

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 63

In the Matter of)
)
IDAHO POWER COMPANY)
)
2015 Integrated Resource Plan)
_____)

FINAL COMMENTS OF THE
CITIZENS' UTILITY BOARD OF OREGON

January 22, 2016



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1 **I. Introduction**

2 The Citizens' Utility Board of Oregon (CUB) hereby submits its Reply
3 Comments related to Idaho Power Company's (the Company) 2015 Integrated Resource
4 Plan (IRP). CUB will address three main points: CUB's involvement in future IRPs, costs
5 and savings as explained in the Company's Reply Comments, and qualitative risk
6 analysis as described in the Company's Reply Comments.

7 **II. Future IRPs**

8 CUB appreciates that the Company has committed to including CUB in future
9 IRP planning processes. CUB highly values the opportunity to engage on behalf of
10 customers, and CUB looks forward to working with the Company in the future.

1 III. Idaho Power Downplays Costs and Savings

2 In its Reply Comments, Idaho Power disagrees with Staff’s and CUB’s concerns
3 about the selection of portfolio P6(b), contending that both parties are “too narrowly
4 focused on the quantitative cost and risk analysis.”¹ The Company recognizes that
5 portfolios P8, P9, P10, and P11 are all more cost-effective than its selected portfolio² but
6 continues to defend portfolio P6(b) due to several reasons. The first reason the Company
7 gives is that retiring North Valmy Unit 1 early (for P9) is that the assumed revenue
8 requirement increase to fully depreciate the unit will have a greater nearer-term impact on
9 customer rates.³ The Company estimates the near-term rate impacts will be about \$15
10 million,⁴ but this is a total figure, and the Company does not state what the yearly rate
11 impact would be. It claims that a 2025 Unit 1 retirement would result in \$6 million less,⁵
12 but it is also unclear how this would be spread.

13 In addition to the claims about revenue requirement, the Company presents a table
14 of percentages in order to compare differences among the total present value of its
15 portfolio costs.⁶ It is CUB’s view that by displaying percentages and not actual costs, the
16 Company downplays the cost differences since the percentages only range between
17 0.30%-1.61%.⁷ CUB vehemently disagrees with the idea that the portfolio costs should
18 be evaluated based on percentages. CUB believes that the actual cost differences (up to at

¹ LC 63 – Idaho Power Company’s Reply Comments, p. 5, lines 13 & 14.

² LC 63 – Idaho Power Company’s Reply Comments, Table 1, p. 6.

³ LC 63 – Idaho Power Company’s Reply Comments, p. 5, lines 21 & 22.

⁴ LC 63 – Idaho Power Company’s Reply Comments, p. 6, lines 4 & 5.

⁵ LC 63 – Idaho Power Company’s Reply Comments, p. 6, lines 5 & 6.

⁶ LC 63 – Idaho Power Company’s Reply Comments, p. 6.

⁷ *Ibid.*

1 least \$74 million⁸) are more substantial, and these values should not be given such little
2 weight.

3 CUB does not dispute that the amortization effects of an earlier plant retirement
4 impacts rates, but it is also unclear whether this can be mitigated with higher energy
5 efficiency (EE) elsewhere. CUB certainly appreciates Idaho Power's worries about short-
6 term rate impacts, but CUB is also concerned about chasing short-term revenue
7 requirement rather than focusing on least-cost/least-risk over the long term. Different
8 resources have different shapes to their costs. Renewables, for example, require a good
9 deal of capital investment, but no fuel costs. They have relatively high short-term rate
10 impacts but become relatively cheap as the capital costs depreciate. Gas turbines, on the
11 other hand, do not require a great deal of capital investments but require a lifetime of fuel
12 costs. Comparing these investments requires looking at the costs over the expected useful
13 lives, not just the short run.

14 Oregon has experience with this. In the 1990s, low electric market prices created a
15 situation where energy efficiency was shown to be cost-effective over the life of each
16 energy efficiency measure, but in the short term cost higher than market purchases.
17 Utilities proposed reducing EE to keep rates lower in the short term by only focusing on
18 lost opportunities. Unfortunately, the Western Power Crisis came and market prices went
19 through the roof. The energy efficiency Oregon had put off acquiring would have saved
20 customers millions of dollars. In that case, we discovered that basing resource decisions
21 on lower, short-term revenue requirement rather than the least-cost portfolio over the
22 long term was a mistake.

⁸ LC 63 – Idaho Power 2015 IRP, p. 117.

1 CUB stands by its Opening Comments, and CUB is not convinced by the
2 Company's replies to CUB. CUB is very confused as to why the Company chooses to
3 diminish its energy efficiency success in its Reply Comments by stating that incremental
4 energy savings is "only about two aMW."⁹ Idaho Power downplays its ability to meet
5 energy efficiency targets by comparing cumulative to incremental targets, implying that
6 the 47 aMW overshoot should be disregarded because incremental savings is "only two
7 aMW."¹⁰ CUB disagrees with the Company's statement that there is a
8 "misunderstanding"¹¹ on CUB's part about Idaho Power's historical EE performance. A
9 stellar record of cumulative EE savings should serve as inspiration for increased energy
10 efficiency targets and not be downplayed. Energy savings are directly impacted by the
11 energy efficiency *targets* set by the Company. If the Company wanted more EE, it could
12 set higher targets in an attempt to achieve it. The 2 aMW incremental figure cited by the
13 Company might be improved with higher EE targets, which is exactly what CUB points
14 out in its Opening Comments.¹²

15 **IV. CUB Is Not Convinced About the Qualitative Analysis**

16 Idaho Power insists that its qualitative analysis in justifying portfolio P6(b) is
17 "robust."¹³ However, CUB maintains that the qualitative risk assessment was brief
18 (roughly 5 pages out of the whole IRP¹⁴) compared to the extensive portfolio analysis
19 throughout the rest of the IRP. In its Reply Comments, the Company states that because
20 of the "relatively small difference in the present value portfolio costs associated with the

⁹ LC 63 – Idaho Power Company's Reply Comments, p. 16, lines 20& 21.

¹⁰ LC 63 – Idaho Power Company's Reply Comments, p. 16, lines 13-21.

¹¹ LC 63 – Idaho Power Company's Reply Comments, p. 6, line 14.

¹² See LC 63 – CUB's Opening Comments.

¹³ LC 63 – Idaho Power Company's Reply Comments, p. 8, line 9.

¹⁴ LC 63 – Idaho Power 2015 IRP, pp. 125-130.

1 various portfolios (1.6 percent or less), the results of the qualitative study appropriately
2 drove the Company's ultimate selection of portfolio P6(b).”¹⁵ The qualitative risk analysis
3 seems to have lent substantial weight to the selection of P6(b). As CUB has already
4 pointed out, talking about the cost differences in terms of percentages diminishes the
5 differences in the actual cost. CUB is therefore still not convinced about the selection of
6 P6(b). Moreover, CUB believes that at least one of these qualitative risks—the 111(d)
7 risk—seemingly contradicts the justification for not choosing the Jim Bridger early
8 retirement scenarios, P10 and P11.¹⁶ While it is true that the Jim Bridger retirement is not
9 set in stone, a Jim Bridger early retirement could be used to mitigate 111(d) risk because
10 an early coal plant retirement would reduce carbon emissions. Thus, it remains unclear as
11 to how continuing to postpone the closure of the Bridger units is a significant 111(d) risk
12 aversion.

13 **VI. Conclusion**

14 Despite CUB’s criticisms, CUB does believe that the Company has done good
15 and extensive work in this process. CUB appreciates the Company’s overall upward trend
16 in energy efficiency, and CUB appreciates being included in future IRPs.

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¹⁵ LC 63 – Idaho Power Reply Comments, p. 8, lines 21-23.

¹⁶ LC 63 – Idaho Power 2015 IRP, pp. 105 & 106.

Respectfully submitted,

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

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