

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	CASE NO. IPC-E-21-12
COMPANY’S APPLICATION FOR A)	
DETERMINATION ACKNOWLEDGING ITS)	
NORTH VALMY POWER PLANT EXIT)	ORDER NO. 35217
DATE)	

On April 30, 2021, Idaho Power Company (“Company”) applied for Commission acknowledgment that its December 31, 2025, exit date from the North Valmy Power Plant Unit 2 (“Unit 2”) is appropriate based on currently available information. The Company requested its Application be processed by Modified Procedure and an effective date of September 29, 2021.

On May 21, 2021, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting a June 11, 2021 deadline for persons to petition for intervenor status. Order No. 35051. The order directed that “after the Notice of Parties is issued, Commission Staff shall confer with the parties regarding a procedural schedule for this matter.” *Id.* at 3. The city of Boise City (“Boise City”), the Industrial Customers of Idaho Power, the Idaho Conservation League (“ICL”), and Micron Technology, Inc. petitioned to intervene, and the Commission granted their petitions. *See* Order Nos. 35061 and 35083. The Notice of Parties issued on June 25, 2021.

On June 30, 2021, the Company made a supplemental filing to update the record with the results of the Company’s April 26, 2021 request for proposal (“RFP”) for the delivery to Idaho of firm capacity and energy during the summer months through 2025 to test the transmission deliverability and resource market availability of a replacement resource for Unit 2. No bids were received.

On July 14, 2021, the Commission set public comment and Company reply deadlines and scheduled a telephonic public workshop, and a telephonic customer hearing. Order No. 35109. Staff, Boise City, ICL, and eight members of the public filed comments. The Company filed a reply.

On August 24, 2021, the Commission held a public hearing. No one offered testimony.

On September 29, 2021, the Commission issued a Minute Order acknowledging December 31, 2025 as the appropriate exit date for Unit 2. The Order noted that a formal order would follow.

Having reviewed the record in this case, we issue this final Order acknowledging the Company's December 31, 2025 exit date from Unit 2 as described more fully below.

BACKGROUND

Valmy is a coal-fired power plant near Winnemucca, Nevada, consisting of two units. Unit 1 went into service in 1981 and Unit 2 in 1985. The Company and NV Energy each own 50% of the plant, and NV Energy operates the plant. In IPC-E-16-24, the Commission approved a settlement stipulation ("Settlement Stipulation") under which the Company agreed to (1) negotiate with NV Energy to permanently end coal-burning operations at Valmy Unit 1 by December 31, 2019, and Unit 2 by December 31, 2025, or alternatively, (2) use prudent and commercially reasonable efforts to end its participation in Valmy along the same timeline. Order No. 33771 at 3. On December 31, 2019, the Company ended its participation in coal-fire operations at Valmy Unit 1. The Company currently has 134 megawatts ("MW") of firm capacity available at Unit 2.

THE APPLICATION

To determine the appropriate timing of the Unit 2 exit, the Company asserted it "conducted focused system reliability and economic analyses...." *Id.* at 5. Regarding its system reliability analysis, the Company noted that in its Second Amended 2019 IRP the Company projected that it could exit from Unit 2 by year-end 2022. But this conclusion assumed that Unit 2 could be replaced with capacity purchases south of the Company's service area. The Company explained that "market conditions have changed dramatically in the south because of ripple effects stemming from the energy emergency event in California in August 2020." *Id.* at 6. The Company noted that the market has become constrained, and the Company tested market availability with a market request for proposals.¹

As part of the economic analysis, the Company modeled the cost of exiting Unit 2 at the end of 2022 and replacing it with a resource. The Company looked at four resource portfolios that could reasonably replace Unit 2. The Company compared the cost of each portfolio to the cost of exiting Unit 2 by year-end 2025. The Company asserts that each replacement resource portfolio option result in "costs in the range of approximately \$15.89 - \$30.78 million more than the base portfolio, the Unit 2 exit of 2025." *Id.* at 7.

¹ "[T]he Company will evaluate the various proposals received and supplement its filing in this case in June 2021 to inform stakeholders of proposals received." *Id.*

The Company concluded, based on its system reliability and economic analyses, that the appropriate exit date from Unit 2 is December 31, 2025. The Company asked the Commission to acknowledge this date is the appropriate exit date from Unit 2 based on the information known at this time.

THE COMMENTS

Staff, Boise City, ICL, and eight members of the public filed comments in this case. The Company replied.

Staff Comments

Staff recommended the Commission acknowledge the Company's analysis supporting a December 31, 2025, exit of Unit 2, based on information known at the time of the Application and as supplemented by the Company. Staff recommended the Commission direct the Company to continue its analysis of the appropriate Unit 2 exit date in subsequent IRPs.

Staff discussed the four alternative resource portfolios the Company analyzed to compare for possible replacement of Unit 2 beginning in year 2023. The Company indicated these were the only feasible resource options to allow for an early retirement of Unit 2. This timeline provided for the required 15-month notice to NV Energy, as negotiated in the Framework Agreement. In the Company's analysis, each of the options show higher relative costs compared to a December 31, 2025, exit date of Unit 2. Staff is uncertain the alternatives analyzed provide 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. Staff believed the Company should continue to analyze the early exit of Unit 2 in subsequent IRPs to determine the most economic exit date between now and December 31, 2025.

A potentially lower cost option was unknown when the Company filed its Application. Staff stated that PacifiCorp identified several portfolios that included a natural gas conversion of Jim Bridger Power Plant Units 1 and 2 by 2024. Staff stated the conversion of Jim Bridger Units 1 and 2 to gas could ultimately provide a lower cost alternative for the Company compared to a December 31, 2025 Unit 2 exit. Since this option was not considered in the Company's analysis, Staff believed it should also be considered in future analysis.

Staff agreed with the Company's assessment that transmission capacity will be limited during the peak load month of July from 2022 through 2025. This constraint limits potential resources to those that can be directly interconnected to the Company's existing transmission

system. The constraint became more apparent when the Company issued a RFP for firm transmission capacity in late April 2021 for the Company's peak capacity resource needs, but received no bids.

Boise City Comments

Boise City recommended Commission acknowledgement of the Company's December 31, 2025 exit date of Unit 2 as appropriate, but with reservations. Boise City noted the Company complied with the Settlement in Case No. IPC-E-16-24 that required the Company to use prudent and commercially reasonable efforts to end its participation in Unit 2 by December 31, 2025.

If the Commission does acknowledge the December 31, 2025 exit date for Unit 2—or an earlier exit date—Boise City noted the Company would have a capacity deficiency of 134 megawatts. Boise City recommended the Commission direct the Company to issue an RFP to address the deficiency before the determined exit date—December 31, 2025.

Boise City also recognized that the exit date identified in the Second Amended 2019 IRP was no longer the least cost, least-risk option due to factors that may impact reliability including: changing market conditions, additional demands on the regional transmission system, and extreme weather events.

Boise City believed it was possible that an early retirement would be economical and not compromise system reliability. Boise City contended the analysis, to determine if an earlier retirement would be economical, should include price inputs from the results of the 2021 all source RFP and its 2021 IRP. Boise City noted that the Company could conduct additional modeling with these inputs and if an earlier exit becomes viable, it could provide notice to NV Energy in time to exit before December 31, 2025. After providing notice, and with 15 months to secure replacement capacity, Boise City argued the Company could issue an RFP to replace the capacity needed to fill the void from exiting Unit 2. Boise City stated this would “be a best practice and result in significant ratepayer savings....”

Boise City argued the limited RFP the Company used to supplement the modeled resource cost data in this case did not provide enough information to evaluate replacement resource costs. Additionally, Boise City stated the RFP did not receive any responses. Boise City suggested that the Company needed to reevaluate the outdated firm market transmission assumptions it used for its 2019 Second Amended IRP because the structure of the RFP issued “did not provide the

Company an opportunity to assess the most up-to-date resource costs from the market and to fully identify all least-cost feasible resources.”

ICL Comments

ICL recommended the Commission accept December 31, 2025 as the Company’s exit date for Unit 2. ICL stated that in several IRPs and other dockets examining the appropriate exit date for Unit 2, the Company has established that 2025 balances the extra costs of fossil fuels against the need to provide reliable electric service to customers while transitioning to lower-cost resources.

ICL stated it has recommended the Company exit Unit 2 for several years while arguing it would save customers money. ICL stated the 2019 IRP showed potential to save customers between \$1.7 million and \$2.9 million if the Company exited Unit 2 in 2022 instead of 2025. ICL noted that the industry trend was continually declining prices for solar paired with storage, an option it stated was likely to replace Unit 2. Another replacement option ICL mentioned was to expand and refine demand response and other customer-facing programs.

Public Comments

Eight customers filed comments in this case. Six customers supported the Company’s proposed December 31, 2025 exit date from Unit 2. These customers cited impacts of climate change and the need to reduce anthropogenic carbon emission as their reasons for supporting the Company’s exit from Unit 2.

Two customers did not support the Company’s proposal to operate Unit 2 until December 31, 2025 and instead argued the Company should exit in 2022. These comments discussed technological advancements over the past two decades. These customers hypothesized that the Company could instead develop wind or solar resources on public lands in southern Idaho or incorporate battery storage into the system to replace carbon-based energy generation.

Idaho Power Company Reply Comments

The Company acknowledged the comments of Staff, Boise City, and ICL. The Company stated that it used the most up-to-date cost information available when it conducted the Unit 2 exit analyses and accordingly stood by December 31, 2025 as the appropriate exit date. The Company iterated that it had conducted focused, near-term system reliability and economic analyses on the timing of a Unit 2 exit between 2022 and 2025. The results, it stated, showed that the Company could not meet reliability requirements if it exits Unit 2 in 2022 and cannot secure

an alternate source to meet peak capacity demands. The Company defended its decision not to seek potential future resource acquisitions past 2025 by relying on Order No. 33771 where the parties agreed the Company would use “prudent and commercially reasonable efforts to end [the Company’s] participation in the operation of Unit 2 by year-end 2025.” The Company also stated that its RFP for delivery of firm capacity and energy during summer months through 2025 received zero bids. The Company stated it intended to use the results of the RFP to calculate an associated market purchase portfolio to compare to the other alternatives.

The Company also indicated its commitment to evaluate alternative exit dates for Unit 2 prior to 2025 using updated cost inputs or resource options as part of its 2021 IRP. The Company noted it would analyze any bids received in response to its all source RFP in its 2021 IRP. The Company added that the 2021 IRP will include updated cost inputs for all resources—including those that could serve as replacement resources.

COMMISSION DECISION AND FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-302, -502, and -503. The Commission is charged with ensuring utilities provide and maintain adequate service to provide for the health, safety, and comfort of customers. *Idaho Code* 61-302. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission may enter any final order consistent with its authority under Title 61.

The Commission has reviewed the record, including the Application, the comments of Commission Staff, ICL, Boise City, the public, and the Company’s reply. Based on our review, we find it reasonable to acknowledge December 31, 2025 as the appropriate exit date from Unit 2 based on current market conditions and the unavailability of replacement capacity to fill the void that would be created by an early exit from Unit 2.

The Commission appreciates the comments filed in this case. The parties’ comments have provided valuable commentary on ways the Company might complete an early exit from Unit 2, despite December 31, 2022 not being the appropriate exit date currently. We understand some parties would prefer the Company to exit Unit 2 in 2022, but as the parties have indicated and the record reflects, it would be premature and imprudent to exit by December 31, 2022.

We expect the Company to continue evaluating potential scenarios that may allow it to provide notice to NV Energy in accordance with the Framework Agreement and exit Unit 2 prior to December 31, 2025. The 2021 IRP is an opportunity for the Company to examine the feasibility of an early exit through the long-term planning process. We expect the Company to continue analyzing all potential replacement options for Unit 2 and to seek the most prudent resource or combination of resources to ensure continued reliability for customers in its energy planning decisions. If a viable replacement resource does come available, we expect the Company will take the proper steps to facilitate an early exit from Unit 2.

ORDER

IT IS HEREBY ORDERED that the Commission acknowledges December 31, 2025 as the exit date for Valmy Unit 2.

IT IS FURTHER ORDERED that the Commission expects the Company to continue to evaluate all possible options that would allow it to exit Unit 2 before December 31, 2025.


THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See Idaho Code § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 3rd day of November 2021.



PAUL KJELLANDER, PRESIDENT

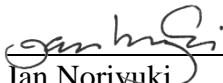


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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