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January 4, 2024

VIA E-MAIL TO

Public Utility Commission of Oregon Filing Center 201 High Street SE, Suite 100 Salem, Oregon 97301-3398

Re: Docket UM 2255 - In the Matter of Idaho Power Company, Application for Approval of 2026 All-Source Request for Proposals to Meet 2026 Capacity Resource Need

Attached, please find Idaho Power Company's Reply Comments. A confidential copy of this filing will be provided to parties entitled to confidential information through Protective Order No. 22-337.

Please contact this office with any questions.

Sincerely,

Cole Alber

Cole Albee Paralegal McDowell Rackner Gibson PC

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 2255

In the Matter of

1

IDAHO POWER COMPANY

IDAHO POWER COMPANY'S REPLY COMMENTS

Application for Approval of 2026 All-Source Request for Proposals to Meet 2026 Capacity Resource Need.

I. INTRODUCTION

Idaho Power Company ("Idaho Power," "IPC," or "Company") hereby submits
these comments in reply to the Staff Comments filed on December 20, 2023. Staff asked
that the Company respond to seven requests regarding the Company's Final Shortlist
("FSL") in its 2026 All-Source Request for Proposals ("2026 AS RFP"). These reply
comments address each of Staff's requests for additional information.

7 Throughout this proceeding, the Company has emphasized its looming 2026 8 capacity need and stressed the urgency of its procurement efforts. To that end, and 9 consistent with OAR 860-089-0500(2),¹ following submission of its Request for 10 Acknowledgment of Final Shortlist of Bidders in the 2026 All-source Request for 11 Proposals, the Company began actively pursuing initial contract negotiations with projects 12 identified on the FSL so as not to jeopardize the Company's ability to bring additional 13 resources online to reliably serve customers by 2026. The Company looks forward to the

¹ OAR 860-089-0500(2) ("An electric company must request that the Commission acknowledge the electric company's final shortlist of bids before it may begin negotiations.").

- 1 Public Utility Commission of Oregon's ("Commission") consideration of the FSL and
- 2 further dialog at the January 17, 2024, Special Public Meeting.

II. REPLY TO STAFF COMMENTS

The following section addresses each of Staff's requests for further information
and provides Idaho Power's response.

5 Request 1: In Reply Comments the Company should clarify its intended 6 procurement volumes and describe what factors it will consider when determining 7 whether to procure more resources than those identified in this RFP.

8 The FSL was created with procurement volumes similar to those in the filed RFP 9 solicitation (approximately 350 MW of capacity and up to 1,100 MW of renewables). The 10 Company intends to procure a volume of projects sufficient to economically meet its' 11 capacity shortfalls in 2026 and 2027. In no case will the Company procure less resources 12 than necessary to meet its reliability threshold. The Company will pursue all economic 13 resources (i.e., resources that reduce overall production costs). Should the top 14 performing/ranked projects from the FSL each year reach contractual agreements and be 15 sufficient to meet identified capacity shortfalls, the remaining projects identified on the 16 FSL in that year will not be pursued further, unless they are economic. Idaho Power 17 believes multiple FSL projects (but not all FSL projects) will be necessary to meet its 18 identified capacity shortfalls starting in 2026. The final amount of resources ultimately 19 procured may vary from those identified initially in the RFP, depending on negotiations 20 with bidders.

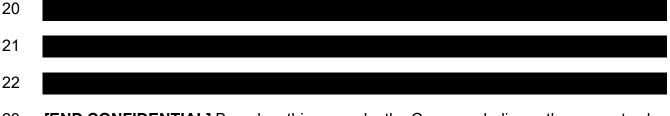
21 Request 2: In Reply Comments, IPC should clarify how decommissioning 22 costs were evaluated for all bids.

For Battery Energy Storage System ("BESS") projects, in previous RFPs the
Company discussed decommissioning costs with the developers and manufacturers. The

1 expected amount of lithium and other valuable metals remaining in the batteries at their 2 end of life is substantial. The Company anticipates that by the end of the BESS life there 3 will be a mature market to recycle these metals. In some scenarios, recyclers would pay 4 Idaho Power to take the batteries and extract the lithium and other valuable metals 5 remaining in the batteries. Some bidders indicated they would take the batteries back in 6 20 years and require only shipping to their facilities, with some locations in the United 7 States and some in Asia. Because of the range of potential positive values offsetting 8 costs related to decommissioning in 20 years, the Company has assumed no net 9 decommissioning costs for BESS projects.

10 For solar photovoltaic ("PV") projects, many current US solar projects will reach 11 end of life prior to the projects in this RFP. Given that a significant number of solar panels 12 are expected to be recycled before the end of life for projects in this RFP, the Company 13 anticipates that there will be a mature market for recycling these solar panels. With the 14 salvage value of modules, PV racking, steel posts and copper wiring, the net cost of 15 decommissioning could be negative. In addition, the present value of a one-time cost at 16 the end of a 35-year asset life will have a small impact on the total present value of the 17 project. Therefore, the Company has assumed no net decommissioning costs.

For wind projects, the Company expects that the cost of the decommissioning will
be immaterial relative to the overall project cost. [BEGIN CONFIDENTIAL]



23 [END CONFIDENTIAL] Based on this example, the Company believes the present value

of a one-time cost at the end of a 30-year asset life will have a small impact on the total
present value of the project. In addition, it is hard to predict whether in 30 years there will
be a more mature recycling program for wind facilities that may further reduce
decommissioning costs. Therefore, the Company has assumed no net decommissioning
costs.

6 Request 3: Staff recommends [BEGIN CONFIDENTIAL] [END 7 CONFIDENTIAL] projects be included, per the IE recommendations, unless Idaho 8 Power can demonstrate additional support and rationale for the project's removal 9 in Reply Comments.

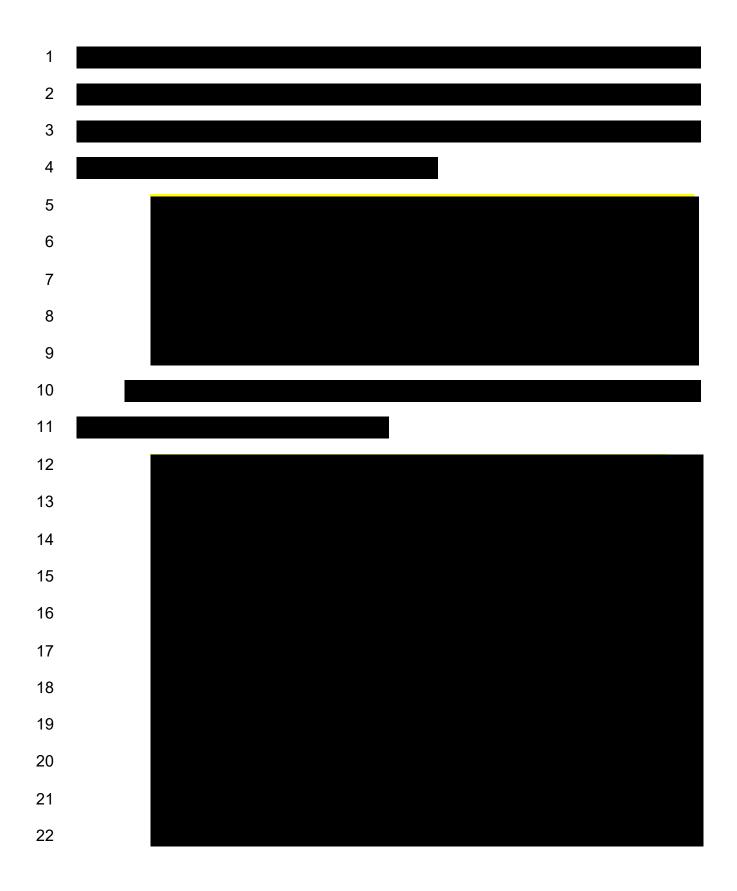
10 Exhibit C to the RFP contained the Bid Eligibility Checklist, which included nine Bid

- 11 Eligibility Factor(s). If a bid did not meet each factor, then the project bid not eligible. Bid
- 12 Eligibility Factor No. 6 is as follows:

13 "Documentation submitted indicates the viability of a Commercial Operation Date (resource based proposals) or Contract Effective Date (market purchase 14 15 proposals) on or before June 1, 2027 AND matches the COD submitted. 16 Documentation may include, as applicable, GIA status and timely interconnection capability; federal, state, and local permitting requirements and decisions; land-17 18 use and site control requirements and decisions; construction plans and 19 schedules; procurement documentation; financing capability and sources; and other relevant documentation necessary to demonstrate timely viability of the 20 21 project. Idaho Power will also consider (and bidder must identify) pending, actual, 22 or threatened administrative, legal, legislative, procedural, and other actions (federal, state, or local) that could impact timely viability." 23

24 25	[BEGIN CONFIDENTIAL]
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2	[END CONFIDENTIAL]
3 4 5	Request 4: In Reply Comments IPC should clarify the ELCC methodology used in the ISL and FSL modeling and explain whether ELCC changes in the 2023 IRP are reflected in the RFP modeling.
6	Idaho Power's ELCC methodology utilized in the ISL and FSL modeling is
7	consistent with the ELCC methodology used in the 2021 and 2023 IRP. The RFP uses
8	2023 IRP assumptions except as noted in response to Request 5 (see below). The
9	methodology is also consistent with the guidelines provided in docket UM 2011, the
10	Commission's general capacity investigation. Details regarding the Company's ELCC
11	methodology can be found in Idaho Power's 2023 IRP – Appendix C, beginning on page
12	89 (Loss of Load Expectation section).
13 14 15	Request 5: In Reply Comments, Staff asks that the Company provide a list of sources for each of the Aurora inputs and assumptions, for both the ISL and the FSL, if different, identifying the IRP to which they are aligned.
16	AURORA was used in the creation of the FSL, but not for the creation of the ISL.
17	The 2023 IRP was used as the basis for RFP AURORA assumptions for creation of the
18	FSL, except for the following:
19	• The natural gas price forecast was updated to a more recent forecast for
20	the RFP (more recent than was used in the IRP).
21	The load forecast was updated to the most recent forecast available at the
22	time of the FSL modeling (more recent than the forecast used in the 2023
23	IRP).
23	IRP).

1 reliability of CBM in recent years because of limited to no availability of third-

2 party transmission to facilitate market energy purchases. As a result, the

3 Company continues to evaluate the inclusion of CBM as a capacity resource

4 for planning purposes.

5 Request 6: In Reply Comments, IPC should describe what it learned about 6 the bids based on their selection in different scenarios and how this learning 7 informs its decisions about bids ultimately on the FSL. Additionally, the Company 8 should provide further justification or risk considerations for the following bids: 9 [BEGIN CONFIDENTIAL]

10 11

[END CONFIDENTIAL].

12 Before addressing this request, Idaho Power would like to clarify the information presented in Table 3 of Staff's Comments (which was based on Table 31 of the IE Closing 13 14 Report but originated in documents provided by Idaho Power to the IE). In both Scenario 15 2 (November 2026 B2H with SWIP-N) and Scenario 3 (June 2027 B2H with SWIP-N) the [END 16 project [BEGIN CONFIDENTIAL] 17 CONFIDENTIAL] should have been listed in place of the project [BEGIN [END 18 CONFIDENTIAL] 19 CONFIDENTIAL]. This explains the justification for including the [BEGIN 20 CONFIDENTIAL] [END CONFIDENTIAL] project in

21 the FSL, as it was selected by AURORA in two instances of the scenario modeling.

The criteria for determining which projects made the FSL was simply that a project had to be selected by AURORA in one of the ten listed scenarios in Table 3: Scenario Analysis Results – Reproduced from Figure 31 from IE Closing Report. This process to create the FSL was intended to be transparent and free from subjectivity. The process was discussed with Staff and the IE and Idaho Power understood it to be deemed reasonable by all parties. The ten scenario process was also used to help create a

diverse FSL of projects that hold up to varying futures (like gas price, carbon price, load,
and transmission). Additionally, the inclusion on the FSL of the resources selected in
only one scenario is justified by the need to have an optimal pool of resources available
for contracting. For example, the large load scenario is reasonably possible of occurring.
Excluding those resource from the FSL would hamper the Company's ability to procure
resources optimally.

A total of 14 resource-based projects and two market contract bids were selected in at least one of the scenarios. Further, as Staff Comments note "five projects that had otherwise performed well in the scenario analysis were eliminated due to concerns over uncertain upgrade and interconnection costs."² Finally, one market contract bid that was not selected in subsequent portfolio sensitivities was removed on that basis after discussion with the IE. The remaining nine resource-based projects and the market contract bid that was selected in the subsequent portfolio sensitivities comprise the FSL.

The FSL represents a diverse set of projects operational characteristics, and development status that is sufficient to meet the identified needs with contingency, meaning not every project will be contracted but there is sufficient depth to confidently and economically address the deficits and reliability needs in both 2026 and 2027.

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Regarding the [BEGIN CONFIDENTIAL]

[END CONFIDENTIAL] project, the Company addressed some of the unique risks identified in Staff Comments in their response to Northwest and Intermountain Power Producers Coalition's ("NIPPC") Data Request No. 15 (provided in Confidential Attachment 2), most importantly that "Cost overruns are inherently the responsibility of

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² Staff Comments at 14.

21	Idano Power is very appreciative of the IL's work in this proceeding to date and
22	looks forward to the opportunity to continue to work with the IE in the future. However,
23	the Company has concerns regarding this specific concept regarding IE oversight of
24	contract negotiations. Further, Idaho Power believes such oversight is duplicative of other
	Page 9 – Idaho Power Company's Reply Comments McDowell Rackner Gibson PC 419 SW 11th Ave #400, Portland, OR 97205

1 the developer in a build-transfer agreement which limits the risk to Idaho Power by not 2 accepting ownership until mechanical completion."

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The [BEGIN CONFIDENTIAL]

4 **CONFIDENTIAL]** project was addressed in the response to NIPPC's Data Request 5 No. 16 (provided in Confidential Attachment 2) stating, "Upon notification of the final 6 shortlist, Idaho Power will meet with bidders to determine the current viability of the bid 7 offering and any potential changes that may warrant reconsideration, including updated 8 quotes, revisions to FOM, and updated construction costs." In both cases, the Company 9 is confident that throughout contract negotiations, the current viability of the bid offering 10 and any potential changes that may warrant reconsideration will be identified and

- 11 continuously modeled to ensure least-risk, least-cost resources are constructed.
- 12

Finally, the **[BEGIN CONFIDENTIAL]**

13 **CONFIDENTIAL]** project was and is being evaluated and considered consistent with all 14 projects. There are no distinct or unique circumstances related to this project. However, 15 the Company is coordinating with the bidder to ensure there is complete understanding

16 of any outstanding permitting efforts.

17 Request 7: Staff requests the Company review the IE contract for necessary amendments to accommodate contract negotiation oversight and in Reply 18 19 Comments, report to Staff additional costs anticipated with this extension and any potential barriers. 20

Idaho Power is very appreciative of the IF's work in this proceeding to date and 21 22 2 24

[END

[END

reviews and oversight including but not limited to the Commission's review and final order
 in this proceeding and future proceedings.

3 First, Idaho Power has significant concerns about the legal implications of involving 4 the IE – a third party – in the contract negotiations including any and all attorney client 5 privileged or otherwise confidential discussions. Specifically, contract negotiations may 6 include discussion of confidential information between the two counterparties. The 7 presence or involvement of a third party could hinder those discussions. This could lead 8 to delays in the negotiations or suboptimal contract terms and conditions. Further, 9 contract negotiation discussions between Idaho Power and its legal counsel would very 10 likely be protected by attorney-client privilege, which allows a client to protect confidential 11 communications between the client and its attorney. If a third party, other than the client 12 or attorney, becomes aware of the same information, it is not considered confidential, and 13 the privilege is waived. If the IE's potential oversight of contract negotiations includes 14 being privy to otherwise confidential communications between Idaho Power and its legal 15 counsel, the attorney-client privilege would effectively be waived. Idaho Power must be 16 able to freely discuss confidential information with its legal counsel without undue risk of 17 this privilege being waived. Thus, any involvement of the IE must not require disclosure 18 of Idaho Power confidential information to the IE without Idaho Power's consent.

Second, Idaho Power also has significant concerns about the timing and logistics of including a third party in the contract negotiations. Idaho Power has a looming capacity need in 2026, and the timeline for construction of new resources and the immediate need to reach contractual agreements is paramount. Construction of new resources can easily take two years from contract execution, and in some cases longer (especially if generation

1 interconnection work is also required, which can take three years or more). Idaho Power 2 must move quickly to contracting with the highest-performing projects to ensure it can 3 meet peak needs in 2026. The contract negotiations already take time, with the need for 4 review, involvement, and scheduling alignment from the two parties who are negotiating. 5 Idaho Power is concerned that adding a third party to the process has the potential to 6 present additional risk of schedule delays and logistical challenges, particularly 7 depending on the scope of their oversight and their familiarity (or not) with issues under 8 negotiation. Specifically, delays could arise based on allowing time for the IE to review 9 documents, based on their schedule and availability for meetings, based on the potential 10 need for time to answer their questions or wait for responses, etc. To have resources 11 online in time for summer 2026, the time for contracting simply does not have room for 12 delay.

13 Third, IE oversight of the contract negotiation process is duplicative of other 14 reviews and is unnecessary. The Company has successfully negotiated contracts with 15 the successful bidders following at least two other recent RFP processes (2023, and 16 2024/2025) and received Certificates of Public Convenience and Necessity from the 17 Idaho Public Utilities Commission ("IPUC") for the resources arising out of both RFPs. 18 Idaho Power is experienced in negotiating these types of contracts, and it is in Idaho 19 Power's and its customers' best interest to pursue contract terms that result in least-cost, 20 least-risk projects. Further, any contracts that are executed will still need to be filed with 21 the IPUC for review before the contracts become effective, and Staff and intervenors in 22 this case can stay apprised of that process. Further, Idaho Power will retain records of 23 communications with bidders so any subsequent prudency review can be informed by the

negotiation process to ensure there is no unreasonable bias in the negotiations. Thus,
there are additional reviews and protections in place that make potential oversight by the
IE duplicative. Finally, the Company is making progress with multiple bidders currently
and anticipates executing agreement(s) as early as the end of January in order to ensure
that resources can be online to meet the 2026 need.

6 Notwithstanding these concerns, Idaho Power has reviewed the IE contract and, if 7 IE oversight of contract negotiation is required, the Company will need to amend the 8 contract to expand the scope of work related to the IE's engagement, to include additional 9 time and the associated costs to coordinate meetings throughout the contract negotiation 10 process with bidders, Idaho Power, Staff, and those working for, through, and on behalf 11 of Idaho Power incidental to the oversight. Based on the current schedule of rates from 12 the IE which range from [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] 13 per hour, the Company could incur significant additional expenses depending on the

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extent of IE involvement.

15 If IE oversight of the contracting process is to be required, it should be very well 16 defined and limited in scope to ensure that these concerns are mitigated. For example, 17 Idaho Power could provide regular updates to the IE on negotiation progress with projects 18 via email or virtual meetings between the Company and the IE. Idaho Power could 19 provide the IE with contract drafts reflecting redlines exchanged between the parties and 20 could inform the IE of the date on which another exchange of drafts was intended (so that 21 the IE could timely offer any feedback). Due to these logistical and scheduling concerns, 22 there must be flexibility for the Company to meet individually with the counterparty and 23 approach unique terms with different Idaho Power team members and bidder team

members on a parallel path (i.e. – operational terms may be negotiated with one set of team members and limitation of liability a different set of team members), thus making IE involvement nearly impossible in all circumstances. When time is of the essence, as it is here, the Company must retain the flexibility and discretion to take the necessary steps to ensure the least-cost, least-risk resources are contracted with and to support a construction schedule to meet the 2026 needs.

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III. CONCLUSION

8 Idaho Power appreciates Staff's review of the 2026 AS RFP FSL throughout this 9 process, the Company has worked extensively and collaboratively with Staff and the IE 10 to arrive at a fair and impartially developed FSL. The Company looks forward to 11 continuing this collaborative process to expeditiously receive Commission 12 acknowledgment of the FSL to enable it to procure resources for the summer of 2026.

13 Respectfully submitted this 4th day of January 2024.

McDOWELL RACKNER GIBSON PC

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Attorneys for Idaho Power Company

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 2255

Idaho Power Company's Reply Comments

Attachment 1

THIS ATTACHMENT IS CONFIDENTIAL PER PROTECTIVE ORDER NO. 22-337 AND IS PROVIDED SEPARATELY

January 4, 2024

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

IDAHO POWER COMPANY

UM 2255

Idaho Power Company's Reply Comments

REDACTED

Attachment 2

Idaho Power Company's Response to NIPPC's Data Request Nos. 15 and 16.

January 4, 2024

TOPIC OR KEYWORD:

NIPPC'S DATA REQUEST NO. 15:

Reference IE Closing Report, p. 12, stating with respect to the "[I]t is important to note that under the BTA arrangement, there are some risks associated with potential construction cost overruns, and the potential need for additional capital investment and fixed operations and maintenance ('FOM') costs beyond costs captured in the bid price." Please explain how the costs and risks identified in this quotation were accounted for in the RFP scoring.

IDAHO POWER COMPANY'S RESPONSE TO NIPPC'S DATA REQUEST NO. 15:

The submitted bid for the was evaluated based on the characteristics submitted, consistent with all other bids as detailed in the Request for Proposals ("RFP") and as reviewed by the independent evaluator. The benchmark bids were modeled in the same way any other bid was modeled, based on price structure and operational characteristics. The contract structure had no bearing on the model outcomes. Bids that included an asset purchase or ownership for Idaho Power incorporated consistent FOM costs as described throughout the evaluation process and corroborated with the independent evaluator. Cost overruns are inherently the responsibility of the developer in a build-transfer agreement which limits the risk to Idaho Power by not accepting ownership until mechanical completion. Idaho Power conducted the selection process consistent with the approved RFP processes as well as the required resource procurement rules. The Independent Evaluator found that, "As IE, LEI attests to the reasonableness of IPC's approach in identifying bids for the final AS RFP shortlist. The process was conducted with the utmost fairness and impartiality, upholding the integrity of the selection process." IE Final Report, p 8.

TOPIC OR KEYWORD:

NIPPC'S DATA REQUEST NO. 16:

Reference IE Closing Report, p. 12, stating with respect to the **second second**: "it is important to acknowledge certain risks associated with potential construction cost overruns, FOM costs, and additional capital costs. These risks necessitate careful monitoring and mitigation strategies to ensure that ratepayers are not negatively impacted . . ." Please explain how the risk identified in this quotation were accounted for in the RFP scoring through use of higher O&M costs or other contingency costs for utility-ownership bid structures. If no such contingencies were included in the price or non-price scoring points, please so state.

IDAHO POWER COMPANY'S RESPONSE TO NIPPC'S DATA REQUEST NO. 16:

Please also see the Company's response to Request No. 15. Specific to this request, the Company did not use higher O&M costs or contingency costs for utility ownership. Upon notification of the final shortlist, Idaho Power will meet with bidders to determine the current viability of the bid offering and any potential changes that may warrant reconsideration, including updated quotes, revisions to FOM, and updated construction costs.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on January 4, 2024 a true and correct copy of Idaho Power Company's Reply Comments on the dates indicated by email addressed to said person(s) at his or her last-known address(es) indicated below.

<u>UM 2255</u>

Staff

Staff

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DATED: January 4, 2024

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