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IDAHO PUBLIC
UTILITIES COMMISSION

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August 31, 2021

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
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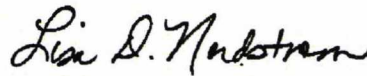
Re: Case No. IPC-E-21-12
In the Matter of Idaho Power Company's Application for a Determination
Acknowledging its North Valmy Power Plant Unit 2 Exit Date

Dear Ms. Noriyuki:

Attached for electronic filing, pursuant to Order No. 35058, is Idaho Power Company's Reply Comments.

If you have any questions about the attached document, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:sg
Attachment

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR A)	CASE NO. IPC-E-21-12
DETERMINATION ACKNOWLEDGING ITS)	
NORTH VALMY POWER PLANT EXIT)	IDAHO POWER COMPANY'S
DATE.)	REPLY COMMENTS
)	

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments pursuant to Order No. 34838 in response to comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), the Idaho Conservation League ("ICL"), and the city of Boise City ("Boise City") on August 17, 2021 (collectively, "Commenting Parties"). Idaho Power welcomes the parties' comments, particularly acknowledging the Company's analysis supporting a December 31, 2025, exit date from Unit 2 of the North Valmy power plant ("Valmy").

I. BACKGROUND

Valmy is a coal-fired power plant that consists of two units and is located near Battle Mountain, Nevada. Unit 1 went into service in 1981 and Unit 2 followed in 1985. Idaho Power owns 50 percent, or 284 megawatts¹ (“MW”) (generator nameplate rating), of Valmy. NV Energy is the co-owner of the plant with the remaining 50 percent ownership and operates the Valmy facility. NV Energy and Idaho Power work jointly to make decisions regarding Valmy. Idaho Power, in the Settlement Stipulation approved by the Commission with Order No. 33771 in Case No. IPC-E-16-24, agreed to use prudent and commercially reasonable efforts to end its participation in the operation of Unit 1 by year-end 2019, and Unit 2 by year-end 2025.² On December 31, 2019, the Company’s participation in coal-fired operations at Unit 1 concluded. The remaining net dependable capability available to Idaho Power from Valmy Unit 2 is 134 MW.

Subsequent to Order No. 33771, the Company filed an application to increase its rates to recover costs associated with Valmy in Case No. IPC-E-19-08. During review of Idaho Power’s Application in Case No. IPC-E-19-08, Commission Staff indicated that they reviewed the Company’s Unit 2 closure analysis but did not have adequate information from Idaho Power at the time to determine whether the Company had completed a thorough review of a unit withdrawal date of December 31, 2025. Therefore, Order No. 34349 directed the Company to use best efforts to file within 21 days of the service date of the order: (1) an analysis validating the December 31, 2025, economic retirement date

¹ For planning purposes, Idaho Power uses the net dependable capability of 262 MW for the Company’s share of both units. It should also be noted that the remaining capacity available to Idaho Power is 134 MW due to the Company’s exit of coal-fired operations at Unit 1 at year-end 2019.

² *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Plant*, Case No. IPC-E-16-24, Order No. 33771 (May 31, 2017).

of Unit 2, or (2) an analysis supporting a different economic retirement date of Unit 2.³

On June 27, 2019, the Company filed a request for acknowledgement that it had sufficiently validated the economic retirement date of Valmy Unit 2 as year-end 2025 in Case No. IPC-E-19-18.⁴ However, during processing of the case, the Company determined that further review of Idaho Power's 2019 Integrated Resource Plan ("IRP") modeling was necessary. Because the 2019 IRP modeling was also used to develop the Valmy Unit 2 closure analysis, the case schedule was suspended while the review was performed.⁵ Ultimately, Idaho Power withdrew its Application in Case No. IPC-E-19-18 to perform the additional evaluation of both the economic and reliability impacts of an early Valmy Unit 2 exit. As initially directed by Commission Order No. 34349,⁶ the Company presented the results of the additional evaluation in this case.

II. IDAHO POWER'S REPLY

Idaho Power acknowledges and appreciates the Commenting Parties' extensive review of the Valmy Unit 2 exit date analyses, which began as part of the long-term planning process of the Second Amended 2019 IRP, and continued with the development of near-term system reliability and economic analyses, assessing an exit between 2022 and 2025, as presented in this case. The result of the evaluations is the most reliable and economic path toward an exit from coal-fired operations of Valmy Unit 2. The Commenting Parties acknowledge that, based on the information known today, an exit from Valmy Unit 2 on December 31, 2025, is appropriate and that the Company has

³ *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant*, Case No. IPC-E-19-08, Order No. 34349 at 4-5 (May 31, 2019).

⁴ *In the Matter of the Application of Idaho Power for a Validated Economic Closure Date for North Valmy Power Plant Unit 2*, Case No. IPC-E-19-18.

⁵ *Id.*, Notice of Vacated Comment Deadlines, Order No. 34724 (July 16, 2020).

⁶ Order No. 34349 at 4.

complied with Order No. 34349. The remainder of these Reply Comments will respond to comments regarding the continued evaluation of the exit from Valmy Unit 2.

A. The Economic and Reliability Analyses Presented in this Case Reflect the Most Comprehensive and Currently Available Information at the Time of Their Completion.

In their comments, parties expressed concern that, with updated inputs, there is a potential for a retirement date prior to December 31, 2025, that would be more economical while also maintaining system reliability. Boise City contends Idaho Power should reevaluate the Valmy Unit 2 exit date using the results of the Company's all-source Request for Proposal ("RFP"), for the purchase of products for up to 80 MW of electric generating capacity, issued on June 30, 2021.⁷ Commission Staff agrees that, while reasonable at the time Idaho Power filed its Application, potential new alternative lower cost options, including a natural gas conversion of the Jim Bridger Power Plant, could provide a lower cost alternative compared to an exit date of Valmy Unit 2 on December 31, 2025.⁸ Similarly, ICL wishes to continue to work with the Company to "explore options to maintain system reliability while pursuing lower cost energy resources" to replace Valmy.⁹

Mr. Ellsworth, in his Direct Testimony, stated that the Valmy Unit 2 reliability and economic impact analyses were performed simultaneously to the development of the 2021 IRP, therefore the Company used the most up-to-date cost information available at the time for the Valmy Unit 2 exit analyses and for timely compliance with Order No.

⁷ Boise City Comments, page 3.

⁸ Staff Comments, page 4.

⁹ ICL Comments, page 2.

34349.¹⁰ Based on the information known at this time, the appropriate exit date from Valmy Unit 2 is December 31, 2025.

The Company conducted focused, near-term system reliability and economic analyses on the timing of a Valmy Unit 2 exit between 2022 and 2025, using current operating budgets and up-to-date economics. The results of the reliability analysis made it clear that Idaho Power is unable to meet reliability requirements if participation in coal-fired operations of Valmy Unit 2 ceases in 2022 without procuring an alternate source of peak capacity.¹¹ The Company identified four potential and feasible alternatives to delaying a Unit 2 exit of Valmy until 2025 and performed an economic analysis on the resulting portfolio costs, identifying the portfolio that is least-cost and least-risk to the Company and its customers.¹²

Staff expressed uncertainty about whether the alternatives considered provided “a comprehensive assessment of all potential resource options that could be considered through the AURORA long-term capacity expansion model over the full 20-year IRP planning time horizon” and indicated that, because the economic analyses did not look past December 31, 2025, potential future resource acquisitions were not considered.¹³ It is important to note that the intent of the Company’s case is to determine the appropriate exit date for Valmy Unit 2 and its associated 134 MW of firm capacity. Under the Settlement Stipulation approved by the Commission with Order No. 33771, the parties agreed Idaho Power would use prudent and commercially reasonable efforts to end its

¹⁰ Ellsworth DI, page 15, ll. 7-12.

¹¹ *Id.*, page 27, ll. 7-16.

¹² *Id.*, page 36, l. 13 – page 37, l. 11.

¹³ Staff Comments, page 3.

participation in the operation of Unit 2 by year-end 2025.¹⁴ Therefore, the analyses evaluated options for the effective replacements of 134 MW of firm capacity at Valmy Unit 2 in 2022, 2023 and 2024.

In addition to the four alternatives the Company identified to delaying a Unit 2 exit of Valmy until 2025, on April 26, 2021, Idaho Power issued an RFP for the delivery to Idaho of firm capacity and energy as a potential resource replacement of Valmy Unit 2 during the summer months through 2025.¹⁵ The Company intended to use the results of the RFP to calculate an associated market purchase portfolio cost to compare to a Valmy Unit 2 exit in 2025. However, Idaho Power received no bids.¹⁶ The Company evaluated all potential and feasible future acquisitions for the replacement of Valmy Unit 2 prior to 2025.

B. Idaho Power's 2021 IRP will Provide a Timely Economic and Reliability Analysis to Further Inform the Appropriate Exit Date for Valmy Unit 2.

The Company agrees with the Commenting Parties that updated inputs and/or new resource options may result in an exit date of Valmy Unit 2 prior to December 31, 2025, that is lower cost while continuing to meet reliability requirements. Idaho Power would like to reiterate its commitment to evaluate alternative exit dates of Valmy Unit 2 prior to 2025 using updated cost inputs or resource options as part of the 2021 IRP.

As indicated by the Commenting Parties, cost inputs and potential future resource options are constantly changing, potentially offering a lower cost alternative to a Valmy Unit 2 exit of December 31, 2025. In their comments Boise City discussed Idaho Power's issuance of an all-source RFP on June 30, 2021, for the purchase of products for up to

¹⁴ Case No. IPC-E-16-24, Settlement Stipulation ¶ 11.

¹⁵ Application Supplement (June 30, 2021).

¹⁶ *Id.*

80 MW of electric generating capacity, as a potential replacement of the capacity of Valmy Unit 2 prior to December 31, 2025.¹⁷ The Company will analyze any bids received in response to the RFP and the associated pricing through the normal long-term planning process, currently the 2021 IRP, which is under development.

The 2021 IRP will include updated cost inputs for *all* resources, including any potential replacement resource alternatives. The continued analysis of a Valmy Unit 2 exit as part of the 2021 IRP will consider more current operating budgets and up-to-date economics to inform a decision that will minimize costs for customers while also maintaining system reliability. In addition, the timing of the 2021 IRP appropriately aligns with Idaho Power's notification requirement to NV Energy beyond the September 2021 deadline should the results indicate an exit at year-end 2023 or 2024 is least-cost and continues to meet reliability requirements. The 2021 IRP will provide a comprehensive and timely analysis to support the continued evaluation of the appropriate Valmy Unit 2 exit date.

III. CONCLUSION

Idaho Power appreciates the opportunity to respond to comments filed in this case and for the Commenting Parties' support in acknowledgement that, based on the information known at this time, December 31, 2025, is the appropriate exit date of Valmy Unit 2. The Company respectfully requests that the Commission issue an order, no later than September 29, 2021, acknowledging the appropriate exit date from the Valmy Unit 2 as December 31, 2025, based on information known today. Idaho Power will continue to evaluate the appropriate exit date of Valmy Unit 2 as part of the 2021 IRP.

¹⁷ Boise City Comments, page 3.

DATED at Boise, Idaho, this 31st day of August, 2021.

Lisa D. Nordstrom

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 31st day of August 2021 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:

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