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LISA D. NORDSTROM
Lead Counsel
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December 27, 2013

VIA HAND DELIVERY

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

Re: Case No. IPC-E-13-16
Certificate for Public Convenience and Necessity for Jim Bridger Units 3 and 4 – Idaho Power Company's Answer to Petition for Clarification, and Cross-Petition for Clarification and/or Reconsideration

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Answer to Petition for Clarification, and Cross-Petition for Clarification and/or Reconsideration.

Sincerely,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN:evp
Enclosures

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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE INVESTMENT IN SELECTIVE CATALYTIC REDUCTION CONTROLS ON JIM BRIDGER UNITS 3 AND 4.	)	CASE NO. IPC-E-13-16 IDAHO POWER COMPANY'S ANSWER TO PETITION FOR CLARIFICATION, AND CROSS-PETITION FOR CLARIFICATION AND/OR RECONSIDERATION

Pursuant to the Idaho Public Utilities Commission's ("Commission") RP 57 and RP 325[1], Idaho Power Company ("Idaho Power" or "Company"), by and through its attorney of record, hereby submits its Answer to the Petition for Clarification ("Petition") filed by the Idaho Conservation League, the Snake River Alliance, and the Idaho Chapter of the Sierra Club (sometimes referred to hereafter as "Joint Petitioners") and hereby files this Cross-Petition for Clarification and/or Reconsideration.

[1] As informed by the deadlines set forth in RP 331 (IDAPA 31.01.01.331) for Petitions and Cross-Petitions for Reconsideration.

I. BACKGROUND

On December 2, 2013, the Commission issued Order No. 32929 granting Idaho Power's request for a Certificate of Public Convenience and Necessity (CPCN) for investment in Selective Catalytic Reduction ("SCR") controls on Jim Bridger Units 3 and 4. Order No. 32929 directed the Company to "submit quarterly reports updating the Commission on any changes to environmental policy or regulations until such time as the Bridger upgrades are installed and placed in service." Order No. 32929 at 11 and 13. The Commission also instructed Idaho Power to "return to the Commission if viable alternatives to the Bridger Units 3 and 4 upgrades become available." *Id.*

On December 20, 2013, the Idaho Conservation League, the Snake River Alliance, and the Idaho Chapter of the Sierra Club jointly filed a petition for clarification regarding the scope and contents of the quarterly reports required by Order No. 32929. Specifically, the Joint Petitioners requested that the Commission direct Idaho Power to include the following information in each of its quarterly reports:

1. Any changes to the compliance standards, timeline, options, and costs for environmental regulations that affect the Jim Bridger plant resulting from:
    a. The Environmental Protection Agency's promulgation of a final Federal Implementation Plan for Regional Haze in Wyoming.
    b. The Environmental Protection Agency's promulgation of draft rules for carbon regulation of existing power plants under Clean Air Act § 111 (d).
    c. The Environmental Protection Agency's or the relevant Wyoming state agency concerning coal combustion residuals or cooling water intake and discharges.

d. Other Clean Air Act regulations such as a nonattainment designation for any affected air shed or covered pollutant.

2. An accounting of the funds spent to date and updates on the Bridger project timeline similar to the Langley Gulch reports issued in case IPC-E-09-03.

3. Any changes to the cost, timeline, or other project components for the Bridger upgrade project covered the Certificate of Public Convenience and Necessity issued in this case. Petition at 2-3.

The Joint Petitioners also requested that the Commission expand the scope of the quarterly reporting requirement by directing the Company to include the following additional information:

1. A narrative description of Idaho Power's method and timeline for continually considering alternatives to the Bridger upgrades during the pendency of the project.

2. A quantitative analysis comparing the most up-to-date Bridger project costs to alternatives, including re-dispatching of existing, non-coal resources as well as new demand and supply side energy and capacity resources. *Id.* at 3.

Idaho Power now timely files this Answer and Cross-Petition.

II. ARGUMENT

The Company believes that the Commission's quarterly reporting directive in Order No. 32929 is clear, and therefore, the clarification requested by the Joint Petitioners should be denied. However, if the Commission believes that additional clarification regarding the scope and contents of the quarterly reports is needed, it

should instead clarify that Idaho Power's proposed content of the quarterly report as presented in this Cross-Petition would satisfy the quarterly reporting directive in Order No. 32929. Further, the Commission should deny the Joint Petitioners request to unduly expand the scope of the quarterly report beyond what was envisioned in Order No. 32929.

A. If Clarification Of The Reporting Requirement Is Necessary, The Commission Should Clarify That Idaho Power's Proposed Content Of The Quarterly Report As Presented In This Cross-Petition Would Satisfy The Quarterly Reporting Directive In Order No. 32929.

The Company has reviewed the proposed detailed reporting requirements presented as subparts 1 through 3 on pages 2 and 3 of the Petition. It is the Company's understanding that these specific reporting requirements proposed on pages 2 and 3, subparts 1 through 3, are intended by the Joint Petitioners to respond specifically to the Commission's directive in Order No. 32929 to "submit quarterly reports updating the Commission on any changes to environmental policy or regulations until such time as the Bridger upgrades are installed and placed in service." Order No. 32929 at 13. While the Company's view on how it should comply with the Commission's quarterly reporting directive is not materially different from the reporting requirements proposed by the Joint Petitioners on pages 2 and 3, subparts 1 through 3, Idaho Power believes that the proposed requirements could be modified slightly to more fully reflect the comprehensive and relevant quarterly information sought by the Commission. If the Commission believes that additional clarification regarding the scope and contents of the quarterly reports is needed, the Company requests that the Commission clarify that the referenced quarterly reports should contain the following:

1. Updates to changes in federal and state environmental regulations which will impact the Jim Bridger Units 3 and 4 SCR project including:

   a. Federal Implementation Plan (FIP) for Regional Haze in Wyoming.

   b. Rules for carbon regulation of existing power plants under the Clean Air Act.

   c. Rules concerning coal combustion residuals, cooling water intake, and effluent guidelines.

   d. Rules under applicable National Ambient Air Quality Standard (NAAQS).

2. Expenditures to date, by unit, on the Jim Bridger Units 3 and 4 SCR project.

3. Major changes to the Bridger SCR project timeline, by unit, that would impact the respective online dates.

4. Narrative progress update.

The Company believes that its proposed quarterly report content complies with the Commission's reporting directive and will assist the Commission and other interested parties to remain informed of the environmental policies and regulations that may impact the Jim Bridger Plant and the SCR project for Units 3 and 4.

B. <u>The Commission Should Deny The Joint Petitioners' Request To Unduly Expand The Scope Of The Quarterly Report Required By Order No. 32929.</u>

Order No. 32929 directed the Company to "submit quarterly reports updating the Commission on any changes to environmental policy or regulations until such time as the Bridger upgrades are installed and placed in service." Order No. 32929 at 11 and

13. Separate and apart from this quarterly reporting requirement, the Commission also directed the Company to "return to the Commission if viable alternatives to the Bridger Units 3 and 4 upgrades become available." *Id.* The Joint Petitioners are now requesting that the Commission combine these two separate directives into one quarterly reporting requirement. The Company believes that Joint Petitioners' clarification request is inconsistent with the Commission's desire to issue two separate directives each having its own compliance schedule and therefore should be denied.

The Company views the Commission's directive to file "quarterly reports updating the Commission on any changes to environmental policy or regulations" to be quite reasonable and appropriate given the potential frequency of changes or updates to state and/or federal environmental policy or regulations. However, if significant changes that would impact the viability of the SCR investments for Jim Bridger Units 3 and 4 are to occur, it is not anticipated that these significant events would occur or materially change every three months. Mr. Tom Harvey stated on page 22 of his direct testimony that "The NPV of the total portfolio costs under the planning case for Unit 3 is $254 million less than the next least-cost compliance alternative. The results are similar for Unit 4 and are $237 million less than the next least-cost compliance alternative." Tr. at 142. The magnitude of the cost difference between the SCR projects at Jim Bridger Units 3 and 4 and the next best alternative presented by Mr. Harvey help to put into perspective the level of change that would have to occur to impact the viability of the projects. Therefore, it would be impractical and a waste of Company resources to perform the quantitative analysis suggested by the Joint Petitioners on a quarterly basis. The Company believes that the Commission also recognized this when it directed the

Company to "return to the Commission" only when and "if viable alternatives to the Bridger Units 3 and 4 upgrades become available." Order No. 32929 at 11 and 13.

It should also be noted that the Company has already provided the Commission with its proposed review process and action plan to monitor and analyze the ongoing viability of not only the investments in the SCRs for Jim Bridger Units 3 and 4, but all known major environmental upgrades at the Jim Bridger and North Valmy Power Plants. On page 30 of Mr. Harvey's Exhibit No. 6, the Coal Unit Environmental Analysis ("Coal Study"), the Company detailed its ongoing plans to monitor and review the viability of environmental upgrade investments at Jim Bridger and North Valmy. The Company's commitment is as follows:

> **Review Process and Action Plan**
>
> The objective of this Study is to ensure a reasonable balance between protecting the interests of customers, meeting the obligation to serve the current and reasonably projected future demands of customers, and complying with environmental requirements, while recognizing that the regulatory environment is uncertain. In a commitment to honor these goals Idaho Power intends to perform systematic reviews, similar to this analysis, whenever certain triggering events occur. These triggering events include:
>
> - A significant change in the current state of environmental regulation
> - A significant change in the estimated cost of anticipated environmental controls
> - Within a year of committing to a major environmental upgrade
> - Whenever Idaho Power files an Integrated Resource Plan

Consistent with this commitment and absent a significant change in regulation or cost in the next six months, the Company plans to complete its next Coal Study in the

second half of 2014. This updated Coal Study will serve to inform the 2015 Integrated Resource Plan.

Because the Joint Petitioners' clarification request is inconsistent with the Commission's desire to issue two separate directives each having its own compliance schedule, and because the Company has already provided the Commission with its proposed review process and action plan to monitor and analyze the ongoing viability of its coal plant investment, Idaho Power requests that the Commission deny the Joint Petitioners' request to unduly expand the scope of the quarterly reports.

III. CONCLUSION

The Company believes that the Commission's quarterly reporting directive in Order No. 32929 is clear, and therefore the clarification requested by the Joint Petitioners should be denied. However, if the Commission believes that additional clarification regarding the scope and contents of the quarterly reports is needed, it should instead clarify that Idaho Power's proposed content of the quarterly reports presented in this Cross-Petition would satisfy the quarterly reporting directive included in Order No. 32929. Further, the Commission should deny the Joint Petitioners' request to unduly expand the scope of the quarterly report beyond what was envisioned by the Commission in Order No. 32929.

Respectfully submitted this 27th day of December 2013.

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 27th day of December 2013 I served a true and correct copy of IDAHO POWER COMPANY'S ANSWER TO PETITION FOR CLARIFICATION AND CROSS-PETITION FOR CLARIFICATION AND/OR RECONSIDERATION, upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Kristine A. Sasser Deputy Attorney General Idaho Public Utilities Commission 472 West Washington (83702) P.O. Box 83720 Boise, Idaho 83720-0074	____Hand Delivered ____U.S. Mail ____Overnight Mail ____FAX _X_ Email kris.sasser@puc.idaho.gov
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