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IDAHO PUBLIC UTILITIES COMMISSION

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November 28, 2011

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-11-11
*IN THE MATTER OF IDAHO POWER COMPANY'S 2011 INTEGRATED
RESOURCE PLAN (IRP)*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Reply Comments in the above matter.

Very truly yours,

Jason B. Williams

JBW:csb
Enclosures

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S 2011 INTEGRATED) CASE NO. IPC-E-11-11
RESOURCE PLAN (IRP).)
) IDAHO POWER COMPANY'S
) REPLY COMMENTS
)
_____)

COMES NOW Idaho Power Company ("Idaho Power" or "Company"), and in accordance with Idaho Public Utilities Commission ("IPUC" or "Commission") Order No. 32356, hereby submits these Reply Comments in the above-captioned proceeding. Since no parties submitting comments in this proceeding oppose the Company's 2011 Integrated Resource Plan ("IRP"), Idaho Power urges the Commission to accept the IRP as submitted.

I. BACKGROUND

As required by IPUC Order No. 22299 and the Public Utility Commission of Oregon's ("OPUC") Order Nos. 89-507 and 07-002, the Company prepares and files a biennial IRP with both the IPUC and the OPUC setting forth how Idaho Power intends to

serve the electric requirements of its customers. Idaho Power submitted its 2011 IRP on June 30, 2011. The Commission issued a Notice of Modified Procedure and Order No. 32356 setting a 60-day comment period and allowing Idaho Power 14 days to submit reply comments. The Commission Staff, the Snake River Alliance (“SRA”), the Renewable Northwest Project (“RNP”), the Idaho Conservation League (“ICL”), and the Board of County Commissioners of Cassia County and Power County, Idaho, all submitted comments on or prior to November 14, 2011. Idaho Power hereby submits these Reply Comments and responds to certain issues raised by the commenting parties.

II. THE COMMISSION SHOULD ACCEPT THE IRP AS FILED

As an initial matter, Idaho Power notes that all parties (with the exception of the Board of County Commissioners of Cassia County and Power County, Idaho) providing comments in this case actively participated in the Company’s Integrated Resource Plan Advisory Council (“IRPAC”) process. As a result, the Company has the ability to respond to the comments in an informed manner as well as an opportunity to work with the commenting parties on a going-forward basis as part of future planning processes. Idaho Power appreciates the valuable input provided through the IRPAC process and carefully considers that information in developing its IRPs.

While the commenting parties provide comments on certain areas of concern as well as recommendations for items to be included in the Company’s future IRPs, none of the comments outright oppose Commission acceptance of the IRP as submitted by Idaho Power. Accordingly, the Commission should accept the 2011 IRP, including the recommended portfolios, as filed by Idaho Power.

Notwithstanding, Idaho Power takes this opportunity to respond to certain comments made as well as provide additional clarification on some issues. Idaho Power addresses each of these items below.

A. Idaho Power Has Negotiated a Funding Agreement for the Boardman to Hemingway (“B2H”) Project.

The 2011 IRP identifies the B2H project as part of the preferred portfolio for the initial 10-year planning period. RNP's comments point out the multiple advantages of B2H because it will help meet the Company's summertime peak capacity needs via market purchases as well as provide “strong reliability benefits” for Idaho Power and the Pacific Northwest. RNP Comments at 1. In addition, RNP acknowledges that B2H's capacity will provide opportunities for additional renewable generation resources to gain access to markets. Staff's Comments suggest there may be ways to quantify risk related to transmission siting for projects such as B2H in future IRPs. Staff Comments at 14. Staff Comments further note that “risk associated with siting a transmission line could be captured if the definition of capital cost risk was expanded to include the capital cost and siting cost of a transmission line.” *Id.*

The Company acknowledges and appreciates Staff's concern associated with anticipated costs and assumptions associated with the B2H project. A transmission project the size and scope of B2H is deserving of continuous scrutiny related to costs and assumptions. As the project developer, Idaho Power continues to review its assumptions and costs on a regular basis to ensure the project complies with the Company's goals and objectives and continues to represent the best cost/risk resource. In that vein, on November 23, Idaho Power announced a draft Transmission Project Permit Funding Agreement (Funding Agreement) had been reached among Idaho

Power, PacifiCorp, and the Bonneville Power Administration, which provides that the parties would seek to jointly fund and support the process of completing environmental studies, including an environmental impact statement pursuant to the National Environmental Policy Act, and obtaining governmental authorizations and permits for rights-of-way over public lands, necessary to develop the B2H transmission project. The draft Funding Agreement sets forth, among other items, (1) the respective funding obligations of the parties for the undertakings contemplated by the Funding Agreement, (2) the procedures for negotiation of construction development agreements, assuming receipt of requisite authorizations, for the parties who ultimately elect to participate in construction of the project, (3) terms pertaining to permitting project management, (4) the potential respective ownership interests in the project, and (5) terms pertaining to the effect of an event of default and the impact of withdrawal of a party.¹

B. Clarifications of the Company's Load Forecasts Used in the 2011 IRP.

As an initial matter, it is important to note that for IRP planning purposes, Idaho Power must pick a point in time, based upon the best information available at that time, upon which to develop assumptions to be used in the IRP process. In the case of the 2011 IRP, Idaho Power used all information available as of July 2010 to develop its load forecast. Idaho Power acknowledges that the current national economic slowdown is having an impact on its loads and recovery is now expected to be more prolonged than initially thought. Notwithstanding, the Company is seeking acceptance of its 2011 IRP based upon the best information available at the time the IRP was developed. Idaho Power has continued to update its load forecast since the 2011 IRP load forecast was

¹ Additional information related to the funding agreement can be found in an 8-K issued by Idaho Power on November 23, 2011, which is available on the Company's website.

prepared, and the most current information suggests that the Company's preferred portfolio of resources included in the 2011 IRP still represents the best combination of cost and risk to meet future load requirements.

Turning to the comments submitted in this case, Staff notes that "having no cost of carbon in the load forecast while assuming a cost of carbon in current and future resources, the load forecast may reflect larger growth than might occur due to underestimated electricity prices." Staff Comments at 5. To clarify, while the electricity price forecast used to prepare the 2011 IRP sales and load forecast was not affected by specific carbon adder costs, the price variable introduced to the forecast model was affected by resource utilization decisions associated with curtailment of coal resources (acceleration of the dispatching of higher cost resources) to comply with carbon-related cap-and-trade restrictions. Idaho Power recognizes that the effect of coal curtailment on retail rates is less than the effect of carbon adder costs; nevertheless, the assumptions established in the respective IRP planning processes regarding carbon and the impact on price were modeled into and reflected in the forecast for both the 2009 and 2011 IRPs.

Staff also notes that it agrees with the Company's approach to including potential new large load customers in the IRP process and that "[b]reaking out potentially large new load additions as a separate planning scenario might help decision-makers understand the overall cost impact of a new industrial customers so that it can be compared effectively with benefits related to economic development." Staff Comments at 5-6. Idaho Power agrees and this is one of the reasons why the Company includes

an independent, new large load planning scenario within the 2011 IRP. See 2011 IRP at 8-9 and Appendix C – Technical Appendix.

The SRA Comments note that it remains “concerned about the rate of Idaho Power’s growth in peak demand compared to the projected growth in energy.” SRA Comments at 11. SRA cites to the 2011 IRP, which notes that the “simple peak-hour load growth calculation indicated Idaho Power would need to add a peaking capacity equivalent to the 173 MW Bennett Mountain plant every 3 years throughout the entire planning period.” *Id.* To clarify, the average annual growth rate in average energy represents the growth in annual energy consumption. The instantaneous peak demand for electricity represents the largest hourly system peak demand and occurs when irrigation pumping load coincides with maximum residential and commercial air-conditioning load. Correspondingly, average energy and maximum peak demand typically do not grow at the same rate.

Lastly, Idaho Power takes this opportunity to correct two misstatements in the 2011 IRP. First, the first sentence of the third paragraph on page 59 states:

The 2011 IRP average system load forecast is lower than the 2009 IRP average system load forecast in all years of the forecast period.

This is not correct. This sentence should read as follows:

The 2011 IRP average system load forecast is lower initially than the 2009 IRP average system load forecast. However, after 2015, the 2011 IRP forecast is higher in all remaining years of the forecast period.

This corrected language is identical to the first two sentences of the first paragraph on page 3 of Appendix A – Sales and Load Forecast, which correctly represents the load forecast.

Second, the third sentence of the third paragraph on page 59 of the 2011 IRP is misstated. That sentence reads:

In addition, the significant increase in the assumed DSM combined with retail electricity prices assumptions that incorporate estimates of assumed carbon legislation serve to decrease the forecast of average loads.

It should read the same as the fourth sentence of the first paragraph on page 3 of Appendix A – Sales and Load Forecast, which states:

In addition, the lowered expectations in existing and committed energy efficiency measures, combined with retail electricity prices that incorporate much-reduced impact of carbon on Idaho Power's retail electricity prices, result in an increase of forecast average loads.

C. Idaho Power Anticipates Including Additional Coal Plant Cost Assumptions in Its 2013 IRP.

The ICL, SRA and RNP all provide comments suggesting the Company include more detailed analyses related to the costs and risks associated with its fleet of coal generation considering potential carbon costs and environmental regulations. ICL Comments at 3-4; SRA Comments at 8, and RNP Comments at 6-7. Of note, many of the pending environmental regulations that could apply to the Company's coal fleet are largely unknown at this time. That said, Idaho Power currently anticipates that some key regulations will be further developed in 2012 such that the Company anticipates conducting a unit-by-unit environmental compliance cost analysis on its coal fleet in 2012. The Company intends to use third-party consultants, in conjunction with studies conducted by the majority owners/operators of the coal plants² as well as internally generated analyses to evaluate environmental compliance costs associated with its coal

² PacifiCorp is the operator of the Jim Bridger Coal Plant and NV Energy is the operator of the Valmy Coal Plant.

plants. At this time, Idaho Power anticipates that it will use these analyses as part of preparing its 2013 IRP. The Company looks forward to working with ICL, SRA, RNP, and other interested parties through the Integrated Resource Plan Advisory Council on these coal cost issues in preparing its 2013 IRP.

D. Clarifications Related to Demand Side Management (“DSM”) Issues.

Based on some of the comments, it appears there is some misunderstanding as to how energy efficiency is included in the IRP planning process and the proposed portfolios. See, e.g., ICL Comments at 2; Staff Comments at 11. As explained on pages 38-39 of the 2011 IRP, energy efficiency is included in three ways. First, ongoing energy savings from historical demand-side programs prior to the planning period are reflected in the load forecast. Second, persistent savings from current and legacy energy efficiency initiatives are included as existing resources in the load and resource balance analysis. Third, forecast savings from new energy efficiency efforts, as summarized on page 41 of the 2011 IRP are also included in the load and resource balance analysis prior to any consideration of new supply-side resources. These energy savings are shown in the load and resource balance charts under “2011 IRP DSM” on pages 22-41 of Appendix C – Technical Appendix. The demand-side resources are not explicitly shown in each proposed portfolio because they are accounted for prior to the consideration of supply-side resources.

Further, as described on pages 66-68 and shown on page 76 of Appendix C – Technical Appendix, before including any demand-side resources in the IRP planning process, those resources are screened for cost-effectiveness. This analysis is a comparison of the levelized costs of each resource as compared to the DSM alternative

costs levelized over the same measure lives. The DSM alternative costs are the prices of avoided energy throughout the 20-year planning period and are simulated within the AURORA model. These avoided costs are calculated as part of each IRP.

The ICL Comments also suggest the Company pursue a better understanding and potential narrowing of the gap that is found between the economic or all cost-effective efficiency potential and the “achievable potential” discussed in the *2009 DSM Potential Study* performed on behalf of the Company by Nexant. While the Company believes that in past studies the Company’s consultants have identified a reasonable level of achievable energy savings, the Company agrees in principle with ICL’s assessment. With that said, Idaho Power intends to pursue a better understanding of these savings gaps (whether created by customer acceptance, economics, or program design issues). As part of this effort, a new potential study will be prepared as part of the 2013 IRP process. This updated study is expected to provide a comprehensive and holistic approach to assessing energy efficiency potential. Further, it is important to note that as with the load forecast, Idaho Power’s energy efficiency forecast is based upon the best information available to it at the time the IRP is developed. In the case of the 2011 IRP, the Company used the *2009 DSM Potential Study* prepared by Nexant to develop the energy efficiency forecast.

ICL’s Comments also express concern that the approach to forecasting existing program performance may be creating a disparity between supply-side and demand-side resources. The Company acknowledges that the production model approach of forecasting energy efficiency that requires considerations of various aspects of current program performance differs from load forecasting or methods to forecast supply-side

production, but sees the forecasting approach (as explained on pages 38-39 of the 2011 IRP) as reasonable considering all of the unknowns that may impact any one of the Company's current programs. Importantly, any approach to looking at future savings in which savings flatten or decline will be offset by new opportunities and new programs, including some that may not be fully envisioned or quantifiable at this time. This approach to concentrate focus and aggressive forecasting for the first ten years of the planning period while balancing future opportunities is seen as an important element to creating a stable reliable energy resource through DSM program portfolios.

Staff's Comments note that Idaho Power modified the criteria used in the 2009 IRP to value demand response. Staff Comments at 8. To clarify, Idaho Power did not change the method of determining the cost-effectiveness of demand response, but it did do extensive analysis to determine the amount of demand response that would be useful for Idaho Power's system. Idaho Power has been and continues to be a leader in both the acquisition of demand response and the analysis of demand response potential and plans to continue these efforts. Idaho Power agrees with Staff in that there should be additional dialogue in the future in understanding demand response valuation and how it will be applied in future IRPs. To that end, Idaho Power is active in national and regional discussions on demand response and has hired a third-party consultant with extensive experience in demand response research to help refine its analysis aimed at continuously improving its programs and their effectiveness.

Lastly, the Company would like to clarify the role of DSM in the resource planning process and its position as the first considered resource when analyzing potential resource portfolios. Demand response is accounted for as a negative resource

(demand reduction) as a peak hour resource in the Company's power supply planning model, AURORA. The targeted reductions that were forecast for the Company's demand response portfolio were considered in the load and resource balance and accounted for prior to any inclusion of needed supply-side resources. Similarly, the 233 average megawatts ("aMW") of forecasted cumulative impact of energy efficiency were accounted for in one of two ways, with both ways reducing future loads. The 191 aMW of forecasted cumulative impact of programs in the existing portfolio of energy efficiency was accounted for in the sales and load forecasting process. An additional 42 aMW of new forecasted energy efficiency opportunities were considered the first dispatched resource for all analyzed portfolios. The Company acknowledges that it might have been more clearly presented to label explicitly those amounts as part of each of the individual IRP portfolios.

E. Idaho Power Will Provide Additional Details Related to Its Solar Demonstration Project in a Future Case.

Commission Staff comments that while the Company's solar demonstration project may have merit, it suggests that "the Company must justify why the same information could not be obtained from other existing solar facilities not owned by Idaho Power (Interconnect Solar, Grand View Solar, or other proposed projects)." Staff Comments at 13-14. Further, Staff notes that the demonstration project "should incorporate unique features or data collection capability that will provide valuable information that cannot likely be obtained from other facilities." Staff Comments at 14. ICL's Comments suggests that the Company's proposed solar demonstration project should "address issues like interconnection standards, met [sic] metering policies, and integrating distributed systems into the Company's larger system," ultimately

recommending the solar demonstration project focus on “rooftop solar.” ICL Comments at 4-5. The SRA urges the Commission to take notice of the Company’s commitment to construct a solar demonstration project “in its IRP acceptance order so that we can avoid the kind of schedule creep that has befallen solar projects in the past.” SRA Comments at 9.

Idaho Power appreciates the comments and concerns of the commenting parties related to its solar demonstration project. As noted in the 2011 IRP, the Company anticipates filing a certificate of public convenience and necessity (“CPCN”) application with the Commission for the solar demonstration project. 2011 IRP at 10-11. As part of the CPCN process, the Company will provide additional information it believes will address the comments and concerns raised by parties in this proceeding.

F. The Company Provides the Commission With Annual Updates Related to Hells Canyon Relicensing.

The ICL Comments “encourage the Commission to require a more robust discussion of the Company’s efforts and strategy to resolve the [Hell’s Canyon] relicensing process in a timely manner.” ICL Comments at 5-6. Indeed there is no party more interested in a timely resolution of the Hell’s Canyon relicensing process as is Idaho Power. In the IRP, the Company only provides a summary of the relicensing process to acknowledge the impact it may have on the planning process. To address ICL’s concern, Idaho Power notes that it files annual updates with the Commission detailing the Company’s efforts associated with relicensing the Hells Canyon Complex. Copies of these reports, the most recent of which was filed on November 10, 2011, are available on the Commission’s website under Case No. IPC-E-08-10.

III. CONCLUSION

Idaho Power appreciates the Comments submitted by interested parties in this case as well as the opportunity to address those Comments. Given the comments as explained above, the Company believes it is appropriate for the Commission to issue an order accepting the Company's 2011 IRP as filed.

DATED at Boise, Idaho, this 28th day of November 2011.



JASON B. WILLIAMS
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 28th day of November 2011 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

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