

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**LC 58**

In the Matter of )  
 )  
IDAHO POWER COMPANY )  
 )  
2013 Integrated Resource Plan )  

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**OPENING COMMENTS OF THE  
CITIZENS' UTILITY BOARD OF OREGON**

October 8, 2013



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**I. Introduction**

Pursuant to the ALJ's Prehearing Conference Memorandum issued on August 7, 2013, CUB hereby submits its Opening Comments related to Idaho Power Company's (the Company or Idaho Power) 2013 Integrated Resource Plan (IRP). CUB has decided to address five main points in its comments: First, concerns about the Jim Bridger pollution control investments; second, the overforecasting which is evident in the proposed Action Plan; third, the request for Acknowledgment of Gateway West; fourth, the overly conservative assumptions about water and weather; and fifth, concerns about the effects of NV Energy's plan to close North Valmy.

**II. Idaho Power's Action Plan**

**A. Jim Bridger Units 3 and 4**

In CUB's comments to PacifiCorp (the joint owner of the Jim Bridger generating facility) in docket LC 57, CUB recommended that the Bridger 3 and Bridger 4 pollution

control investments not be acknowledged.<sup>1</sup> In the case of PacifiCorp, it is CUB's position that PacifiCorp's analysis was not rigorous enough in analyzing phase-outs of its coal units. Because PacifiCorp's pollution control investments have useful lives that are longer than those of the coal plants themselves, the pollution control investments are more stringent than necessary as they allow for additional years of pollution removal. Regional Haze investments are evaluated for cost effectiveness by \$/ton of pollution removed. When the lifetime of a coal plant is reduced, the tons of pollution that can be removed are also reduced, and controls that may have been cost effective over a 20-year operating life may not be cost effective over an 8- or 9-year life. The same arguments are also applicable to the analysis done in Idaho Power's 2013 IRP.

CUB would like to point out that PacifiCorp itself has admitted to this reasoning. In its response comments to the U.S. EPA's re-proposed action regarding the Wyoming Regional Haze State Implementation Plan (SIP), PacifiCorp states:

Taking into consideration the remaining useful lives of these particular BART Units clearly demonstrates that EPA's current assessed cost effectiveness conclusions (whether using the Andover Report costs or PacifiCorp's updated information) do not support the installation of SCR on these units because they are not cost effective. To the extent EPA needs to include firm retirement dates commensurate with the depreciable lives for purposes of finalizing the RH FIP, then PacifiCorp requests that EPA do so.<sup>2</sup>

PacifiCorp is requesting that the EPA accept the current useful life of the coal plant as a guaranteed retirement date so that it can properly assess the cost-effectiveness of pollution control investments. This is a big step in the right direction for PacifiCorp, and

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<sup>1</sup> CUB is also recommending that the PacifiCorp Hunter 1 investments not be acknowledged. See Page 23 of LC 57, Opening Comments of the Citizens' Utility Board Of Oregon. Retrieved from <http://edocs.puc.state.or.us/efddocs/HAC/lc57hac82941.pdf>.

<sup>2</sup> PacifiCorp. (2013, August 26). PacifiCorp's "Detailed Comments" Regarding: "Approval, Disapproval And Promulgation of State Implementation Plans; State of Wyoming; Regional Haze State Implementation Plan; Federal Implementation Plan for Regional Haze". Retrieved from <http://www.regulations.gov/#!documentDetail;D=EPA-R08-OAR-2012-0026-0142>.

CUB believes that as a minority owner of Jim Bridger Units 3 and 4, Idaho Power should follow suit.

Idaho Power should consider a proper phase-out analysis similar to the one completed on PGE's Boardman plant, which assumed a closure date of 10 years after the analysis (because EPA Regional Haze Rules take effect 5 years after EPA adoptions, a 10-year phase-out would only include pollution control that was cost effective over 5 years).<sup>3</sup> The Boardman analysis ultimately led to an early closure decision because PGE discovered that the most cost effective plan was to phase out its coal plant early instead of making costly pollution control investments. CUB is concerned that without such an analysis, PacifiCorp and Idaho Power could be ignoring least cost/least risk options available for Bridger Units 3 and 4. Because Idaho Power is the joint owner of Jim Bridger Units 3 and 4, CUB is asking that the Commission not acknowledge the Jim Bridger 3 and 4 pollution control investments in Idaho Power's proposed Action Plan.

#### **B. The Action Plan Overforecasts**

CUB feels that the Action Plan presented on page 113 of Idaho Power's 2013 IRP stretches too far out into the future. In CUB's opinion, anything beyond five years is difficult to forecast with a reasonable level of accuracy and should not be included in an Action Plan. The Company is making projections about demand response that stretches from 2024-2032. Idaho Power states that it is planning on having demand response capacity available to satisfy deficiencies in 50-MW increments until 2031. While such long-term forecasts are appropriately included in an IRP filing, they are inappropriate for Action Plan acknowledgment.

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<sup>3</sup> See UE 246 / CUB / 200 Jenks-Feighner / 11-25 for a full discussion of the Boardman analysis.

### **C. Gateway West**

There is also the question of whether Gateway West should be included in the Action Plan. PacifiCorp, the majority owner of Gateway West, did not ask the Commission for acknowledgement when it filed its IRP on April 30, 2013.<sup>4</sup> Gateway West is a large project that comprises a number of segments that can be analyzed individually, as PacifiCorp is doing. Idaho Power is asking for acknowledgement of all of Gateway West in this IRP Action Plan. CUB believes that Idaho Power should narrow its requested acknowledgement and seek acknowledgement only of the segments of Gateway West that it can demonstrate are cost effective for Idaho Power's customers. CUB asks that the Commission not acknowledge the Gateway West investment in Idaho Power's 2013 IRP Action Plan.

### **III. Overly Conservative Assumptions about Water and Weather in the Company's IRP Filing**

On page 55 of the IRP, the Company explains that it is "basing its hydroelectric generation forecasts on worse-than-median streamflow conditions." While such forecasts are not unusual for hydro dependent utilities, CUB believes that an additional forecast should be included that is based on expected streamflow conditions. This will allow stakeholders to distinguish resource decisions that are caused by load growth from resource decisions that are caused by hydro variability. While CUB believes that it is appropriate for a hydrodependent utility to include conservative forecasting in its modeling, CUB believes that median forecasting under normal conditions should also be included for comparison within the IRP.

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<sup>4</sup> PacifiCorp's 2013 Integrated Resource Plan.

## IV. Early Retirement of North Valmy

The Company states in its IRP that NV Energy proposed a schedule in April to retire the North Valmy generating units:

In April 2013, NV Energy announced a schedule to retire the North Valmy Coal Plant. Idaho Power is a one-half owner of the North Valmy coal plant, and NV Energy is the operating partner. Idaho Power has not agreed to the North Valmy plant retirement schedule announced by NV Energy. Resource Portfolio 8 is designed to estimate the effects of retiring North Valmy Units 1 and 2 according to the NV Energy schedule and replacing the lost generation with demand response, Boardman to Hemingway, and a CCCT (North Valmy Unit 1 is retired at year-end 2020 and North Valmy unit 2 is retired at year-end 2025).<sup>5</sup>

Portfolios 8 and 9 in the IRP account for the possibility of these retirements, but the Company's selected portfolio (portfolio 2) does not include the expectation of early retirement for these units. The Company explains this discrepancy by stating that it has not yet agreed to the schedule adopted by NV Energy. If the schedule does eventually change, the useful lives of the plants will also change, as will the useful lives of the planned pollution control investments.

CUB is concerned with this discrepancy. While Idaho Power may not agree with NV Energy's decision, NV Energy is currently the operating partner for the plants. Idaho Power's IRP does not explain what the Company's options are if it decides that NV Energy's decision is not in the best interest of customers. Laws in Oregon (Emission Performance Standards),<sup>6</sup> Washington, and California limit the ability of utilities to purchase additional ownership of coal plants, and this limits which parties can take NV Energy's place. Ignoring NV Energy's decision when selecting the preferred portfolio implies that Idaho Power has other choices, but the IRP does not explain those choices.

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<sup>5</sup> 2013 Integrated Resource Plan. Idaho Power. Pg. 95.

<sup>6</sup> S.B. 242, 77th Or. Leg. Assem., Reg. Sess. (Or. 2013). Retrieved from <https://olis.leg.state.or.us/liz/2013R1/Measures/Text/SB242/Enrolled>.

NV Energy's announcement happened recently, so it may be that Idaho Power needs more time to evaluate this issue, but Idaho Power does not discuss how it will evaluate its options and what the timeline is for making a decision. Idaho Power's 50% (284 MW) ownership of two coal units is a significant resource. North Valmy Unit 1 is scheduled to close at the same time as the Boardman plant, in which Idaho Power also has a stake. This potential reduction of coal generation will be a major driver of Idaho Power's load/resource balance and needs to be fully discussed.

While the current expected pollution control costs at North Valmy are low in comparison to Bridger and Boardman, the potential for additional capital investment still exists. The Company is installing dry sorbent injection technology in its North Valmy units in 2013. This was cost effective at Boardman even with a 2020 retirement, but it is not clear whether other environmental costs for pollutants like coal ash will affect the North Valmy units. The Company should explain how the new potential retirement dates at North Valmy affect its evaluation of pollution control.

## **V. Conclusion**

CUB appreciates the opportunity to be able to comment on Idaho Power's 2013 IRP. The first area with which CUB is concerned is the cost-effectiveness of the Jim Bridger Units 3 and 4 pollution control investments and whether the Company has found the least cost/least risk path moving forward. The second area of concern involves the timeframes stated in the Action Plan. CUB believes that some of them stretch too far out into the future, and the Company seems to be seeking acknowledgment for actions that will not occur within the next 4-5 years. Third, CUB urges the Company to narrow its request for an acknowledgment of the entire Gateway West transmission project.

CUB also has concerns about the Company's use of "worse-than-median streamflow conditions". CUB would like the Company to include an expected hydro forecast alongside its "worse-than-median streamflow conditions" forecast.

Finally, CUB is concerned with the Company's failure to take into account the effects of NV Energy's announcement to close the North Valmy coal units early. This decision has a major effect on Idaho Power's load/resource balance. By choosing a preferred portfolio that includes running Valmy coal units after the date set by the Company's operating partner for unit retirement, and without offering any explanation as to how Idaho Power will keep these plants operating, the IRP fails to clarify basic questions about the North Valmy units.

While CUB appreciates the Company's improved analysis conducted in this IRP, CUB asks that the Commission not acknowledge the Jim Bridger 3 and 4 pollution control investments, the entirety of the Gateway West project, or Action Items that fall outside of a 5-year period.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nadine", with a long horizontal stroke extending to the right.

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## LC 58 – CERTIFICATE OF SERVICE

I hereby certify that, on this 8<sup>th</sup> day of October, 2013, I served the foregoing **OPENING COMMENTS OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket LC 58 upon each party listed in the LC 58 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 one 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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