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Lisa D. Nordstrom
Attorney

February 9, 2007

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

RE: Case No. IPC-E-06-24
IN THE MATTER OF IDAHO POWER COMPANY'S 2006
INTEGRATED RESOURCE PLAN (IRP)

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of the Reply Comments of Idaho Power Company in the above-referenced matter.

I would appreciate it if you would return a stamped copy of this transmittal letter in the enclosed self-addressed, stamped envelope.

Sincerely,

Lisa Nordstrom

Lisa Nordstrom

LDN:sh
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S 2006 INTEGRATED RESOURCE PLAN (IRP)	))))	CASE NO. IPC-E-06-24 REPLY COMMENTS OF IDAHO POWER COMPANY

COMES NOW, Idaho Power Company ("Idaho Power" or "the Company"), by and through its attorneys of record, and in response to comments filed by the Commission Staff, Exergy, Industrial Customers of Idaho Power ("the ICIP"), NW Energy Coalition, Idaho Irrigation Pumpers Association and other interested parties, hereby submits the following reply comments.

1. ICIP Comments: The Nature of the IRP Process

Idaho Power's 2006 IRP is a comprehensive analysis of the Company's projected loads and resources available to meet those loads over the next 20 years. The integrated resource planning process is a continuous one, and a detailed plan is filed with the Company's regulators every two years for public review. The resulting document is the foundation for the Company's resource decisions.

Each filing requires considerable modeling and analysis using assumptions based on the best available information at a given point in time. To allow internal, stakeholder and regulatory review to occur, Idaho Power must lock down a number of the inputs to the IRP, such as the load forecast and the expected energy and capacity contributions available from existing and committed resources months before the plan is completed and filed. This must occur regardless of whether a specific project (1) has been selected in any pending Request for Proposal (RFP) process, (2) has received a Certificate of Public Convenience and Necessity, or (3) is completed and in-service, so that long-term resource planning can ultimately take place.

Although the ICIP implies in its Comments that Idaho Power does not revisit the ongoing prudency of its resource decisions as contracts are signed and regulatory approvals are received, that is simply not true. Idaho Power is mindful of industry, market and regulatory changes that affect its system and continues to evaluate the appropriateness of RFPs from the time they are released through construction. However, IRPs are designed to build upon previous plans so as to shape <u>future</u> resource decisions. Given current conditions, Idaho Power continues to believe that the Evander Andrews natural gas-fired combustion turbine facility was the appropriate choice for the peaking resource identified in the 2004 IRP.

2. ICIP Comments: Assumptions and Resources Not Included in the 2006 IRP

The Company understands the ICIP's desire to have the most current load forecast available at the time of filing used as the basis of Idaho Power's IRP. Because load forecasts form the foundation for resource modeling, Idaho Power made every attempt to use the most accurate load information available when it prepared the Sales

and Load Forecast for the 2006 IRP. This forecast was completed on October 26, 2005. Short of scrapping months of modeling, analysis, and Integrated Resource Plan Advisory Council (IRPAC) feedback to incorporate the May 2006 Idaho Conservation Reserve Enhancement Program (CREP) assumptions, it was not possible to timely include any potential irrigation load reductions in the 2006 IRP filing. Furthermore, since CREP sign-up began on May 30, 2006 and runs until enrollment goals are met, or December 31, 2007, whichever comes first, the impacts of the CREP enrollment are more appropriately addressed in the 2008 IRP. Idaho Power has incorporated assumptions regarding CREP enrollment into its current load forecasts and those that will be used in the 2008 IRP process commencing in June 2007.

The ICIP also expressed concern that Idaho Power has not evaluated potential distributed generation opportunities for consideration in future resource decisions. In keeping with Commission Order No. 30201 issued December 15, 2006, Idaho Power is presently investigating the potential of using customers' emergency generator resources as a "virtual peaking plant". The Company has arranged for on-site demonstrations at other utilities that have developed such programs and will present a proposal to the Commission no later than June 1, 2007. The results of these findings will be used in Idaho Power's future resource decisions and will be incorporated into the 2008 IRP process that begins in June 2007.

3. ICIP and Exergy Comments: Transmission Upgrades

As part of the 2006 IRP process, Idaho Power undertook a comprehensive analysis of potential transmission upgrade projects that would benefit its system. Because the Company determined it would be most cost-effective to complete two

transmission upgrades to the Pacific Northwest, Exergy and the ICIP incorrectly conclude that Idaho Power "exclusively focused" on the Pacific Northwest to the exclusion of expansion to the south and east. The 2006 IRP considered several transmission upgrades without a specific or dedicated generation resource at the end of a transmission line. These alternatives included upgrades to Montana, Wyoming, Nevada and the Pacific Northwest. Although the preferred portfolio included two transmission upgrades to the Pacific Northwest, that does not mean there are no other transmission upgrades in the preferred portfolio. In fact, the preferred portfolio includes significant transmission upgrades to the east to integrate the following resources: Wyoming Pulverized Coal (250 MW), Regional IGCC (250 MW assumed to be in Wyoming) and the INL Nuclear Power Purchase Agreement (250 MW), which is assumed to be served from the Next Generation Nuclear Plant anticipated to be built at INL. However, if these supply-side resources are not developed, then it is unlikely Idaho Power will proceed with the associated transmission upgrades.

The ICIP and Exergy comment that a number of generation resources <u>might</u> be developed in Wyoming and Montana in the future. While this may be true, Idaho Power does not intend to build transmission to the east without a corresponding plan to develop the associated supply-side resources, or evidence that surplus capacity exists and is available to meet the Company's resource needs. However, because the Pacific Northwest is a winter peaking region and Idaho Power's system is summer peaking, the Company believes transmission projects to the Pacific Northwest are prudent choices, and sufficient resources will be available to meet Idaho Power's needs.

4. IPUC Staff Comments: Average Annual Gas Prices

Idaho Power appreciates Staff's recognition of the Company's efforts to improve its 2006 IRP by incorporating additional analyses and Commission recommendations. Idaho Power agrees with many of Staff's concerns and suggestions, and offers the following comments.

Staff expressed concern that Idaho Power's IRP appeared to utilize an annual average gas price even though the majority of its gas is purchased for the summer peaking months. In the 2006 IRP, future expected gas prices are presented on page 48 of Appendix D – Technical Appendix as annual averages for each of the years in the planning horizon. However, in the analysis of each portfolio, the Aurora model utilizes monthly average gas prices which have seasonalization factors applied. This is not apparent due to the manner in which the data is presented in the Technical Appendix.

5. IPUC Staff Comments: Irrigation Peak Rewards Program

Another issue Staff raised was how the Irrigation Peak Rewards program was factored into the 2006 IRP. In an Application filed one week before the 2006 IRP, Idaho Power requested the Commission approve modifications to the 2 year-old Irrigation Peak Rewards program to better manage load reduction targets and increase customer satisfaction. The Irrigation Peak Rewards program was a resource already included in the 2004 IRP for 30 MW, and the unmodified program is accounted for in the load/demand estimates/assumptions used in the 2006 IRP. Idaho Power does not expect the changes approved by the Idaho Commission on November 30, 2006 in Order No. 30194 to significantly change the estimated savings from this existing program. The changes are expected to increase savings in 2007, but only by about 3.9

MW per day. Depending on how the peak reduction is distributed and the time period used, the estimated program savings will still be very close to 30 MW.

CONCLUSION

Idaho Power views development of the IRP document as a valuable planning activity that positively shapes its long-term development of energy resources. The Company's integrated resource planning process will continue between filings of plan documents, as Idaho Power strives to improve the process and the associated analysis. The Company, as well as the next IRPAC, will consider and address many of the issues that Staff and others have identified in their comments in its 2008 IRP.

In light of the 2006 IRP filing and the written record in this docket, Idaho Power respectfully requests the Commission accept the filing of its 2006 IRP and find that it meets both the procedural and substantive requirements of Order No. 22299.

DATED this 9th day of February, 2007.

Lisa Nordstrom

LISA NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 9th day of February, 2007, I served a true and correct copy of the above and foregoing REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

Cecelia A. Gassner Deputy Attorney General Idaho Public Utilities Commission 472 W. Washington Street P.O. Box 83720 Boise, ID 83720-0074	x 	Hand Delivered U.S. Mail Overnight Mail FAX
Ken Miller Idaho Energy Advocate NW Energy Coalition 5400 W. Franklin, Suite G Boise, ID 83705	 x 	Hand Delivered U.S. Mail Overnight Mail FAX
Lynn S. Tominaga Executive Director Idaho Irrigation Pumpers Association P.O. Box 2624 Boise, ID 83701-2624	 x 	Hand Delivered U.S. Mail Overnight Mail FAX
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