McDowell Rackner & Gibson PC

WENDY MCINDOO
Direct (503) 595-3922
wendy@mcd-law.com

November 8, 2011

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket LC 53 - Idaho Power Company's 2011 Integrated Resource Plan ("IRP")

Enclosed for filing in the above-identified docket are an original and one copy of Idaho Power Company's Reply Comments. A copy of this filing has been served on all parties to this proceeding as indicated on the attached Certificate of Service.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo

Wendy McIndoo
Office Manager

cc: Service List

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing documents on in Docket LC 53 on the following named persons on the date indicated below by e-mail addressed to said persons at his or her last-known address indicated below.

Stephanie S. Andrus
Department of Justice
Assistant Attorney General
stephanie.andrus@state.or.us

Janet L. Prewitt
Department of Justice
Natural Resources Section
janet.prewitt@state.or.us

Robert Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

Erik Colville
Public Utility Commission
SR Utility Analyst
erik.colville@state.or.us

Gordon Feighner
Citizens' Utility Board of Oregon
Gordon@oregoncub.org

G. Catriona McCracken
Citizens' Utility Board of Oregon
catriona@oregoncub.org

Hillary Dobson
Oregon Department Of Energy
Hillary.dobson@state.or.us

Vijay A Satyal
Oregon Department Of Energy
vijay.a.satyal@state.or.us

Adam Schumaker
Renewable Northwest Project
adam@rnp.org

Milo Pope
Move Idaho Power
milo@thegeo.net

Megan Walseth Decker
Renewable Northwest Project
megan@rnp.org

John W. Stephens
Esler Stephens & Buckley
stephens@eslerstephens.com
mec@eslerstephens.com

V. Denise Saunders
Portland General Electric
denise.saunders@pgn.com

Daniel Meek
dan@meek.net

Patrick Hager
Portland General Electric
Rates & Regulatory Affiars
pge.opuc.filings@pgn.com

Brian Kuehne
Portland General Electric
Integrated Resource Planning
brian.kuehne@pgn.com

Thomas H. Nelson
nelson@thnelson.com

Roger Findley
rogerfindley@q.com

McDowell Rackner & Gibson PC
419 SW 11th Avenue, Suite 400
Portland, OR 97205

Nancy Peyron
nancypeyron@msn.com

DATED: November 8, 2010

Wendy McIndoo
Office Manager

McDowell Rackner & Gibson PC
419 SW 11th Avenue, Suite 400
Portland, OR 97205

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

LC 53

IN THE MATTER OF IDAHO POWER COMPANY'S 2011 INTEGRATED RESOURCE PLAN ("IRP").	**IDAHO POWER COMPANY'S REPLY COMMENTS**

I. INTRODUCTION

Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits these Reply Comments to the Public Utility Commission of Oregon ("Commission"). These comments respond to the opening comments of the Public Utility Commission of Oregon Staff ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and the Renewable Northwest Project ("RNP"), the only three parties to submit opening comments in this proceeding.

II. DISCUSSION

A. The Commission Should Not Require the Company to Conduct Additional Environmental Cost Analysis Related to Coal Investments for Acknowledgement of this 2011 Integrated Resource Plan.

CUB's Opening Comments focus on issues related to Idaho Power's coal-fired generation resources and state that CUB cannot support acknowledgment of an Integrated Resource Plan ("IRP") that includes plans for additional cost investments without the provision of additional information and analysis. Specifically, CUB requests a unit-by-unit analysis and comparison of clean air investments versus plant retirement and modeling of early plant closures to evaluate overall system impacts.[1] RNP's Opening Comments also suggest that the Company should be required to analyze "the costs and risk of maintaining

[1] *See generally* CUB's Opening Comments.

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Portland, Oregon 97205

its coal plants and how carbon costs and environmental regulations could alter their cost-competitiveness in the future."[2] CUB's request should be denied.

The Company takes seriously its obligations to ensure that its coal resources are in full compliance with all applicable environmental regulations. The Company also takes seriously its obligation to ensure that its IRP includes a thorough and meaningful discussion of all of the costs and risks associated with its proposed resource portfolios. However, acknowledgement of this 2011 IRP should not be contingent upon the completion of the analysis requested by CUB because, as described in detail below, the analysis is necessarily speculative at this time. Notwithstanding, the Company has already provided through data requests in this proceeding its best known estimates of the environmental compliance costs for its coal facilities. Thus, the Company requests that the Commission reject CUB's request to withhold acknowledgment of this IRP pending the completion of this analysis and instead include a requirement that the Company's next IRP, which will be filed in 2013, include the requested analysis.

The analysis requested by CUB and alluded to by RNP is extremely difficult to conduct because the scope and implications of proposed federal environmental clean air rules is largely unknown. The list of rules and regulations that may ultimately apply to Idaho Power's coal generation facilities is extensive and the rules and regulations have evolved over the last few years and continue to evolve today. For example, the following regulations and rules will potentially apply to the Company's coal fleet:

- The Utility Maximum Achievable Control Technology ("U-MACT") regulation covers 187 hazardous air pollutants. The draft rule was 946 pages in length and if enacted with result in complex and far reaching regulations related to these pollutants. The

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[2] RNP Opening Comments 7.

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final rule is not yet finalized but the Company expects that it will be finalized by December 2011.

- The Regional Haze Best Available Control Technology ("RH BART") covers pollutants that affect visibility in wilderness areas such as NO_X (nitrogen oxides) and SO_2. This rule is finalized, but not all of the State Implementation Plans ("SIP") have been approved by the Environmental Protection Agency ("EPA"). Therefore, the impact of this rule is still unclear.
- The National Ambient Air Quality Standards ("NAAQS") address pollutants considered harmful to public health and the environment. These standards are mandated by the Clean Air Act, and address the following pollutants: lead, CO, SO_2, PM 10 & 2.5, NO_X and ozone. These standards have been finalized, but not all areas have been analyzed to determine attainment status.
- The Coal Combustion Residuals ("CCR") regulations address fly ash, bottom ash, coal slag, and flue gas desulfurization residue. CCRs contain a broad range of metals, for example, arsenic, selenium, cadmium, lead, and mercury, but the concentrations of these are generally low. It is currently unclear whether the EPA will designate CCR's as hazardous or non-hazardous. This regulation has been proposed by the EPA and the final rule is expected sometime in 2012.

Until the scope and substance of these potential regulations is more certain, Idaho Power can only speculate as to the extent the rules will apply to its coal plants. Correspondingly, any cost estimate prepared by Idaho Power to conduct the unit-by-unit cost impact analysis as requested by CUB would be highly speculative as well. Speculation does not make for prudent utility planning.

In its September 20, 2011, IRP presentation to the Commission, Idaho Power presented at a very high level a range of costs that could potentially result if certain environmental regulations were implemented. Importantly, and as indicated in the slide

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presentation on September 20, the high-level estimates of forecast environmental costs were derived solely for purposes of providing a resource "tipping point" analysis to the Commission and interested parties; those forecast costs were not intended to serve as estimates of potential environmental compliance costs. That high level analysis demonstrated that even if the Company were required to spend the estimated amount to comply with potential federal environmental regulations, those costs would still be less expensive than constructing replacement natural gas generation resources. As indicated above, the forecast costs contained in the tipping point analysis were not included as part of the Company's 2011 IRP process because the costs are too speculative at this time.

That said, in responding to data requests issued by Staff and CUB in this proceeding, Idaho Power has already provided, to the best of its ability given the uncertainty surrounding federal clean air regulations, a detailed analysis of the type requested by CUB in its Opening Comments. Any further analysis would be of limited usefulness at this time as it would necessarily be based on speculation and conjecture and would add little value to the acknowledgement process for the Company's 2011 IRP.

To support its request that the Commission deny acknowledgement of coal investments, CUB points to Portland General Electric Company's ("PGE") cost analysis and decision to shut down the Boardman coal plant (of which Idaho Power owns a 10% interest).[3] However, important distinctions between Boardman and Idaho Power's other coal plants make this comparison inapt. PGE's decision to close Boardman in 2020 was based primarily upon a single, known environmental regulation—RH BART. Because this regulation was finalized and its scope and impact known for Boardman, PGE was able to specifically identify the costs associated with upgrading its Boardman facility to comply with the RH BART environmental requirement. When these costs were compared to other

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[3] CUB Opening Comments at 3.

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resources, PGE made the decision to cease coal-fired operations at the Boardman plant by December 31, 2020.

The situation with Idaho Power's Jim Bridger and Valmy coal plants is vastly different than PGE's situation with Boardman. For the Boardman plant, the RH BART rule would require the addition of low NO_X burners, a scrubber, and selective catalytic reduction ("SCR"). For the Company's Jim Bridger plant, the Wyoming RH BART rule (currently awaiting EPA SIP approval) only requires the additional installation of SCRs, which dramatically reduces the cost of compliance compared to the suite of pollution controls required for Boardman. In addition, the RH BART rule was not applicable to North Valmy.

As indicated above, because none of the new proposed environmental regulations have been finalized, Idaho Power does not have sufficient information to develop accurate and meaningful cost analysis to determine required environmental upgrades that would go into an IRP-type analysis. That said, Idaho Power anticipates that the U-MACT regulations will be finalized by the end of 2011 and that other anticipated regulations will be further developed in 2012 such that the Company anticipates conducting an environmental compliance cost analysis on its coal plants in 2012. The Company intends to use third-party consultants, in conjunction with studies conducted by the operators of the coal plants[4] as well as internally generated analyses to evaluate environmental compliance costs associated with its coal plants. At this time, Idaho Power anticipates that it will use these analyses as part of preparing its 2013 IRP.

Accordingly, it would not be appropriate for the Commission to refuse to "acknowledge any IRP that includes plans for future coal plant investments."[5] Instead, the Commission should acknowledge the Company's 2011 IRP including the Company's

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[4] PacifiCorp is the operator of the Jim Bridger Coal Plant and NV Energy is the operator of the Valmy Coal Plant.

[5] CUB Opening Comments at 3.

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preferred portfolio and, as part of that acknowledgement, require the Company to conduct the environmental compliance costs analysis requested by CUB as part of its 2013 IRP. This approach allows time for the proposed environmental regulations to become finalized so the Company can conduct more accurate environmental compliance cost analyses as well as afford CUB the opportunity to participate in the public process of preparing the Company's 2013 IRP during meetings with the IRP Advisory Council.[6]

B. The Commission Should Acknowledge Boardman to Hemingway as the Company's Preferred Portfolio.

Idaho Power identifies Boardman to Hemingway ("B2H") as its preferred resource portfolio in its 2011 IRP. RNP "generally supports acknowledgement of the primary resource in Idaho Power's 10-year portfolio: improved access to markets through development of the Boardman to Hemingway transmission line."[7] Notably, RNP points out the multiple advantages of B2H because it will help meet the Company's summertime peak capacity needs via market purchases as well as provide "strong reliability benefits" for Idaho Power and the Pacific Northwest.[8] In addition, RNP acknowledges that B2H's capacity will provide opportunities for additional renewable generation resources to gain access to markets.[9] B2H will also provide Idaho Power the ability to integrate renewable generation resources through access to emerging intra-hour markets.[10]

Staff's Initial Comments note that they are continuing to review the B2H project for consistency between capital costs represented in the 2011 IRP and responses to Staff data

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[6] Notably, CUB did not actively participate as a member of the Company's 2011 IRP Integrated Resource Plan Advisory Committee.

[7] RNP Opening Comments 1.

[8] RNP Opening Comments 1 – 2.

[9] RNP Opening Comments 2 -3.

[10] RNP Opening Comments 2 -3.

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requests as well as reviewing assumptions used in determining both economic and non-economic benefits associated with B2H.[11] CUB does not oppose B2H but instead suggests that the early decommissioning of the Company's coal facilities could free-up existing transmission capacity, potentially changing the design and location of new transmission facilities.[12]

In general, Idaho Power concurs with the RNP's Opening Comments as they relate to B2H. In addition to meeting the Company's resource needs, B2H has the potential to provide the ancillary benefits to the Company and its customers as noted by RNP. As for capital costs, the Company acknowledges and appreciates Staff's review and verification of the anticipated costs and assumptions associated with the B2H project. A transmission project the size and scope of B2H is deserving of continuous scrutiny related to costs and assumptions. As the project developer, Idaho Power continues to review its assumptions and costs on a regular basis to ensure the project complies with the Company's goals and objectives and continues to represent the best cost/risk resource.

In response to CUB's argument that coal plant closures will free up transmission capacity, Idaho Power notes that determining which existing transmission lines on its system could have additional free capacity as the result of a potential future shut-down of one of the Company's coal plants is highly speculative and inconsistent with prudent utility planning practices. As noted above, it is premature in this IRP for the Company to conduct the detailed environmental compliance cost analyses requested by CUB. Moreover, once those analyses are complete, it is wholly unknown whether the results of those analyses will suggest early decommissioning and shut-down of the Company's coal plants is the least cost alternative. Accordingly, the Commission should reject CUB's suggestion that the B2H

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[11] Staff Initial Comments 2.

[12] CUB Opening Comments 5.

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project should be delayed to conduct the environmental compliance cost analyses called for in its comments.

Idaho Power must ensure it has the ability to deliver energy to power the economy, keep houses and businesses warm in the winter and cool in the summer, and keep people's lights on. To achieve these mandates, Idaho Power must prudently plan to ensure it has sufficient resources to serve its load. The IRP planning process is a robust, transparent process that includes detailed study and analyses as well as input from all stakeholders in determining the best approach for resource planning. The 2011 IRP reveals that B2H is the best, least cost approach for ensuring the utility has resources to meet load. Delaying proposed resources to meet load based upon analyses which have undefined parameters (i.e. final environmental compliance regulations) that may or may not reveal information showing the cost effectiveness of the continued operation of existing resources (i.e. the Company's coal fleet) and potential impacts of such results, if implemented (i.e. the freeing-up of capacity on existing transmission facilities) is contrary to the Company's obligation to engage in prudent utility planning practices. Thus, the Commission should acknowledge B2H as the Company's preferred portfolio resource as the Company has demonstrated in its 2011 IRP that is the most cost-effective way to meet the resource needs of the Company and its customers.

C. The Commission Should Rely on Idaho Power's Load Forecasting

Staff's Initial Comments note a concern that Idaho Power's "assumption of 1.4 percent average-energy growth and 1.8 percent peak-hour load growth are too high."[13] Staff bases its concerns "on the lingering economic recession, plus a shift occurring in the demand/supply balance: a demand-side shift from increased conservation success; and a

[13] Staff Initial Comments 3.

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supply-side shift by increasingly stringent environmental regulation."[14] Based on this, Staff notes that reasonable growth rates for the Company should be "nearer the Energy Information Administration (EIA) expectation that electricity demand will grow at one percent (or less) through 2035."[15]

It is important to note that for IRP planning purposes, Idaho Power must pick a point in time and based upon the best information available at that time the Company must develop assumptions to be used in the IRP. In the case of the 2011 IRP, Idaho Power used all information available as of July 2010 to develop its load forecast. Idaho Power acknowledges that the current national economic slowdown is having an impact on its load forecasts. Notwithstanding, the Company is seeking acknowledgement of its 2011 IRP based upon the best information available at the time the IRP was developed. For IRP acknowledgement purposes, it is not appropriate to pick-and-choose selected items, such as load forecasts, and update only some items without updating all other aspects of the IRP.

In addition, Idaho Power disagrees with Staff that using broad, industry-wide, national data, such as the EIA load forecast, is appropriate for the Company's IRP planning process. Idaho Power conducts detailed, service area-specific analyses based on historic and forward looking data to develop its load forecast. This specific analysis accounts for significant regional differences present in Idaho Power's service territory that drive electricity growth rates that are higher than the national average. These differences include higher birth rates (for 2000-2010 Idaho grew at a 2.3% annual rate versus 1.0% for the United States) and higher net migration (Idaho population growth ranked 4th in the United States during the same time period).

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[14] *Id.*

[15] *Id.*

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Idaho Power's load forecast data analyses also capture information specific to Idaho Power's service territory that the EIA data does not. For example, the EIA load forecast data does not include an irrigation class, a significant sized class of customers on Idaho Power's system, which, during peak summer irrigation months, can represent the largest sustained load on the Company's system. Further, use of the EIA data for Idaho Power planning purposes would not include specific large, industrial load customers, including growth from special contract customers Hoku Materials, Inc. and the Idaho National Laboratory. Idaho Power uses specific load growth data provided by its large industrial customers to include in its load forecasting and planning process.

In sum, Idaho Power is constantly analyzing and refining its load forecast information. For IRP planning purposes, Idaho Power must pick a point in time, set its anticipated load forecast, and begin developing its IRP. Idaho Power relies on service-territory specific drivers, as well as the relationship between actual historical data and these drivers, to develop its load forecasts. This detailed, Idaho Power-specific information is more reliable than broad, national data. Accordingly, the Commission should rely on the Company's load forecast data in acknowledging the Company's 2011 IRP.

D. Idaho Power Has Considered the Impacts of Conservation Voltage Reduction ("CVR") In Its Planning Processes

Staff notes that neither the 2011 IRP nor the Company's Demand Side Resource Report "mentions further plans for CVR."[16] "As a result, Staff is considering an additional action item to address acquisition of cost effective CVR resources."[17]

Idaho Power has been involved with CVR since 2006, which was originally a pilot program under the Northwest Energy Efficiency Alliance ("NEEA"). Known then as

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[16] Staff Initial Comments at 2.

[17] *Id.*

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Distribution Efficiency Initiative ("DEI"), Idaho Power was one of 10 sponsoring Northwest utilities piloting this technology. Idaho Power helped in the development and testing of two DEI calculators that were presented to the Regional Technical Forum ("RTF") in 2008. These calculators included a manager's tool that provides high-level results and an engineer's tool that allows users to develop multiple scenarios and compare results. Idaho Power's activities in this regard were reported in Idaho Power's 2006, 2007, 2008, and 2009 Demand-Side Management Annual Reports filed with the Commission. In Idaho Power's 2010 Demand-Side Management Report only the financial information relating to DEI was reported in Appendix 4.

Most of the savings realized by Idaho Power from CVR occurred in the years prior to the 2011 IRP planning horizon and subsequently were not considered a new resource. As stated in response to Staff's Data Request No. 43 in this proceeding, CVR impacts are indirectly integrated into the load forecast by virtue of being embedded in the historical data that is used as part of preparing the load forecast. Mathematically, the impact is effectively being attributed to other variables such as codes, manufacturing standards, weather, economy, and trend or error.

Since the pilot project, Idaho Power has continued to integrate CVR into its system. As stated in response to Staff Data Request No. 44:

> Idaho Power plans to pursue CVR on all circuits that are good candidates for such a program. Good candidates are circuits that can be shown through studies to not violate voltage requirements and adversely affect customer operations due to CVR. In 2009, 264 circuits were studied. Of these 264 circuits, CVR was implemented on 30 circuits. In 2010/2011, 69 circuits were studied and/or re-examined. Of these 69, 9 more circuits were identified as candidates for CVR. Implementation of CVR on these 9 circuits is expected by the spring of 2012. In 2012, 36 more circuits will be studied. Additional circuits will be examined beyond 2012, but a schedule has not been established at this time.

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Portland, Oregon 97205

Because circuits that are good candidates for CVR are primarily in densely populated areas, much of the potential savings from CVR in the Company's current system has either been acquired or will soon be acquired through Idaho Power's efforts as specified above. Many of Idaho Power's circuits are long lateral feeders that are sparsely populated and are therefore not good candidates for CVR. Future expansion of CVR will be most likely limited to areas with extensive growth and become densely populated.

As for cost effectiveness, Idaho Power has done some preliminary analysis that shows the projects the Company has completed to be very cost-effective as there were little or no costs. As Idaho Power begins exploring circuits that require more investment to enable CVR to be effective, the cost-effectiveness will have to be more closely examined.

Thus, Idaho Power has thoroughly considered both the potential and cost effectiveness of CVR. Accordingly, there is no need for the Commission to issue an additional action item addressing the acquisition of cost effective CVR.

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419 SW Eleventh Avenue, Suite 400
Portland, Oregon 97205

III. CONCLUSION

The Company appreciates the opportunity to file these comments and respond to concerns and issues raised by Staff, CUB, and RNP. The Company requests that the Commission acknowledge its 2011 IRP, including its preferred portfolio, and direct any additional requirements related to coal investments to future IRPs where the necessary analysis will be more certain and meaningful.

DATED this 8th day of November 2011.

McDOWELL RACKNER & GIBSON PC

Lisa F. Rackner
Adam Lowney

IDAHO POWER COMPANY

Jason B. Williams
Donovan E. Walker
1221 West Idaho Street
P.O. Box 70
Boise, Idaho 83707

Attorneys for Idaho Power Company

McDowell Rackner & Gibson PC
419 SW Eleventh Avenue, Suite 400
Portland, Oregon 97205