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August 6, 2010

## VIA ELECTRONIC FILING

PUC Filing Center  
Public Utility Commission of Oregon  
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**Re: Docket LC 50**

Enclosed for filing in the above referenced docket are an original and one copy of Idaho Power Company's Response to Staff's Comments and Proposed Order.

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

Very truly yours,

  
Wendy McIndoo  
Legal Assistant

Enclosures

cc: Service List

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing documents on  
in Docket LC 50 on the following named persons on the date indicated below by e-mail or  
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17 DATED: August 6, 2010

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1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **LC 50**

4 In the Matter of Idaho Power Company's  
5 2009 Integrated Resource Plan

**IDAHO POWER COMPANY'S RESPONSE  
TO STAFF'S COMMENTS AND  
PROPOSED ORDER**

6  
7 Pursuant to the Administrative Law Judge's Ruling dated June 15, 2010, Idaho  
8 Power Company ("Idaho Power" or "Company") hereby files its response to the Final  
9 Comments and Recommendations and Proposed Order of Staff of the Public Utility  
10 Commission of Oregon ("Commission") on the Company's 2009 Integrated Resource Plan  
11 ("IRP" or "2009 IRP").

12 **I. INTRODUCTION**

13 Idaho Power's 2009 IRP's preferred portfolio and action plan includes the Boardman  
14 to Hemingway transmission project ("B2H" or "B2H Project"), which is intended to ease  
15 transmission constraints on the Company's system. In its IRP, the Company explained  
16 that B2H is necessary to ensure that the Company is able to (a) continue to provide safe,  
17 efficient, and reliable service to its Idaho and Oregon retail customers; and (b) fulfill its  
18 legal obligations to construct a transmission system that provides economic and reliable  
19 service for network transmission customers. This resource has been the subject of much  
20 of the discussion surrounding the 2009 IRP, and it is therefore significant that Staff  
21 supports both the need for B2H and the inclusion of the B2H Project in the IRP's preferred  
22 portfolio. Indeed, Staff's comments and Proposed Order demonstrate that (a) Staff's  
23 support for B2H is based upon comprehensive and thorough analysis; (b) the Company's  
24 preferred portfolio generally, and B2H in particular, represent the best mix of expected  
25 costs and associated risk for the utility and its customers; and (c) the Company's IRP  
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1 analysis satisfies the Commission's procedural and substantive requirements established  
2 for IRPs in Orders Nos. 89-507 and 07-002.<sup>1</sup>

3 Nevertheless, Staff proposes that the Commission's acknowledgement of the 2009  
4 IRP be conditioned on the Company's additional analysis in an IRP update—to be filed in  
5 2011—which will include information about the B2H Project that is not currently available.  
6 In other words, Staff proposes that the Commission defer acknowledgement of the 2009  
7 IRP until particular uncertainties regarding B2H are resolved. Idaho Power disagrees with  
8 this approach.

9 B2H is in the early planning stages, and for that reason there are certain key  
10 factors—such as exact construction costs—that remain unresolved. As pointed out by  
11 Staff, the ultimate resolution of these factors will be relevant to whether B2H continues to  
12 represent the least cost and lowest risk resource in the 2011 IRP. Indeed, Idaho Power  
13 agrees with Staff that, if there are significant deviations from the IRP assumptions on  
14 these issues, the Company should be prepared, in its 2011 IRP, to explain whether and  
15 why B2H remains the appropriate resource.<sup>2</sup> However, given that Staff agrees that the  
16 Company's projections and estimates regarding these factors appear reasonable at this  
17 time, there is no need for the Commission's acknowledgment of the 2009 IRP to be  
18 conditioned on future analysis. Instead, the Company recommends that the Commission  
19 acknowledge the 2009 IRP, with the requirement that the Company update its analysis of  
20 B2H in its 2011 IRP.

21 Accordingly, the Company is attaching a Revised Proposed Order which includes all  
22 of Staff's proposed conditions—but presents them instead as requirements for the 2011  
23 IRP. If adopted, the Revised Proposed Order will acknowledge the Company's preferred

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25 <sup>1</sup> *Re Least-Cost Planning for Resource Acquisitions*, Docket UM 180, Order No. 89-507 (Apr. 20,  
26 1989); *Re Investigation Into Integrated Resource Planning*, Docket UM 1056, Order No. 07-002  
(Jan. 9, 2007).

<sup>2</sup> Proposed Order at 7.

1 portfolio as representing the best combination of expected costs and associated risks  
2 based on all information available today, while at the same time addressing all of Staff's  
3 concerns, and ensuring that the Commission will be able to continue to evaluate the  
4 transmission project as more information is developed and key factors are resolved.

## 5 II. DISCUSSION

### 6 A. Staff's Conclusions that the Preferred Portfolio is Superior to the Alternatives 7 is Supported by the Record.

8 Staff's Proposed Order concludes that the Company's 2009 IRP reasonably adheres  
9 to the Commission's principles and represents the best combination of cost and risk for  
10 Idaho Power and its customers. Staff's analysis and conclusions are the result of a careful  
11 investigation of Idaho Power's 2009 IRP, Idaho Power's responses to 69 data requests  
12 from Staff, comments filed by Renewable Northwest Project and members of the general  
13 public, and Idaho Power's reply comments. The record in this docket is extensive,  
14 thorough, and supports Staff's conclusions.

15 As Staff points out, the Commission acknowledges an IRP if the plan seems  
16 reasonable based upon information available at the time of acknowledgement.<sup>3</sup> Plans are  
17 reasonable if they satisfy both the procedural and substantive requirements set forth by  
18 the Commission in Orders Nos. 89-507 and 07-002.<sup>4</sup> Because the 2009 IRP meets these  
19 procedural and substantive requirements and is reasonable based on the information  
20 available today, the Commission should adopt Staff's conclusions regarding B2H and  
21 acknowledge the 2009 IRP.

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24 <sup>3</sup> See Order No. 07-002 at 10.

25 <sup>4</sup> See *Re Portland General Electric Company 2007 Integrated Resource Plan*, Docket LC 43, Order  
26 No. 08-246 at 25 (May 6, 2008) Order No. 08-246 at 2 ("The Commission 'acknowledges' resource  
plans that satisfy the procedural and substantive requirements of Order No. 07-002 (Guidelines),  
and that seem reasonable at the time acknowledgment is given.").



1 B2H Project's capital costs would have to increase by *40 percent* and the subscription  
2 rates would have to decrease by *15 percent*.<sup>9</sup> Thus, not only is the preferred portfolio the  
3 most cost effective and lowest risk, the preferred portfolio tolerates a great deal of  
4 uncertainty before the next best alternative becomes competitive. Based on this analysis,  
5 the preferred portfolio represents a significantly superior portfolio for providing the least-  
6 cost resources to serve Idaho Power's growing load in a safe, efficient, and reliable  
7 manner.

8 As Staff points out, analyzing the cost metrics is only the first part of the analysis of  
9 the preferred portfolio because that portfolio must represent the best combination of costs  
10 *and risks*.<sup>10</sup> Staff analyzes this issue and concludes that the B2H portfolio "scored higher  
11 than all the alternative portfolios."<sup>11</sup> Staff notes that Idaho Power included in its analysis  
12 both quantitative and qualitative risks and Staff finds that based on the risk assessment,  
13 the "cost metrics would have to go even higher in order to change the selection of the  
14 Preferred Portfolio."<sup>12</sup> Noting in its comments that "transmission projects inherently carry a  
15 significant level of risk," Staff nonetheless concludes after a thorough analysis that the  
16 Company's cost and risk assumptions are reasonable at this time.<sup>13</sup>

17 Staff's analysis concludes that "Idaho Power has shown a need for a supply-side  
18 resource to fulfill an obligation to its customers to provide reliable service."<sup>14</sup>

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20 <sup>9</sup> Proposed Order at 6.

21 <sup>10</sup> See Order No. 07-002 at 5. As Staff pointed out in their Comments, "Changing these cost  
22 metrics to a break-even point with [the next best portfolio] does not necessarily change the  
23 selection of the Preferred Portfolio" because the Company also considered risks and uncertainties  
associated with each portfolio. Comments at 8.

24 <sup>11</sup> Proposed Order at 6.

25 <sup>12</sup> Proposed Order at 6.

26 <sup>13</sup> Comments at 8.

<sup>14</sup> Proposed Order at 7.

1           **2. Idaho Power Included Significant Public Involvement.**

2           The key procedural requirement for utility resource planning dockets is the inclusion  
3 of extensive public involvement in the planning process.<sup>15</sup> Staff points out that “Idaho  
4 Power met all procedural requirements [and] Idaho Power provided *extensive*  
5 *opportunities for public input.*”<sup>16</sup> Throughout the preparation of the 2009 IRP, the  
6 Company convened an Integrated Resource Plan Advisory Council that included  
7 representatives of the Company, the Commission, customer representatives, other  
8 stakeholders, and the public. The Commission also held a public hearing in Ontario,  
9 Oregon, on April 20, 2010, which was well attended. This involvement ensured that the  
10 public, especially those that may be impacted directly by the selection of the preferred  
11 portfolio and the construction of the B2H Project, were able to participate in this process  
12 and provide the Company, Staff, and the Commission with their comments, concerns, and  
13 recommendations.

14           **3. Idaho Power’s Load Forecast Is Reasonable.**

15           In challenging Idaho Power’s B2H Project several commenters questioned the  
16 accuracy of Idaho Power’s load forecast. Specifically, commenters argued that Idaho  
17 Power’s forecast load growth was overstated and therefore the B2H Project was  
18 unnecessary. Staff’s Proposed Order, however, concludes that the load forecast is  
19 reasonable and if anything *understates* the forecast load growth in the second ten year  
20 planning period.<sup>17</sup> Thus, Staff concludes that load growth may exceed the Company’s  
21 projections—which renders the acquisition of B2H as a supply-side resource all the more  
22 necessary.

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25           <sup>15</sup> Order No. 07-002 at 1.

26           <sup>16</sup> Comments, Appendix A at 1 (emphasis added).

<sup>17</sup> Proposed Order at 5.

1           **4. Demand-Side Management and Energy Efficiency.**

2           At the April 20, 2010, public hearing, several commenters expressed a concern that  
3 the Company had failed to properly account for all energy savings resulting from an  
4 aggressive demand-side management (“DSM”) and energy efficiency program. These  
5 commenters argued that increased DSM efforts could supplant the need for the B2H  
6 transmission line. Staff supports Idaho Power’s analysis that concludes that the Company  
7 “explored and included all cost-effective demand-side management and energy efficiency  
8 programs in its IRP.”<sup>18</sup> Staff also finds that the Company made “great strides with its  
9 energy efficiency and DSM measures as compared to its 2006 IRP.”<sup>19</sup>

10           **5. Renewable Energy Credits.**

11           The Renewable Northwest Project objected to the Company’s plan to sell its  
12 renewable energy credits (“REC”) until it is required to comply with a Federal Renewable  
13 Energy Standard (“RES”). After analyzing this issue Staff concludes that the Company’s  
14 “REC management strategy is in the best interest of customers, and will provide reduced  
15 rates, as well as an ability to meet future RES standards.”<sup>20</sup>

16           **B. IRP Acknowledgment Should be Subject to Requirements Not Conditions.**

17           Despite apparent support for the preferred portfolio and the B2H Project, Staff’s  
18 Proposed Order calls for the Commission to conditionally acknowledge the 2009 IRP  
19 subject to the eight separate conditions.<sup>21</sup> While the conditions cover a number of issues,  
20 Staff’s comments suggest that the recommended conditional acknowledgement is

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22 <sup>18</sup> Proposed Order at 10.

23 <sup>19</sup> Proposed Order at 10.

24 <sup>20</sup> Proposed Order at 11.

25 <sup>21</sup> The Commission’s orders have used the term “condition” and “requirement” somewhat  
26 interchangeably. See e.g. Order No. 08-246 at 17 (adopting “conditions” under Guideline 1c); *id.* at  
18 (adopting “requirements” for transmission resource planning in next IRP). In this case, however,  
it is important to use the term “requirement” because it does not imply that the IRP is acknowledged  
upon satisfaction of the requirement as would be the case if the term “condition” were used.

1 motivated primarily by Staff's concerns about key information affecting the cost of B2H  
2 that is not currently available. In particular, Staff is concerned that the Company's  
3 estimates of construction costs, equity partnership participation, third-party subscription  
4 estimates and wheeling revenues—while they appear reasonable at this time—may not  
5 materialize as projected.<sup>22</sup>

6 The Company agrees that it will be important for the Commission to receive updated  
7 information as these issues are resolved; however it does not agree that it is appropriate  
8 to condition acknowledgement of the 2009 IRP on information that is not currently  
9 available. Instead, the Company respectfully suggests that the Proposed Order be  
10 revised, to provide that the eight *conditions* be re-stated as *requirements for the*  
11 *Company's 2011 IRP* which will be filed with the Commission in June 2011. This revision  
12 would allow the Commission to acknowledge the plan while ensuring that it has the ability  
13 to continue to review and evaluate the preferred portfolio generally, and B2H in particular.  
14 This approach would be consistent with Commission precedent.

15 **1. Full Acknowledgement Is Appropriate.**

16 As discussed above, Commission guidelines provide that an IRP will be  
17 acknowledged when it is "reasonable, *based on information available at the time.*"<sup>23</sup> The  
18 Commission's guidelines recognize that all utility planning encompasses uncertainty and  
19 requires only that utilities consider the uncertainties in their planning and that the preferred  
20 portfolio represent the best combination of expected costs and associated risks and  
21 uncertainties.<sup>24</sup> Accordingly, the Commission has acknowledged IRP's containing major

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23 <sup>22</sup> Proposed Order at 7-8.

24 <sup>23</sup> Order No. 07-002 at 10 (emphasis added); see also Order No. 89-507 at 11 ("Acknowledgement  
25 of the plan means only that the plan seems reasonable to the Commission at the time the  
acknowledgement is given.").

26 <sup>24</sup> Order No. 07-002 at 5 ("uncertainty" is a "measure of the quality of information about an event or  
outcome").

1 resources that were in the planning stages, understanding that it would be possible that  
2 the relevant facts could change, and render investment in the resource no longer prudent.

3 For example, in Portland General Electric Company's ("PGE") 2004 IRP the  
4 Commission acknowledged the plan that included the acquisition of a generic 350 MWA  
5 high-efficiency gas-fired resource (the Port Westward plant).<sup>25</sup> Intervenors to that docket  
6 expressed concerns that the plant's cost assumptions were uncertain and that  
7 acknowledgement of the plan could be seen as pre-approval of the resource acquisition.<sup>26</sup>  
8 In the face of these concerns, the Commission acknowledged PGE's IRP, noting:  
9 "Acknowledgment of this Plan means that the Plan as a whole appears reasonable, *based*  
10 *on the information and analysis available now.*"<sup>27</sup>

11 Acknowledgement of Idaho Power's 2009 IRP is also consistent with past  
12 Commission practice relating to acknowledgment of plans that include linear resource  
13 acquisitions. In LC 29, the Commission acknowledged Northwest Natural Gas Company's  
14 ("NW Natural") IRP that included the South Mist Pipeline Extension ("SMPE")—a 60-mile  
15 long, 24-inch diameter natural gas pipeline.<sup>28</sup> In that case, Staff recommended  
16 acknowledging the need for the SMPE. The Oregon Office of Energy ("OOE") raised  
17 several issues relating to NW Natural's assumptions used to support the conclusion that  
18 the SMPE was a least-cost resource.<sup>29</sup> Although NW Natural responded to OOE's

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20 <sup>25</sup> *Re Portland General Electric Company*, Docket LC 33, Order No. 04-375 at 10 (July 20, 2004).

21 <sup>26</sup> Order No. 04-375 at 5 ("CUB is also concerned that acknowledgment of Pt. WW, based on  
22 known cost assumptions, could be construed as pre-approval.").

23 <sup>27</sup> Order No. 04-375 at 12 (emphasis added).

24 <sup>28</sup> *Re Investigation Into Least-Cost Planning for Resource Acquisition by Northwest Natural Gas*  
*Company*, Docket LC 29, Order No. 00-782 (Dec. 11, 2000).

25 <sup>29</sup> Order No. 00-782 at 5. The OOE questioned the weather modeling used by NW Natural and  
26 asked whether the modeling affected the choice of the SMPE as a least-cost resource and under  
what conditions might the weather modeling change the selection of the SMPE as a least-cost  
resource.

1 concerns, "Staff agree[d] with OOE that these questions should be addressed more  
2 thoroughly in the next least-cost plan."<sup>30</sup> The Commission ultimately acknowledged the  
3 plan, with modifications, and found that OOE's comments were useful as an additional  
4 item to include in NW Natural's multi-year action plan.<sup>31</sup>

5 Here, Staff's concerns about the B2H forecasts do not suggest that currently  
6 available information was excluded from the Company's analysis or that the Company's  
7 methodology was flawed. Nor does Staff argue that the information sought in the update  
8 *should* be available now but is not. In other words, Staff concludes that the B2H analysis  
9 is reasonable based on the information available today, but wants the Company to  
10 continue to update that information as events change and the project progresses. This is  
11 a wholly reasonable request and one the Company readily agrees to, but it is not a basis  
12 to conditionally acknowledge an IRP.

13 The Company recognizes, as does Staff,<sup>32</sup> that due to the long-lead times associated  
14 with transmission projects and because very few interstate transmission projects have  
15 been constructed in the region in the last 30 years, key cost and risk factors lack certainty.  
16 The proposed requirements for updates will alleviate concerns related to these  
17 uncertainties, which are expected to resolve substantially over the next year as the project  
18 moves forward. The Company recognizes that acknowledgment of its 2011 IRP will be  
19 based on the outcome of this additional analysis.

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24 <sup>30</sup> Order No. 00-782 at 5.

25 <sup>31</sup> Order No. 00-782 at 7-8 (a specific uncertainty is "the pricing and regulation of pipeline capacity  
26 expansions").

<sup>32</sup> See Comments at 7-8.



1 with it are resolved, the Commission will be able to continue to analyze the project in  
2 future planning cycles.

3 Respectfully submitted this 6<sup>th</sup> day of August, 2010.

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**IDAHO POWER'S REVISIONS TO STAFF'S PROPOSED ORDER**

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

LC 50

In the Matter of

Idaho Power Company

2009 Integrated Resource Plan.

PROPOSED ORDER

DISPOSITION: PLAN ACKNOWLEDGED

**I. INTRODUCTION**

Idaho Power Company (Idaho Power or the 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,<sup>1</sup> which requires all regulated energy utilities operating in Oregon to engage in integrated resource planning.

We conditionally 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 utility and its customers, and as satisfying the procedural and substantive requirements of this Commission. At the same time, we recognize that our acknowledgement is predicated on assumptions regarding several key factors that appear reasonable at this time, but that have not yet been determined. For this reason we will require that, ~~the Company's further es in its 2011 IRP, the Company will perform further analyses consistent with our discussion below,~~<sup>2</sup> ~~the plan, and identify several requirements for Idaho Power's IRP update and the next planning cycle.~~

**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.

<sup>1</sup> The Commission originally adopted least-cost planning in Order No. 89-507 (Docket UM 180). The Commission updated the utility planning process in Docket UM 1056.

<sup>2</sup> The original due date for the filing of this 2009 IRP was June of 2009. That date was extended by Commission order to December of 2009. The Company will file its 2011 IRP in June of 2011.

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 selecting a portfolio of resources with the best combination of 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 Oregon and federal energy policies. *See* Order No. 07-002.

The Commission “acknowledges” resource plans that satisfy the procedural and substantive requirements and that seem reasonable at the time acknowledgment is given.

**B. Idaho Power’s 2009 IRP**

The Commission’s 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.<sup>3</sup> 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 29, 2009.<sup>4</sup> On December 30, 2009, Idaho Power filed its 2009 IRP.

The 2009 IRP is the Company’s first plan under the Commission’s newly adopted IRP guidelines.<sup>5</sup> In developing this 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 analyzes the potential cost of carbon emissions differently than has been done in previous IRP’s. While Idaho Power modeled both a cap-and-trade system and a carbon tax adder in future scenarios, the Company primarily focused on cap-and trade as the most likely regulatory outcome. The Company’s analysis used the Waxman-Markey 2009 Bill<sup>6</sup> 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 20-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.

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<sup>3</sup> *See* Order No. 07-394.

<sup>4</sup> *See* Order No. 09-183.

<sup>5</sup> *See* Order No. 07-002.

<sup>6</sup> 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.

For the first time, Idaho Power bifurcated the required 20-year planning period into two ten-year planning periods, 2010-2019 and 2020-2019. 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, 2010-2019, four resource portfolios were examined. The four resource portfolios were classified as Solar, Gas Peaker, Gas Peaker and B2H, 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 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, 2020-2029, five resource portfolios were examined. Idaho Power's preferred portfolio for the first ten-year planning period was used as the basis for designing the second period portfolios. The load forecast for the second period is relatively flat. The primary driver for new resources in the second period is the carbon emission reductions, due to coal curtailment, identified in the Waxman-Markey 2009 Bill.

New energy efficiency programs included in the 2009 IRP are forecast to reduce average load by 127 aMW by 2029. This reduction represents a 53 percent increase over the measures included in the 2006 IRP. New and expanded demand response programs are expected to reduce peak summer load by 323 MW by 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's 2009 IRP projects peak-hour load will grow at an average annual rate of 53 MW or 1.5 percent. Average system load, or average-energy consumption, is forecasted to grow by an average of 13 MW, or .64 percent on an average annual basis over the 20-year planning period. Based on the 2009 load forecast, 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.<sup>7</sup>

## II. DISCUSSION

### A. Preferred Portfolio & Action Plan

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<sup>7</sup> Idaho Power uses a 70<sup>th</sup> percentile water and 70<sup>th</sup> percentile average load condition for energy planning purposes. For peak-hour capacity planning, Idaho Power uses 90<sup>th</sup> percentile water conditions and 95<sup>th</sup> percentile peak-hour load.

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 Company requests acknowledgement of the following action items:

Action Plan:

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

The selection of Portfolio 1-4 (Boardman to Hemingway) for the first ten-year planning period and Portfolio 2-4 (Wind and Peakers) for the second ten-year planning period, as the preferred portfolio for the twenty-year study, is based on the Company's conclusion that it is the best combination of expected cost and associated risks.

The Company requests acknowledgement of the Action Plan to implement its preferred portfolio. The Action Plan includes activities for decisions the Company intends to make in the next one to ten years. Lastly, Idaho Power believes that the flexibility to adjust to changes during the present period of unusually high regulatory uncertainty is very important.

## **B. Load Forecast**

### *1. Parties' Positions*

In their critique of the B2H Project, many commentators suggested that Idaho Power's load forecast was too high. Some of the reasons cited for this conclusion were: (1) the Company should not have included new large load customers; (2) the Company did not take into consideration 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 unnecessary or not needed in the time period specified by the Company.

In its reply comments, Idaho Power refuted all of the commentators' claims regarding its load forecast. The Company stated 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) its forecast is conservatively low. According to the Company, 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 .64 percent over the twenty-year planning period. With regard to peak-hour load, the NPCC forecast grows at an annual average rate of 2.13 percent, but Idaho Power forecasts its peak-hour load to grow at 1.5 percent.

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

In its final comments, Staff agreed with the Company. After reviewing its analysis, Staff believes that the Company has conservatively forecasted its average-energy and peak-hour load, taking into consideration the recent economic downturn. However, Staff did note that, for the 2019-2029 planning period, Idaho power forecasts average energy to grow at a rate of only .1 percent per annum, and peak-hour load growth of only .9 percent per annum. Staff was concerned that these growth rates may be too low, especially when the rate of growth in DSM is projected to slow over this time period. The inclusion of an elastic response to potential prices increases due to proposed carbon legislation is also a contributing factor to relatively flat growth rates in the second ten-year planning period.

Staff also found that the Company's analysis of an elastic response to projected price increases was an interesting change in its forecasting methodology. In future IRP planning cycles, Staff recommended that the Company provide further description of this analysis, including the regression coefficients and estimated elasticity of each customer class.

## 2. *Commission Resolution*

We support Staff's conclusion that Idaho Power's load forecast is reasonable. We do, however, share Staff's skepticism of the Company's projected load growth rates and expectation that loads will become relatively flat in the second ten-year planning period. We support Staff's recommendation associated with this concern; Idaho Power will provide a more robust justification for its load forecast for the second ten-year planning period.

Although we recognize customers may be responsive to changes in price, the support for this conclusion to the degree that it seemed to be implemented in the load forecast was not apparent. We support Staff's recommendation for Idaho Power to provide additional analysis and a description of its estimated price sensitivity for each customer class in its next IRP planning cycle.

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

### *1. Parties' Positions*

In comments on the IRP, Staff and intervening parties primarily focused on the selection of the Preferred Portfolio, and more specifically, the inclusion of the Boardman to Hemingway transmission project. In its analysis, Staff looked at 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-part subscription rates).

Staff discussed at length the Company's analysis of a break-even point with Portfolio 1-2 (Gas Peaker), the next best alternative to the Preferred Portfolio, to understand the sensitivity of the change in cost within the first ten-year planning period. What this analysis demonstrated was a robustness of the Preferred Portfolio that allows capital cost to vary by up to 40 percent, and subscription rates to change by 15 percent before the Preferred Portfolio hits the break-even point with the next best alternative.

In support of its subscription rate assumptions, Idaho Power pointed out significant demand for transmission capacity on its Idaho-Northwest transmission path. Idaho Power stated 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 went on to claim that it is currently reviewing active transmission requests for the B2H Project. More recently, the Company pointed out 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 pointed out that the Company's analysis also includes additional quantitative and qualitative risk measures that must be taken into consideration. According to Staff, the Preferred Portfolio scored higher than all the alternative portfolios in the Company's risk analysis. The different types of risk modeled in the Idaho Power 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, Staff believes that these cost metrics would have to go even higher in order to change the selection of the Preferred Portfolio.

In conclusion, Staff recommended that the Company continue to evaluate the B2H project in its annual update of the 2009 IRP and in its next IRP. This on-going analysis of B2H 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 B2H line and future wheeling revenues. In addition, Staff recommends the Commission require Idaho Power to provide third-party documentation in support of its 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 IRP may not materialize, leaving Idaho Power customers on the hook for paying for an unutilized transmission line. Given these concerns Staff recommended that with the Commission's acknowledgement of the B2H action item, be contingent on Idaho Power's commitment to be required to providing further analysis of these issues in its annual IRP update and next 2011 IRP with the understanding that the Commission's acknowledgment of the Company's 2011 IRP will be based upon that updated analysis.

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

In its Opening Comments, the Renewable Northwest Project (RNP) urged the Commission to acknowledge Portfolio 1-3 (Gas Peaker and B2H) as the preferred portfolio for the first ten-year planning period. RNP stated 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 agreed with the latter half of RNP's statement, but pointed out that Idaho Power's preferred portfolio, Portfolio 1-4 (B2H), also included the Company's commitment to 150 MW of wind energy and 40 MW of geothermal. Therefore, Staff believes that the Company's Preferred Portfolio satisfy's the intent of RNP's comments.

Comments at the public hearing in Ontario, Oregon, on April 20, 2010, 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 refuted each of these claims. First, Idaho Power pointed out the robustness of the Preferred Portfolio as compared to the portfolio containing the natural gas plant. Second, Idaho power refuted the possibility of additional purchased power due to its limited transmission capacity during peaking time on existing transmission paths. Lastly, Idaho Power points out that all wheeling requests on the proposed B2H Project will offset costs associated with building the project, which in turn will reduce customers' rates. In addition, Idaho Power pointed out 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. *Commission Resolution*

First, we appreciate the public participation at the April 20, 2010 public hearing in Ontario, Oregon, and in the IRP process generally. Regarding their concerns, we believe that Idaho Power has shown a need for a supply-side resource to fulfill an obligation to its customers to provide reliable service. At the same time, we adopt Staff's recommendation for that conditional acknowledgment of the B2H project action item be conditioned upon the Company's agreement at the time of acknowledgment, accompanied by a requirement that the Company to provide specific additional analysis of B2H in its 2011 IRP.

Our requirement that Idaho Power agree to provide additional analysis as a condition of our conditional acknowledgment of this IRP of the B2H project is a reflection of our concerns with regard to Idaho Power's cost estimates, equity partnership, and third-party subscription estimates for the B2H project. We acknowledge the B2H project action item contingent upon with the expectation that Idaho Power agreeing to continuing to will update its B2H project construction cost estimates, equity partnership estimates, and third-party subscription estimates and wheeling revenues in the IRP update and next IRP. We expect the Company to provide an extensive update of the B2H cost and risk analysis in its 2011 IRP with the understanding that our acknowledgment of the 2011 IRP will be based upon on the outcome of that updated analysis.

Lastly, 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.

#### **D. Preferred Portfolio for the Second Ten-Year Planning Period and the Consolidated Preferred Portfolio**

##### *1. Parties' Positions*

Staff pointed out that the IRP is designed to take into consideration a portfolio of resources. With regard to the second ten-year planning period and the consolidated Preferred Portfolio, Staff discussed the design of Idaho Power's five portfolios. Staff pointed out 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. Idaho Power chose Portfolio 2-4 for the second ten-year planning period. As detailed by Staff, Portfolio 2-4 (Wind and Peakers) consists of five 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. In its IRP, Idaho Power states that these resources represent a strategy of adding wind resources sufficient to provide energy and RECs along with simple-cycle natural gas plants to provide peaking capacity and operating reserves necessary to integrate wind generation.

In its final comments, Staff pointed out 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 2009 Bill. In its Comments, RNP lauded the Company 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 agreed with RNP and believes that Idaho Power met Guideline 8 of the Commission's IRP Guidelines by modeling the carbon emission future that it believed was most likely to occur. However, Staff cited the need for additional analysis, which includes the end-effects and costs of the retirement of a coal facility. In conclusion, Staff recommended the Commission require Idaho Power to look at coal curtailment and the costs associated with coal plant retirement.

In its opening comments, RNP stated a concern that the portfolios rely too heavily on natural gas-fired resources. Staff echoed RNP's concern of too much gas with regard to Portfolio 2-4 in the second ten-year planning period. While Staff was concerned with the concentration of gas in the second planning period, Staff also discussed its skepticism of the type of gas resource modeled. Staff pointed out that the primary reason for additional resources in the second ten-year planning period was due to modeled coal curtailment. Therefore, Staff believes it is unreasonable for the Company to choose multiple SCCT's versus one or two Combined Cycle Combustion Turbines (CCCT).

Regarding the concentration of gas, Staff agreed with RNP and believes that the Company needs to consider expanding the number of portfolios it considers in the second ten-year planning period. Staff pointed out that the process of building and selecting multiple portfolios, greater than five, is a learning process on possible futures that cannot be overlooked. Therefore, as part of its next IRP planning cycle, Staff recommended the Commission require Idaho Power to construct significantly more portfolios for the second ten-year planning process. In addition, Staff recommended 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.

As part of the carbon cost evaluation, Staff recommended 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.

## *2. Commission 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 support Staff's conclusion

that much can be learned from performing multiple portfolio analysis and expanded resource options. Therefore, we support Staff's recommendation to require the Company to perform additional portfolio analysis in its next IRP cycle.

We support Staff's recommendations to require the Company to provide an additional review of gas generation types, and to include an analysis of the potential EPA or other federal and state agency policies that may affect Idaho Power's generation portfolio.

## **E. Demand-Side Management and Energy Efficiency Programs.**

### *1. Parties' Positions*

Several commentators at the April 20th public meeting took the position that the Company could supplant the need for the Boardman to Hemingway transmission line with increased DSM efforts. They also alleged 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.

Idaho Power responded to these remarks in its reply comments and refuted these claims by explaining how they treat DSM in the planning process as well as facts regarding their energy efficiency efforts. In response to suggestions that Idaho Power's DSM efforts are deficient, Idaho Power stated that its DSM activities are appropriate and successful. According to Idaho Power, in 2009 it exceeded the goals contained in NPCC's Fifth Power Plan by approximately 30%. Idaho Power also stated 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 demand-side and energy efficiency programs in its IRP. In addition, Staff pointed out that the Company has made great strides with its energy efficiency and DSM measures as compared to its 2006 IRP.

### *2. Commission Resolution*

We support Staff's conclusion that Idaho Power has explored and included all cost effective demand-side management and energy efficiency programs in its IRP. We support Idaho Power in the continuation of its review and adoption of these cost effective conservation measures.

## **F. Policy Issues**

In its opening comments, RNP did not agree with Idaho Power's recommendation to sell its Renewable Energy Credits (REC) 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 retiring RECs in preparation for compliance with a future federal RES.

In its final comments, Staff pointed out that the Idaho Public Utilities Commission accepted Idaho Power's REC management plan filing on June 11, 2010.<sup>8</sup> 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.

## 2. *Commission Resolution*

We support Idaho Power's conclusion that its REC management strategy is in the best interest of customers and will provide reduced rates, as well as an 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 meets the request by RNP to develop a solar pilot project in Idaho Power's service territory.<sup>9</sup>

## **G. General Issues**

In final comments, Staff noted several deficiencies in Idaho Power's narrative 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. Therefore, Staff 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 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 in Idaho Power's risk analysis it consisted of modeling risk variables, such as load forecast, in only one direction—high. In its Technical

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<sup>8</sup> See Idaho Public Utilities Commission, Case No. IPC-E-08-24, Order No. 32002.

<sup>9</sup> See Docket UM 1452.

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 IRP update and in subsequent IRP cycles.

## 2. *Commission Resolution*

We support Staff's recommendation regarding Idaho Power's next IRP cycle. As stated in Order 07-002, the Commission guidelines incorporate what we minimally expect from an IRP.<sup>10</sup> We will always urge the utility to provide more, rather than less, information, especially given the increasing complexity of the planning process.

## IV. 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 conditionally-acknowledged with the following requirements:

1. In its ~~2011 annual IRP update and next IRP~~, Idaho Power will treat B2H as an uncommitted resources and accordingly will update its B2H project analysis and include progress the Company has made towards securing equity partners, updated estimates of construction costs and quantitative estimates of third-party subscription on the B2H line and future wheeling revenues. In addition, Idaho Power will provide third-party documentation in support of its construction cost estimates.
2. In its next planning cycle, Idaho Power will analyze coal curtailment and the costs associated with coal plant retirement.
3. In its next planning cycle, Idaho Power will develop significantly more portfolios for the second ten-year planning process.
4. In its next IRP, Idaho Power will 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.
5. In its next planning cycle, Idaho Power will analyze any potential EPA, state and other federal agency regulations associated with air quality, fly ash, and water that may affect its generation facilities. These results will be included in the next IRP analysis.
6. In its IRP, Idaho Power will provide a more robust justification for its load forecast for the second half of the planning period. In addition, Idaho Power will provide additional analysis and a description of its estimated price elasticity for each customer class in its next IRP planning cycle.

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<sup>10</sup> See Order 07-002 at 12.

7. In its IRP update and next IRP, Idaho Power will devote specific chapters in its IRP 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 will provide an explanation of how each portfolio performed with regard to the qualitative measures the Company considered in its selection process.
8. In the IRP update and in its next planning cycle, Idaho Power will model the full range of possible futures for its updated risk variables. Idaho Power will model both a high and low future for each variable.
9. At the time of acknowledgment, Idaho Power agrees to perform all of the above analyses in its 2011 IRP, and further understands that the Commission's acknowledgement of the 2011 IRP will be based upon the results of the updated analysis.

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

### **Effect of the Plan on Future Rate-making Actions**

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\*\*\*.

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.<sup>11</sup>

This order does not constitute a determination on the ratemaking treatment of any resource acquisitions or other expenditures undertaken pursuant to 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

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

weight to utility actions that are consistent with acknowledged integrated resource plans. Utilities will also be expected to explain actions they take that are inconsistent with Commission-acknowledged plans.