

July 31, 2020

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
P.O. Box 1088
201 High Street SE, Suite 100
Salem, Oregon 97301

Re: Docket No. LC 74 - 2019 Integrated Resource Plan (“IRP”) – Procedural Schedule

Attention Filing Center:

On July 1, 2020, Idaho Power Company (“Idaho Power” or “Company”) filed a Motion to Suspend the Procedural Schedule for LC 74 to allow time for Idaho Power to conduct a comprehensive review of its 2019 Amended Integrated Resource Plan (“IRP”). In that Motion, the Company committed to providing an update on its progress by July 31, 2020. This letter complies with the Company’s commitment by presenting such an update and offering a new date for resuming the procedural schedule. Additionally, the Company wishes to clarify the intent of comments previously made on the status of the Boardman to Hemingway (“B2H”) transmission line.

Idaho Power is grateful to the Commission for the opportunity to conduct additional review and validation of its current resource plan. This IRP cycle included the introduction of a new long-term capacity expansion modeling process, economic evaluation of various coal unit retirement scenarios, and economic analysis of a limited-opportunity renewable energy power purchase agreement, each of which presented unique modeling challenges. As a result, the Company has requested an extension of the case schedule to ensure a final Preferred Portfolio that represents the best combination of least cost and least risk for the Idaho Power and its customers. The extensive review process undertaken over the past four weeks was conducted not only to validate the 2019 IRP results, but also to work toward establishing a robust resource planning process that can be confidently relied upon into the future.

Update on IRP Internal Review Process

As outlined in the Motion filed earlier this month, the Company conducted a comprehensive four-step review process to deconstruct and examine all aspects of this IRP cycle, from model inputs to model outputs. To conduct this review, the Company formed a multidisciplinary team (“IRP Review Team”) of subject matter experts from its Planning, Engineering & Construction and Power Supply departments. Additional support and consultation

were provided throughout each step of the process by members of the Company's Internal Audit, Finance, and Regulatory departments to ensure a consistent and methodical review. Detailed below are the specific actions taken within each step of the review process:

1. **Input Data and Source Review:** The IRP Review Team began with a full examination of input data related to the IRP process. A total of 11 sub-teams were formed, each with appropriate subject matter experts, to examine individual categories of AURORA model input data for the following:
 - Forecast inputs for natural gas price (sub-team 1), hydrologic system and stream flow (sub-team 2), and the Company's load forecast (sub-team 3);
 - Supply-side inputs related to the Company's coal units (sub-team 4), natural gas plants (sub-team 5), and co-generator & small power producers and PURPA contracts (sub-team 6);
 - Demand-side inputs related to demand response and energy efficiency programs (sub-team 7);
 - Transmission system-related inputs (sub-team 8), including those related to the B2H project (sub-team 9);
 - Financial inputs (sub-team 10) related to items such as the Weighted Average Cost of Capital, fixed and operations and maintenance ("O&M") costs, and property tax treatment; and
 - Reliability inputs (sub-team 11) related to the Company's regulating reserve requirements.

The sub-teams reviewed all aspects of these inputs, including cross-verification against source materials, examination and investigation of supporting models that produce AURORA input data (e.g., two hydrologic and streamflow models), review of regulatory decisions and orders that determined specific AURORA input treatment, and evaluation of internal methodologies and processes for developing Idaho Power-specific data (e.g., the Company load forecast).

2. **Feeding Data into the Model:** In the second step of the review, the IRP Review Team examined the ways in which the above inputs are incorporated into the AURORA model. This step involved validating any necessary data transformations or conversions to make the inputs "model ready." For instance, some inputs must be converted from one unit to another to meet AURORA specifications. The IRP Review Team ensured that all such conversions and transformations were conducted properly and that data fed into AURORA were accurate.
3. **Model Settings and Processing:** Next, the IRP Review Team analyzed how the AURORA model treats data within the model itself—referred to as modeling logic. For this step, the Review Team worked in consultation with Energy Exemplar, the developers of the AURORA model, to further verify model processes and specifications. Additionally, this step of the review involved a thorough assessment of AURORA system settings to ensure that data within the model were interacting in a logical manner and consistent with Idaho Power's knowledge of its own system and resources.

4. **Output Review:** Finally, the IRP Review Team examined the consistency and accuracy of the AURORA model outputs to ensure that the model produced logical and consistent results.

Through the above four-step review process, the Company has identified a narrow range of appropriate changes to model inputs and treatment of data within the model. Some of these changes were previously identified by the Company, prompting the Motion to Suspend. While the magnitude of changes and adjustments appear to be nominal, the Company is finalizing the results of the review process and performing further analysis to determine any impacts to resource selection and the ultimate Preferred Portfolio. To ensure full confidence in the accuracy and reasonableness of the IRP results, the Company believes the best pathway forward is to perform a complete validation of each resource portfolio option. Using the comprehensively reviewed inputs, the Company will re-run the Long-Term Capacity Expansion model to generate WECC-optimized portfolios, and then manually optimize select portfolios for Idaho Power's system to validate and confirm a Preferred Portfolio that reflects the best combination of least cost and least risk.

Finalizing the end-to-end review of the IRP, including new model runs, is a time-consuming effort that will require extensive processing and analysis time. The Company believes that an additional two months will be sufficient to complete the full IRP review, and suggests Friday, October 2, 2020, for resuming the procedural schedule. No later than this date, the Company will submit a final report to the Commission, including full documentation of the review process, a Preferred Portfolio, and a finalized near-term action plan for the Company.

B2H Update

In addition to the above update and suggested filing date, Idaho Power would like to clarify its prior statements related to the B2H project, as well as provide additional information regarding events that have occurred since July 1, 2020.

First, the Company's July 1, 2020, filing addressed two items: 1) Idaho Power's request to suspend the procedural schedule in LC 74, and 2) an update regarding negotiations related to ownership scenarios of B2H. Due to the timing of these issues and for the sake of administrative efficiency, Idaho Power submitted one filing to notify the Commission of these two noteworthy items. However, because both issues were addressed in the same document, some readers may have incorrectly concluded that the factors discussed in the B2H update led to the Company's request to suspend the IRP case schedule.

To clarify: The contemplated changes to B2H's ownership structure under negotiation did not play any role in the Company's request to suspend the IRP procedural schedule. On the contrary, as noted in Idaho Power's filing, the contemplated changes, if implemented, would have no material impact on the IRP analysis. Idaho Power included the update about B2H in the request to suspend the IRP schedule solely for the sake of efficiency.

Second, Idaho Power would like to provide additional information regarding activities that have occurred since the prior update was filed on July 1, 2020. On July 13, 2020, BPA, PacifiCorp, and Idaho Power executed the Third Amendment to the Permit Funding Agreement, extending the construction agreement negotiation window to October 13, 2020, with the ability to mutually extend to January 11, 2021.

Further, BPA met with its Southeast Idaho customers to continue discussions related to long-term BPA service, and B2H's potential role in that service. BPA raised the possibility of the potential arrangement in which Idaho Power would provide BPA transmission service across the Idaho Power transmission system under a transmission service agreement. If such a transaction were to occur, there would be opportunities for BPA to assign this contract to its current customers in the future.

As part of the terms of the transmission service agreement, BPA and/or its customers would pay for transmission wheeling under the provisions of Idaho Power's Open Access Transmission Tariff ("OATT") and enter into a transmission service agreement. Under this possible arrangement, BPA and/or its customers' OATT payments would, over time, ensure recovery of Idaho Power's revenue requirement associated with their respective usage of B2H. The needs of all parties, including consideration of impact to both Bonneville and Idaho Power's customers, will need to be negotiated to determine if this transaction structure can work.

Updated Procedural Schedule

Idaho Power's internal IRP Review Team, having conducted a comprehensive and methodical four-step review process, has identified a narrow range of changes to model inputs and specifications. While these changes appear to be minimal in terms of relative impact on the overall resource plan, the Company believes the best course of action is to re-run the Long-Term Capacity Expansion model, then manually optimize select portfolios for Idaho Power's system in AURORA to give additional confidence that the Company's Preferred Portfolio represents the best combination of least cost and least risk. The Company suggests a two-month timeline to complete this extended analysis, which would result in a final update on **Friday, October 2, 2020**. This final update will include full documentation of the internal IRP review, any identified modifications to the Preferred Portfolio, and a finalized near-term action plan.

The Company regrets this extended timeline but believes that conducting the most thorough and complete review of the IRP process and modeling will continue to ensure the accuracy of the IRP's findings.

Please contact me at (503) 595-3925 if you have any questions.

Respectfully submitted,



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