

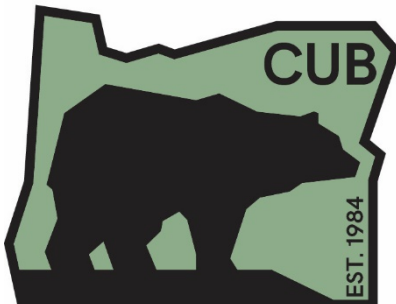
**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 74

In the Matter of)
)
IDAHO POWER COMPANY,)
)
2019 Second Amended Integrated)
Resource Plan.)

REPLY COMMENTS
OF THE
OREGON CITIZENS' UTILITY BOARD
TO STAFF REPORT

March 19, 2021



**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 74

In the Matter of

IDAHO POWER COMPANY,

2019 Second Amended Integrated
Resource Plan.

REPLY COMMENTS OF THE OREGON
CITIZENS' UTILITY BOARD TO STAFF
REPORT

I. INTRODUCTION

The Oregon Citizens' Utility Board (CUB) hereby submits its comments on the Public Utility Commission of Oregon Staff's (Staff) Report (Staff Report) in LC 74 – Idaho Power Company's (the Company) 2019 Second Amended Integrated Resource Plan (IRP).

CUB appreciates Staff's extensive analysis of the IRP. CUB also commends Idaho Power for involving and responding to stakeholders' concerns throughout the IRP process. While CUB mostly agrees with Staff's analysis of the IRP, these comments will elaborate on a few select issues.

II. COMMENTS

A. *Action Items 3 and 4 regarding Boardman to Hemingway (B2H) Permitting, Contract Negotiation, Long-Lead Material Acquisition and Construction activities for 2020-2026.*

Staff Recommendation: Acknowledge

CUB Comments: CUB supports Staff's recommendation for the Public Utility Commission of Oregon (Commission) to Acknowledge Action Items 3 and 4 addressing permitting, construction and long lead material acquisition for the B2H transmission line.

In opening comments, CUB expressed concern over possible change in ownership shares in the B2H project and its impact on customer cost and risk. CUB's concerns were assuaged by the Company's commitment during the October 22, 2020 Public Meeting, where the Company stated "if [Idaho Power] were able to reach an agreement with BPA and PacifiCorp... [Idaho Power] would bring [the agreement] to the Oregon and Idaho Commission for review... Along with a request for regulatory accounting, that would ensure that retail [Idaho Power] customers are not impacted beyond their need to serve retail customers on the line."¹ CUB looks forward to reviewing the agreement in an upcoming proceeding and appreciates the Company's commitment to holding retail Idaho Power customers harmless around BPA's ownership change of the B2H transmission line.

CUB joins Staff in recommending additional cost and risk analysis for the B2H project in Idaho Power's 2021 IRP through sensitivity tests for multiple cost futures. CUB also appreciates

¹ LC 74 – Special Public Meeting Recording, October 22, 2020, Oregon Public Utility Commission Public Meeting Archive.

<https://www.oregon.gov/puc/news-events/Pages/default.aspx>

Idaho Power’s willingness to provide information on additional cost and risk impacts of B2H ownership changes in its 2021 IRP.

CUB supports Staff’s additional recommendation to have the Company continue to include the 20% cost contingency for B2H in the 2021 IRP. Cost overruns in transmission projects are prevalent and could be extensive. Transmission projects take several years to construct and engineer during which unforeseen and unexpected costs could realize. CUB has previously presented instances of such cost overruns in various IRP comments. For instance, for its comments on Staff Recommendations on PacifiCorp’s 2017 IRP (LC 67), CUB researched and found that “[t]wenty-three of thirty (77%) transmission projects in the Southwest Power Pool had cost overruns of more than 30%. ISO-NE had an average 79% cost overrun on 11 transmission projects between 2004 and 2012.”²

Given the complexity associated with the construction, permitting, and land acquisitions associated with the construction of interstate transmission lines, cost estimates are extremely difficult to quantify, rendering potential overruns more likely.

According to Idaho Power’s analysis, B2H is consistently selected in the top performing or low cost and risk portfolios. The current portfolio analysis assumes a 20% contingency cost for B2H. If transmission projects are found to be cost-effective even after including the 20% contingency cost, CUB finds no reason why the Company should do away with or modify it. Absent the inclusion of a contingency cost, a transmission resource that appears to be cost-effective may not be if there are cost overruns. CUB would prefer that contingency costs be

² LC 67 – CUB’s Comments on Staff Recommendations, p.6.
<https://edocs.puc.state.or.us/efdocs/HAC/lc67hac164043.pdf>

included in the analysis on the front end of a major transmission resource acquisition. This is vastly preferable compared to a fight over cost overruns on the back end of a planning process.

Capital investments, including transmission lines, carry significant risks for customers. Under the regulatory compact, customers take on that risk for investments that are required to provide reliable and safe electric service. It is therefore in the best interest of ratepayers that utilities quantify and account for all possible future risks to the best of their abilities when deciding to invest in new large capital projects.

CUB Recommendation:

1. Acknowledge Action Items 3 and 4.
2. Require Idaho Power to include the 20% contingency cost in B2H cost and risk analyses in its 2021 IRP.

B. *Action Items 9 and 13 regarding Idaho Power's early exit from the Valmy Unit 2 coal plant.*

Staff Recommendation:

1. Acknowledge Action Item 9 which includes conducting economic and system reliability analysis on timing of exit from Valmy Unit 2, and,
2. Not Acknowledge Action Item 13 that states that Idaho Power will exit Valmy Unit 2 by December 2022.

CUB Comments: CUB agrees with Staff on its recommendation for Action Item 9.

However, CUB disagrees with Staff on its Action Item 13 recommendation.

Idaho Power, in its second Amended IRP, identified a potential net benefit of \$3 million for customers by accelerating the exit time from Valmy Unit 2 from 2025 to 2022. The Company also states that while the initial analysis shows net customer benefits from the early exit, the date

is dependent on the outcomes of an ongoing special study on reliability and cost analyses of the potential early exit from the coal unit.³

CUB believes accelerating coal plant retirements or exits is consistent with Oregon's climate goals and actions including directives for utilities. Although it did not pass, the Cap and Trade bill aimed toward reducing greenhouse gas emissions has been brought twice at the legislature. Earlier this year, Governor Brown issued the Carbon Policy Executive Order (Executive Order 20-04) which directs state agencies, including the Commission, to exercise their authority to reach emission reduction goals for Oregon to at least 45% below 1990 emissions levels by 2035 and to at least 80% below 1990 levels by 2050.⁴ Most recently, Oregon House Bill 2021 has been drafted to address climate issues and requires electric utilities to adopt their own clean energy plans.

The transition of Oregon's energy system in a carbon-constrained future is more than just a possibility—the risk that the continued use of carbon intensive resources places on customers in the current regulatory paradigm is real. In the light of current climate policies, transition from fossil fuels to cleaner energy resources is critical for electric utilities serving Oregon customers. Not acknowledging a utility's plan to accelerate its exit from a coal plant will be contradictory to the Commission's commitment to ensure that Oregon utilities are including the state's long-term climate goals in their resource plans.

CUB understands that Staff is concerned that the analysis for the revised 2022 exit date from Valmy Unit 2 is not final and outcomes could change. Acknowledging an action item does not eliminate the possibility that the action item may not be executed if circumstances change.

³ https://docs.idahopower.com/pdfs/AboutUs/PlanningForFuture/irp/2021/2021_IRP_Valmy_Study_Outline.pdf

⁴ https://www.oregon.gov/gov/Documents/executive_orders/eo_20-04.pdf

CUB would therefore recommend that the Commission allow Idaho Power to target a 2022 exit date and require the Company to provide updates on Valmy Unit 2 Study as soon as possible. Since Idaho Power has to provide a 15-month advance exit notice to the plant operator,⁵ a December 2022 target would mean the Company must have the Special Valmy Unit 2 reliability and cost study results soon.

CUB Recommendation:

1. Acknowledge Action Item 9
2. Acknowledge Action Item 13 and require the Company to provide an update on the Valmy Unit 2 Special Study by the end of April 2021.

///

///

///

///

///

///

///

///

///

///

⁵ https://docs.idahopower.com/pdfs/AboutUs/PlanningForFuture/irp/2021/2021_IRP_Valmy_Study_Outline.pdf

B) CONCLUSION

CUB appreciates the opportunity to participate in Idaho Power's 2019 resource planning process. CUB supports Staff's recommendations to the Commission for all but one Action Item in Idaho Power's Second Amended 2019 IRP. In these comments CUB has specifically stated its support for Staff's recommendation on B2H action items. CUB has also opposed Staff's recommendation to not acknowledge Idaho Power's plan for an early exit from Valmy Unit 2 and argued why it is important to acknowledge an Oregon utility's near-term plan to exit from a coal fired plant earlier than it had previously planned.

Dated this 19th day of March 2021

Respectfully Submitted,



Economist
Oregon Citizens' Utility Board
610 SW Broadway, Ste. 400
Portland, OR 97205
T. 503.227.1984
F. 503.224.2596
E. sudeshna@oregoncub.org