Environmental Quality ("WDEQ") and the Environmental Protection Agency
15 ("EPA"). Idaho Power intends to negotiate with PacifiCorp and with state and federal regulators
16 to achieve an alternative compliance plan in lieu of making expensive SCR investments.

⁵ *In the Matter of Idaho Power Co. Application for Authority to Increase Rates for Elec. Service to Recover Costs Associated with North Valmy Power Plant*, Docket No. UE 316, Order No. 17-235 (Jun. 30, 2017) (shortening the depreciation schedule for Valmy unit 1 from 2031 to 2025, and for unit 2 from 2035 to 2025).

⁶ Staff's Final Comments at 14 (Jan. 18, 2018) ("Staff will recommend acknowledgement of the early closure date for Valmy.").

⁷ *In the Matter of Idaho Power Co.'s 2017 Integrated Resource Plain*, Case No. IPC-E-17-11, Order No. 33983 (Feb. 9, 2018).

⁸ Specifically, the units must achieve a nitrogen oxide ("NO_x") emissions rate of 0.07 lb/MMBtu (pounds per thousands of British thermal units) on a 30-day rolling average prior to December 31, 2021 (for unit 2) and December 31, 2022 (for unit 1).

⁹ Idaho Power is a one-third owner of the Jim Bridger Coal-Fired power plant in Rock Springs, Wyoming. PacifiCorp is the majority owner and operator of the plant.

1 Although emissions control equipment need not be operational until the end of 2021 (for
2 Unit 2) and the end of 2022 (for Unit 1), PacifiCorp was nonetheless required to submit an
3 application to the WDEQ for installation of the SCRs no later than December 31, 2017—which it
4 has done, in consultation with Idaho Power. Nonetheless, as stated in the application, PacifiCorp
5 continues to pursue alternative regional haze compliance approaches. If Idaho Power,
6 PacifiCorp, and state and federal regulators can agree on an alternative compliance plan that
7 both meets regional haze goals and reduces the financial impact to customers, PacifiCorp would
8 request an amendment to the Settlement Agreement with WDEQ’s Air Quality Division and the
9 appurtenant regional haze implementation plans. If an alternative to installation of the SCR
10 equipment cannot be agreed upon, Idaho Power will evaluate the Company’s options as part of
11 its ongoing review of its generation resources. That review remains a key factor in the
12 development of the Company’s next IRP, which will be filed in 2019.

13 Idaho Power continues to believe that shutting down Bridger Units 1 and 2 before the end
14 of their projected service life (thereby avoiding the installation of costly SCRs) would be in the
15 best financial interest of the Company and our customers. Overall, the Company remains
16 committed to moving toward a smooth transition from coal resources and operating its generation
17 facilities in compliance with all applicable federal, state and local regulations—all while working
18 to keep energy rates low for Idaho Power’s customers.

B. Idaho Power Properly Modeled Qualitative Risks Concerning Transmission Revenues Associated With B2H.

19 In its second set of Supplemental Comments, STOP incorrectly asserts that Idaho Power
20 made a number of modeling errors with respect to its anticipated transmission revenues resulting
21 from B2H. Specifically, STOP (1) misconstrues a table in Idaho Power’s Final Comments, which
22 clearly concerned *incremental* wheeling revenues; (2) misapprehends the basis for the anticipated
23 reduction in the Bonneville Power Administration’s (“BPA”) transmission reservation across Idaho
24 Power’s system; and (3) inexplicably concludes that the construction of B2H is likely to result in

1 PacifiCorp terminating its 510 MW transmission reservation across Idaho Power’s system,
2 leading to a \$20.9 million reduction in annual revenue. The Company addresses each argument
3 in turn.

4 First, STOP is incorrect that Table 1 purports to model ongoing transmission revenues.
5 As Idaho Power’s Final Comments stated, the table “reflects a revised version of Table 9.3 from
6 the 2017 IRP and displays the net present value of each B2H Portfolio (P1, P4, P7, and P10),
7 along with adjusted rankings for all portfolios, before the inclusion of any projected *incremental*
8 wheeling revenues.”¹⁰ To clarify further, Table 1 was created by removing all third-party
9 transmission wheeling revenue from the total portfolio analysis—that is, transmission wheeling
10 revenue was removed as a component of the analysis. Table 1 therefore makes no assumptions
11 related to transmission wheeling revenue.

12 Second, STOP fails to recognize that the 200 MW reduction in BPA’s transmission
13 reservation, modeled in all of Idaho Power’s portfolios, reflects the anticipated resolution of BPA’s
14 temporary solution to serve load in southeast Idaho—a transfer solution first initiated in mid-2016.
15 While BPA has the right to continue this reservation perpetually, the 200 MW of capacity is only
16 conditionally firm and, per the contractual agreement, Idaho Power load service has priority.
17 BPA’s firm capacity in this reservation has decreased and will continue to erode into non-firm
18 capacity over time as Idaho Power’s load grows. Idaho Power is currently providing capacity as
19 available, and that availability will diminish. Regardless of whether B2H is constructed, BPA will
20 be responsible for finding a long-term solution to serve its southeast Idaho load other than the
21 current conditional-firm transmission reservation. Thus, BPA will terminate this transmission
22 reservation independent of B2H.

23 Third, STOP’s concern that PacifiCorp might terminate its current transmission reservation
24 on Idaho Power’s system after constructing B2H is completely unfounded. As STOP correctly

¹⁰ Idaho Power’s Final Comments at 34 (emphasis added).

1 notes, PacifiCorp currently has a 510 MW reservation to wheel energy across Idaho Power's
2 system from Southern Idaho to the Pacific Northwest—for which Idaho Power receives
3 approximately \$20.9 million in annual revenues. STOP speculates that once B2H has been
4 completed, PacifiCorp might seek to fill that 510 MW capacity need with capacity it will own on
5 B2H instead. Idaho Power believes this scenario is simply not credible. First, it ignores
6 PacifiCorp's plain need for *incremental* capacity between its two balancing areas (including
7 incremental capacity between planned Wyoming renewable energy and the Pacific Northwest).
8 And second, PacifiCorp's westbound capacity share of B2H is approximately 600 MW, at a
9 capacity cost of hundreds of millions of dollars. It is unrealistic to suppose that PacifiCorp would
10 make such a sizable investment for essentially a 90 MW increase in available transmission
11 capacity merely to avoid \$20.9 million in annual wheeling costs.

12 Finally, even if PacifiCorp were to terminate its 510 MW reservation, this would not
13 necessarily result in a reduction of Idaho Power's transmission revenues. The transmission path
14 currently reserved by PacifiCorp links Wyoming's abundant wind resources to Pacific Northwest
15 load and would be uniquely valuable to other entities as well. Such transmission capacity would
16 amount to a fraction of the cost of new construction projects and would facilitate other utilities'
17 efforts to meet state RPS requirements. STOP entirely overlooks this transmission capacity's
18 broader value proposition to other utilities as well.

III. CONCLUSION

19 Idaho Power again appreciates the opportunity to file comments in this case and to clarify
20 certain misunderstandings inherent in STOP's supplemental comments. As explained above, the
21 actions by NV Energy and PacifiCorp are entirely consistent with Idaho Power's plans for its coal
22 ownership interests, as the co-owners' actions are either independent of Idaho Power or
23 necessary steps in the environmental compliance process. Moreover, Idaho Power appropriately
24 and conservatively modeled transmission revenues in its IRP analysis. The Company's additional

1 sensitivity analysis analyzed the impact of removing all third-party transmission wheeling
2 revenues from the total portfolio cost analysis, demonstrating that the Company's preferred
3 portfolio remains the least-cost option to serve customers. Idaho Power also properly
4 incorporated the anticipated reduction of BPA's 200 MW transmission reservation, and
5 reasonably relying on PacifiCorp's ongoing retention of its 510 MW long-term firm contracts.

6 Idaho Power therefore respectfully requests that the Commission acknowledge the
7 Company's 2017 IRP, and specifically acknowledge (1) Idaho power's intent to shut down its
8 ownership share of Valmy unit 1 by year-end 2019 and unit 2 by year-end 2025, and (2) Idaho
9 Power's acquisition of B2H as a key component of the Company's preferred portfolio.

Respectfully submitted this 26th day of March 2018.

McDOWELL RACKNER GIBSON-PC



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