

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
LC 53**

In the Matter of IDAHO POWER COMPANY 2011 Integrated Resource Plan		STAFF'S INITIAL COMMENTS AND RECOMMENDATIONS
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Following are Staff's initial comments and recommendations on the Idaho Power Company (IPC) 2011 Integrated Resource Plan (IRP). Staff's comments are grouped by subject. Before filing final comments, recommendations and a proposed order Staff will further review the Company's filed plan, responses to recent data requests and parties' comments.

**Initial Comments**

Coal Plant Utilization

IRP Guideline 4(g) requires the utility to identify key assumptions about the future, including assumptions about future environmental compliance costs. Idaho Power's 2011 IRP, by virtue of its September 20, 2011 presentation to the Commission, provides an evaluation of the compliance of its existing coal fired generation resources with new, draft, and anticipated environmental regulations. Staff has requested and will evaluate a breakdown of the environmental compliance costs, by coal fired generation unit, used in its evaluation.

Energy Efficiency

Staff is evaluating whether IPC's approach and effort, and will continue to, captures all cost effective energy efficiency.

Conservation Voltage Reduction

In its response to OPUC Staff data request 45 IPC states:

*The Idaho Power results from this [Northwest Energy Efficiency Alliance 2007 Distribution Efficiency Initiative] study show that a voltage reduction of approximately 3 percent results in energy savings of approximately 1.5 percent to 2.5 percent and approximately 1.8 percent to 2.6 percent on peak, 80 percent to 90 percent of this savings are on the customer side of the meter.*

In its response IPC also notes that:

*CVR was implemented on 30 circuits in 2009. Estimated annual savings for these circuits is 5,665 megawatt-hours (“MWh”) and 0.78 megawatts (“MW”) during peak load periods. For 6 of the 9 circuits scheduled for implementation by the spring of 2012, the estimated annual savings is 4,110 MWh and 0.82 MW on peak load periods.*

Despite these promising beginnings for CVR measures, neither IPC’s IRP nor its Appendix B on Demand-Side Management mentions further plans for CVR. Nor are the savings from potential CVR measures incorporated in its supply-demand balance for energy or peak demand. As a result, Staff is considering an additional action item to address acquisition of cost effective CVR resources.

### Transmission Action Item

Idaho Power requests that the Commission acknowledge the Boardman to Hemingway (B2H) Transmission Project. The Company included the B2H Project in its 2011 IRP Preferred Resource Portfolio<sup>1</sup> (2011 IRP Resource Portfolio). The B2H Project involves constructing, operating, and maintaining a new single-circuit 500-kV transmission line of approximately 300 miles in length. The proposed route is between northeast Oregon and southwest Idaho.<sup>2</sup> The project’s capital cost is approximately \$820 million.<sup>3,4</sup>

Staff continues to review this project for consistency between the Capital Costs represented in the Company’s 2011 IRP and in responses to Staff data requests. Furthermore, Staff continues to review the assumptions used in determining the economic net benefits and non-economic benefits of the B2H Project.

### Demand Response

In both the September 20, 2011 presentation made to the Commission and the workshop held that afternoon, the Company presented an analysis comparing the cost per megawatt-hour for the various demand response (DR) programs with that for a simple cycle combustion turbine (SCCT). Staff does not necessarily question the underlying analysis or results. Staff sees the basis for DR programs being that the cost of not using capacity is substantially less than the cost of generating capacity. On that basis, if the cost of DR programs is more than the cost of an SCCT, Staff believes the DR program implementation may need revision. Staff will continue to investigate this concern.

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<sup>1</sup> See Idaho Power’s 2011 IRP, Chapter 1, “Summary,” “Table 1.1,” page 7.

<sup>2</sup> See Idaho Power’s 2011 IRP, Chapter 5, “Supply-Side Resources,” page 51.

<sup>3</sup> See Idaho Power’s 2011 IRP, Chapter 5, “Supply-Side Resources,” “Updated Cost Estimate,” page 53.

<sup>4</sup> See Idaho Power’s response to Staff Data Request 27.

## Load Forecast

Staff is concerned that IPC's assumption of 1.4 percent average-energy growth and 1.8 percent peak-hour load growth are too high. Staff bases its initial 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 supply-side shift by increasingly stringent environmental regulation. Staff would consider as reasonable a growth rate nearer the Energy Information Administration (EIA) expectation that electricity demand will grow at one percent (or less) through 2035. In addition, Staff is concerned the Idaho Power average-energy and peak-hour forecast deficit is premature by approximately two years. Staff would expect a peak-hour monthly deficit (with existing DSM and resources) near 2017 and an average-energy monthly deficit (with existing DSM and resources) near 2018.

As another component of the load forecast review, Staff looks forward to the upcoming Load Update (at the end of October, 2011). Staff is especially interested in the current status of the Hoku Materials load, the status of the contract with the new large Oregon customer (60-80 aMW), and the irrigation sector modeling. Staff will continue to evaluate the load forecast in the context of the range presented in the IRP.

## New Large Loads

IRP page 8 discusses what IPC calls "New large Loads." Staff is evaluating this issue in the context of whether it is appropriate from a cost and ratemaking perspective to include potential new large loads in IRP load forecasting. Staff's initial thinking is that, if it is appropriate, allowance for new large loads could be included in the additional firm load category, as is proposed for the Special Customer (IRP page 63-64). Staff will continue to evaluate and consider this issue.

## Capacity Planning Margin

Staff notes the process described on IRP pages 115 and 116 for back-calculation of a capacity planning reserve margin, effectively comparing the difference between the 50<sup>th</sup> and 70<sup>th</sup> percentile hydroelectric water conditions. Staff intends to explore whether this approach is still appropriate given the water issues described on IRP pages 15 and 16. Staff also notes the overlap between the capacity planning reserve margin and the capacity benefit margin used in the loss of load expectation analysis.

## Risk Analysis

Staff is concerned whether the approach IPC used, whereby it samples from a uniform distribution of incremental costs associated with each risk variable, results in a meaningful risk analysis. Staff will continue to explore this issue.

## Hydro Variability Modeling

Staff is considering a recommendation to include hydro generation variability as a risk variable/factor for the next IRP cycle. Staff bases this recommendation on recognizing IPC's significant reliance on hydroelectric generation, and the IRP Guideline 1.b.1 listing hydroelectric generation as a source of risk and uncertainty that should be addressed.

## Wind Integration

Staff notes that IPC is in the early stages of its wind integration study. Staff intends to further explore wind integration in the context of this IRP.

## Firm Market Purchases

IRP page 68 discusses transmission capacity limitations. In that discussion, Idaho Power states that it does not typically rely on imports from the Intermountain Region for planning purposes. Staff is investigating these limitations to consider whether Idaho Power's practice of not relying on these imports is still valid.

This concludes Staff's Initial Comments.

Dated at Salem, Oregon, this 18th day of October, 2011.



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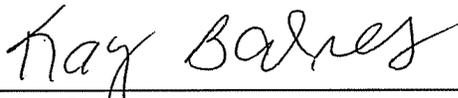
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## CERTIFICATE OF SERVICE

**LC 53**

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 18th day of October, 2011 at Salem, Oregon.



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