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VIA E-MAIL TO

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

Re: Docket No. UM 2317 – In the Matter of Idaho Power Company, Application for Approval of 2028 All-Source Request for Proposals to Meet 2028 Capacity Resource Need.

Attention Filing Center:

Attached for filing in the above-captioned docket, please find Idaho Power Company's Reply Comments.

Please contact this office with any questions.

Sincerely,

Michael Highfill
Paralegal
McDowell Rackner Gibson PC

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON**

UM 2317

In the Matter of

IDAHO POWER COMPANY,

Application for Approval of 2028 All-Source
Request for Proposals to Meet 2028 Capacity
Resource Need.

**IDAHO POWER COMPANY'S
REPLY COMMENTS**

I. INTRODUCTION

Idaho Power Company (“Idaho Power,” “IPC,” or the “Company”) hereby submits these comments in reply to Public Utility Commission of Oregon (“Commission”) Staff’s (“Staff”) Report filed on March 7, 2025 (“Report”), addressing Idaho Power’s Final Shortlist (“FSL”) in its 2028 All-Source Request for Proposals (“2028 RFP”), for which approval was requested on January 10, 2025. Staff’s Report also addressed the FSL report prepared by the independent evaluator (“IE”), London Economics International, LLC (“LEI”). In their Report, Staff indicated they found that “creation of the FSL adhered to the RFP design and scoring”¹ and the “FSL was determined in a manner consistent with the rules,”² and therefore recommended acknowledging the FSL, subject to four conditions. Staff also recommended changes to the Scoring and Modeling Methodology (“SMM”) that will be implemented in the second phase of the 2028 RFP.

The Company appreciates Staff’s constructive engagement through this process and does not oppose Staff’s four proposed conditions for acknowledgment of the FSL. Similarly the Company does not oppose Staff’s recommended changes to the SMM.

These comments also respond to argument that the Company does not fully analyze the costs and risks of utility-owned bids, which was made in the Comments on IE Closing Report filed

¹ Staff Report at 10 (Mar. 7, 2025).

² Staff Report at 12.

1 on January 24, 2025, by the Northwest & Intermountain Power Producers Coalition (“NIPPC”)
2 (“NIPPC’s Comments”). Idaho Power asserts that its modeling fairly reflects the costs and benefits
3 of utility-owned generation as further detailed below.

4 II. REPLY TO STAFF

5 A. Response to Staff’s Condition 1

6 Staff’s Condition 1 states:

7 Acknowledge FSL volume up to 216 MW of peak capacity to meet
8 the 2028 capacity needs demonstrated by the Company. The
9 Company shall file a report with an explanation and justification for
10 any procurement volume in excess of the above-identified number.

11 Idaho Power does not object to Staff’s Condition 1. The Company’s energy and capacity
12 needs in 2028 have been and may continue to be in flux as new customer load, reliability
13 requirements, new resource additions, and other factors continue to evolve at a rapid pace. If the
14 Company’s resource procurement volumes exceed the stated amounts, the Company will file a
15 report explaining and justifying the volume of resources procured.

16 B. Response to Staff’s Condition 2

17 Staff’s Condition 2 states:

18 IPC shall retain the IE to monitor and report on all contract
19 negotiations. The IE will file a final report in UM 2317 that
20 addresses:

21 (1) Long-term service agreement (LTSA), O&M costs, and any
22 other areas of risk for cost over-runs by projects involving utility
23 ownership.

24 (2) A description of any negotiations that resulted in a modification
25 to the ownership structure of the bid, as compared to how it was
26 presented in the FSL, including a full account of the unique risks
27 and advantages of bids that became utility-owned bids as part of
28 contract negotiations.

29 (3) A full analysis of how the specific commercial terms shaped the
30 FSL and any impact to bid prices, including but not limited to
31 analysis of negotiations on the following contract terms:
32 Guaranteed COD, Transmission Upgrade Cost, Transmission
33 Scheduling of Energy Effective Date, Curtailment, and Output
34 guarantees.

1 (4) Any lessons learned, including the drivers of unexecuted
2 contracts.

3 The Company does not object to Staff's Condition 2. To that end, Idaho Power has
4 engaged with the IE to update the contractual terms of the IE's engagement to include the specific
5 requirements proposed by Staff. Upon commencement of negotiations with FSL bidders on
6 January 10, 2025, the Company began providing the IE and Staff with updates regarding its early
7 negotiations with FSL bidders. As part of this engagement, the Company has included the IE on
8 all material correspondence and meetings with the FSL bidders.

9 Regarding Staff's comments on long term service agreement ("LTSA") and operations and
10 maintenance ("O&M") costs and areas of risk, Idaho Power does not object to Staff's proposal
11 that the Company should be held to the O&M costs used to bid into the RFP and cost recovery
12 above such values should be reviewed in future rate proceedings. The Company believes the
13 overall cost of the project, including capital and O&M costs, should be considered holistically to
14 determine "cost overruns" as noted by Staff. For example, if during negotiations a bidder
15 increases the cost of their O&M contract offer but decreases the cost of the asset purchase
16 resulting in a lower levelized cost, this would not constitute an O&M cost overrun. Idaho Power
17 believes the IE's assessment of the general fairness and equal treatment of power purchase
18 agreement ("PPA"), battery service agreement ("BSA"), and build transfer agreement ("BTA") bids
19 supports Idaho Power's analysis and further monitoring by the IE of these aspects of the contract
20 negotiations will provide further assurance.³

21 Turning to the second item included in Staff's Condition 2, the Company considers it very
22 unlikely that negotiations will result in a modification to the ownership structure of the bid. There

³ See LEI's Jan. 10, 2025, Closing Report for the 2028 All-Source Request for Proposals for Peak Capacity and Energy Resources (Jan. 15, 2025); see also LEI's Jan. 31, 2025, Supplement to the Closing Report (Mar. 11, 2025).

1 have been no discussions with any of the developers on the FSL that would lead to a modification
2 of the ownership structure of the FSL bids. However, if a bidder were to propose a modification
3 to the ownership structure during the course of negotiations, then the Company would fairly
4 evaluate such a change to determine if it is reasonable to pursue such an opportunity.

5 Turning to the third item in Staff's Condition 2, in its early discussions with bidders after
6 identifying the initial shortlist, the Company received project updates, which may include, among
7 other revisions, changes to certain contractual terms that could influence the selection of
8 successful bids by changing costs that impact the AURORA modeling and reliability results. Once
9 the FSL was established, it did not change retroactively based on negotiated terms. Rather,
10 throughout the negotiation contractual term revisions are continually reviewed to ensure the
11 agreement remains economic and least-risk. The Company has provided these updates to the IE
12 and Staff and will continue to provide to the IE such information as the Company includes LEI on
13 all material correspondence and invitations to all material negotiation meetings with FSL bidders.

14 Finally, in response to the fourth item in Staff's Condition 2, the Company will coordinate
15 with the IE on lessons learned and outcomes of the contract negotiations including rationale
16 related to unexecuted contracts, which may include project feasibility, significant changes to terms
17 and conditions, if the capacity need is satisfied with a smaller subset of projects, or other aspects
18 of the negotiation overseen by the IE.

19 **C. Response to Staff's Condition 3**

20 Staff's Condition 3 states:

21 Remove the Gas/H2 plus BESS project from the FSL. Re-evaluate
22 the project as part of Round 2 of the RFP, including checking for
23 eligibility, non-price score, and price score. The Company should
24 include reasonable estimates for currently missing cost items when
25 modeling the bid.

26 Idaho Power does not object to Staff's Condition 3. As Staff noted, the Company too has
27 feasibility concerns with the Gas/H2 plus Battery Energy Storage System ("BESS") project but
28 had moved the proposal to the FSL due to the economic evaluation and results of AURORA

1 modeling as well as specific operational characteristics. Acknowledging the project uncertainties,
2 Idaho Power supports moving the project to Round 2 of the RFP for evaluation.

3 **D. Response to Staff's Condition 4**

4 Staff's Condition 4 states:

5 In its contract negotiations report, the IE must report on the effects
6 of Group 2 bids on the negotiation process.

7 The Company does not object to Staff's Condition 4. In their Report, Staff identified
8 advantages with the overlap of the receipt of Group 2 bids with the negotiations for the 2028 bids.
9 Idaho Power agrees that designing an RFP for multiple years is administratively more efficient as
10 compared to year-by-year and that it encourages a larger bid pool. While the Company does not
11 disagree with Staff's suggestion that the visibility into the 2029 bids will be of value during the
12 contract negotiations of the 2028 FSL by highlighting potentially lower risk or lower cost
13 alternatives, Idaho Power cautions that a 2029 bid would not have the ability to meet the April 1,
14 2028, commercial operation date, and therefore while they may be lower-cost or lower-risk, they
15 are not feasible alternatives to meet the demonstrated 2028 need. However, the Company
16 supports the inclusion of the effects of Group 2 bids on the negotiation process in the IE contract
17 negotiations report.

18 **E. Response to Staff's SMM Change 1**

19 Staff's SMM Change 1 states:

20 The Company's request for acknowledgement of the Group 2 FSL
21 should include a narrative about qualitative information derived
22 from the modeling and a discussion of how this information informs
23 the final ranking.

24 Idaho Power does not object to Staff's SMM Change 1. The Company reiterates that the
25 scenario or stochastic sensitivity analyses are a multi-step process performed in AURORA based
26 on *quantitative* measures, in accordance with the SMM approved in the 2028 RFP. Qualitative
27 details emerge during ongoing contract negotiations, which is subsequent to the establishment of
28 the FSL, and considerable effort is expended to ensure all contractual details are fully vetted,

1 including development timelines and risks, technical specifications, scope of work, and remedies.
2 If Idaho Power learned through contract negotiations of any material changes to quantitative
3 measures, the Company would re-run the scenario or stochastic sensitivity analysis at that time,
4 confirming a project's placement on the FSL. While Idaho Power does not object to Staff's SMM
5 Change 1, the Company cautions that it is unlikely any qualitative information will be derived
6 during the modeling process.

7 **F. Response to Staff's SMM Change 2**

8 Staff's SMM Change 2 states:

9 IPC must include in its analysis of Round 2 of this RFP a sensitivity
10 that quantifies the cost of over-procurement if the stated capacity
11 need did not materialize.

12 The Company does not object to Staff's SMM Change 2. However, the Company believes
13 more discussion is required to determine exactly how such an analysis would be performed. First,
14 it is unclear as to how "over-procurement" would be defined. It is Idaho Power's responsibility to
15 acquire resources to ensure safe, reliable service to customers, meaning it is not advisable nor
16 practicable to target zero megawatts of length above expected load in a given year. Additionally,
17 any load forecast will have some degree of variance to actuals. Therefore, the Company believes
18 further discussion is warranted to determine what level of load variance and resource length would
19 constitute over-procurement, and what sensitivities should comprise this analysis. It is also
20 important to recognize both the costs and benefits resulting from new resources being added to
21 the Company's system to meet load that ultimately does not materialize, as opposed to just the
22 costs.

23 Additionally, Idaho Power does not believe a decrease to the capacity need and resulting
24 over-procurement is likely to occur. As described in its Reply Comments, the Company has
25 published several updates to its system load forecast since filing of the 2023 Integrated Resource

1 Plan, all of which resulted in increases to both the summer and winter peak forecasts.⁴ Within the
2 last few years, the number of unique large industrial load inquiries has increased, with many large
3 load inquiries totaling hundreds and thousands of megawatts, which if the loads materialized,
4 would further *increase* projected total demand. The Company anticipates sustained load growth
5 beyond 2028.

6 **G. Response to Staff's SMM Change 3**

7 Staff's SMM Change 3 states:

8 In Round 2 of this RFP, IPC must include bids on the ISL if they are
9 competitive when a 20 percent discount rate for ITC and PTC is
10 applied.

11 Idaho Power does not object to Staff's SMM Change 3. The Company understands Staff's
12 request for a sensitivity analysis regarding Investment Tax Credits ("ITC") and Production Tax
13 Credits ("PTC") discount rates to confirm any impact on the overall evaluation score and relative
14 position of the projects in the Group 2 bids on the initial shortlist.

15 **III. REPLY TO NIPPC**

16 LEI's January 10, 2025, Closing Report addressed the unique risks and advantages
17 associated with utility-owned benchmark bids. In response, NIPPC's Comments argued that the
18 "IE's analysis of the utility-owned bids' cost and contract risks [is] once again deficient because it
19 does not fully analyze the costs and risks, recommend any changes to address those costs and
20 risk [*sic*], and does not analyze all utility-owned bids," i.e., the IE had not analyzed utility-owned
21 bids submitted under a BTA transactional structure.⁵

22 The IE subsequently prepared a Supplement to the Closing Report on January 31, 2025
23 ("Supplemental Report") documenting its analysis of the risks of utility ownership under a BTA,
24 including: the risk of construction cost overruns, reasonableness of forced outage rates, access

⁴ Idaho Power's Reply Comments at 7 (Feb. 4, 2025).

⁵ NIPPC's Comments at 1 (Jan. 24, 2025).

1 of electric company-owned resource elements to third-party bidders, reasonableness of end effect
2 values, reasonableness of environmental emission costs, reasonableness of operation and
3 maintenance costs, adequacy of capital addition costs, reasonableness of performance
4 assumptions, and risks of construction delays. Staff found that the Supplemental Report
5 reasonably addressed the concerns over scoring utility-owned resources.⁶ The Company agrees
6 with Staff that LEI reasonably addressed the treatment of utility-owned bids in its reports.

7 In response to NIPPC's concerns, the Company reiterates that it fully evaluates all bids,
8 whether utility-owned or third-party, based on the characteristics submitted, consistent with other
9 bids, and as detailed in the approved 2028 RFP. Utility-owned bids (whether benchmark or BTA)
10 were modeled in the same way all other bids were modeled, based on price structure and
11 operational characteristics. The contract or ownership structure had no bearing on the model
12 outcomes. Bids that included an asset purchase or ownership for Idaho Power incorporated
13 consistent fixed O&M costs, as described throughout the evaluation process, and corroborated
14 with the IE. The Company conducted the selection process consistent with the approved 2028
15 RFP processes as well as the required resource procurement rules.

16 **A. Risk of overruns in cost is not unique to utility-owned bids.**

17 NIPPC expresses a concern that utility-owned bids may experience cost overruns that
18 would not be passed through to customers under a PPA.⁷ It is important to note, however, that
19 the risk of cost overruns beyond the bid values submitted that inform the selection of the FSL
20 exists with third-party bids as well, including PPAs. During contract negotiations, third-party
21 bidders may insist on renegotiating the terms of the agreement to reflect higher costs, limit risk or
22 completion assurance, or simply walk away from a bid if it becomes economic to do so. In fact,
23 Idaho Power experienced cost fluctuation and risk concessions during third party contract

⁶ Staff Report at 8.
⁷ NIPPC's Comments at 3.

1 negotiations for multiple projects stemming from prior FSL's acknowledged by the Commission.
2 While Idaho Power does not incorporate cost overrun risk for utility-owned resources, it also does
3 not incorporate any third-party cost overrun risk. Incorporating cost overrun risk would complicate
4 the analysis with factors that would be difficult to predict and would have a similar impact to all
5 bids, both third-party and utility-owned.

6 Additionally, the risk to customers of cost overruns for utility-owned bids is mitigated by
7 the fact that the Commission will conduct a prudence review prior to approving inclusion of these
8 investments in rates. The increased visibility into the costs of a project will be subject to public
9 review during a rate case proceeding, and if a cost overrun is deemed imprudent, then the
10 regulatory process will protect customers. It is also important to note that under a utility ownership
11 structure, any cost savings that occur prior to project completion will be passed on to customers
12 as well.

13 In summary, the FSL is developed based on the most robust and complete bid information
14 available at the time. The risk of changing costs exists for all bid types; for third-party bids, costs
15 can shift during the negotiation process, while costs may increase or decrease for utility-owned
16 bids during resource procurement and construction. Attempting to account for this risk as NIPPC
17 suggests would further complicate the FSL analysis by incorporating risk factors that would be
18 difficult to predict and have a similar impact to all bids.

19 **B. Bid scoring does not account for the positive end effect values associated with**
20 **utility-owned generation.**

21 LEI's analysis of utility-owned bids focused on the end effect values that would increase
22 the costs of a utility-owned resource, like decommissioning costs. While the Company does not
23 disagree that considering decommissioning costs is reasonable, the Company expects that the
24 cost of decommissioning a utility-owned project will be immaterial relative to the overall project
25 cost at the end of the asset life and would have a minimal impact on the total present value of the
26 project. In addition, it is difficult to predict whether in 20 to 30 years there will be a more mature

1 recycling program for facilities that may further reduce decommissioning costs. Due to the range
2 of potential positive values offsetting costs related to decommissioning 20 to 30 years into the
3 future, the Company has assumed no net decommissioning costs.

4 Additionally, there is value in utility-owned projects that can provide economic benefit
5 compared to a project that is contracted as a PPA. For example, a utility-owned project with
6 underlying land rights and interconnection agreements owns a valuable asset above and beyond
7 the resource itself. The facility could be repowered or repurposed for new or modified resource
8 assets beyond the term of the original life, it could be used for general electrical infrastructure, or
9 the facility and rights could be sold for the benefit of Idaho Power customers. None of those
10 opportunities exist if a project is not owned by the utility, and no such benefits of utility ownership
11 were included in the analysis.

12 **C. Utility-owned generation provides unique benefits that are not included in the bid**
13 **scoring.**

14 Utility-owned bid scoring does not account for the advantages of utility-owned resources,
15 including meeting reliability obligations, economic market drivers, and resource usage flexibility.

16 **1. *Utility-owned generation provides reliability benefits that PPAs do not.***

17 Idaho Power has the obligation to provide reliable service to its customers. This obligation
18 is the sole responsibility of the Company and satisfied through long-term planning and operational
19 processes. Decisions made by independent power producers can be influenced by economic
20 drivers without consideration for Idaho Power's obligation to provide reliable service to end-use
21 electricity customers. For example, a third party is incented to maximize generation (and therefore
22 revenue) and reduce costs, including O&M expense, which can compromise reliable operation of
23 the resource.

24 Unlike PPAs, the value of a utility-owned asset is not based on maximizing production,
25 i.e., the Company is not incented to weigh the cost of performance against a particular production
26 price. Rather, the value of utility-owned generation is based on what the resource provides to

1 customers to ensure the ongoing operation and reliability of the system as a whole and the specific
2 resource over the life of the asset. Winter Storm Uri in Texas vividly illustrated the consequences
3 of unreliable system deficiencies where a large subset of the generators that were offline were
4 assets managed by independent power producers that were ill-prepared to withstand the harsh
5 weather conditions.

6 Furthermore, as it relates to meeting commercial operation dates—another issue flagged
7 as a potential risk for utility-owned generation—the obligation to provide reliable service drives
8 the timing of utility-owned resources. Third-party developers, on the other hand, are incented to
9 weigh the comparative economic consequences of a delay (in the form of liquidated damages
10 and/or termination) versus the costs of meeting the contractual in-service date. Idaho Power has
11 recent experience with independent power producers walking away from executed PPAs when it
12 was economically advantageous to do so even though it left the utility without the promised
13 generation. Idaho Power’s only remedy for failure to perform was financial, which did not support
14 reliable operations. And in the 2026 RFP, several third-party bids were withdrawn or delayed
15 during contract negotiations, which necessitated swift action by Idaho Power to identify
16 alternatives to meet its obligation to provide reliable service.

17 **2. Cost savings associated with utility-owned generation are passed through**
18 **to customers.**

19 While NIPPC presumes—without evidence—that utility-owned resources are more likely
20 to experience cost overruns, the opposite can also occur, in which case customers receive the
21 benefits of cost savings achieved during construction of the resource. For a PPA, any cost savings
22 go directly to the developer’s shareholders, not customers.

23 **3. Utility-owned generation can be flexibly and economically dispatched.**

24 Utility-owned assets allow the Company to respond to economic drivers and market
25 conditions when determining whether to dispatch a particular resource. These economic drivers
26 include seasonal usage, potential curtailment, and utilization of a utility-owned resource to enter

1 into off-system sales when economic to do so. A PPA, in contrast, is a must-take contract that
2 does not provide the same dispatch flexibility. The third party is paid a predetermined rate for its
3 production regardless of the customer benefits the resource provides when it produces, i.e.,
4 without regard for the PPA's contribution to reliable and economic load service for customers.

5 In addition to macro-economic drivers, utility-owned assets can be dispatched to maximize
6 benefits to reliably serve load and keep power supply costs low. For example, a utility-owned
7 asset is not required to generate during low-load periods or when market prices are extremely
8 low or negative. By not operating a resource during these conditions the Company is not incurring
9 expenses for a resource that is not needed during a particular time or season. Conversely, when
10 a utility-owned asset has surplus generation capacity during a time in which market prices are
11 high, a utility-owned asset can be utilized to sell energy to further offset power supply costs.
12 Because the utility does not have the same operational control over a PPA, the utility cannot
13 necessarily dynamically respond to changing market conditions to maximize customer benefits
14 from a PPA.

15 Additionally, as a utility-owned resource is not operated as a must-take facility, the
16 flexibility to efficiently manage the transmission system to avoid congestion and economically
17 manage and dispatch the Company's entire fleet of resources collectively provides for adaptable,
18 adjustable, and efficient system operation.

19 While Idaho Power does see qualitative and potential economic benefits to utility-owned
20 resources, the Company wants to stress that these qualitative factors do not influence or bias the
21 fair and transparent evaluation process when comparing utility-owned resources and third-party
22 owned resources through the rigorous evaluation process.

23 **IV. CONCLUSION**

24 Idaho Power appreciates Staff's review of the 2028 RFP FSL. Throughout this process,
25 the Company has worked extensively and collaboratively with Staff and LEI to arrive at a fair and
26 impartially developed 2028 FSL. Idaho Power looks forward to continuing this collaborative

- 1 process to expeditiously receive Commission acknowledgment of the FSL to enable it to procure
- 2 resources for the summer of 2028.

Respectfully submitted this 21st day of March 2025.

MCDOWELL RACKNER GIBSON PC



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