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June 6, 2023

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-23-01

In the Matter of Idaho Power Company's Application for a Certificate of Public Convenience and Necessity for the Boardman to Hemingway 500-

kV Transmission Line

Dear Ms. Noriyuki:

Enclosed for electronic filing, please find Idaho Power Company's Reply Comments in the above-referenced matter.

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

Very truly yours,

Donovan E. Walker

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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)	CASE NO. IPC-E-23-01
CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY FOR)	IDAHO POWER COMPANY'S
THE BOARDMAN TO HEMINGWAY 500-KV)	REPLY COMMENTS
TRANSMISSION LINE.)	
)	
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Idaho Power Company ("Idaho Power" or "Company") respectfully submits these Reply Comments in response to Comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), the Idaho Conservation League ("ICL"), the City of Boise City ("Boise City"), and the Idaho Irrigation Pumpers Association, Inc. ("IIPA"), collectively the "Commenting Parties" on May 23, 2023. Idaho Power appreciates the Commenting Parties' support for an order granting the Company a Certificate of Public Convenience and Necessity ("CPCN" or "Certificate") to construct a 300-mile long, overhead, 500-kV high voltage transmission line between the proposed Longhorn Station near Boardman,

Oregon to the existing Hemingway Substation in southwest Idaho ("B2H project"), necessary to meet the identified capacity deficiency in 2026. In these Reply Comments, Idaho Power will clarify concerns raised, and address proposals presented, by various Commenting Parties in their Comments.

I. BACKGROUND

- 1. Idaho Power serves more than 600,000 customers in a 24,000-square mile service area across southern Idaho and eastern Oregon. With 17 low-cost hydroelectric projects as the core of the Company's energy mix, Idaho Power's residential, business and agricultural customers pay some of the nation's lowest prices for electricity. Between 1996 and 2021, firm peak-hour load has increased from 2,437 megawatts ("MW") to 3,751 MW in 2021—a new system peak hour record reached on June 30, 2021. In addition, on December 22, 2022, Idaho Power set a winter system peak hour record of 2,604 MW.
- 2. The Company anticipates adding approximately 13,300 customers each year throughout the next 20 years, including significant commercial and industrial growth. The anticipated load forecast for the entire system predicts summer peak-load requirements will grow nearly 55 MW per year, and the average energy requirement is forecast to grow about 30 average megawatts ("aMW") per year¹. Further, preliminary 2023 Integrated Resource Plan ("IRP") load forecast results show a notable increase above 55 MW per year. To meet this growing demand, Idaho Power's 20-year resource plan² includes the addition of 3,790 MW of new non-carbon emitting resources consisting of wind, solar, and storage technologies; the addition of the B2H transmission line; and a variety of demand-side management resource additions.

¹ See Idaho Power Company's 2021 IRP, December 2021.

² See Case No. IPC-E-21-43.

3. Once operational, the B2H project will provide the Company increased year-round access to reliable, clean, and low-cost market energy purchases from the Pacific Northwest, including during those times when energy demand from Idaho Power's customers is at its highest. The B2H project has been a cost-effective resource identified in each of Idaho Power's IRPs since 2009 and continues to be a cornerstone of the Company's 2021 IRP preferred portfolio. As can be seen in the 2021 IRP, the lowest-cost resource portfolio includes B2H, and the best non-B2H portfolio has a significant cost premium. As a resource alone, B2H is the lowest-cost alternative to serve Idaho Power's customers in Idaho and Oregon.

II. IDAHO POWER'S REPLY

A. The Commission Should Adopt the Commenting Parties' Recommendation to Grant the Company a CPCN.

4. Under Idaho law, the Company 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. The Company must acquire additional 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 B2H project as a resource has repeatedly demonstrated to be the most cost-effective method of serving projected customer demand, and as a transmission line the B2H project also offers incremental ancillary benefits, additional operational flexibility, and access to clean energy in the Pacific Northwest. The B2H project represents a cost-effective means of providing adequate and reliable service to the customers in Idaho Power's certificated

service territory. To meet the identified 2026 capacity deficits, the Company must begin construction of the B2H project in summer 2023.

5. Idaho Power appreciates the Commenting Parties' extensive review of the history behind the capacity deficiency and resulting need for B2H, the account of the extensive siting and permitting processes, the myriad agreements associated with B2H project participants, and their recommendation that the Commission grant the Company's request for a CPCN. In their Comments, Boise City notes "the Company has reasonably demonstrated both a need for new resources to meet capacity deficits and, . . . that B2H is necessary for the development of least-cost, least-risk energy portfolios to reliably serve customer demand over time." Further, IIPA noted, "B2H enhances reliability by providing access to a market that experiences peak demand in different seasons and times of day than [Idaho Power]" concluding that "[w]hen market energy is available, market access is one of the most reliable system resources." Moreover, in their review of the Company's request, ICL notes that, "[a]s modeled, the B2H line is broadly necessary for the [C]ompany to address projected load-growth, regional resource adequacy and diversity, and market integration." Finally, Staff "agrees that B2H is a significant part of the least-cost resource portfolio" and believes that the B2H cost is reasonable. All the Commenting Parties recommend the Commission grant Idaho Power's request for a CPCN.

6. In addition to analyzing the need for, and costs associated with, B2H, Staff performed an extensive review of the several other transactions necessary for B2H but

³ Boise City Comments, pg. 2.

⁴ IIPA Comments, pg. 6.

⁵ *Id*.

⁶ ICL Comments, pg. 2.

⁷ Staff Comments, pg. 9.

not directly related to construction and operation of the B2H project, including four asset exchanges, two separate construction agreements, Bonneville Power Administration buyout agreements, and various transmission service agreements. Idaho Power appreciates Staff's diligence in their review of the intricate and complex transactions necessary to facilitate the B2H project ownership and operation. The Company supports Staff's recommendation that the Commission clarify, in granting a CPCN, it applies to only the B2H project and "does not include the other agreements described in the Application." Staff's recommendation in this instance aligns with Idaho Power's intent to bring separate future filings to the Commission for approval of the referenced asset exchange and/or other supporting agreements that warrant Commission review and approval. In support of Idaho Power's request for a CPCN, the Company felt it was important to make the Commission aware of the relevant partnership agreements to ensure a complete understanding of the potential ownership structure, related transactions and other important provisions related to Idaho Power's ownership and operation of B2H. In granting the requested CPCN in this case it is not necessary for the Commission to explicitly approve any of the supporting agreements at this time; however, the Company believes it would be appropriate for the Commission to acknowledge in this case that the underlying partnership agreements that provide for the line to be constructed are reasonable in their current states. The Company supports Staff's recommendation that when issuing a CPCN the Commission make "the project's recovery contingent on the Commission's approval of all Asset Exchanges . . . "9

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⁸ Staff Comments, pg. 6.

⁹ Staff Comments, pg. 19.

B. Idaho Power Will Justify All B2H Project Costs as Part of a Future Proceeding.

7. In their Comments, Staff has identified three types of project risks associated with B2H: capability risks, schedule risks, and cost risks. In their analysis of these risks, Staff found that "[b]ecause of the complexity and amount of uncertainty associated with the B2H transmission project, the Company faces significant risks throughout the entire project life cycle that may ultimately impact customers" and therefore recommends the Commission establish a soft cap. The soft cap is to represent "the threshold that will require the Company to provide robust justification for construction costs over the cap to receive recovery." It Idaho Power agrees with Staff's assessment of the project risks but does not believe a soft cap is necessary.

8. As explained in the Company's Application, Idaho Power is not requesting binding ratemaking treatment in this case. The Company has not yet selected contractors for the construction phase and as a result, a number of contractual terms have not been executed. Because the B2H project cost estimate was based on Idaho Power's most recent forecast of project costs at the time of filling, 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. The Company will make a future filing to address the cost recovery associated with these projects. It is in this future proceeding that Idaho Power will justify *all* costs associated with the B2H project, not just those costs over the soft cap, if any. As evidenced by Staff's risk analysis, there are multiple components of the project, many of which are dependent upon each other. Therefore, it is imperative in

¹⁰ Staff Comments, pg. 9.

¹¹ *Id*

a prudence review of costs associated with a project as complex as the B2H project, that a discussion of *all* costs occurs at the same time.

- 9. If, however, the Commission finds it necessary to implement a soft cap, the Company requests that clarification of Staff's proposed addition to the soft cap amounts be made. In their Comments, Staff appropriately highlights that if B2H is delayed beyond June 1, 2026, Idaho Power may "incur additional expenses to implement a workaround for the capacity deficit." Further, Staff suggests that the Commission should require the Company to track and report any expenses incurred outside the B2H project expenditures and that those expenditures be "subject to the same soft cap limit recommended" by Staff. It is unclear if Staff is suggesting any incremental costs incurred due to a delay in the B2H 2026 in-service date be either (1) additive to the total B2H project costs, identified in Attachment A to Staff's Comments, such that the sum of the two must fall under the soft cap proposed by Staff, or (2) in total, the incremental costs must be less than the soft cap proposed by Staff.
- 10. It is worth noting that the incremental cost associated with a delay in B2H has been quantified. As part of the 2021 IRP, Idaho Power modeled the costs associated with a Base with B2H in 2027 portfolio to demonstrate how the Company will serve native load customers if B2H is delayed one year and the associated costs. The one-year delay in B2H's on-line date kicks off a cascading series of differences in the next least cost portfolio. Those differences prior to 2027 include the procurement of an additional 200 MW of wind, 200 MW of solar, and 200 MW of storage. In addition to the resource procurements, the delay in B2H timing also delays an exit from coal operations of Jim

¹² Staff Comments, pg. 12.

Bridger Unit 3 by one year. After the delayed B2H line is in-service, the change in resources procured because of its delay cause changes to the rest of the plan. Based on the 2021 IRP modeling, the resource changes discussed result in a portfolio cost increase of \$69 million. This modeling is being performed again as part of the 2023 IRP, currently under development, and any such incremental costs will be quantified. However, because these amounts would be associated with procurement of resources other than those that are subject to this proceeding, Idaho Power does not believe it is appropriate to include these costs in any quantification of a B2H project soft cap, if the Commission deemed a soft cap necessary.

C. The Tracking of Clean Energy Resources Delivered Via B2H is Not Necessary.

11. Idaho Power appreciates ICL and Boise City's Comments in support of B2H, highlighting the project's ability to facilitate the delivery of clean energy resources, and their recommendation that the Commission grant the CPCN requested by Idaho Power. ¹³ The Company, however, disagrees with the recommendation of both ICL and Boise City that the Commission condition the issuance of the CPCN on the requirement to report the clean energy resources delivered across B2H. While both parties appropriately highlight that B2H will facilitate the integration of renewable power and access to clean energy, it is important to note that Idaho Power's evaluation of the B2H project is as a resource and the method for cost-effectively meeting projected customer demand. The declaration that the project will provide access to clean energy is an ancillary benefit of B2H, not the primary support for the line.

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¹³ ICL Comments, pg. 2, Boise City Comments, pg. 2.

- 12. That being said, neighboring states have greenhouse gas reduction requirements, environmental, and climate change goals to meet. There are ample amounts of clean energy being produced in the western United States, with wind in Wyoming, solar in Arizona, and hydro in the Northwest but that energy must be moved from the places its produced to the people who use it. In addition, the key to cleaner energy is not just *where* it is generated—it's also *when*. Transmission lines, and connections with other grids, help with renewable integration by providing connections to these geographically diverse loads and resources. The B2H project will aid the region by providing an immediate connection to move wind and solar power across the western states so customers can get clean energy any time of the day, with less reliance on carbon heavy sources like gas and coal—progress toward a clean energy future in the western United States.
- 13. Idaho Power is not, however, asserting that *all* energy delivered across B2H will be clean energy. The Company's transmission system is a critical component of Idaho Power's resource planning and the ability to provide reliable and fair-priced energy services. When evaluating and comparing alternative resources as part of the Integrated Resource Planning process, the capital cost and energy cost of a project are considered for both transmission capacity and supply-side resource additions. Energy prices are based on forecasted gas prices, coal prices, nuclear prices, hydro conditions, and variable operations and maintenance expenses. Portfolios that include transmission capacity as a resource addition include costs associated with market purchases, as forecasted in the detailed modeling analysis. Thus, as a component of Idaho Power's least-cost preferred portfolio, market purchases facilitated by B2H were modeled based

on the lowest cost generation available to meet the Company's demand, regardless of whether it is carbon-free or not.

14. Additionally, ICL and Boise City's recommendation that the Company report the clean energy resources delivered across B2H is impractical. Idaho Power does not have the ability to identify the clean attributes of all energy flowing across any of the Company's transmission lines. Electricity that flows between or across utility areas requires a North American Electric Reliability Corporation tag. The tag identifies the source of the generation but not the specific resource. The information that is contained in the tag, however, including the megawatt-hours and costs, is reported publicly in Idaho Power's Federal Energy Regulatory Commission Form 1, by Company name, annually for informational purposes. The recommendation that Idaho Power report clean energy resources delivered across B2H is further complicated by the fact that when a third party is using the Company's transmission system to wheel energy across B2H for example, Idaho Power is unaware of the source of the generation. The Company is sympathetic to ICL and Boise City's desire to ensure B2H provides a pathway for clean energy, but the reporting of resources delivered across the line is not feasible at this time.

D. The Company is, and Always Has Been, Continuously Evaluating Federal Funding Options for the B2H Project.

15. Over the years, to incentivize investment in critical transmission infrastructure, the federal government has provided various federal funding opportunities for certain eligible transmission projects. In their Comments, Staff discusses the Company's B2H project cost estimate, indicating the cost is reasonable. They note however that they are concerned Idaho Power has not pursued alternative funding that

could potentially reduce the cost impact to customers.¹⁴ The Company has, however, been diligent in its efforts to identify sources of federal funding applicable to the B2H project for years. In fact, to ensure no funding opportunities are overlooked, Idaho Power hired consultants that are experts in federal grants for grid resilience and transmission. Through advisement by the Company's consultants, and interactions from the United States Department of Energy ("DOE"), projects like B2H that have been significantly permitted, engineered, and have substantial funds expended, are typically not candidates for incentives under the Infrastructure Investment and Jobs Act ("IIJA").

16. One of the major DOE efforts is the DOE Grid Deployment Office, which sent out to identify nationally-significant routes through a transmission needs study ultimately developing a national grid plan. The DOE's initial draft study was released in February 2023 with a final study anticipated in summer 2023. Projects that land within the nationally significant routes can be considered for new DOE financing under the (1) Transmission Facilitation Program, which supports financing arrangements for new, replacement or upgraded lines, (2) Enhancing Grid Resilience, providing matching grants for existing infrastructure upgrades for hardening to reduce risks from wildfires or other extreme weather and to prevent outages, and (3) Advanced Grid Technologies, offering matching grants for increased capacity and enhanced flexibility of the existing grid. While the Enhancing Grid Resilience program may offer similar incentives to a new construction line as it is being built, the B2H project does not qualify for either the Transmission Facilitation Program or the Advanced Grid Technologies option. Because the Transmission Facilitation Program is targeted toward hard-to-finance projects in order for

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¹⁴ Staff Comments pg. 9.

them to become financially viable and the Advanced Grid Technologies is for existing infrastructure, the B2H project does not qualify. As construction of B2H commences, Idaho Power continues to evaluate individual aspects of the Enhancing Grid Resilience grants for potential viability to new transmission.

- 17. The IIJA also provides new funding for existing DOE financing under its Loan Program Office. The B2H project is not eligible for loan guarantees under the Loan Program Office because the capacity of the project is fully subscribed. The B2H project is also not a good candidate for the existing loan program administered by the Western Area Power Administration's Transmission Infrastructure Program as B2H is not expressly designed to carry new renewable project output. While B2H is not an ideal candidate project for the majority of the options under the IIJA, future high voltage transmission projects are an area that the Company will continue to monitor for grant opportunities.
- 18. In addition to the IIJA, the Inflation Reduction Act of 2022 provides incentives for funding of certain eligible transmission projects, also meeting the DOE's designation as falling within national interest corridors, under the DOE's Transmission Facility Financing program and the DOE's Transmission Siting and Economic Development Grants program. The Transmission Facility Financing program provides loans to support new project development, however because the B2H project has already been significantly developed, it is downstream of the program's objectives and does not qualify. Likewise, providing grants that enable siting, community engagement, economic development in communities that are disadvantages, underserved or frontline, the B2H

project does not qualify for the Transmission Siting and Economic Development Grants program as the project is already sited and permitted.

19. Finally, as evidence of Idaho Power's continued efforts for federal funding opportunities, outside of the B2H project, Idaho Power submitted two concept papers to the DOE for the Grid Resilience and Innovation Partnership Program ("GRIP") in December 2022 as a prerequisite for submitting full applications. In February 2023, the DOE notified Idaho Power that the concept papers aligned well to the IIJA guidelines and encouraged the Company to submit full applications for both projects. Idaho Power subsequently submitted the applications for both projects and anticipates a response from the DOE in early Fall 2023. The Company has evaluated extensively, and will continue to do so, federal funding opportunities for B2H in an effort to reduce costs to customers, providing Staff with the most recent update as part of discovery in this proceeding. It should be noted that Idaho Power's efforts to minimize the impacts of large investments on customer rates through federal funding did not start with the B2H project; the Company successfully leveraged investments in the Advanced Metering Infrastructure project to obtain American Recovery and Reinvestment Act funding from the DOE for a Smart Grid Investment Grant in 2009. As such, the Company does not believe that providing evidence of its pursuit of alternative funding sources for B2H when a request for prudence of the expenditures is made, as suggested by Staff, is necessary. 15 Idaho Power is continuously seeking options to lower costs to customers and keeps the Commission apprised of those attempts, including any successful efforts to obtain them.

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¹⁵ Staff Comments pg. 16.

III. CONCLUSION

20. Idaho Power appreciates the opportunity to respond to comments filed in this case and for the Commenting Parties' extensive review of the history behind the capacity deficiency and resulting need for B2H, the account of the extensive siting and permitting processes, the myriad agreements associated with B2H project participants. The Company respectfully requests the Commission (1) accept the Commenting Parties' recommendation to grant a CPCN to construct the B2H project to meet the identified capacity deficiency in 2026, (2) reject Staff's proposed establishment of an unnecessary soft cap, (3) reject ICL and Boise City's proposal to track the clean energy delivered via B2H, and (4) reject Staff's proposed inclusion of federal funding evaluations as part of the Company's request for prudence of B2H project costs.

DATED at Boise, Idaho, this 6th day of June, 2023.

DONOVAN E. WALKER

Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 6th day of June 2023, 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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