

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
LC 58**

In the Matter of

IDAHO POWER COMPANY,

2013 Integrated Resource Plan;

STAFF'S OPENING COMMENTS

Following are Staff's initial comments and recommendations on the Idaho Power Company (IPC) 2013 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 data requests, and parties' comments.

Boardman to Hemingway (B2H)

Staff continues to evaluate the Company's assumptions on project timelines, permitting and construction costs, and market sales/purchases. Staff appreciates the value of the joint funding agreement for permitting costs between IPC, PacifiCorp and Bonneville Power Administration (BPA). It is also noteworthy that of six potential solutions for BPA to meet its South Idaho load service obligations, B2H was identified as the preferred solution.¹

Staff notes that IPC includes B2H in its preferred portfolio, and that there are two action items in the 2013 IRP related to B2H: 1) "Ongoing permitting, planning studies, and regulatory filings," and 2) "Transmission line complete and in service" in 2018. While Staff is prepared to recommend acknowledgment of Idaho Power's plan to continue obtaining the necessary permits and regulatory approvals to construct B2H, Staff has not received sufficient information to allow it to recommend acknowledgment of the construction phase of the project. IPC notes in its IRP that it does not anticipate an in-service date for B2H prior to 2018.² Staff anticipates that IPC will seek acknowledgment of the construction of B2H in a future IRP.

Demand Response

Staff supports the Company's commitment to maintaining a viable demand response program, which it demonstrated in the recent settlement filed in Idaho for 2014 and beyond.³ In that settlement, IPC agreed that, "[t]he maximum annual value of demand response is equal to the levelized annual cost of an alternative 170 MW peaking resource, measured over a period of 20 years, plus

¹ IRP at 77.

² IRP at 78.

³ Idaho Public Utilities Commission, IPC-E-13-14

the corresponding deferred energy savings for 60 program hours ...The demand response value calculation shall include this value even in years when the IRP shows no peak-hour capacity deficit. The annual value calculation will be updated with each IRP based on changes that include, but are not limited to need, capital cost, or financial assumptions.”⁴ This approach is consistent with the OPUC IRP Guideline 7, Demand Response, which requires that demand response resources be evaluated on par with other options for meeting energy, capacity, and transmission needs. The Idaho agreement reflects the concept that demand response is available on an equivalent basis to a physical resource, e.g., a SCCT, with appropriate adjustments for availability and performance.

The IRP shows the following MW levels of demand response available 2013 through 2017:⁵

	Existing Resources	IRP Resources
2013	0	0
2014	0	0
2015	0	0
2016	0	100
2017	0	150

In 2012, IPC had 438 MW of demand reduction capacity available,⁶ although the majority was not called upon. Given the program changes proposed for 2014, the specific level of demand response that will be available to IPC is currently unknown. As preparations for the 2014 summer season begin, the market response will become apparent. Staff is investigating the impact of different levels of demand response availability on portfolio selection.

Energy Efficiency

Initial review of the Company’s revised cost effective energy efficiency portfolio indicates that the reduction in “alternate costs,” due primarily to changes in carbon and gas price assumptions, is reasonable. However, Staff will continue to investigate.

The issue of the Company’s potential reduction or termination of funding for the Northwest Energy Efficiency Alliance (NEEA) was raised at the September 18, 2013 Energy Efficiency Advisory Group meeting. The current five-year agreement between IPC and NEEA is in place through the end of 2014. Staff supports NEEA’s market transformation objectives and notes that their efforts are generally focused on activities upstream from utility customers. According to IPC’s Demand-Side Management 2012 Annual Report, more than 10 percent of the Company’s energy efficiency savings since 2010 have come through market

⁴ Idaho Public Utilities Commission, IPC-E-13-14, 10.2.2013 Idaho Power Company’s Motion to Approve Settlement Agreement, Attachment 2.

⁵ IRP Appendix C, Technical Report, p. 53 – 58.

⁶ IRP Appendix B, Demand-Side Management 2012 Annual Report, p. 4.

transformation enabled by the agreement with NEEA,⁷ in addition to savings achieved in prior years. Staff is concerned that the Company may reduce its support to NEEA, which will still be achieving cost effective savings in future years.

Gas Prices

Staff is evaluating the implications of assuming a symmetrical natural gas price distribution for the resource alternative analysis where the base case is adjusted upwards and downwards by 30% to obtain the high and low gas price forecasts. Gas prices are generally considered to have more upside risk and less downside possibility. At current prices this means a “low” gas price is roughly \$2.50/mmBtu (which is likely to be bullish on how low prices might go) where a “high” gas price is about \$4.75 (which is likely to underestimate the high side risk of gas prices).

Stochastic Inputs and Risk Analysis

In Order No. 12-177 acknowledging IPC’s last IRP, with conditions, the Commission concluded that IPC should work “toward collaborative improvement of Idaho Power’s stochastic risk analysis.”⁸ The Commission directed that at least one of IPC’s IRP Advisory Committee meetings must address stochastic risk analysis, and also adopted Staff’s recommendation that IPC include analysis of hydro variability. IPC complied with the specific conditions in Order No. 12-177 regarding risk analysis. However, Staff continues to evaluate IPC’s risk analysis regarding the impact of the customer load variable.

The NPV costs of the four lowest cost portfolios are remarkably close, but the cost ranking of these portfolios does not switch in any of the 102 AURORA simulations (as depicted in Figure 9.6). Due to this result and the critical role it played in the selection of the preferred portfolio, Staff is reviewing (1) the correlation between natural gas prices and Mid-C prices from AURORA, and (2) the variation of the stochastic inputs to determine the reasonableness of the assumptions. Staff is concerned that the correlation between natural gas prices and Mid-C power prices may be overstated. At the same time, Staff is interested in the possibility that natural gas prices may not vary enough across simulations. In conjunction, these two concerns raise the issue of whether (1) there is an underestimation of the upside risk of wholesale electricity prices (which in turn would underestimate the cost risk of the B2H transmission line), and (2) an underestimation of the spread of the NPV’s of each portfolio. These issues could be contributing to the result that one portfolio is the lowest cost portfolio in every simulation as well as the result that variance of the costs across portfolios is remarkably similar.

⁷ IRP Appendix B, Demand-Side Management 2012 Annual Report, p. 5.

⁸ Order 12-177, p. 7

Load Forecast

Staff is investigating specific assumptions, variables, and modeling techniques used to generate the load forecast. Given the significant impact of summer peak loads on the peak hour deficits, Staff is interested in verifying the robustness of the base model as well as the various load scenarios. The 50th percentile summer load may grow at a slower rate than the Company expects.

Resource Costs

Staff continues to investigate the Company's resource cost assumptions, particularly with respect to solar. IPC used data from a February 2012 report published by the National Renewable Energy Laboratory (NREL) for the majority of its supply-side resource costs.⁹ As the NREL report notes, "These data were synthesized from various sources in late 2009 and early 2010 and therefore reflect the environment and thinking at that time or somewhat earlier, and not of the present day." Staff understands IPC's desire to use independent third party sources when those estimates are available. However, Staff also emphasizes the need to reflect more current estimates when they change frequently, such as the recent drops in solar photovoltaic panel costs.

Coal Plant Upgrades

Staff is continuing to review the reasonableness of assumptions contained in the coal plant analysis, and the specific upgrade action items. Regarding North Valmy Units 1 and 2, Staff is investigating the assumed availability in the IRP in contrast with reports in industry publications that the units will be retired in 2021 and 2025, respectively.

Wind Integration

In Order No. 12-177, the Commission directed IPC to form a Technical Review Committee (TRC's) as soon as possible for IPC's Wind Integration Study Report. The Commission recommended that the TRC be "fully engaged to review and offer suggestions for improvement of the Company's proposals for analytical methods and data used in the [Wind Integration] Study."¹⁰ The TRC's ability to engage with IPC regarding the analysis used in the Wind Integration Study underlying this IRP was more limited than Staff anticipated. Staff encourages the Company to use a TRC in future wind integration studies and allow the TRC opportunity to fully engage in the analytical methodology underlying the study.

⁹ 2013 IRP, p. 4, "Cost and Performance Data for Power Generation Technologies" report, NREL, February 2012.

¹⁰ OPUC Order No. 12-1777, App. A at 3.

Conservation Voltage Reduction (CVR)

Action Item 4 in Order 12-177, acknowledging the Company's 2011 IRP with conditions and exceptions, addressed CVR:

"The next IRP filed by Idaho Power will include an assessment of the available cost-effective conservation voltage reduction (CVR) resource potential in its service area. The company will propose an action plan in its 2013 IRP related to this resource. The planned energy savings and reduced peak demand will be incorporated into Idaho Power's load-resource balance forecasts."

IPC did not include an assessment of the available cost-effective CVR in its service area.

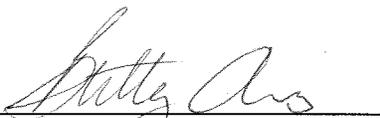
In the 2013 IRP, Idaho Power states:

"Idaho Power considers it prudent to validate the benefit of the CVR program before expanding it beyond the initial study area. New technologies and methods of measurement are available to validate energy savings and reduced peak demand. Idaho Power intends to analyze the CVR effects at two of the six substations—the Alameda and Meridian substations—where CVR has been implemented. Idaho Power expects to complete the CVR analysis in 2016. If the analysis confirms energy savings and reduced peak demand, Idaho Power will evaluate extending CVR measures to other Idaho Power facilities. The actual savings from the current CVR implementation are not significant enough to be incorporated into the IRP load and resource balance forecast."¹¹

Staff is puzzled by IPC's failure to provide an assessment of available CVR because this condition of acknowledgment in Order No. 12-1777 was not equivocal, nor was the requirement that IPC incorporate CVR-related savings and reduced peak demand into Idaho Power's load-resource balance forecasts.

This concludes Staff's Opening Comments.

Dated at Salem, Oregon, this 8th day of October, 2013.



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¹¹ IRP, p. 45.

CERTIFICATE OF SERVICE

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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 8th day of October, 2013 at Salem, Oregon



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