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COMMISSION

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April 29, 2022

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary Idaho Public Utilities Commission 11331 W. Chinden Blvd., Bldg 8, Suite 201-A (83714) PO Box 83720 Boise, Idaho 83720-0074

Re: Case No. IPC-E-22-13

In the Matter of Idaho Power Company's Application for a Certificate of Public Convenience and Necessity to Acquire Resources to be Online by 2023 to Secure Adequate and Reliable Service to its Customers

Dear Ms. Noriyuki:

Attached for electronic filing please find Idaho Power Company's Application in the above matter.

In addition, please find attached the Direct Testimony of Timothy E. Tatum, the Direct Testimony of Jared L. Ellsworth, and the Direct Testimony of Eric Hackett, filed in support of the Application. Word versions of the testimonies will also be sent in a separate email for the convenience of the Reporter.

Also attached is a protective agreement. Exhibit No. 3 to the testimony of Mr. Hackett contains confidential information and will be provided separately via an encrypted email to parties who sign the protective agreement.

Please feel free to contact me directly with any questions you might have about this filing.

Very truly yours,

Donovan E. Walker

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DEW:sg Enclosures DONOVAN E. WALKER (ISB No. 5921) Idaho Power Company 1221 West Idaho Street (83702) P.O. Box 70 Boise, Idaho 83707

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER

COMPANY'S APPLICATION FOR A

CERTIFICATE OF PUBLIC CONVENIENCE

AND NECESSITY TO ACQUIRE

RESOURCES TO BE ONLINE BY 2023 TO

SECURE ADEQUATE AND RELIABLE

SERVICE TO ITS CUSTOMERS.

) CASE NO. IPC-E-22-13

APPLICATION FOR A

CERTIFICATE OF PUBLIC

CONVENIENCE AND

NECESSITY

) NECESSITY

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* §§ 61-501, 61-502, 61-503, 61-508, 61-526; as well as RP 52, and 112, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission" or "IPUC") for an order granting the Company a Certificate of Public Convenience and Necessity ("CPCN" or "Certificate") to acquire 120 megawatts ("MW") of dispatchable energy storage necessary to meet the identified capacity deficiency in 2023, and required to provide safe, reliable service to its customers.

Accompanying this Application are three sets of testimony. The Direct Testimony of Timothy E. Tatum presents an overview of the regulatory and operational

considerations that guided the Company's time-limited resource procurement actions resulting in the proposed battery storage facilities and the Company's request for a CPCN. The Direct Testimony of Jared L. Ellsworth presents the load and resource balance that identifies Idaho Power's 2023 capacity deficit. In addition, Mr. Ellsworth describes the evaluation of potential solutions for meeting the capacity deficiency which led to the solicitation through a Request for Proposals ("RFP") seeking to acquire up to 80 MW of peak-capacity resources. The Direct Testimony of Eric Hackett provides an overview of the procurement process used to evaluate the various resources that competed to provide a capacity resource to help meet Idaho Power's peak electric energy needs in 2023, and the resulting least-cost, least-risk capacity resources selected through the competitive RFP process.

I. CORPORATE STATUS

Idaho Power is a corporation incorporated under the laws of the state of Idaho. Idaho Power is engaged in the business of generating, purchasing, transmitting, and distributing electric energy and providing retail electric service in the states of Idaho and Oregon. Idaho Power's principal offices are situated in Boise, Idaho, and its address is 1221 West Idaho Street, Boise, Idaho 83702. Copies of Idaho Power's Articles of Incorporation and Certificates of Convenience and Necessity are on file with the Commission. *Idaho Code* § 61-528.

II. CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Idaho Power has an obligation to provide adequate, efficient, just, and reasonable service on a nondiscriminatory basis to all those that request it within its certificated service territory. *Idaho Code* §§ 61-302, 61-315, 61-507. The Commission must assure that the rates Idaho Power charges its customers and that the rules and regulations by

which it provides service are just, reasonable, nondiscriminatory, and non-preferential. *Idaho Code* §§ 61-501, 61-502, 61-503, 61-507, 61-508.

The Company must acquire additional dispatchable resources to meet the identified capacity deficits on its system in order to comply with its continuing obligation to serve customers, and thus is requesting an order from the Commission affirming that the public convenience and necessity requires the same. The proposed acquisition represents a cost-effective means of providing adequate and reliable service to the customers in Idaho Power's certificated service territory. Additionally, there is benefit to both the Company and its customers when resource acquisitions, particularly dispatchable resources, are Company-owned as Idaho Power must maintain its financial health to remain a viable, going-concern, regulated entity in the state of Idaho's chosen and mandated system of regulated public utility service.

The Commission has the express authority to order a utility to build new structures, or to upgrade and/or improve existing plant and structures, in order to secure adequate service or facilities.

Whenever the commission, after a hearing had upon its own motion or upon complaint, shall find that additions, extensions, repairs or improvements to or changes in the existing plant, scales, equipment, apparatus, facilities or other physical property of any public utility . . . ought reasonably to be made, or that a new structure or structures should be erected, to promote the security or convenience of its employees or the public, or in any other way to secure adequate service or facilities, the commission shall make and serve an order directing such additions, extensions, repairs, improvements, or changes be made or such structure or structures be erected in the manner and within the time specified in said order.

Idaho Code § 61-508.

A CPCN or Certificate represents the exercise by the Commission of foundational authority and principles that are necessary in Idaho's system of permitting regulated,

vertically integrated, public utilities to exist and to provide necessary services to the public. Certificates have been utilized in various ways from the time that Idaho's statutory system of public utility regulation was enacted by the Legislature in 1913, *Idaho Code* § 61-101, *et seq.*, to the present time. After nearly 100 years of legislative enactments, Commission orders, and Idaho Supreme Court reviews, the Certificate remains the embodiment of the Commission's fundamental power and authority to, at the most basic level, authorize and direct a public utility to serve in the public interest. *See Idaho Power & Light Co. v. Blomquist et al.*, 26 Idaho 222, 141 P.1083 (1914); *Idaho Op. Atty. Gen. No. 87-2*, 1987 WL 247587 (Idaho A.G.).

In the broadest sense, a Certificate allows a company that meets the definition of a "public utility" pursuant to *Idaho Code* § 61-129 to exclusively provide its service to the public in a specified geographic region, its service territory. It is a codified part of the "regulatory compact" whereby the utility takes on the exclusive obligation/right to serve all those requesting service within its service territory and, correspondingly, submits itself to the rate and service quality regulation of the Commission. In a more literal sense, a Certificate from the Commission is required for the construction or extension of a line, plant, or system by any street railroad, gas, electrical, telephone, or water corporation. *Idaho Code* § 61-526. § 61-526 also provides that "if public convenience and necessity does not require or will require such construction or extension [of a line, plant, or system] the commission . . . may, after hearing, make such order and prescribe such terms and conditions for the locating or type of line, plant or system affected as to it may seem just and reasonable" A CPCN is required for the utility to construct a new generation resource or plant but is not required to increase the capacity of existing generating facilities. *Id*.

III. RESOURCE NEED

Idaho Power has been generally resource-sufficient since the addition of the Langley Gulch natural-gas fired power plant almost a decade ago. The load and resource balance from the Second Amended 2019 IRP did not show a capacity deficiency occurring until the summer of 2028. However, as described more completely in the direct testimony of Mr. Ellsworth, during the preparation of the 2021 IRP, an updated load and resource balance analysis in May 2021 identified a first capacity deficit of 78 MW in June of 2023, growing each year through 2026, when the Boardman to Hemingway 500-kilovolt transmission line is expected to be operational. The rapid change in deficit position was caused by several dynamic and evolving factors, including transmission availability, planning margin adjustments, an increasing population and associated emergent demands on the Company's system, diminishing demand response resource effectiveness, and lower generation effectiveness of variable resources during critical demand hours. The 78 MW capacity deficit in 2023 grew to 101 MW at the time of filing the 2021 IRP, and has continued to fluctuate somewhat in the current dynamic energy landscape.

Under Idaho law, Idaho Power has an obligation to provide adequate, efficient, just, and reasonable service on a nondiscriminatory basis to all those that request it within its service area. Idaho Power has experienced and expects sustained load growth, thereby requiring the addition of new dispatchable resources, fully controlled by the Company, to meet peak summer demand. To meet its obligation to reliably serve customer load and fill the 2023 capacity deficiency, the Company conducted a competitive solicitation through an RFP seeking to acquire up to 80 MW of Idaho Power-owned resources, to be online by June of 2023. The procurement process resulted in the acquisition of least-cost, least-risk resources necessary to fill the 2023 capacity

deficiency. The Company performed a qualitative and quantitative evaluation of the project proposals submitted through the RFP process as well as a parallel investigation into different configurations of Company-owned and constructed battery storage systems. The request to acquire 120 MW of dispatchable energy storage is the result of those efforts.

Idaho Power requests, pursuant to *Idaho Code* §§ 61-508 and 61-526, that the Commission find it to be in the public convenience and necessity that Idaho Power acquire 120 MW of dispatchable energy storage to be operational to serve peak loads for the summer of 2023. The proposed acquisition, as described herein, is necessary and required in order to continue to provide reliable and adequate electric service to Idaho Power's customers starting in the summer of 2023 and into the future.

IV. RESOURCE DESCRIPTION

Idaho Power proposes to meet the 2023 capacity deficiency with projects consisting of a total of 120 MWs of dispatchable battery storage. These projects consist of 40 MW of battery storage envisioned to be co-located with the 40 MW of solar PV generation at Black Mesa, the winning bidder in the RFP process. In addition, an 80 MW stand-alone battery storage facility potentially installed at the Hemmingway substation was identified as least-cost, least-risk company-built facility evaluated in parallel with the RFP submissions. Idaho Power has executed contracts for the acquisition of the Battery Energy Storage Systems ("BESS") for a minimum total capacity of 120 MW. Although the Company has initially identified installation of 40 MW of storage at Black Mesa and 80 MW of storage at the Hemmingway Substation, the Company does have flexibility to locate the 120 MW of battery storage at a more cost-effective location, should one be identified. Idaho Power will continue to evaluate other potential sites suitable for the energy storage, those that will provide the most benefit to Idaho Power and its customers.

Since issuing the RFP on June 30, 2021, updates to the load and resource balance performed as part of the 2021 IRP indicated Idaho Power's capacity deficit in 2023 had increased to 101 MW. Mr. Hackett discusses potential configurations of the resources to meet this deficit in his testimony. As previously referenced, the Company conducted an RFP for up to 80 MW of capacity, and at the same time and in parallel investigated different configurations of Company-owned and constructed battery storage systems. The RFP resulted in a least-cost, least-risk selection of a bid that was capable of bringing generation online by June 2023. The successful RFP bid included a combination 40 MW solar photovoltaic ("PV") Power Purchase Agreement ("PPA") along with a 40 MW battery storage facility. The RFP requested build-transfer agreement proposals for battery storage facilities, however, the developer of the successful bid was not interested in the build-transfer model, and instead offered that if the solar PV PPA was approved and moved forward to implementation, it would be willing to negotiate an agreement with the Company to coordinate with Idaho Power on a battery storage facility that the Company would procure on its own and locate adjacent to the developer's solar PV site.

The successful bidder of the 80 MW resource RFP was Black Mesa Energy, LLC ("Black Mesa"). Black Mesa proposed a 20-year PPA for the output of 40 MW from a solar PV generation facility that will supply energy to the Company's system and is envisioned to be combined with an Idaho Power-owned 40 MW battery storage facility. Because a CPCN is only required for company-owned resources, and because the Company had simultaneous interest from Micron in acquiring renewable generation under their Special Contract with Idaho Power consistent with the Clean Energy Your Way proposal currently pending before the Commission, Idaho Power is requesting approval of the Black Mesa solar PV PPA in Case No. IPC-E-22-06 filed on March 10, 2022. At the time Idaho Power was evaluating the RFP project bids, the Company was

simultaneously negotiating with Micron to provide modified special contract provisions to allow Micron to cover up to 100 percent of its annual energy use with a new renewable resource consistent with the proposed Schedule 62 Clean Energy Your Way – Construction option proposed in Case No. IPC-E-21-40.

Idaho Power viewed the timing of Micron's interest in a new renewable resource and Idaho Power's system capacity needs as a potential "win-win" opportunity. That is, the PPA with Black Mesa will provide for the earliest renewable resource option available to meet Micron's needs, while at the same time allowing Idaho Power to utilize the energy output from Black Mesa's solar PV facility to fuel energy storage, with 100 percent of the solar output costs being paid for by the special contract customer. Because of the relationship of the agreement and the PPA, the Company is requesting approval of both the modified special contract and the solar PV PPA in Case No. IPC-E-22-06.

V. RESOURCE PROCUREMENT PROCESS

Idaho Power conducted a fair and competitive resource acquisition procurement process that resulted in a least-cost, least-risk procurement of 120 MW of energy storage capable of being operational to meet the 2023 deficit. Upon recognizing the urgency of the capacity deficit, the Company assembled an interdisciplinary team to develop and process the RFP for 2023 peak capacity resources ("RFP evaluation team"). Black & Veatch, LLC ("Black & Veatch") was engaged to assist the RFP evaluation team, providing guidance and support of the RFP process. The RFP evaluation team, in consultation with Black & Veatch, developed detailed criteria and a methodology for evaluating both price and qualitative attributes of a proposed resource including the 37 factors which were identified in Exhibit A to the RFP and the Proposal Entry Form during the qualitative evaluation process. Subject matter experts within the RFP evaluation team, as well as independent subject matter experts within Idaho Power, were assigned those

specific evaluation factors and criteria related to their knowledge of the factor subject matter. The direct testimony of Mr. Hackett details the evaluation of the respondents' proposals to the RFP, which included a quantitative and qualitative evaluation with an objective scoring methodology to reasonably evaluate the price and non-price attributes of each bid, providing evidence of a fair and competitive procurement process. The RFP allowed for third-party ownership under a PPA for wind and solar, provided the proposals included a build-transfer agreement ("BTA") for any associated storage resources.

The RFP required BTA provisions for storage resources because one of the primary features of an owned peak capacity resource is the ability to configure, reconfigure, maintain, operate, and economically and operationally dispatch the unit without application of the confines of the terms and conditions of a PPA with a third party. Ownership of the peak capacity resource allows the utility to still focus on price, but also focus on reliability, system operation, long-term operation and maintenance of facilities, financial viability of the utility, long term impacts of imputed debt from PPAs, and the ability to obtain financing for operations, the efficacy of legal remedies, economic dispatch in changing energy markets, and adaptation for environmental policies. For a utility such as Idaho Power, which is seeking to meet capacity deficits (as opposed to merely energy deficits), as well as maximize customer value via the Energy Imbalance Market ("EIM") it is beneficial the Company believes that its ownership and operation of the battery storage resources will reduce the risk of potential operational limitations that could exist under a PPA and ensure the resource is operational in time to meet identified capacity deficits. As the amount of PPA generation resources in Idaho Power's portfolio increases, a number of issues are exacerbated: integration of the power becomes more difficult and costly; the utility loses maintenance and control over the facility and its condition; the utility typically loses the generation resource at a specified contract date short of the useful life

of the plant; the utility is relegated to the terms of the contract despite a dynamic energy landscape; curtailment of the facility is limited, expensive, or fraught with potential legal challenges; and cyber and physical security oversight of the facility is diminished. The attendant contractual remedy of damages in many circumstances will not adequately compensate Idaho Power for the reliability, system, Company, customer, reputation, and shareholder impacts that may result from a contract breach and can result in costly and protracted litigation. While each of these items individually is significant, collectively they can be hugely impactful.

For a utility-scale battery storage facility in particular, PPA arrangements introduce additional complications, particularly when operating in the EIM where dispatch changes are made in real-time within an hour. If the Company were to execute a PPA for a battery storage facility, certain terms such as the dispatchability, curtailment, maintenance, security, mandatory payment, and operational terms, conditions, and limitations, would be pre-defined for the term of the PPA, which would eliminate flexibility. While these issues could conceivably be addressed through an agreement with a third-party provider, the Company was not convinced that such contract terms were actually achievable, especially in the limited time available for the resource procurement at issue in this case.

Primarily because of time constraints the Company did not develop a formal benchmark resource in the RFP. Instead, the Company relied on developers to propose potential projects that would meet the criteria outlined to determine the least-cost, least-risk option. Additionally, in parallel to the issuance of the RFP, Idaho Power investigated different configurations and locations of Company-owned and constructed battery storage systems. This evaluation was primarily driven by concern that Idaho Power may not receive bids with a June 2023 in-service date or projects with sufficient capacity to meet

peak summer demand. The evaluation also allowed for the evaluation of price and project reasonableness of the self-build options against bids submitted through RFP responses.

Because the selected bidder in the 80 MW RFP was a 40 MW solar PV plus 40 MW energy storage project with a total combined output of 40 MW, it alone is insufficient to meet the initially forecasted 78 MW capacity deficit in 2023. Additionally, that 78 MW capacity deficiency increased to 101 MW 2023 capacity deficiency during the 2021 IRP process. However, through Idaho Power's parallel investigation into different configuration of Company-owned and constructed battery energy storage systems it identified an 80 MW battery storage facility as a feasible self-build option that could be commercially operable by June 2023. As part of its investigation, Idaho Power sent a request for quotes ("RFQ") to eight different battery manufacturers. The indicative pricing received from these suppliers was comparative to the lowest-cost proposals for similar battery storage projects submitted through the RFP process. The combined two projects, the 40 MW solar PV plus 40 MW energy storage and the 80 MW battery storage facility, would provide the resources necessary to fill the 2023 capacity deficiency: 120 MW of battery storage for which the Company seeks the current CPCN issuance.

In addition to the execution of the 40 MW Black Mesa PPA, submitted for approval in Case No. IPC-E-22-06, Idaho Power has executed a contract with Powin Energy Corporation ("Powin") for the purchase of a Battery Energy Storage System ("BESS") to provide for a minimum capacity of 40 MW. The 40 MW energy storage facility is currently envisioned to be co-located with the Black Mesa 40 MW solar PV facility. However, the Company does have flexibility to locate the 40 MW of battery storage at a more cost-effective location, should one be identified. Idaho Power will continue to evaluate other potential sites suitable for the 40 MW of energy storage, those that will provide the most benefit to Idaho Power and its customers.

Idaho Power also executed a contract with Powin on February 28, 2022, for a BESS with a minimum capacity of 80 MW. Idaho Power has initially identified the Hemingway substation as a viable location for the 80 MW energy storage project. However, as with the 40 MW storage facility, the Company will continue to evaluate other potential sites suitable for the 80 MW of energy storage, those that will provide the most benefit to Idaho Power and its customers.

Idaho Power believes the procurement process has determined the least-cost, least-risk resources that are capable of being operational to meet the 2023 capacity deficiency. While only one project proposal submitted through the RFP process ultimately resulted from the RFP evaluation, through the parallel investigation into different configurations of Company-owned and constructed battery storage systems, Idaho Power was able to obtain competitive pricing to ensure the procurement process resulted in the acquisition of least-cost, least-risk resources. These projects are necessary and required to timely meet the Company's resource needs and continue to provide reliable and adequate service to Idaho Power's customers starting in the summer of 2023 and into the future.

VI. RATEMAKING TREATMENT

Idaho Power is not requesting binding ratemaking treatment in this case as it did for the Langley Gulch Power Plant CPCN, Case No. IPC-E-09-03. Due to the urgency of the 2023 capacity deficiency and the issuance of the resulting RFP, Idaho Power is still in the process of negotiating a number of agreements necessary for the construction, installation, and maintenance of both projects. See, Hackett Direct, p 20-22. As a result, a number of contractual terms have not been executed. Therefore, the Company's request in this case is that the Commission find Idaho Power has met the requirements of Idaho Code § 61-526 and issue an order granting a CPCN to acquire 120 MW of energy

storage necessary to meet the identified capacity deficiency in 2023. The Company will make a future filing to address the cost recovery associated with these projects.

VII. OREGON PROCUREMENT RULES

The Commission, in Case No. IPC-E-10-03, initiated a case seeking to establish competitive bidding guidelines for the RFP process. In 2013, the Commission closed Case No. IPC-E-10-03 without establishing Idaho-specific resource procurement guidelines, but rather directing Idaho Power to follow the RFP guidelines applicable to its Oregon service territory. The Oregon RFP guidelines to which the Commission referred were later codified into the administrative rules of the Public Utility Commission of Oregon ("OPUC Resource Procurement Rules").1 The OPUC Resource Procurement Rules impose competitive bidding requirements upon an electric utility for the "acquisition of a resource or a contract for more than an aggregate of 80 MWs and five years in length," among other requirements. With a solicitation for the acquisition of dispatchable resources up to 80 MW, the competitive bidding guidelines were not applicable to the Company's initial RFP. Once the Company became aware that the 2023 capacity deficit had increased beyond the initially identified 78 MW, the additional acquisitions required to meet the continuing capacity deficits would no longer be outside of the Oregon Procurement Rules. Given the timeframe between the identification of the increased capacity deficit and the need to have resources online to meet that deficit, it was apparent that there was insufficient time to reissue the RFP under the OPUC Resource Procurement Rules and ensure adequate resources were available to provide reliable service to customers. Additionally, the load and resource balance performed as part of the 2021 IRP that indicated Idaho Power's capacity deficit in 2023 increased to 101 MW,

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¹ Oregon Administrative Rule ("OAR") 860-089-0010 et seq.

also identified additional capacity deficits in 2024 and 2025. Because there was insufficient time to complete the procurement process contemplated by the OPUC Resource Procurement Rules, and because the capacity deficits were identified over a three year period, Idaho Power requested authorization from the OPUC to move forward expeditiously with resource procurements for all three years, 2023, 2024, and 2025, waiving the obligation to comply with the competitive bidding requirements in favor of a competitive, but expedited process.² The OPUC considered and ruled upon Idaho Power's requested waiver at its Public Meeting on March 8, 2022. The OPUC adopted an OPUC Staff Memo recommending denial of the Company's request for a broad waiver. However, in its memo OPUC Staff suggested that Idaho Power consider the OPUC Resource Procurement Rule exception process for the resource acquisitions needed to meet the shortfalls identified in the Company's request.

There are certain exceptions to the applicability of the OPUC Resource Procurement Rules, including the exception used for executing the Jackpot Solar power purchase contract³, "There is a time-limited opportunity to acquire a resource of unique value to the electric company's customers." The rules also contain exceptions for emergencies, OPUC acknowledgement of an alternative acquisition method in the utility's IRP, and exclusively acquiring transmission assets or rights. Idaho Power filed an exception request with the OPUC on March 18, 2022, and is currently compliant with the OPUC resource acquisition process.

² Idaho Power Company's Application for Waiver of Competitive Bidding Rules, Docket No. UM 2210.

³ Case No. IPC-E-19-14.

⁴ OAR 860-089-0100(3)(b).

⁵ OAR 860-089-0100(3)(a), (c), (d).

VIII. COMMUNICATIONS AND SERVICE OF PLEADINGS

Communications and service of pleadings with reference to this Application should be sent to the following:

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IX. REQUEST FOR RELIEF

Idaho Power respectfully requests that the Commission issue an order granting the Company a Certificate of Public Convenience and Necessity to acquire 120 MW of dispatchable energy storage necessary to meet the identified capacity deficiency in 2023, and required to provide safe, reliable service to its customers.

Idaho Power requests that the Commission issue Notice of this Application, set an intervention deadline, and convene a prehearing conference in this matter at its earliest convenience to establish a proper procedure to expedite the orderly conduct and disposition of this proceeding. RP 211.

DATED at Boise, Idaho this 29th day of April 2022.

DONOVAN E. WALKER

Attorney for Idaho Power Company

meran & Wolk