BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 74

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

OPENING COMMENTS OF THE

OREGON CITIZENS' UTILITY BOARD

April 2, 2020

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I. INTRODUCTION

The Oregon Citizens' Utility Board (CUB) hereby submits its Opening Comments on Idaho Power Company's (Idaho Power or the Company) 2019 Amended Integrated Resource plan (IRP or Plan) filed on January 31, 2020.

CUB appreciates Idaho Power's extensive analysis of its resource portfolio and for engaging stakeholders in the process. CUB has reviewed Idaho Power's Action Plan Items and related analysis and has identified three primary areas of concern:

1. Inclusion of 120MW of added solar PV capacity in the Action Plan for which the Company has already signed a Power Purchase Agreement (PPA).
2. No new demand response (DR) resources in the Company's portfolio prior to 2031.
3. The proposed retirement dates for the Jim Bridger units and the necessity to have Boardman to Hemingway (B2H) online by 2026 to enable a second Jim Bridger unit retirement.

CUB presents comments on each of these issues in greater detail in the following sections.

II. JACKPOT SOLAR PPA – 120MW OF SOLAR PV CAPACITY

In its Action Plan, Idaho Power seeks acknowledgement for 120 MW of solar PV capacity.[1] This capacity is associated with a PPA Idaho Power signed to purchase output from the 120MW Jackpot Solar facility.[2] The Company has already signed the PPA with a projected online date of December 2022. The PPA was approved by the Idaho Public Utilities Commission.[3] In Oregon, Idaho Power filed a notice of exception of the Commission's competitive bidding guidelines report on April 4, 2019 detailing its plans to enter into this PPA.[4] According to the Company, entering into this PPA was a "time limited opportunity to acquire a resource of unique value to the electric company's customers" that enabled the Company to utilize an exception to the competitive bidding guidelines under OAR 860-089-100(3)(b).[5] This decision was driven, in part, the seller's ability to safe harbor the current 30 percent federal investment tax credit benefits prior to the end of December 2019.[6]

At this time, CUB does not dispute that the execution of this PPA is a proper use of the OAR 860-089-100(3)(b) exception to the Commission's competitive bidding guidelines. Similarly, CUB is not making a determination regarding the prudence of the Company's action in executing the PPA at this time. Nor should we.[7] CUB's takes issue with the inclusion of this

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[1] LC 74 – Idaho Power Company's 2019 Integrated Resource Plan, Application at 9 (June 28, 2019).
[2] *Id*.
[3] Idaho Public Utilities Commission, Case No. IPC-E-19-14, Order No. 34515 (Dec. 24, 2019).
[4] Report to the Public Utility Commission of Oregon Pursuant to OAR 860-089-100, Power Purchase Agreement Between Idaho Power Company and Jackpot Holdings, LLC (Apr. 4 2019) *available at* https://edocs.puc.state.or.us/efdocs/HNA/lc68hna163119.pdf
[5] *Id*. at 3-4.
[6] *Id.* at 3.
[7] CUB notes that prudence determinations are made subsequent to a contested case ratemaking proceeding, rather than in an Integrated Resource Planning docket in which utilities seek acknowledgement.

PPA in the IRP on procedural grounds. Because the PPA is already signed, including it in the IRP for Commission acknowledgement runs contrary to established Commission precedent.

According to the Commission, "[t]he purpose of the IRP is to provide the utility with the information and opinion of stakeholders and the Commission based on information presented by the utility. The question of whether a specific investment made by a utility in its planning process was prudent will be fairly examined in a rate proceeding."[8] As can be seen in its notice of exception from the competitive bidding guidelines,[9] Idaho Power has moved forward with the PPA regardless of Commission acknowledgment in this IRP. By requesting Commission acknowledgement of an action that it has already taken, Idaho Power is in effect asking the Commission to make a judgment on the prudence of an action in an IRP.

In its 2013 IRP, PacifiCorp included coal plant environmental retrofit investments that were already "substantially complete" in its list of action items for acknowledgment.[10] In declining to acknowledge the investments, the Commission stated "that energy utilities that desire acknowledgement of an investment decision should request acknowledgement before the decision is made and before the required project is substantially completed."[11] The Commission noted they would "review these situations on a case-by-case basis to determine whether or not the project has progressed past a resource planning decision and into a project that is substantially complete."[12]

Here, Idaho Power is requesting Commission acknowledgement of an investment it has already made. The Company has signed the 120MW solar PV capacity PPA, and is obligated to

[8] *In re PacifiCorp 2013 Integrated Resource Plan,* OPUC Docket No. LC 57, Order No 14-252 at 2 (Jul. 8, 2014).
[9] *Supra*, note 5
[10] Order No. 14-252 at 6-7.
[11] *Id*. at 7.
[12] *Id*.

purchase the power when it becomes available. Since this decision has already been made and the contract has been executed, the project is "substantially complete." It is inappropriate for an executed PPA to be included in a list of action items for acknowledgement.

CUB's Recommendation:

CUB believes that acknowledgement in the IRP should be reserved for planning portfolios. If the Commission were to acknowledge an action item for an investment that is already "substantially complete", it would potentially be judging the prudence of the action. However, the prudence of any investment can only be fairly reviewed in a rate proceeding. CUB agrees with the Commission's guidance that a utility request for acknowledgement should be made "before the decision is made and before the project is substantially completed."[13] As such, CUB recommends that the Jackpot Solar PPA not be acknowledged in this IRP.

III. DEMAND RESPONSE RESOURCES

Idaho Power submitted two versions of its 2019 IRP. The original version submitted on June 2019 was later amended after the Company identified the need to make changes in its portfolio modeling inputs. These modeling changes resulted in two modifications in the Company's near-term action plan. These are:

a. Idaho Power opted to forego the option to enter into a PPA with 100MW solar from the Franklin Solar facility. Hence this solar resource was removed from modeling and subsequent preferred portfolios.

b. While the original version of the IRP had 5MW of demand response (DR) resources in the preferred portfolio starting 2026, the amended version does not include any DR

[13] *Id*. at 7.

resource in the preferred portfolio until 2031. Starting 2031, the Company adds 5MW of DR resources every year until the end of the planning period.

CUB is concerned that by excluding any new DR resources for the next decade, the Company is foregoing the opportunity to acquire one of the cheapest resources of significant value. Demand-side resources, like supply-side, provide both energy and capacity. It is now well understood that coal plant closures, amid other exacerbating factors, will create regional capacity and reliability needs. Customer resources are going to play a significant role in dealing with these regional energy and capacity shortfalls in the face of an increasing need to integrate distributed energy resources to the grid.

The Northwest Power Council's Seventh Power Plan identifies the following benefits of DR resources:

a. Reduces peak load, which in turn defers the build of generation resources for peaking capacity and also defers the build of new transmission and/or distribution resources.
b. Provides ancillary services including contingency reserves, operating reserves and transmission and distribution congestion relief.

The Power Plan also identifies a list of available DR programs, including, direct load control for air-conditioners and space and water heaters. Idaho Power has the A/C Cool Credit program in place that helps reduce its summer peak. However, the utility recognizes that it is a double-peaking system and, therefore, CUB believes that there is potential for winter demand response programs, such as, direct control of space heaters.

The Pacific Northwest has not traditionally depended on DR for ancillary services given its access to hydro resources. This especially holds true for Idaho Power. However, the transition of the current electric system from coal fired generation towards integrating increasing amounts of variable (especially wind) and customer resources may change that. As the Seventh Plan points out, in the light of growing loads and variable energy resources power system planners and operators have become more concerned about ancillary services and DR resources may have an important role to play in this regard.

Idaho Power's preferred portfolio shows coal exits from five of its generation units by 2026 and the remaining two by 2030.[14] New DR resources are added starting 2031. Although the Company states that the coal exits are not contributing to capacity shortfalls in the planning period, CUB strongly believes that the Company should start planning for DR resources sooner as resources requiring mass participation cannot be acquired overnight.

Idaho Power IRP shows that adding DR resources earlier in the Preferred Portfolio adds around $900,000 to costs.[15] In this regard, CUB notes that while the "committed demand response" considered in the Plan is evaluated at a capacity cost of $29 per kW-year, any incremental DR is valued at $60 per kW-year in the portfolio modeling.[16] In its answer to Staff DR 41, Idaho Power explains that the $60 per kW-year assumes that ½ the cost of a natural gas fired Simple Cycle Combustion Turbine is a reasonable proxy for the cost of new DR programs. Idaho Power has experience with DR programs, as do other utilities around the country. CUB does not understand why the actual cost of new DR programs cannot, with appropriate inflation adjustments, be used as the proxy for the cost of future new DR programs.

Additionally, CUB notes from the Company's Distribution System Planning presentation (OPUC Docket UM 2005), that Idaho Power currently has a 92% AMI deployment in Oregon

[14] Idaho Power 2019 Amended Integrated Resource Plan, Table 10.2. https://edocs.puc.state.or.us/efdocs/HAS/lc74has144557.pdf
[15] Idaho Power 2019 Amended Integrated Resource Plan, p126
[16] Idaho Power 2019 Amended Integrated Resource Plan, p61

and targeting for a 99% deployment by the end of 2020.[17] CUB believes that by introducing new DR programs in the near-term Idaho Power could optimize the use of these meters.

CUB is concerned that Idaho Power may not have sufficiently explored the host of available DR resources that utilities are deploying across the country and therefore should design programs to acquire more of these customer resources. A FERC Staff Report from December 2019 provides an assessment of various DR programs from across the country.[18] The report shows a 12.4% increase in customer enrollment between 2016 and 2017 in Time-Based Rate Programs in the Western Electricity Coordinating Council (WECC) region.[19] These programs include critical peak pricing, critical peak or peak time rebates, time-of -use rates, and others, administered through tariffs. This is in contrast to Incentive-Based DR programs including direct load controls which experienced a decline in participation rate in the WECC region during the same time period.

A useful example in this regard is provided by Portland General Electric and its Peak Time Rebate Program. Order No. 17-386 established in PGE's 2016 IRP cycle required the utility to aggressively explore DR resources including establishing a demand-response test bed by July 2019. In the April 9, 2019 public meeting, the OPUC approved PGE's proposal for Peak Time Rebate pilot program to be established in compliance with the Order.[20] This pilot encompassed 20,000 customers in PGE's service territory. Customers (who do not opt out) are offered a peak time rebate ($1/kWh) if they lower their energy use during peak demand periods,

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[17] https://edocs.puc.state.or.us/efdocs/HAH/um2005hah14343.pdf
[18] *2019 Assessment of Demand Response and Advanced Metering,* https://www.ferc.gov/legal/staff-reports/2019/DR-AM-Report2019.pdf
[19] Table 5-2, p27, *2019 Assessment of Demand Response and Advanced Metering*, https://www.ferc.gov/legal/staff-reports/2019/DR-AM-Report2019.pdf
[20] Oregon Public Utility Commission, April 9, 2019 Public Meeting Minutes http://oregonpuc.granicus.com/DocumentViewer.php?file=oregonpuc_2dd1a19ff96a18c77c8a9380bf980000.pdf&view =1.

that is determined by PGE by 4p.m. the day before the peak. On July 25, 2019, PGE tested the program system-wide for the first time.

CUB's Recommendation:

CUB recommends that Idaho Power design similar pilots in the near-term and bring in more DR resources in its portfolio. CUB also recommends Idaho Power to design pilots around winter demand response programs. Including a pilot similar to PGE's Peak Time Rebate program would likely not be very costly and would likely benefit Idaho Power's customers.

IV. JIM BRIDGER RETIREMENT

Idaho Power's Action Plan includes the utility's exits from the Jim Bridger coal plant which the Company co-owns with PacifiCorp. Idaho Power, however, does not specify which Jim Bridger Unit it plans to exit during the Action Plan window. There appears to be ongoing coordination efforts among the co-owners regarding the planned exits.

CUB would like to point out that in the recently submitted PacifiCorp 2019 Integrated Resource Plan, PacifiCorp has planned the retirement of Jim Bridger Unit 1 in 2023 and Jim Bridger Unit 2 in 2028. This is different from the exit dates in Idaho Power's Action Plan, which are 2022 and 2026 for two different and unspecified Bridger units co-owned with PacifiCorp. Removing coal-fired generation from its resource portfolio is vital to its transition towards Idaho Power's stated goal of 100 percent clean energy by 2045. Therefore, CUB believes the Company needs to provide clearer plans regarding coal exits. Additionally, Idaho Power also states in its Action Plan, that the exit from a "second" Jim Bridger unit is contingent upon the Boardman to Hemingway (B2H) Transmission line coming online in 2026. No additional detail is provided as to why and how is the coal exit related to B2H.

CUB's Recommendation:

At present CUB would hold off any recommendation for Idaho Power's 2022 and 2026 Coal Exit action items and, instead, will make a recommendation after more details on the planned exits are provided by Idaho Power.

V. BOARDMAN TO HEMINGWAY TRANSMISSION PROJECT

Idaho Power's Preferred Portfolio includes the B2H transmission line planned to come online in 2026. The Company has identified several benefits of this transmission line and performed cost-benefit and risk analyses of the project. This project is jointly owned by Idaho Power, PacifiCorp, and BPA. According to the terms of the Joint funding Agreement between the parties, it looks like PacifiCorp is responsible for the majority of the permitting cost and is designated an ownership of 55% of the B2H project, followed by BPA with 24% and Idaho power with 21% shares.[21]

CUB has concerns with the co-participant risk analysis. In this risk analysis Idaho Power states that, according to the Joint Agreement terms, "the funders may withdraw from the agreement at any time and for no reasons."[22] In the event that either PacifiCorp or BPA does not want to move forward with the project, there will be impacts on cost-allocation of the project. Idaho Power partly addresses this in the capital-cost risk analysis that shows that in the 20-year planning period Idaho Power's cost share may double but B2H still remains part of the least-cost least-risk portfolio. The Company also assures that there are other interested parties who could become future funders of the project even if current owners do not opt out. However, there is no analysis with respect to the impact of co-participation risk on the online date for B2H.

[21] Idaho Power 2019 Amended IRP, p69
[22] Idaho Power 2019 Amended IRP, Appendix D, p59

Is the online date for B2H impacted in the event that one or more co-participants decide to abandon the project? If yes, then how would that affect the Company's planned exit from the second Jim Bridger unit?

CUB's Recommendation

CUB has no recommendation regarding the B2H transmission project at this time. CUB would like to review comments from other stakeholders and also Idaho Power's response to CUB's concerns in the Company's reply comments prior to making any recommendation.

VI. CONCLUSION

CUB commends Idaho Power for setting a 100 percent clean energy future and designing its preferred portfolio around that goal. CUB has raised some concerns regarding a. the signed Jackpot Solar PPA being put up for acknowledgement, b. the Company's planned exits from the unspecified Jim Bridger coal units and the B2H connection in this regard, and c. the certainty around the online date of B2H.

CUB appreciates the opportunity to comment on Idaho Power's 2019 IRP and looks forward to the Company's response to the concerns raised by CUB.

Dated this 2nd day of April, 2020

Respectfully submitted,

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