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Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 201 High Street SE Suite 100, Salem, OR 97301.

LISA D. NORDSTROM  
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April 4, 2019

**VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY**

Attention: Filing Center  
Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, Oregon 97308-1088

Re: Idaho Power Company's Notice of Exception under OAR 860-089-0100

Filing Center:

In accordance with OAR 860-089-0100(3) and (4), Idaho Power Company ("Idaho Power") provides the enclosed report detailing the circumstances related to a time-limited opportunity to acquire a resource of unique value to Idaho Power's customers. This report is being served on all parties to Idaho Power's last general rate case, UE 233, and Idaho Power's last Integrated Resource Plan case, LC 68. Idaho Power does not have a previous request for proposal docket.

The enclosed report contains commercially sensitive information and is provided as confidential under OAR 860-001-0070. Confidential information will be provided upon request to those that execute a non-disclosure agreement; please contact Idaho Power's legal counsel listed below for additional information.

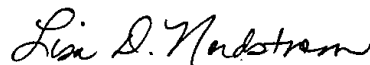
Idaho Power respectfully requests that all communications related to this filing be addressed to:

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Please direct inquiries regarding this filing to Donovan E. Walker at (208) 388-5317.

Sincerely,



Lisa D. Nordstrom, OSB #973528

LDN:csb  
Enclosure  
cc: Service Lists for Dockets UE 233 and LC 68

## CERTIFICATE OF SERVICE

I hereby certify that on April 4, 2019, I served a true and correct copy of Idaho Power Company's NOTICE OF EXCEPTION UNDER OAR 860-089-0100 on the parties listed below via electronic mail.

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## CERTIFICATE OF SERVICE

I hereby certify that on April 4, 2019, I served a true and correct copy of Idaho Power Company's NOTICE OF EXCEPTION UNDER OAR 860-089-0100 on the parties listed below via electronic mail.

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RESOURCE PROCUREMENT FOR ELECTRIC COMPANIES

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**REPORT TO THE  
PUBLIC UTILITY COMMISSION OF OREGON  
PURSUANT TO OAR 860-089-100  
(Redacted)**

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POWER PURCHASE AGREEMENT BETWEEN  
IDAHO POWER COMPANY  
AND  
JACKPOT HOLDINGS, LLC

April 4, 2019



## **I. INTRODUCTION**

Idaho Power Company (“Idaho Power” or “Company”), in accordance with OAR 860-089-100(3) and (4), hereby respectfully submits this report explaining the circumstances related to a time-limited opportunity to acquire a resource of unique value to Idaho Power customers.

Under the rules for Resource Procurement for Electric Companies, an electric utility such as Idaho Power must comply with the competitive bidding requirements for the acquisition of a generation resource or contract 80 megawatts (“MW”) and larger and five years or longer in length, subject to certain exceptions. OAR 860-089-100(1). An exception to this requirement is where “[t]here is a time-limited opportunity to acquire a resource of unique value to the electric company’s customers.” OAR 860-089-100(3)(b). When this exception to the competitive bidding requirements applies, the electric company must file a report with the Public Utility Commission of Oregon (“OPUC” or “Commission”) explaining the relevant circumstances of the acquisition. OAR 860-089-100(4).

## **II. BACKGROUND**

On March 20, 2019, Idaho Power received a final offer from Jackpot Holdings, LLC (“Jackpot Solar”) for a Power Purchase Agreement (“PPA”) for the purchase of up to 220 MW of renewable solar generation from a proposed Idaho solar facility. Idaho Power was approached in late September 2018 by Jackpot Solar where it offered to sell to Idaho Power 120 MW of renewable solar generation with very low pricing, significantly below both market prices and Public Utility Regulatory Policies Act of 1978 (“PURPA”) avoided cost rates. On September 26, 2018, Idaho Power and Jackpot Solar executed a Mutual Nondisclosure, Confidentiality, and Exclusivity Agreement in order to commence the negotiation and evaluation of the offered power purchase. The exclusivity agreement

granted Idaho Power the exclusive right to purchase the generation from this facility through March 25, 2019. During negotiations, Jackpot Solar offered an additional 100 MW of generation from an adjacent development site, Franklin Solar.

Idaho Power analyzed the impact of operating the offered generation as part of its system first by using AURORA to model the Company's system operations and costs both with and without the additional solar generation, and then by including the 120 MW and 100 MW in the Company's current 2019 Integrated Resource Plan ("IRP") resource portfolio analysis. This analysis shows significant cost savings and customer benefits from the acquisition of the solar generation. Additionally, the generation at the contracted price is selected as a low-cost resource capable of being integrated into Idaho Power's system by most of the various resource portfolios analyzed as part of Idaho Power's 2019 IRP.

The pricing in the PPA relies upon the seller's ability to safe harbor the current 30 percent federal investment tax credit benefits prior to the end of December 2019, after which time those benefits step down. In order to secure the necessary financial commitments and initial development activities required to safe harbor the current investment tax credits and contract pricing, it was necessary to have a contract for the purchase of the generation during the first quarter of 2019. The Idaho Public Utilities Commission also requires Idaho Power to comply with the competitive procurement rules applicable in the Company's Oregon service area in the acquisition of new supply-side resources. Case No. IPC-E-10-03, Order No. 32745. There was not sufficient time to conduct a full competitive procurement request for proposals process and, as a time-limited opportunity of unique value that benefits customers, this resource acquisition is exempt from the competitive procurement rules of the OPUC.

### **III. OPPORTUNITY AND BENEFITS**

#### **A. Jackpot Solar Presents a “Time-Limited Opportunity.”**

Idaho Power was first approached by Jackpot Solar in September 2018 regarding the possibility of acquiring the renewable solar generation of the Jackpot Solar facility. Idaho Power and Jackpot Solar immediately began negotiations and analysis in the evaluation of the offered power purchase. The pricing in the PPA relies upon the seller’s ability to safe harbor the current 30 percent federal investment tax credit benefits prior to the end of December 2019, after which time those benefits step down. In order to secure the necessary financial commitments and initial development activities required to safe harbor the current investment tax credits and contract pricing, it was necessary to have a contract for the purchase of the generation during the first quarter of 2019. Jackpot Solar must initiate sufficient development activities to meet the requirements of securing the full benefits of the tax credits between now and the end of this year.

Because of the compressed timeline required to negotiate a power purchase agreement, and then secure the required financing and development activities to safe harbor the tax credits, there was not sufficient time to conduct a full request for proposals (“RFP”) under Oregon’s competitive bidding rules. The RFP process would have taken many months to complete and would have exceeded the timeline required to capture the unique value of this opportunity.

#### **B. Jackpot Solar Presents a “Unique Value to Customers.”**

The Jackpot Solar PPA will provide significant customer benefits over the term of the contract. Idaho Power’s analysis shows that acquiring up to 220 MW of solar as represented in the PPA is estimated to save customers approximately \$90,226,470 at 120 MW and \$150,827,810 at 220 MW in pass-through purchased power expenses. Additionally, when the PPA generation is included in the portfolio analysis for the current

2019 IRP, it is selected as a least-cost, reliable resource that can be integrated into Idaho Power’s system. This analysis included the purchased generation at prices equal to or slightly higher than those that were obtained in the Agreement and, additionally, did not include any economic benefits associated with Idaho Power’s 100 percent ownership of the Green Tags and Environmental Attributes of the generation. Inclusion of these items only increases the benefits passed through to customers. The Agreement has substantial customer benefits and is in the public interest.

The PPA is for a term of 20-years and contains non-levelized, fixed pricing that escalates at 1.5 percent annually during the term. First-year pricing for 120 MW is \$21.75/megawatt-hour (“MWh”) and pricing for 220 is \$23.11/MWh. This Contract Price is significantly below Idaho Power’s PURPA avoided cost prices and forward Mid-Columbia (“Mid-C”) electric market prices, both in initial year pricing as well as the 20-year levelized price as shown in the chart below.

Pricing Methodology	First Contract Year (Dec. 2022 - Nov. 2023) Average Price	20-Year Levelized Price
	\$/MWh	\$/MWh
Jackpot Holdings, LLC - 120 MW	\$21.75	\$24.31
Jackpot Holdings, LLC - 220 MW	\$23.11	\$25.83
Oregon Standard Avoided Cost Price	\$38.49	\$53.74
Idaho Published Avoided Cost Price	\$40.11	\$80.27
Incremental Cost IRP Avoided Cost Methodology	\$28.89	\$58.54
Mid-C Market	<b>[BEGIN CONFIDENTIAL]</b> [REDACTED]	[REDACTED] <b>[END CONFIDENTIAL]</b>

The PPA is for the purchase of 120 MW with an option to purchase an additional 100 MW at the Contract Price. Jackpot Solar initially offered to sell 120 MW of output to Idaho Power, for which Jackpot Solar had previously completed and obtained a Generator Interconnection Agreement (“GIA”) as an Energy Resource (ER). During negotiations, Jackpot Solar offered an additional 100 MW of generation from an adjacent development site, Franklin Solar, defined in the PPA. The price settled upon for the initial 120 MW is \$21.75/MWh, with the additional 100 MW priced three dollars higher at \$24.75/MWh. The Contract Price in the PPA contains the \$21.75/MWh for the 120 MW and for 220 MW shows a weighted and blended price of \$23.11/MWh. This is the result of retaining the \$21.75/MWh for the initial 120 MW and adding the additional 100 MW at \$24.75/MWh for a weighted and blended price of \$23.11/MWh for the entire 220 MW.

Because discussion of the additional 100 MW entered into the PPA negotiations midway through the process, had not yet applied for or been studied for interconnection, and, at the time, had not been through the same economic analysis as the initial 120 MW, it is represented as a purchase option in the PPA. The option for the Additional Output of 100 MW identified as Franklin Solar is contingent upon the GIA process for the additional 100 MW and the outcome of additional analysis and the mutual agreement of the parties. The Scheduled Commercial Operation Date for the additional 100 MW, if that option is exercised, is December 1, 2023, with the Scheduled Commercial Operation Date for the 120 MW remaining at December 1, 2022. Unless otherwise agreed, this option expires on September 1, 2019.

The proposed Jackpot Solar project approached Idaho Power at a unique time where the Company was able to analyze the proposed PPA in two ways. First, Idaho Power used the 2017 IRP to evaluate the economics of the Jackpot Solar PPA. Second, as Idaho Power is currently in the process of preparing its 2019 IRP, the Company was

able to model the proposed PPA within the portfolio development and analysis of the 2019 IRP. The initial portfolio analysis including Jackpot Solar was presented to the IRP Advisory Committee on March 14, 2019.

Idaho Power used its AURORA model to perform the initial analysis of customer benefits. This is also the model used by Idaho Power in the portfolio analysis of the IRP. Idaho Power uses the AURORA electric market model as the primary tool to model optimized portfolios of resources and the operating costs for each portfolio, over a 20-year planning period. The AURORA modeling results provide detailed estimates of resource costs, wholesale market energy pricing, resource operation, and emissions data.

Idaho Power uses the AURORA model for IRP planning, variable power supply expense regulatory filings, coal studies, PURPA pricing, and project valuations. Within the context of IRP planning, the AURORA model has been used to simulate the hourly economic dispatch of Idaho Power-developed portfolios over the 20-year IRP planning period. Additionally, the AURORA model is used to perform stochastic risk analysis within the IRP portfolio analysis.

Based on feedback in the 2017 IRP, for the 2019 IRP analysis, Idaho Power is using the long-term capacity expansion (“LTCE”) modeling capabilities within the AURORA model to produce a Western Electricity Coordinating Council (“WECC”) optimized portfolio under various future conditions. The WECC optimized portfolio includes the addition of supply- and demand-side resources for Idaho Power’s system while simultaneously evaluating current generation units for economic retirement. The selection and retirement of Idaho Power resources includes maintaining sufficient reserves and planning margin as defined in the model. The model calculates a forecasted total Idaho Power portfolio cost (fixed and variable) over the 20-year planning period.



The AURORA model is the appropriate tool to analyze the net costs/benefits of the Jackpot Solar PPA for Idaho Power customers. The 2019 IRP AURORA model version and setup allows the Company to evaluate the economics of resources while maintaining required planning margin and regulating reserve through the LTCE and hourly dispatch modeling processes. The portfolios are further evaluated under varying system conditions, such as natural gas prices and carbon costs. The resulting cost and reserves information from the AURORA modeling serves to inform the selection of a portfolio of resources that adheres to the least-cost, least-risk planning principles applied in Idaho Power's IRP.

The economic analysis of the Jackpot Solar PPA relied on an assessment of system dispatch costs based on AURORA simulations over the time frame of 2017-2036. The baseline portfolio setup was the preferred portfolio and model version used in modeling costs for the acknowledged 2017 IRP. The Company compared the 20-year cost streams from AURORA simulations that included the Jackpot Solar PPA at different costs and a base run excluding Jackpot Solar. Jackpot Solar's 120 MW of solar was run with a starting year of 2022 and a price starting at \$21.75/MWh escalated at 1.5 percent annually. Idaho Power also modeled Jackpot Solar at 220 MW with a starting price at \$23.11/MWh, escalating at 1.5 percent annually. The difference between the AURORA model simulations of Idaho Power's 2017 IRP preferred portfolio under planning case natural gas determined the cost or benefit to total power supply costs.

The base AURORA simulation of the preferred portfolio from the 2017 IRP, without inclusion of generation from Jackpot Solar, resulted in total operating costs of \$9,629,928,260. The same AURORA simulation with the addition of the Jackpot Solar PPA generation resulted in total operating costs that were \$9,539,401,790 for 120 MW and \$9,478,800,440 for 220 MW as described above. These results show customer

benefits of including the generation from the Jackpot Solar PPA of \$90,226,470 at 120 MW and \$150,827,810 at 220 MW compared to the baseline AURORA simulation over the 20-year planning period. In general, the addition of the Jackpot Solar PPA reduced total operating costs by offsetting generation from higher priced resources and allowing for more surplus sales. Inclusion of the generation from the Jackpot Solar PPA shows substantial customer benefits.

To evaluate the Jackpot Solar PPA as part of the 2019 IRP portfolio analysis, Idaho Power included the financial and operating characteristics of the Jackpot Solar PPA in the AURORA New Resource Table as resources available for selection as part of a portfolio that would economically and reliably serve Idaho Power's forecasted load over the 20-year planning period. The AURORA New Resource Table included 120 MW of solar priced at \$21.75/MWh available in 2022 and 100 MW of solar priced at \$26.08/MWh available in 2023. Each project could be selected independently, but the combined capacity represents the total 220 MW in the Jackpot Solar PPA. Analysis was done under three natural gas price forecasts and four carbon price forecasts, resulting in 12 portfolio combinations with various gas and carbon futures. The Company also included portfolio analysis with the same 12 portfolios but with the increased import capability of the Boardman-to-Hemingway (B2H) transmission line starting in 2026, resulting in a total of 24 portfolios.

Idaho Power ran a total of 24 LTCE portfolios in AURORA. Each optimized portfolio was comprised of the most cost-effective set of resources to serve Idaho Power's load over the 20-year planning period while maintaining appropriate planning reserve margins.

Results from the LTCE modeling are preliminary and include:

- The AURORA LTCE process selected new solar resources in the 2022 and 2023 time frame in 18 of the 24 portfolios.

- Both the 120 MW and 100 MW solar resources, representing the Jackpot Solar PPA, were selected in 14 of the 24 portfolios.

In many of the optimized portfolios, the model selected additional solar and wind resources above the Jackpot Solar PPA capacity, all at a higher cost than the Jackpot Solar PPA.

The economic analysis performed by the Company under the 2017 IRP methodology and the LTCE modeling in AURORA demonstrates that the Jackpot Solar PPA will be a cost-effective resource providing benefits for customers.

#### **IV. CONCLUSION**

Idaho Power was presented with a unique time-limited opportunity to acquire a resource that provides significant value to customers by acquiring renewable solar generation at a price that is among the lowest reported PPA prices in the nation. This PPA represents a significant benefit to Idaho Power customers, and provides for the addition of a large, local, 100 percent renewable generation project to Idaho Power's generation portfolio at the same time as the Company's reliance upon existing coal generation facilities is reducing. The PPA is in the public interest, the best interests of Idaho Power customers, and represents a time-limited opportunity of unique value for customers.