

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 53

In the Matter of)
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In the Matter of IDAHO POWER) OPENING COMMENTS OF
COMPANY 2011 Integrated Resource Plan) THE CITIZENS' UTILITY BOARD
) OF OREGON
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I. Introduction

CUB appreciates the opportunity to comment on Idaho Power’s 2011 Integrated Resource Plan (IRP). CUB attended Idaho Power’s workshop with the Commission on this Plan. Based on the Company’s original filing, the information gleaned from the Company’s presentation, and the information received to date from data responses, CUB has decided to focus its comments primarily on the issues surrounding the future of Idaho Power’s coal-fired power plants. While CUB appreciates the information provided to date, a great deal more information will need to be provided, and analysis completed, before CUB could consider supporting the acknowledgment of an Idaho IRP containing plans for additional coal investments.

II. Analysis of Clean Air Investments at Coal Plants

While Idaho Power does not wholly own or operate any coal plants, the Company has a significant ownership interest in three large plants (Boardman, North Valmy, and

Jim Bridger) that together provided 41% of its total 2010 generation.¹ These three plants will face increasing costs to comply with clean air regulations in the coming years. Indeed, as a result of these projected increasing costs, the Boardman plant's operator, PGE, has already agreed to cease plant operations by the end of 2020 because that is the least-cost, least-risk method for handling anticipated future costs. The Jim Bridger plant, on the other hand, is scheduled to receive a number of expensive upgrades to meet emissions requirements over the next decade and to allow for continued mining of coal in an affiliate coal mine. Idaho Power has yet to provide detailed information regarding the expected regulatory costs for North Valmy, but the Company has indicated that the cost of installing a scrubber on Valmy Unit 1 would be in the range of \$250 million.²

CUB has argued in the most recent IRPs for PGE and PacifiCorp that those companies needed to analyze scenarios that include early closure of coal plants. CUB's position on Idaho Power's plants is no different. Idaho Power needs to include this same type of analysis in its IRP in order to fully assess the least-cost, least-risk alternatives available to it for moving forward while complying with clean air regulations. One of the alternatives that must be considered is whether the early closure of one or more coal units is in fact the least-cost, least-risk way forward. Reducing investment in coal, if done correctly, can result in lower emissions and lower costs.

As things stand today, this IRP does not include the information necessary to allow regulators or other stakeholders to fully analyze Idaho Power's proposed resource choices and the corresponding capital investments that those choices would necessitate. CUB respectfully requests that the Commission, based on a review of the information provided

¹ Idaho Power 2011 IRP, Page 26.

² CUB Exhibit A.

in this docket to date, advise the Company that the Commission cannot, and will not, acknowledge any IRP that includes plans for future coal plant investments.

The coal plants from which Idaho Power receives energy are facing significant investments in clean air costs. There is little doubt that this represents a resource decision that contains a large degree of risk. Analysts at other utilities such as PGE have looked at the clean air investment costs that would be necessary to keep PGE's Boardman coal plant operational and have concluded that it would save customers \$200 million to close the plant and invest in alternative resources. PacifiCorp has also agreed to the Commission's request that it conduct a unit-by-unit evaluation of its clean air investment costs. Based on the above, CUB encourages the Commission to require that Idaho Power conduct a similar analysis before the provisions relating to coal plant investment contained in its IRP are considered for acknowledgment.

A. Unit-by-Unit Analysis of Clean Air Investments versus Plant Retirement

CUB has so far received a *de minimis* amount of information from Idaho Power related to the investments planned for the coal plants it partially owns. CUB still has not received enough information to allow it to determine if the planned investments are prudent expenditures and consistent with least-cost, least-risk utility planning. To determine whether the planned investments comply with the required least-cost, least-risk strategy, each unit must be looked at separately. The unit's efficiency, its coal costs, the known cost of any environmental clean-up, the year that the investment is expected to be made, the risk (and range) of additional environmental clean-up costs that are not firm, the deadline for operating the plant without making all of these additional investments,

and the cost and risk associated with future carbon regulation, all must be examined to determine whether an investment is prudent and least-cost, least-risk.

The investment costs for each coal unit must then be compared to the known alternative costs of closing each plant and replacing it with something that is cleaner and more efficient. In addition, to the degree that the clean air costs are associated with Regional Haze (BART) SIPs, the range of options that the Company has considered must also be disclosed, since BART contains a fair amount of flexibility tied to the lifetime of the plant. This flexibility allows for a utility to shorten the life of a plant rather than prolong it by adding additional clean air investments, as the total amount of pollution emitted from a plant is greatly reduced by early closure. As such, if a plant is closed early, the shorter life will mean that less pollution control investment is cost-effective and the utility can move towards finding a more efficient replacement resource.

B. Idaho Power Must Model Early Plant Closures in Order to Evaluate Other System Implications

While Idaho Power has modeled a number of interesting scenarios in this IRP process, all of these scenarios include the assumption that the Company will continue to receive power from all of its coal units and make whatever investments are necessary in order to do so. While an assessment of carbon risk was conducted, it only considered the impacts of new resources, going so far as to say that “carbon risk is primarily due to Idaho Power’s existing and committed resources.”³ This assessment gives no consideration to how the Company’s risk profile would change if, in response to clean air costs, one or more of its coal units was subject to early closure.

³ Idaho Power 2011 IRP, page 104.

Idaho Power has conducted a number of tipping point analyses in this IRP process. These analyses investigated the point at which a resource's price becomes more competitive than a preferred alternative. CUB respectfully requests that the Commission require the Company to conduct an additional tipping point analysis on the price of continuing to purchase energy from existing coal resources versus a number of replacement base load resources, such as CCCTs and renewables. While such a study would not be as revelatory as a full AURORA model run, it could be compared to various estimates of potential clean air compliance costs to assess Idaho Power's level of compliance risk.

It is obvious that some things would change if some of Idaho Power's coal units were phased out. Right now the current preferred Action Plan assumes the addition of the Boardman to Hemingway transmission line, and all other resource decisions are based on the assumption of certain transmission capacity and planned upgrades.⁴ If, however, one or more of the coal units was to close, some transmission lines would have open capacity and new energy would be required via generation or market purchases in order to meet customer demand. Thus, the design and location of new transmission could change with the closure of one or more coal plants. This would also force a change in the planned new SCCTs and CCCTs in the preferred long-term Action Plan, as the timing and location of new generation changes on the system. The closure of one or more coal plants would also increase the need for DSM. The bottom line is that it is difficult to identify items in the proposed Action Plan that would not be affected by a change in the fleet of coal units that provide energy for the Company. CUB is therefore advocating that the Commission not

⁴ Idaho Power 2011 IRP, page 84.

acknowledge Idaho Power's IRP unless the necessary coal studies are completed and alternative closure scenarios considered.

III. Conclusion

Without an analysis of the investment in clean air retrofits to the coal plants that provide energy to Idaho Power, it is CUB's position that the Commission does not have adequate information to acknowledge any part of the clean air investment either explicitly or implicitly. Therefore CUB recommends that the Commission not acknowledge any elements of the 2011 IRP until the Company submits its underlying analysis of the coal investment and Staff and other parties have a chance to review and comment on that analysis. CUB eagerly awaits Idaho Power's additional analysis and encourages the Commission to provide ample scheduling accommodation to the Company to ensure that its analysis is done properly and is not rushed, and to ensure that intervenors have adequate time to review and comment upon that analysis.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. R. Feighner", with a horizontal line extending to the right.

Gordon Feighner

October 18, 2011

LC 53 – CERTIFICATE OF SERVICE

I hereby certify that, on this 18th day of October, 2011, I served the foregoing **OPENING COMMENTS OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket LC 53 upon each party listed in the LC 53 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending an original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

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Respectfully submitted,



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CUB'S DATA REQUEST NO. 2:

For each coal unit that is part of Idaho Power's system, please provide the following:

- a. **Whether the unit includes a scrubber.**
 - i. **If the unit has a scrubber, the unit cost of installing it.**
 - ii. **If the unit does not have a scrubber, the projected cost of installing one and the projected year of installation.**
- b. **The Company's projections as to how the unit will be affected by the proposed EPA MACT rules that were released on May 3, 2011.**

IDAHO POWER COMPANY'S RESPONSE TO CUB'S DATA REQUEST NO. 2:

- a. The Idaho Power coal fleet is substantially scrubbed. All four Jim Bridger units have scrubbers as does Valmy Unit 2. Scrubbers are not installed at Boardman and Valmy Unit 1 and there are no known requirements to install them at this time.

The Integrated Resource Plan ("IRP") process does not include the capital costs of existing plant in the evaluation of the addition of future resources. Consequently, the historical costs of installed scrubbers were not considered in the 2011 IRP portfolio analysis.

Due to the age of the plants and changes in record keeping systems implemented over the last 30 to 40 years, Idaho Power is unable to provide precise costs for scrubber technology that was installed at the Bridger and Valmy plants as part of original construction of the facilities. Idaho Power's un-depreciated investment balance as of August 31, 2011, in scrubber technology at the Bridger and Valmy plant was \$61.5 million and \$19.5 million, respectively. Scrubber investment balances by individual coal units are not tracked with any level of precision in Idaho Power's fixed asset system.

It would be very difficult to determine the cost to install a scrubber on North Valmy Unit 1 and the projected year of installation. There is no known legislation or regulation that would require the installation of a scrubber on this unit. Without any requirement to install a scrubber, the exact size, construction, removal rate, or sorbent is completely unknown. That said, it is estimated that a scrubber for a unit the size of North Valmy Unit 1 would cost approximately \$250 million, but could vary significantly depending on all the factors listed above.

- b. The proposed Environmental Protection Agency ("EPA") Maximum Achievable Control Technology ("MACT") rules released on May 3, 2011, were not considered in the 2011 IRP analysis. The operating partners at the plants have been preliminarily assessing the potential impacts of this rule. Until the final rule is released and comprehensive testing is conducted at the plants, it is too uncertain to project how the units will be affected or what controls will be required.