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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER )  
COMPANY'S 2006 INTEGRATED )  
RESOURCE PLAN )  
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\_\_\_\_\_ )**      **CASE NO. IPC-E-06-24  
  
COMMENTS OF THE  
INDUSTRIAL CUSTOMERS OF  
IDAHO POWER**

**I. INTRODUCTION**

The Industrial Customers of Idaho Power (ICIP) appreciate the opportunity to offer comments on Idaho Power's 2006 Integrated Resource Plan (IRP), filed with the Commission on September 24, 2006. ICIP also appreciates Idaho Power's efforts to develop its IRPs with the assistance of the IRP Advisory Council, to which some of ICIP's individual members belong. These comments are intended to offer ICIP's views of the 2006 IRP after having a chance to review the final product in whole, and to assist the Company in its resource planning as well as the Commission in determining whether it should approve the 2006 IRP for filing. For all of the reasons below, ICIP believes that the Commission should not accept the 2006 IRP for filing at this time, but should instead require Idaho Power to reconsider and supplement the 2006 IRP as explained herein.

The Commission has explained that an IRP must include both supply- and demand-side options available to the Company in meeting its loads in a cost-effective

manner.<sup>1</sup> Also, it has held that the “IRP should not be regarded by Idaho Power as simply an academic or regulatory exercise.”<sup>2</sup> It should be regarded as an “actual planning document of the Company” and it should accurately represent its “best estimate of future changes in loads, resources and contract obligations.”<sup>3</sup> The 2006 IRP does not achieve those standards, and contains certain inaccuracies and incomplete considerations of various important issues.

**II. THE 2006 IRP FAILS TO OFFER A COMPREHENSIVE EVALUATION OF THE VARIOUS RESOURCE ALTERNATIVES AVAILABLE TO IDAHO POWER**

*a. The 2006 IRP Did Not Evaluate Resources Under Consideration by the Company and Commission*

Although ICIP does not believe it is appropriate in this proceeding to reiterate its opposition to the Company’s recently approved Evander Andrews natural gas-fired combustion turbine, the process through which that plant was chosen and approved raised concerns with ICIP that are relevant to the company’s IRP. Idaho Power’s application in the Evander Andrews proceeding relied almost exclusively on the 2004 IRP, which called for an 88 MW peaking resource.<sup>4</sup> By the time that application was considered by the Commission, the Company had already released its 2006 IRP, which contained drastically different assumptions regarding, among other things, natural gas prices and Demand-Side Management (DSM) program levels. In ICIP’s view, these changes called into serious question the advisability of constructing a natural gas combustion turbine. And, unfortunately, the 2006 IRP simply assumed that the Evander Andrews plant would be built, and contained no analysis of whether it in fact should still be pursued. This left

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<sup>1</sup> Order No. 29189, Case No. IPC-E-02-8, at 20 (Feb. 11, 2003).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> See Application of Idaho Power, filed in Case No. IPC-E-06-09 (April 14, 2006).

the task of showing whether the Evander Andrews project was appropriate under current conditions up to ICIP and Commission staff, without any supporting analysis from the company based on current data.

In light of the purpose of an IRP to accurately evaluate the various resource choices available to Idaho Power, ICIP urges the Commission to require the Company, in future IRPs, to evaluate any resources under consideration in order to determine if they continue to be preferred options. Allowing the company to bootstrap old resource decisions into new planning processes leaves open the possibility that imprudent resources will be constructed due simply to the inertia of the process that initiated them. Until a project is constructed, it should never be too late to reevaluate the wisdom of pursuing it to completion.

b. *The 2006 IRP Does Not Evaluate A Resource the Commission Has Now Ordered it to Investigate and Implement*

As explained by ICIP in the Evander Andrews application proceeding, Idaho Power has previously committed to investigate the potential of using distributed generation, in the form of emergency backup generators installed throughout its service territory, as a potential resource for meeting its peak demand.<sup>5</sup> Idaho Power has not followed through on that commitment, and this Commission accordingly entered the following order in that case:

Idaho Power shall investigate and develop a proposal for the implementation of a “virtual peaking plant” program based upon the use of customers’ emergency generator resources located throughout the Company’s service area. This proposal shall be submitted to the Commission for its review no later than June 1, 2007.<sup>6</sup>

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<sup>5</sup> See Oregon Public Utilities Commission Order No. 05-871, p. 15 (July 28, 2005).

<sup>6</sup> Order 30201, p. 18, Case No. IPC-E-06-09 (Dec. 15, 2006).

Idaho Power's 2006 IRP does not offer any consideration of the potential peaking resource that could be gained through a "virtual peaking plant." Because the Company is currently engaged in evaluating this resource, and because it will have a proposal for the implementation of such a plant by June 1, 2007, ICIP believes that the Commission should direct Idaho Power to include in its 2006 IRP its findings, and the impact that such a plant will have on its resource decisions. Without such a supplement to the 2006 IRP, it will not contain a reasonably accurate resource picture upon which Idaho Power can base resource decisions.

### **III. THE 2006 IRP DOES NOT CONTAIN IDAHO POWER'S BEST LOAD FORECAST**

As described above, Idaho Power's 2006 IRP should contain its "best estimate of future changes in loads, resources and contract obligations."<sup>7</sup> However, Idaho Power is aware of significant changes in its load forecast that it did not include in its 2006 IRP.

In May of 2006, a significant increase in Idaho's Conservation Reserve Enhancement Program (CREP) was announced. Under the CREP program, significant amounts of farmland is set aside, and irrigation pumps are accordingly turned off. Although water conservation is a main purpose of CREP, it has a significant impact on Idaho Power's loads, and especially its peak demands, which are substantially driven by irrigation pumping loads.<sup>8</sup>

In a recent forecast of Idaho Power's loads, Idaho Power has incorporated an annual energy reduction over the next 15 years (2007 through 2021) of approximately 4%

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<sup>7</sup> *Id.*

<sup>8</sup> See *Direct Testimony of Don Reading on Behalf of ICIP*, filed in Case No. IPC-E-06-09, p. 33 (non-Confidential version).

because of CREP.<sup>9</sup> However, Idaho Power has stated that “[f]or planning purposes, Idaho Power has not incorporated any specific assumptions in the 2006 IRP regarding the . . . CREP.”<sup>10</sup> The effects of that reduction could be significant in Idaho Power’s preferred portfolio in the 2006 IRP, especially given the dual impact to energy and peak demand. The Commission stated a concern on this topic in its order accepting the company’s 2004 IRP for filing. It cautioned, “the continued effects of the drought on irrigation pumping and other *state actions that reduce the amount of irrigation pumping creates uncertainty* regarding the need for additional peaking resources.”<sup>11</sup> The Commission should direct Idaho Power to incorporate this new forecast into its 2006 IRP analysis in order to ensure that it provides a complete evaluation of the resource options available to it, based on accurate data.

#### **IV. THE 2006 IRP’S ANALYSIS OF TRANSMISSION IMPROVEMENTS DOES NOT TAKE INTO ACCOUNT IMPORTANT RESOURCES AND MARKETS EAST OF IDAHO POWER’S SERVICE TERRITORY**

In its 2006 IRP, Idaho Power elects to pursue two transmission upgrades. Both upgrades are intended to expand its access to the power market in the Pacific Northwest.<sup>12</sup> Although relatively inexpensive hydropower exists in the northwest, ICIP is concerned that the 2006 IRP does not fully consider options for upgrading Idaho Power’s transmission system to increase access to markets and resources located east of its service territory.

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<sup>9</sup> See *id.* (citing Exhibit No. 234, Response to ICIP Request for Production No. 41).

<sup>10</sup> *Id.*

<sup>11</sup> Order No. 29762, Case No. IPC-E-04-18, p. 10 (emphasis added).

<sup>12</sup> 2006 IRP, p. 98.

The Pacific Northwest hydrosystem has become increasingly constrained due to operations for compliance with the Endangered Species Act and other fish and wildlife mitigation measures. Additionally, growing loads in the Pacific Northwest are expected to consume an increasing proportion of the low-cost hydropower available there. Given these changes, ICIP questions the prudence of Idaho Power's assumption in its 2006 IRP that "all off-system market purchases will come from the Pacific Northwest."<sup>13</sup> ICIP expects that coal resources located in the Power River Basin will likely be the source of low-cost generation resources for the region. Idaho Power's call for 500 MW of new coal-fired generation<sup>14</sup> tends to support a closer look at transmission expansion options to the east of its system, where such resources are more likely to be located than in the Pacific Northwest or Idaho.

**V. THE IRP DOES NOT ADDRESS THE EFFECTS OF RATE DESIGN ON LOAD**

Again, Idaho Power's IRP should contain an accurate and complete evaluation of the resources available to it, based on its most accurate data concerning loads, resources, and contracts. In order to do this, ICIP believes that the 2006 IRP should contain an evaluation of the effects that various rate designs will have on Idaho Power's loads. For example, time-of-use metering could have a significant effect on Idaho Power customers' usage. ICIP is not certain that the 2006 IRP evaluates the effects that such programs could have on Idaho Power's load forecast or resource decisions. The Commission

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<sup>13</sup> 2006 IRP, p. 32.

<sup>14</sup> 2006 IRP, p. 5. Half of the coal-fired generation contemplated in the 2006 IRP is Integrated Gasification Combined Cycle (IGCC) clean coal technology.

should direct Idaho Power to clarify how its IRP accounts for such tools, or direct it to supplement the 2006 IRP with relevant data.

**VI. THE COMMISSION SHOULD REQUIRE IDAHO POWER TO SUPPLEMENT ITS 2006 IRP WITH NECESSARY INFORMATION**

For all the reasons stated above, ICIP urges the Commission to deny Idaho Power's application to have the Commission accept its 2006 IRP for filing at this time. The Commission should instead direct the company to reconsider and revise its 2006 IRP to fully address 1) the resource potential of a virtual peaking plant in Idaho Power's service territory, 2) changes in load due to the CREP program, 3) whether its transmission upgrade decisions should not be revised, and 4) the effects of rate design on its load forecasts and resource decisions. Additionally, the Commission should direct the company to fully consider in future IRPs the prudence of any resources that are under consideration for construction at the time, even if called for in a prior IRP.

Respectfully submitted this 19th day of January, 2007.

  
Peter Richardson

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above Comments of the Industrial Customers of Idaho Power in Docket No. IPC-E-06-24 was mailed via U.S. Mail, postage prepaid, on January 19, 2007 to:

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