

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 50

In the Matter of

IDAHO POWER COMPANY

2009 Integrated Resource Plan.

ORDER

DISPOSITION: PLAN ACKNOWLEDGED WITH REQUIREMENTS

I. INTRODUCTION

Idaho Power Company (Idaho Power or Company) seeks acknowledgement of its 2009 Integrated Resource Plan (IRP). This filing is in accordance with Public Utility Commission of Oregon (Commission) Order No. 07-002, as corrected by Order No. 07-047,¹ which requires all regulated energy utilities operating in Oregon to engage in integrated resource planning.

We acknowledge Idaho Power's 2009 IRP and its preferred portfolio as presenting the best combination of expected costs and associated risks and uncertainties for the Company and its customers, and as satisfying the procedural and substantive requirements of this Commission. At the same time, we recognize that the assumptions for several key factors remain uncertain. For this reason, we require that Idaho Power perform further analyses in its 2011 IRP consistent with our discussion below.²

A. Requirements for Integrated Resource Planning

The Commission requires regulated energy utilities to prepare integrated resource plans within two years of acknowledgment of the last plan. Utilities must involve the Commission and the public in their planning process prior to resource decision-making.

Substantively, the Commission requires that energy utilities: (1) evaluate resources on a consistent and comparable basis; (2) consider risk and uncertainty; (3) make the primary goal of the process to select a portfolio of resources with the best combination of

¹ The Commission originally adopted least-cost planning in Docket No. UM 180, *See* Order No. 89-507 (Apr 20, 1989). The Commission updated the least-cost planning process in 2007 in Docket No. UM 1056. *See* Order No. 07-002 (Jan 8, 2007).

² The original due date for the filing of the Company's 2009 IRP was June 2009. That date was extended by Commission order to December 2009. The Company will file its 2011 IRP in June 2011.

expected costs and associated risks and uncertainties for the utility and its customers; and (4) create a plan that is consistent with the long-run public interest as expressed in state and federal energy policies.³

B. Effect of Acknowledgement of an IRP on Future Ratemaking Actions

The Commission's role in reviewing an IRP is to determine whether the IRP meets the substantive and procedural guidelines in Order Nos. 89-507 and 07-002. The Commission generally does not address the need for specific resources, but rather determines whether the utility has proposed a portfolio of resources to meet its energy demand that presents the best combination of cost and risk.⁴ Commission acknowledgement of an IRP means only that the Commission finds that the utility's preferred portfolio is reasonable at the time of acknowledgement.⁵

In Order No. 89-507, the Commission described its role in reviewing and acknowledging a utility's least-cost plan:

The establishment of Least-Cost Planning in Oregon is not intended to alter the basic roles of the Commission and the utility in the regulatory process. The Commission does not intend to usurp the role of utility decision-maker. Utility management will retain full responsibility for making decisions and for accepting the consequences of the decisions. Thus, the utilities will retain their autonomy while having the benefit of the information and opinion contributed by the public and the Commission.

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Acknowledgment of a plan means only that the plan seems reasonable to the Commission at the time the acknowledgment is given. As is noted elsewhere in this order, favorable rate-making treatment is not guaranteed by acknowledgment of a plan.⁶

This order does not constitute a determination on the ratemaking treatment of any resource acquisitions or other expenditures undertaken in accordance with Idaho Power's 2009 IRP. As a legal matter, the Commission must reserve judgment on all ratemaking issues. Notwithstanding these legal requirements, we consider the integrated resource planning process to complement the ratemaking process. In ratemaking proceedings in which the reasonableness of resource acquisitions is considered, the Commission will give considerable weight to utility actions that are consistent with acknowledged integrated

³ See Order No. 07-002.

⁴ See *id.* at 25.

⁵ See *id.* at 16.

⁶ See Order No. 89-507 at 6, 11. The Commission affirmed these principles in Docket UM 1056. See Order No. 07-002 at 24.

resource plans. A utility is also expected to explain actions they take that are inconsistent with Commission-acknowledged plans.

C. Idaho Power's 2009 IRP

The Commission's IRP Guidelines state that a utility must file its IRP two years from the date of acknowledgement of the previous plan. Idaho Power received acknowledgement of its 2006 IRP on September 12, 2007.⁷ Due to substantial changes in economic conditions and permitting delays for the Boardman to Hemingway 500 kV transmission project (B2H Project or Boardman to Hemingway), the Company requested a delay in its September 12, 2009 filing deadline. On May 26, 2009, the Commission approved Idaho Power's motion to delay its filing of the 2009 IRP until December 2009.⁸ On December 30, 2009, Idaho Power filed its 2009 IRP.

This is Idaho Power's first plan under the Commission's newly adopted Guidelines.⁹ In developing its 2009 plan, Idaho Power worked with an IRP advisory group comprised of major stakeholders representing the environmental community, major industrial customers, irrigation customers, state legislators, Commission representatives, and others.

Idaho Power's 2009 IRP analyses the potential cost of carbon emissions in two ways: cap-and-trade and carbon tax adders. While Idaho Power modeled both a cap-and-trade system and carbon tax adders in future scenarios, the Company primarily focuses on cap-and trade as the most likely regulatory outcome. The Company's analysis uses the Waxman-Markey Bill¹⁰ as the basis for its assumptions on emission targets and allowances.

Idaho Power uses the AURORAxmp (AURORA) market model as the primary tool for determining future resource operations and to estimate the portfolio cost for the twenty-year IRP. Using the AURORA model, the Company performed a quantitative risk analysis of the following variables: third-party transmission subscription; renewable energy credit prices; natural gas prices; carbon emission costs; load growth; and conservation. Additionally, Idaho Power performed a qualitative risk analysis that looked at carbon regulation, technology, market risk, and resource siting.

For the first time, Idaho Power bifurcated the required twenty-year planning period into two ten-year planning periods—2010 through 2019 and 2020 through 2029. The Company believes that this approach prevents near-term decision making from being unduly influenced by resource decisions in the second ten-year planning period.

In the first ten-year planning period (2010 through 2019), Idaho Power examines four resource portfolios, classified as Solar, Gas Peaker, Gas Peaker and B2H,

⁷ See Order No. 07-394 (Docket No. LC 41).

⁸ See Order No. 09-183 (Docket No. UM 1428).

⁹ See Order No. 07-002.

¹⁰ The Waxman-Markey Bill, named after its authors, Representatives Henry A. Waxman of California and Edward J. Markey of Massachusetts, was introduced as an energy bill in the 111th United States Congress. The bill was approved by the House of Representatives on June 26, 2009.

and B2H. The labeling of these portfolios defines the type of supply-side resource that would be used to meet Idaho Power's forecasted energy and capacity deficits. Originally evaluated in the Company's 2006 IRP, and common to all resource portfolios as "committed" resources, are (1) the Langley Gulch combined-cycle combustion turbine (CCCT), (2) up to 150 megawatts (MW) of wind generation, and (3) two 20 MW increments of geothermal energy coming on-line in 2012 and 2016.

In the second ten-year planning period (2020 through 2029), Idaho Power examines five resource portfolios. Idaho Power uses its preferred portfolio for the first ten-year planning period as the basis for designing the second period portfolios. The load forecast for the second planning period is relatively flat. The primary driver for new resources in the second period is carbon emission reductions due to coal curtailment, as identified in the Waxman-Markey Bill.

New energy efficiency programs included in the 2009 IRP are forecast to reduce annual load by 127 average MW (MWa) by the year 2029. This reduction represents a 53 percent increase over the measures included in the Company's 2006 IRP. New and expanded demand response programs are expected to reduce peak summer load by 323 MW by the year 2012, once the programs mature. This reduction represents significant growth over the 2006 IRP when demand response programs were estimated to provide only 78 MW of peak reduction by 2026. All estimated reductions in load due to energy efficiency and demand response programs are included in Idaho Power's 2009 load forecast.

Using an August 2009 load forecast, Idaho Power projects peak-hour load will grow at an average annual rate of 53 MW or 1.5 percent. Average system load is forecasted to grow by 13 MWa or 0.64 percent on an average annual basis over the twenty-year planning period. Idaho Power projects that its system will become short on capacity in 2013 and, on an energy basis, the system begins to experience a short position by 2014.¹¹

Based on its analysis, Idaho Power selected "Portfolio 1-4 Boardman to Hemingway" as its preferred portfolio for the 2010-2019 planning period and "Portfolio 2-4 Wind and Peakers" as its preferred portfolio for the 2020-2029 planning period. The selection of these portfolios as the Preferred Portfolio for the twenty-year study is based on the Company's conclusion that the portfolios present the best combination of expected cost and associated risks.

The Company requests acknowledgement of an Action Plan to implement its Preferred Portfolio. The Action Plan includes the following items:

2010 Irrigation Peak Rewards program increases to 220 MW
FlexPeak Management program increases to 40 MW

¹¹ Idaho Power uses a 70th percentile water conditions and 70th percentile average load conditions for energy planning purposes. For peak-hour capacity planning, Idaho Power uses 90th percentile water conditions and 95th percentile peak-hour load.

- 2011 Irrigation Peak Rewards program increases to 250 MW
FlexPeak Management program increases to 45 MW
- 2012 Wind project on-line 150 MW
Langley Gulch CCCT on-line 300 MW
Geothermal Project on-line 20 MW
- 2013 Boardman to Hemingway construction begins
Shoshone Falls Upgrade Project construction begins
- 2015 Shoshone Falls Upgrade Project on-line 49 MW
Boardman to Hemingway completed for market purchases of 250 MW
- 2016 Geothermal Project on-line 20 MW
- 2017 Boardman to Hemingway capacity for market purchases of 175 MW

Finally, Idaho Power believes that the flexibility to adjust to changes during the present period of uncertainty regarding carbon regulation is very important.

II. DISCUSSION

A. Load Forecast

1. *Parties' Positions*

During a public comment hearing in Ontario, Oregon, on April 20, 2010, many commentators argued that the load forecast in Idaho Power's 2009 IRP is too high. Some of the reasons cited for this conclusion are: (1) the Company should not have included new large load customers; (2) the Company did not consider more recent load information in its forecast; and (3) based on historical housing start data, a more protracted economic recovery will occur than assumed by Idaho Power. Commentators believe that the Company over-projected its short-term load growth, making the Boardman to Hemingway transmission line appear necessary when, in fact, it is not needed in the time period specified by the Company.

In its reply comments, Idaho Power refutes all of the commentators' claims regarding its load forecast. The Company states that its forecast contains the most recent information available at the time the filing was prepared and, compared to the Northwest Power and Conservation Council (NPCC) forecast, Idaho Power's forecast is conservatively low. According to Commission Staff's comments, the NPCC's Sixth Power Plan average load forecast grows at an annual average rate of 1.96 percent, while Idaho Power's forecast grows at 1.4 percent over the twenty-year planning period. For peak-hour load, the NPCC forecast grows at an annual average rate of 2.13 percent, while Idaho Power forecasts its peak-hour load to grow at 2.02 percent.

Regarding the inclusion of large load customers in its forecast, Idaho Power states that large loads are developed through direct input from each of the Company's large load customers. These forecasted customer loads reflect the recession and other operational impacts on future energy use.

In its final comments, Staff agrees with the Company. After reviewing Idaho Power's analyses, Staff believes that the Company has conservatively forecasted its average-energy and peak-hour load, taking into consideration the recent economic downturn. But Staff notes that for the 2019 through 2029 planning period, Idaho Power forecasts average energy to grow at a rate of only 0.1 percent per annum, and peak-hour load growth of only 0.9 percent per annum. Staff is concerned that these growth rates may be too low, especially when the rate of growth in demand-side management (DSM) is projected to slow over this time period.

The inclusion of a customer response to potential price increases due to proposed carbon legislation is a contributing factor to relatively flat growth rates in the second ten-year planning period. Staff finds the customer response to projected price increases associated with carbon regulation to be an interesting change in the Company's forecasting methodology. Staff recommends that the Company provide further description of this analysis in future IRP planning cycles, including the regression coefficients and estimated price responsiveness of each customer class. In its final comments, Idaho Power supports Staff's recommendation.

In its final comments, the Oregon Department of Energy (ODOE) supports Idaho Power's load forecast estimates in its 2009 IRP. ODOE also supports the Staff comments associated with Idaho Power's load forecast and reiterates Staff's concerns about the load growth forecast beyond 2019.

2. *Resolution*

We agree with Staff's conclusion that Idaho Power's first ten-year load forecast is reasonable. We agree with Staff and ODOE that the projected load growth for the second ten-year period seems low. We adopt Staff's recommendation and require Idaho Power to justify its load forecast for the second ten-year period in future IRPs.

We also adopt Staff's recommendation that Idaho Power provide estimates of the price sensitivity for each of its customer classes and document the analyses underpinning those estimates in its next IRP planning cycle.

B. Preferred Portfolio for the First Ten-Year Planning Period and the Boardman to Hemingway Transmission Project

1. *Parties' Positions*

Idaho Power selected Portfolio 1-4 (Boardman to Hemingway) as its preferred portfolio for the 2010-2019 planning period. In comments on the IRP, Staff and intervening

parties primarily focus on the selection of Portfolio 1-4 as the preferred portfolio versus the other portfolios and, more specifically, the inclusion of the Boardman to Hemingway transmission project. In its analysis, Staff examined the portfolio assumptions associated with the B2H Project, such as capital cost assumptions and third-party subscriptions. Staff evaluated the Company's approach to these variables and their robustness under changing circumstances (for example, higher construction costs or lower third-party subscription rates).

Staff notes that very few interstate transmission projects have been constructed in the region over the last 30 years. It is only recently that utilities in the west have proposed and started to build these large transmission projects, such as Gateway West, the Southwest Intertie, and others. Due to the more recent interest by utilities and consortiums in building these projects, Staff was unable to obtain a reliable set of benchmark data to compare to Idaho Power's cost assumptions and subscription rates. In addition, Staff notes that the cost components of an interstate transmission project can vary widely depending on the type of terrain and right-of-way costs. Thus, rather than attempting to compare these components side-by-side to another project, Staff examined how much these assumptions would have to change in order to make the Portfolio 1-4 no longer the best combination of cost and risk. Idaho Power refers to this analysis as the "tipping point."

Staff discusses at length the Company's analysis of a break-even point, or tipping point, with Portfolio 1-2 (Gas Peaker)—the next best alternative to Portfolio 1-4—to understand the sensitivity of the change in cost within the first ten-year planning period. This analysis demonstrates that Portfolio 1-4 is so robust that capital cost could vary by up to 40 percent and subscription rates could change by 15 percent before the portfolio hits the break-even point with the next best alternative.

In support of its subscription rate assumptions, Idaho Power states that there is significant demand for transmission capacity on its Idaho-Northwest transmission path. Idaho Power states that it is aware of over 4,000 MW of transmission requests on the existing transmission path, with only 133 MW of those requests being granted through 2007 due to limited transmission capacity. The Company claims that it is currently reviewing active transmission requests for the B2H Project. The Company states in its reply comments that it has entered into an agreement with PacifiCorp to negotiate the joint ownership and development of the B2H Project.

Even with a change in cost, Staff states that the Company's analysis also includes additional quantitative and qualitative risk measures that must be taken into consideration. According to Staff, Portfolio 1-4 scored higher than all the alternative portfolios in the Company's risk analyses. The different types of risk modeled in Idaho Power's 2009 IRP are renewable energy credit prices, natural gas prices, carbon emission costs, load growth, and lower conservation. Additionally, Idaho Power performed a qualitative risk analysis that looked at carbon regulation, technology, market risk, and resource siting. Therefore, the Boardman to Hemingway capital costs and subscription estimates would have to vary by more than 40 percent and 15 percent respectively to change

the selection of the Portfolio 1-4 as the preferred portfolio for the 2010 through 2019 planning period.

In conclusion, Staff recommends that the Company continue to evaluate the B2H Project in its 2011 IRP. This on-going analysis of the B2H Project should include updated estimates of construction costs, documentation of progress the Company has made towards securing equity partners, and quantitative estimates of third-party subscription on the Boardman to Hemingway transmission line and future wheeling revenues. Staff additionally recommends that the Commission require that Idaho Power provide third-party documentation in support of the Company's construction cost estimates.

Staff's recommendation for further analysis of third-party subscription and the associated wheeling revenues is based on a concern that the active transmission requests referred to by Idaho Power in its 2009 IRP may not materialize, leaving Idaho Power customers liable for paying for an unused transmission line. Given these concerns, Staff initially recommended that the Commission's acknowledgement of the Boardman to Hemingway action item be conditioned on Idaho Power providing further analysis of these issues in its annual IRP update and next IRP.

In their final comments, ODOE and Idaho Power support Staff's recommendation for further information and analyses on the B2H Project in future IRP planning cycles. Idaho Power also agreed with Staff that if there are significant deviations from the IRP assumptions on issues such as construction costs, equity ownership, and subscription rates, then the Company must explain these deviations in its 2011 IRP. But given that Staff found the Company's estimates to be reasonable at this time, Idaho Power argues that conditional acknowledgment is not necessary. The Company agreed to provide additional analyses of the B2H Project, as prescribed in the eight conditions of Staff's proposed final order.

At the Commission public meeting on September 7, 2010, Staff revised its original recommendation for conditional acknowledgment and agreed with Idaho Power that, with the Company's commitment to continue to analyze and assess the B2H Project as an uncommitted resource, acknowledgment with requirements is a reasonable recommendation that meets the goals of Staff's proposed final order.

Finally, Staff discussed the future ratemaking treatment of the B2H Project. Staff reaffirmed that the Company will be required to compare its actual results with its IRP estimates. If the comparison shows significant deviations from its IRP assumptions, then the Company must provide an adequate explanation for why this project was the right resource as compared to an alternative.

In its opening comments, Renewable Northwest Project (RNP) urges the Commission to acknowledge Portfolio 1-3 (Gas Peaker and B2H) as the preferred portfolio for the first ten-year planning period. RNP states that it believes that the Company's commitment to 150 MW of wind energy and 40 MW of geothermal, coupled with the Boardman to Hemingway transmission line, will foster the growth of new renewable energy

resources in the Northwest. Staff agrees with the latter half of RNP's statement, but points out that Idaho Power's preferred portfolio, Portfolio 1-4, also includes the Company's commitment to 150 MW of wind energy and 40 MW of geothermal. Therefore, Staff believes that Portfolio 1-4 meets RNP's goals.

In reply comments, RNP supported Staff's conclusions associated with Portfolio 1-3, and agreed with Staff that the Company's Portfolio 1-4 will also foster the growth of new renewable resources in the Northwest.

Commentators at the April 20, 2010 public comment hearing focused on the need for the B2H Project. Specifically, commentators believe that building a natural gas plant and additional purchased power are preferable to the Boardman to Hemingway transmission line, and that the line should not be built to accommodate third-party wheeling requests.

Idaho Power refutes each of these claims. First, Idaho Power notes the robustness of Portfolio 1-4 as compared to the other portfolios. Second, Idaho Power refutes the possibility of additional purchased power due to its limited transmission capacity during peaking time on existing transmission paths. Third, Idaho Power states that all wheeling requests on the proposed B2H Project will offset costs associated with building the project, which in turn will reduce its customers' rates. In addition, Idaho Power states that it is bound by federal law to provide wheeling services on a non-discriminatory basis, which requires the Company to construct a transmission system that will ensure reliable and economic service to transmission customers.

2. *Resolution*

As Staff notes, the dearth of recent transmission development and the case-specific nature of any transmission project make it difficult to vet key assumptions that will determine the cost to Idaho Power's retail customers of the B2H Project. But our concern about this uncertainty is tempered by risk analyses showing that the "B2H portfolio" (Portfolio 1-4) is the best portfolio for customers over a range of capital costs and third-party subscription levels. Accordingly, we consider it reasonable to proceed with the B2H Project based on the information available now and acknowledge it as part of the Company's 2009 IRP.

We also adopt Staff's recommendation that Idaho Power be required to update its B2H Project assumptions (for example, construction cost estimates, equity partnership estimates, third-party subscription estimates, and wheeling revenues) in its 2011 IRP. We always expect utilities to update their assessments of previously acknowledged projects that are still in the planning or development stages at the time of an IRP acknowledgement. We make this updating requirement explicit for the B2H Project because of current uncertainty about underlying assumptions. We expect the Company to provide a thorough update of its B2H Project assumptions and its risk analysis in the 2011 IRP, with the understanding that the Commission's acknowledgment of the 2011 IRP will depend on the outcome of that updated analysis.

Finally, we reiterate that at the time of ratemaking any utility is required to show that its investment was a prudent decision. Given the inherent risk associated with a transmission facility and the possibility of escalating costs and delays in permitting, the Company will need to address any significant changes in construction cost, equity partnership, or expected third-party subscription and how these factors influenced the Company's decision to continue with the project.

C. Preferred Portfolio for the Second Ten-Year Planning Period and the Consolidated Preferred Portfolio

1. Parties' Positions

Idaho Power chose Portfolio 2-4 (Wind and Peakers) for the second ten-year planning period. Portfolio 2-4 consists of five single cycle combustion turbine (SCCT) gas resources with a combined capacity of 1,400 MW, two wind facilities with a combined capacity of 200 MW, and 100 MW of market purchases on PacifiCorp's proposed Gateway West transmission project. Idaho Power states that these resources represent a strategy of adding wind resources sufficient to provide energy and renewable energy credits (REC) along with simple-cycle natural gas plants to provide peaking capacity and operating reserves necessary to integrate wind generation.

In its final comments, Staff noted that the load forecast for the second ten-year planning period is relatively flat. The Company stated that the primary driver for new resources in the second period is the carbon emission reductions, due to coal curtailment, identified in the Waxman-Markey Bill. In its comments, RNP lauded Idaho Power for developing a resource portfolio that allows for considerable curtailment of the Company's coal-fired generation. RNP believes that Idaho Power's IRP strategy appropriately accounts for the costs, risks, and environmental concerns associated with future limits on greenhouse gas emissions.

Staff agrees with RNP and believes that Idaho Power complied with Guideline 8 of the Commission's IRP guidelines by modeling the carbon emission future that it believed was most likely to occur. But Staff cites the need for additional analysis, including the end-effects and costs of the retirement of a coal facility. Staff recommends that the Commission require that Idaho Power examine coal curtailment and the costs associated with coal plant retirement.

In its opening comments, RNP expressed concern that the portfolios rely too heavily on natural gas-fired resources. Staff agrees that Portfolio 2-4 relies too heavily on gas in the second ten-year planning period. Staff's primary concern, however, was not the concentration of gas in the second planning period, but the type of gas resource modeled. Because the primary reason for additional resources in the second ten-year planning period was due to modeled coal curtailment, Staff believes it is unreasonable for the Company to choose multiple SCCTs versus one or two CCCTs.

Staff and RNP believe that the Company needs to consider expanding the number of portfolios it considers in the second ten-year planning period. Staff notes that an IRP is designed to take into consideration a broad array of portfolio options. For the second ten-year planning period and the consolidated Preferred Portfolio, Staff discussed the design of Idaho Power's five alternative portfolios. Staff notes that the Company designed the five portfolios for the second ten-year planning period based on the selection of Portfolio 1-4 for the first ten-year planning period, which limits the resource options considered by Idaho Power.

Staff believes that building portfolios is a learning process examining multiple futures, and this learning process should not be overlooked. Staff believes that more than five portfolios should be developed for the second ten-year planning period. Staff therefore recommends that the Commission require Idaho Power to develop significantly more portfolios for the second ten-year planning period for its next IRP. In addition, Staff recommends that Idaho Power be required to provide a review of the benefits of a CCCT versus a SCCT, looking at variables such as cost effectiveness, operation and maintenance costs, and overall system benefit. In its final comments, Idaho Power supported Staff's recommendation.

In its final comments, ODOE also recognized the need for Idaho Power to develop more portfolios and suggested that the Company should consider uncertainty in its future analyses.

As part of the carbon cost evaluation, Staff recommends that Idaho Power be required to look at the likelihood of Environmental Protection Agency (EPA) regulations on air quality, fly ash, and water for all of its generation facilities. Staff believes the Company needs to include the operational impacts of these possible regulations for future consideration. In its final comments, Idaho Power supported Staff's recommendation.

2. *Resolution*

We support Idaho Power's selection of Portfolio 2-4 for the second ten-year planning period and the overall selection of the Preferred Portfolio. While we recognize the speculative nature of the second half of the planning period, we agree with Staff's conclusion that much can be learned from analyzing more portfolios and resource options. We therefore adopt Staff's recommendation and direct the Company to consider more portfolios, including those needed to evaluate the benefits of a CCCT versus a SCCT, in its next IRP cycle. We also direct the Company to include an analysis of potential EPA or other federal and state environmental policies that may affect Idaho Power's generation portfolio.

D. Demand-Side Management and Energy Efficiency Programs.*1. Parties' Positions*

Several commentators at the April 20, 2010 public comment hearing argued that Idaho Power has been deficient in seeking energy savings. Commentators suggested that Idaho Power's energy efficiency efforts lag behind the regional goals established by the NPCC's Sixth Power Plan. They further asserted that the Company could supplant the need for the Boardman to Hemingway transmission line with increased DSM efforts.

Idaho Power responded to these remarks in its reply comments by explaining how they treat DSM in the planning process and by comparing the Company's efforts to the goals set by the NPCC. Idaho Power explains that prior to evaluating the need for traditional resources, the Company includes all cost-effective energy efficiency from existing and new programs in its load and resource balance. In other words, the Idaho Power gives first priority to obtaining cost-effective conservation. The Company then compares its efforts to the goals set by the NPCC. According to Idaho Power, in 2009 it exceeded the goals in NPCC's Fifth Power Plan by approximately 30 percent. Idaho Power also states that it is working aggressively to meet the goals set in the Sixth Power Plan.

In its final comments, Staff echoed the sentiments of Idaho Power and believes that the Company has explored and included all cost-effective DSM and energy efficiency programs in its 2009 IRP. In addition, Staff states that the Company has made great strides with its energy efficiency and DSM measures as compared to the Company's 2006 IRP.

2. Resolution

Idaho Power's existing and new energy efficiency programs are forecasted to reduce average annual system loads by 189 MWa by the year 2019 and 383 MWa by 2029. We agree with Staff that Idaho Power is running a reasonable set of programs to capture all cost-effective conservation. We also support the Company in its efforts to refine and improve upon its programs.

We find that Idaho Power cannot rely on additional cost-effective conservation in lieu of a supply-side resource to meet its summer capacity needs and maintain a reliable system. On a monthly basis, after counting energy efficiency savings, the Company forecasts a resource deficit of 155 MWa during July 2019. On a peak hour basis, after counting savings from existing and new energy efficiency programs and new demand response programs, the Company forecasts summertime capacity deficits as large as 471 MW during 2019. We concur with Staff and Idaho Power that a supply-side resource is required to meet these forecasted capacity deficits.

E. Policy Issues

1. Parties' Positions

In its opening comments, RNP did not agree with Idaho Power's recommendation to sell its RECs from its renewable energy projects until the Company is required to use the RECs to comply with a federal Renewable Energy Standard (RES). RNP believes Idaho Power should be retaining RECs in preparation for compliance with a future federal RES.

In its final comments, Staff notes that the Idaho Public Utilities Commission accepted Idaho Power's REC management plan filing on June 11, 2010.¹² This REC management plan is consistent with Idaho Power's IRP. In its reply comments, Idaho Power explained that its REC management strategy will benefit customers of Idaho Power in two ways. First, customers' rates will be reduced due to REC sales revenue. Second, the Company plans to continue to acquire and hold long-term contract rights to own RECs to meet future federal RES.

In addition, RNP supported the development of a solar pilot project in Idaho Power's service territory. RNP stated that it would like to participate in a stakeholder workshop with Idaho Power to explore options for a solar pilot project. In response to Staff final comments, RNP generally supported Staff's conclusions.

2. Resolution

We agree with Idaho Power's conclusion that its REC management strategy is in the best interest of customers, will reduce rates, and will provide the ability to meet future RES standards.

More recently, Idaho Power has participated in the pilot project for a solar feed-in tariff in Oregon. We believe Idaho Power's participation and introduction of the solar feed-in tariff fulfills RNP's request to develop a solar pilot project in Idaho Power's service territory.¹³

F. General Issues

1. Parties' Positions

In final comments, Staff noted several deficiencies in Idaho Power's narrative description of its 2009 IRP. Staff believes that Idaho Power should provide a more thorough explanation of the Company's selection of the Preferred Portfolio. Staff believes that Idaho Power failed to provide an adequate narrative of how the Preferred Portfolio performed in the risk analysis individually and comparatively to the other portfolios. Staff therefore recommended that the Commission require Idaho Power to devote specific chapters in its next IRP explaining the selection of its Preferred Portfolio in greater detail and as compared

¹² See Idaho Public Utilities Commission Case No. IPC-E-08-24, Order No. 32002.

¹³ See Docket No. UM 1452.

to an alternative portfolio. Staff believes this narrative should include an explanation of the relative performance of each portfolio within each of the modeled risk measures, including charts and matrices showing the relative ranking of each portfolio using cost and risk metrics. Finally, Staff recommended that Idaho Power should be required to provide an explanation of how each portfolio performed with regard to the qualitative measures the Company considered in its selection process.

Staff also pointed out that Idaho Power's risk analysis consisted of modeling risk variables, such as load growth, in only one direction—high. In its Technical Appendix the Company did not model low load growth scenarios, low subscription rates, or low natural gas prices. Staff recommends the Company model the full range of possible futures for its risk variables, including both the high and low side, in the next IRP. In response to Staff's final comments, Idaho Power agrees with Staff's recommendations.

2. *Resolution*

We support Staff's recommendation regarding Idaho Power's next IRP cycle. As stated in Order No. 07-002, the Commission guidelines incorporate what we minimally expect from an IRP.¹⁴ We always urge the utility to provide more, rather than less, information, especially given the increasing complexity of the planning process.

III. CONCLUSION

Idaho Power Company's 2009 Integrated Resource Plan, as highlighted in this order, reasonably adheres to the principles of resource planning established in Order No. 07-002 and is acknowledged with the following requirements:

1. Idaho Power Company will file its next integrated resource plan no later than June 30, 2011.
2. In its 2011 Integrated Resource Plan, Idaho Power Company will treat the Boardman to Hemingway transmission project as an uncommitted resource and will update its project analysis, including progress the Company has made towards securing equity partners, updated estimates of construction costs, and quantitative estimates of third-party subscription on the Boardman to Hemingway transmission line and future wheeling revenues. In addition, Idaho Power Company will provide third-party documentation in support of its construction cost estimates.
3. In its next planning cycle, Idaho Power Company will analyze coal curtailment and the costs associated with coal plant retirement.

¹⁴ See Order 07-002 at 12.

4. In its next planning cycle, Idaho Power Company will develop significantly more portfolios for the second ten-year planning period, including portfolios designed to evaluate the benefits of a combined cycle combustion turbine gas resource versus multiple single cycle combustion turbine gas resources.
5. In its next planning cycle, Idaho Power Company, will analyze any potential Environmental Protection Agency, state, and other federal agency regulations associated with air quality, fly ash, and water that may affect the Company's generation facilities. These results will be included in the Company's 2011 Integrated Resource Plan.
6. In its 2011 Integrated Resource Plan, Idaho Power Company will provide a more robust justification for its load forecast for the second ten-year planning period. In addition, Idaho Power will provide additional analysis and a description of its estimated price response related to future carbon regulation for each customer class in its next IRP planning cycle.
7. In its 2011 Integrated Resource Plan, Idaho Power Company will devote specific chapters in the Plan to explaining the selection of the Preferred Portfolio in greater detail and as compared to an alternative portfolio. This narrative will include an explanation of the relative performance of each portfolio within each of the modeled risk measures, including charts and matrices showing the relative ranking of each portfolio using cost and risk metrics. Idaho Power Company will provide an explanation of how each portfolio performed using the qualitative measures the Company considered in its selection process.
8. In the 2011 Integrated Resource Plan, Idaho Power Company will model the full range of possible futures for its updated risk variables. Idaho Power Company will model both a high and low future for each variable.

At the Commission's September 7, 2010 public meeting, Idaho Power Company agreed to perform all of the above analyses in its 2011 Integrated Resource Plan and understood that the Commission's acknowledgement of Idaho Power's 2011 Integrated Resource Plan will be based upon the results of the updated analyses.¹⁵

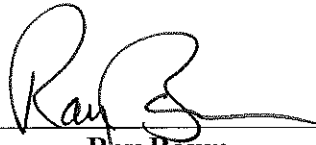
¹⁵ For further details regarding Idaho Power's adherence to the Commission's Guidelines in Order No. 07-002, see Staff Final Comments, Appendix A: Adherence of the Plan to Integrated Resource Planning Guidelines (July 9, 2010).

IV. ORDER


IT IS ORDERED that:

1. The 2009 Integrated Resource Plan filed by Idaho Power Company on December 30, 2009, is acknowledged with the requirements set forth in this order.
2. Idaho Power Company will file its next Integrated Resource Plan no later than June 30, 2011.

Made, entered, and effective OCT 11 2010.



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
Commissioner

