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Attorney for the Commission Staff

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)
DATE) COMMENTS OF THE
) COMMISSION STAFF
)

STAFF OF the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

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 (“Valmy”) Unit 2 is appropriate based on available information.

To determine the appropriate timing of the Valmy Unit 2 exit, the Company asserts it “conducted focused system reliability and economic analyses....” Application at 5. Regarding its system reliability analysis, the Company noted that in its Second Amended 2019 Integrate Resource Plan (“IRP”), the Company projected that it could exit from Valmy Unit 2 by year-end 2022. But this conclusion assumed that Valmy Unit 2 could be replaced with capacity purchases south of the Company’s service area. The Company explains 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 notes that the market has become constrained, and the Company is testing market availability with a market request for proposals (“RFP”). “[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.*

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

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

STAFF REVIEW

Staff reviewed the Company's Application, including supporting testimony, and subsequent responses to production requests. Based on this review, Staff recommends the Commission acknowledge the Company's analysis supporting a December 31, 2025, exit date from Valmy Unit 2, based on information known at the time of the Application and as supplemented by the Company. This will allow the Company to comply with the previous Order No. 34349, dated May 31, 2019.¹

Because of a dynamic planning environment and the limited scope of the Company's analysis performed for its Application, Staff recommends the Commission direct the Company to continue its analysis of the Valmy Unit 2 exit date in the 2021 IRP and in subsequent IRPs.

¹ 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 of Unit 2; or (2) an analysis supporting a different economic retirement date of Unit 2.”

Company Analysis

In its Application, the Company provided a targeted analysis of four alternative resource options with approximately equivalent amounts of capacity to replace an early exit of Valmy Unit 2 (134 Megawatts) as compared to allowing Valmy Unit 2 to continue operating until the end of 2025. The Company indicated these four options are the only feasible resource options to allow for an earlier exit of Valmy Unit 2.² Because of the limited scope of the study compared to the analysis performed in the Company's IRP, Staff believes the Company should continue to analyze an early exit of Valmy Unit 2 in the 2021 IRP and in subsequent IRPs.

The economic analysis for the four alternative options was based on replacement capacity beginning in year 2023. This timing provided the required 15-month notice to the operating partner, 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 Valmy Unit 2, as can be seen in the table below.

VALMY UNIT 2 - ECONOMIC ANALYSIS	DIFFERENCE*
Solar and Battery Storage	\$28.1 million
Battery Storage	\$30.8 million
Expanded Demand Response Program	\$23.7 million
Delayed Exit of Bridger Unit	\$15.9 million

*Difference Compared to a December 31, 2025, Exit Date

Although the four alternatives used for comparison are reasonable, Staff is uncertain they 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. For example, because the time horizon of the study did not look past December 31, 2025, the potential to pull in future resource acquisitions to meet near-term needs was not considered.

² Production Request – Response No. 4

Transmission Availability

Staff agrees 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 could be directly interconnected to the Company's existing transmission system. The constraint became more apparent when the Company issued a request for firm transmission capacity in late April 2021 for the Company's peak capacity resource needs, but then received no bids to its RFP. Staff believes the result of this RFP is an indication that firm transmission markets have tightened considerably, especially during the Company's peak demand periods and that the assumptions of market availability to southern hubs used in the Second Amended 2019 IRP are no longer valid.

Recent Developments

Although the alternatives considered in the Company's economic analysis may have been reasonable at the time of the Application, potential options can change based on circumstance. Staff believes the Commission should direct the Company to continue its analysis of an early exit of Valmy Unit 2 within the Company's IRPs to determine the most economic exit date between now and December 31, 2025. In addition, short term developments identified in the Company's operational plans that may affect the Valmy Unit 2 exit date should be communicated to the Commission.

Since this filing, another potentially lower cost option was not considered, which could ultimately provide a lower cost alternative compared to a December 31, 2025 Valmy Unit 2 exit date. On August 6, 2021, during the PacifiCorp IRP stakeholder meeting, PacifiCorp identified several portfolios that included a natural gas conversion of Jim Bridger Power Plant ("Bridger") Units 1 and 2 by the year 2024. Since this option was not considered in the Company's analysis, Staff believes it should also be considered.

The Company owns one-third of the Bridger plant, and it's likely that any modification to the units would require agreement between the Company and PacifiCorp. During the Company's Integrated Resource Plan Advisory Council meeting on August 10, 2021, the Company indicated that it will include a natural gas conversion of Bridger Units 1 and 2 as a resource that can be selected in its IRP.


The Company's operational plans are used to optimize cost and make trade-offs between the Company's resources and markets. Changes in short-term market conditions are often identified during operational planning. If market conditions and the availability of firm transmission changes, Staff believes this could drive a different exit date for Valmy Unit 2.

STAFF RECOMMENDATIONS

As a result of its analysis, Staff recommends the Commission:

1. Acknowledge the Company's analysis reflecting a December 31, 2025, exit date for Valmy Unit 2 based on the information available at the time of the Company's Application;
2. Direct the Company to continue to evaluate the appropriate exit date for Valmy Unit 2 through December 31, 2025, as part of the Company's IRPs; and
3. Direct the Company to notify the Commission of any change to the Company's operating plan that supports a Valmy Unit 2 exit date prior to December 31, 2025.

Respectfully submitted this 17th day of August 2021.


Dayn Hardie
Deputy Attorney General

Technical Staff: Rick Keller
Kathy Stockton

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17th DAY OF AUGUST 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-21-12, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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