MICHAEL DUVAL
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
IDAHO BAR NO. 11714

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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	**CASE NO. IPC-E-23-01** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submit the following comments.

BACKGROUND

On January 9, 2023, Idaho Power Company ("Company") applied for an order granting a Certificate of Public Convenience and Necessity for the purpose of constructing "a 300-mile long, overhead 500-kV high voltage line" ("Application"). Application at 1. This line would extend between the proposed Longhorn Substation near Boardman, Oregon, and the Hemingway Substation in southwest Idaho ("B2H"). The Company asserted the transmission line is crucial to meeting a 2026 capacity deficit and therefore construction must begin in the summer of 2023. It requested a final order be issued by June 30, 2023.

The Company identified B2H as a cost-effective resource in the Company's Integrated Resource Plans ("IRPs") since 2009. The Company further stated that B2H is "the lowest-cost alternative to serve Idaho Power's customers in Idaho and Oregon." *Id.* at 4.

The Company stated that the existing Boise to McNary line was insufficient to accommodate the expanded transmission that the Company expects. The Company stated that the B2H line would add needed capacity to the Idaho/Northwest path. Specifically, the Company stated that the line would add "1,050 megawatts ("MW") of capacity in the west-to-east direction" and "1,000 MW of capacity in the east-to-west" direction. *Id.* at 7. The Company stated that B2H would thus facilitate synergy between Bonneville Power Administration's ("BPA") winter focused capacity needs and Idaho Power's summer focused capacity needs. *Id.* at 12.

The Company asserted that it conducted various forms of community outreach to inform—and seek feedback from—those who will be affected by the Company's proposed project. The Company asserted that it collectively held dozens of diverse types of meetings, and that nearly 1,000 people attended them. The Company stated that this outreach helped inform the proposed B2H route.

The Company asserted that the Bureau of Land Management ("BLM") granted a right-of-way necessary to construct and maintain B2H on BLM land.

The Company stated that its original ownership share was 21.21% of B2H; BPA's original ownership share was 24.24%; and PacifiCorp's ("PAC") original ownership share was 54.55%. Idaho Power represents that it and BPA have agreed that "Idaho Power will increase its B2H project ownership from 21.21[%] to 45.45[%] by acquiring BPA's B2H project capacity." *Id.* Idaho Power stated that in January of 2023 the parties "conclude[ed] negotiations on final agreements that memorialize and effectuate the changes in ownership."[1] *Id.* Additionally, Idaho Power has entered into an agreement with PacifiCorp that there will be undivided ownership of certain assets on B2H.

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[1] Idaho Power and BPA have agreed that the parties will take the next steps in executing these agreements after BPA's public outreach process is complete in approximately March of 2023. Idaho Power will compensate BPA for BPA's permitting interest and the costs that BPA expended to get those permits; Idaho Power will also take on BPA's obligation to fund 24.24% of the B2H line. Idaho Power will pay for the value of BPA's permitting costs over time. After these agreements have been executed and BPA's ownership interest has been acquired by Idaho Power, Idaho Power would then use the B2H line to provide transmission service to BPA's customers. Direct Testimony of Jared L. Ellsworth, 8-15; *See* Application at 12-13.

The Company estimated that its most cost-effective portfolio without B2H is still approximately $266 million more expensive than the Company's preferred portfolio (which includes B2H).

The Company asserted that it would pay for its share of B2H through a "combination of available cash and operating cash flow, available facilities and borrowing and debt issuances, and potential future equity issuances." *Id.* at 16.

The Company requested that the Commission find that Idaho Power has met the requirements of *Idaho Code* § 61-526 and issue an order granting a CPCN to construct the B2H line to meet the identified capacity deficiency in 2026. The Company asserted that it will make a future filing to address the cost recovery associated with B2H.

On February 1, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 35674. The Idaho Irrigation Pumpers Association, Inc., Idaho Industrial Customers of Idaho Power, City of Boise City, Micron Technology, Inc., and Idaho Conservation League intervened. Order Nos. 35685 and 35695.

STAFF ANALYSIS

Staff reviewed the Company's Application and its responses to discovery requests. Based on the information, Staff believes that a significant capacity deficit exists and that unless action is taken, the deficit could affect reliability in 2026. Staff believes that the Company's proposed B2H project is a least-cost least risk solution that will resolve the 2026 capacity deficit. Therefore, Staff recommends that:

1. The Commission grant a CPCN for the Company to construct the B2H transmission line but make recovery contingent on approval of all agreements requiring Commission approval and the Commission's determination of prudence of actual cost when the project is complete;
2. When the Company files for recovery, it should include evidence of its pursuit of alternative funding sources for the project; and
3. The Commission establish a soft cap for the recoverable value of the project, and that the soft cap should include non-B2H expenses that may be incurred if B2H fails to stay on schedule and needs to mitigate any capacity shortfalls.

Project Description

The Application describes not only the B2H project, but also several other infrastructure project agreements that are necessary to ensure the full benefits of B2H are realized for each party. Below is an inclusive list of the various infrastructure projects categorized by agreement type.

<u>The B2H Transmission Line Project</u>

The primary project seeks to acquire rights of way ("ROW"), and construct approximately 300 miles of 500-kV transmission lines between Boardman, Oregon and Hemingway, Idaho. It will also:

- Construct or improve access roads for the transmission line;
- Construct communication regeneration sites along the transmission line;
- Rebuild or remove certain other transmission line segments;
    - Remove 12 miles of 69-kV transmission line;
    - Rebuild 1.1 miles of 138-kV transmission line;
    - Rebuild 0.9 miles of 230-kV transmission line;
- Construct the Longhorn substation;
- Upgrade the Hemingway substation; and
- Construct the Midline Series Capacitor substation.

The B2H project will be constructed by a partnership between the Company and PAC, in which the Company will eventually fund and own 45.45%, and PAC will fund and own 55.55%. The Company will be responsible for managing the construction.

<u>Buyout of BPA</u>

The Company will assume BPA's 24% ownership share of B2H and fund the additional 24% of the construction and operating expenses ("Ownership Buyout").

The Company will reimburse BPA for its share of the permitting expenses incurred over the last decade. This involves a complicated agreement designed to minimize financial risk to the Company's ratepayers ("Permit Buyout").

In return for the Company's Ownership Buyout and Permit Buyout, BPA will commit to purchasing long term Transmission Service Agreements ("TSA") from the Company to deliver power to BPA's customers in southeastern Idaho.

Asset Exchanges

The Company and PAC have agreed to a collection of future asset exchanges and construction projects ("Asset Exchanges") between them, designed to be implemented if B2H is energized. The proposed Asset Exchanges are:

- The Company will transfer to PAC transmission assets between Midpoint and Borah for 300 MW west-to-east capacity;
- The Company will transfer to PAC transmission assets between Borah and Hemingway for 600 MW east-to-west capacity;
- PAC will transfer to the Company transmission assets between Populus and Four Corners for 200 MW of bi-directional capacity;
- PAC will transfer to the Company transmission assets in the Goshen area;
- The Company will construct the Midpoint 500/345-kV transformer project; and
- The Company will construct the Kinport-Midpoint 345-kV series capacitor project.

Miscellaneous Agreements

Miscellaneous other agreements between the three entities will go into effect in conjunction with energizing B2H as listed below.

- The Company and BPA will establish a 500 MW point-to-point ("PTP") TSA from the Mid-Columbia ("Mid-C") market hub to the proposed Longhorn substation. This will complete the Company's transmission corridor to the Mid-C market hub;
- BPA will transfer to PAC two 100 MW PTP TSAs it has with the Company; and
- BPA and PAC will revise multiple transmission agreements and upgrade infrastructure in the Central Oregon region to establish more efficient delivery corridors for PAC ("Central Oregon Agreements").

CPCN

Summary of Staff's CPCN Recommendations

The Company has shown, and Staff agrees, that there is an expected capacity deficit in 2026 and that B2H is the least-cost solution to resolve it. Therefore, Staff recommends that the Commission grant a CPCN for the Company to construct the B2H transmission line. Staff also recommends that the Commission clarify that the CPCN does not include the other agreements described in the Application, and those other agreements should be submitted for separate approval when appropriate. Finally, Staff recommends that when the Company does file for recovery of actual cost, it include evidence of its pursuit of government funding sources for the project.

Company's CPCN Request

Review of Idaho Codes § 61-526 AND § 61-528

For authority to construct or extend a transmission line, Idaho Code § 61-526 requires the Company to obtain "from the Commission a certificate that the present or future public convenience and necessity require." Additionally, the Company must show "the financial ability and good faith…and necessity of additional service in the community." Idaho Code § 61-528 – Certificate of Convenience and Necessity – Conditions.

Staff believes the Company has repeatedly demonstrated its financial ability to obtain capital for a project of this scale. Staff also accepts the Company's assertion that the financial investment for the B2H project will not impair its ability to provide safe and reliable electricity service at reasonable rates. The Company has provided safe and reliable service to its Idaho customers since 1915.

Assessment of System Need

In evaluating the need for additional resources, Staff reviewed the Company's Load and Resource Balance ("L&RB") and the Company's forecasted capacity deficiencies. The Company developed the L&RB as part of the 2021 IRP (Case No. IPC-E-21-43). The L&RB shows that the Company has been resource capacity deficient during the peak summer months since 2021, and those deficits are projected to fluctuate through 2025. In 2026, the Company forecasts a larger capacity deficit of 560 MW,[2] an increase of 249 MW from the deficit in 2025. Factors driving the deficit spike are customer load growth and planned exits from coal generation.

The Company's Witness, Jared Ellsworth, ("Ellsworth") detailed how the Company's existing transmission lines connecting the Company to the Pacific Northwest are being fully utilized; therefore, they cannot be used to import additional power to satisfy the deficit. Ellsworth Direct at 31.

Staff attempted to update the L&RB to reflect conditions in 2023, but doing so required a full-scale forecast and modeling effort equivalent to the 2023 IRP. Staff requested the Company provide this information, and the Company asserted that the "...preliminary results maintain the need for B2H in 2026...." *See* Response to Staff Production Request No. 47. However, the Company also filed a petition, Case No. IPC-E-23-17, to delay filing the 2023 IRP until the last business day of September to allow for more opportunity for IRP modeling and stakeholder feedback.

Instead, Staff relied primarily on its review of the 2021 L&RB and a partial projection of 2023 changes. As a result, Staff concludes that a capacity deficit exists, and it will grow by approximately 250 MW in 2026. Staff affirmed the need for additional summer capacity resources.

Scope of CPCN

The Application describes several agreements, but not all of them are part of the Company's request for a CPCN. The Company clarified the specific actions for which it seeks the CPCN. *See* Response to Staff's Production Request No. 6. The actions specific to the Company's CPCN request in this filing are identified in the *Project Description* section above, under the *Boardman to Hemingway Transmission Line Project* heading. The Company is not seeking a CPCN for the BPA Buyout, the Asset Exchanges, or the other miscellaneous agreements.

Staff recommends that the Commission state that CPCN approval does not implicitly approve the other agreements, such as the Asset Exchanges. Instead, the Company should file applications for Commission approval of the other agreements, as appropriate.

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[2] *See* Case No. IPC-E-21-43. Appendix C: Technical Report at 23.

B2H as a Solution

B2H Meets the System Need

As asserted in the Company's 2021 IRP, the Company will have a larger capacity deficit starting in 2026. By adding 500 MW of west-to-east transmission capacity from the Mid-C market – along with a few smaller projects in 2024 and 2025 – the IRP modeling shows the capacity deficit will be resolved. Of the total B2H capacity, the Company expects B2H to provide 750 MW of west-to-east capacity and 182 MW of east-to-west capacity while PAC expects to receive 300 MW west-to-east capacity and 818 MW east-to-west capacity.

Staff's analysis revealed that the effectiveness of B2H will depend on the Longhorn substation being constructed, and the establishment of a TSA with BPA to the Mid-C market hub. Staff also noted the importance of sufficient energy being available for sale in the Mid-C market.

Staff has discussed the risks associated with these issues in the *Project Risk* and *Other Risk* sections below, but believes the risks are reasonable. Therefore, Staff concludes that B2H will sufficiently resolve the 2026 capacity deficit enabling the Company to continue providing reliable and cost-effective service to its customers. However, given that the Asset Exchanges require Commission approval and are critical for overall project implementation, Staff recommends granting approval of the CPCN but make recovery contingent on the Commission's approval of these agreements and its determination of prudence of actual cost when the project is complete.

B2H is Cost Reasonable

Staff reviewed the cost of B2H against the next least-cost alternative to assess the decisional prudence of the project. From this review, Staff believes that the B2H project is a prudent decision. For operational prudence, Staff will review the actual project costs once the Company files a subsequent case seeking recovery.[3]

The Company extensively modeled and analyzed costs using AURORA during the 2021 IRP process, establishing that B2H was part of the least-cost portfolio *at that point in time*.

[3] Decisional prudence is a determination that the "decision" to move forward with an investment is based on need and in this case is the least coat alternative. Operational Prudence is a determination that the Company implemented the investment in a least-cost manner.

Ellsworth explained how increased inflation, supply chain issues, and inclusion of contingency costs increased the B2H cost estimate between the 2021 IRP and filing the Application. Ellsworth Direct at 55. The Company updated its cost analysis by updating its estimate for B2H, and then recalculating the Net Present Value ("NPV") of the 2021 preferred portfolio. Even with the significantly higher estimate for B2H, the portfolio with B2H is approximately $228 million less than the least-cost non-B2H portfolio. Staff reviewed the Company's analysis and agrees that B2H is a significant part of the least-cost resource portfolio. In other words, Staff believes that B2H is cost reasonable.

Given the high electric market prices over recent years, Staff explored how high market prices might change the cost of the B2H portfolio. This issue is further discussed in the *Other Risks* section below.

Separately, Staff is concerned that the Company has not pursued alternative funding, such as grants, which could potentially reduce the cost impact to ratepayers. Staff recommends that when the Company seeks recovery of costs for the B2H project, that it provides evidence of conducting investigations, analyses, and/or applications for grants or alternative funding from federal, state, or local agencies.

Project Risks

Staff recommends that the Commission establish a soft cap as shown in Staff Attachment A for the recoverable cost of constructing the project. The total cost of the project plus any additional cost necessary to meet load if the project fails to stay on schedule should be part of the all-in total B2H costs that will be compared to the established soft cap. The soft cap should be the threshold that will require the Company to provide robust justification for construction costs over the cap to receive recovery.

Because 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. Staff categorized the risks into three types: project capability risk, project schedule risk, and project cost risk. In the following sections, Staff discusses the three types of risk, recommends mitigations for each type, explains the issues for each risk, and provides the latest status for each. Table No. 1 summarizes the three types of project risk and the key issues contributing to them.

Table No. 1: Project Risks

Capability Risks	Schedule Risks	Cost Risks
Longhorn Substation: B2H will be unusable without this interconnection.	*Longhorn Substation:* The permitting process is in progress and the construction timeline is unknown.	*Longhorn Substation:* Cost of an alternative is unknown
ROW Acquisitions: B2H cannot be built without the ROWs.	*ROW Acquisitions:* ROW delays might delay construction, especially if legal action becomes necessary.	*ROW Acquisitions:* ROW negotiations have potential to increase costs.
Boardman-Ione ("B-I") Alternate Transmission Path: B2H cannot be completed without relocating this line.	*B-I Alternate Transmission Path:* An alternate line is in the early stages of permitting, followed by construction of the line, then demolition of the old line.	*B-I Alternate Transmission Path:* The alternate path and cost are not certain. Also, environmental mitigation may be required.
	Supply Chain: Substantial delays exist for key project materials.	*Inflation:* High inflation persists, especially for key project materials.
	Outstanding Permits: Various project permits are outstanding, and delays are typical.	

Project Capability Risk

Project capability risk is the risk that an essential part of the project cannot be completed, thereby preventing completion of the overall project. For example, the B2H line terminates in Boardman, but a third party — BPA — must construct the Longhorn substation to interconnect it to the existing transmission grid. Without proper interconnection, B2H will not be usable.

Staff identified three capability risk issues for B2H:

1. The Longhorn substation;
2. Acquisition of the ROWs to construct B2H; and
3. Establishment of an alternate transmission path for BPA's B-I line.

The *Project Risk Issue* section explains each of these in more detail.

Although any of these issues (or other unforeseen ones) could prevent the successful completion of B2H, Staff assumes that the Company will find a workaround to complete the project and make it useful. Staff concludes that these capacity risks could translate into increased project costs and/or schedule growth. Therefore, Staff makes no recommendation for capability risk, but will provide recommendations to mitigate schedule and cost risk, which Staff discusses in the following sections.

Project Schedule Risk

Staff identified five risk issues that have potential to delay the overall project schedule:

1. The Longhorn substation;
2. ROW acquisitions for B2H;
3. The B-I alternate transmission path;
4. Supply chain delays; and
5. Outstanding permits.

The *Project Risk Issue* section explains each of these in more detail.

Schedule delays manifests as cost risk to ratepayers. The Company's current planned in-service date for B2H is June 1, 2026, which is necessary to meet the 2026 capacity deficit established in its 2021 IRP. If B2H is not online, the Company may opt to incur additional expenses to implement a workaround for the capacity deficit. Staff recommends that if circumstances delay the project beyond June 1, 2026, the Commission should require the Company to track and report any expenses incurred outside of B2H to cover the capacity deficit until B2H is online. These expenses should be subject to the same soft cap limit recommended in the *Project Cost Risk* section.

Project Cost Risk

Staff identified four cost risk issues that have potential to drive the project cost beyond the current estimate:

1. The Longhorn substation;
2. ROW acquisitions;
3. The B-I alternate transmission path; and
4. Inflation.

The *Project Risk Issue* section explains each of these in more detail.

Project cost overruns represent a direct risk to ratepayers who will be asked to recover the cost. The Company has retained experienced engineering firms to refine the project estimate and has shown due diligence in responsibly estimating the project cost. However, to protect customers, Staff recommends that the Commission place a soft cap on the project in accordance with the Application's estimate. If the project costs more than the soft cap, the Company should provide convincing evidence of its efforts to remain within the cap and the reasons for exceeding it.

Staff examined multiple responses to discovery including the date of estimates, major construction features, contingency markups, shared and unshared costs between partners, financing costs, and taxes to obtain a cohesive summary of the B2H cost estimate included as Attachment A to these comments. Staff recommends that the Commission use the final total included in the attachment as the soft cap for any future recovery. Staff and the Company can use the subtotals as markers to identify which costs deviated from the estimate, and by how much.

Project Risk Issues

Staff performed an analysis of the types of risks described above for specific risk issues associated with the construction of the B2H project. The results of Staff's analysis are described below for each specific risk issue.

Longhorn Substation

The northern terminus of B2H must have the Longhorn substation constructed to connect to the existing BPA 500-kV transmission network and the Mid-C market hub. Without this substation, the transmission path would be incomplete, and the project would not be useful. BPA owns the land for the Longhorn Substation and intends to construct, own, and operate the substation. The substation will have other terminals, one of which is in progress to provide interconnection services for Umatilla Electric Cooperative ("UEC").[4] Based on Staff's analysis described below, Staff believes that the capability, schedule, and cost risks associated with the Longhorn substation are all low.

[4] The Umatilla Electric Cooperative serves a portion of the Columbia Basin and Blue Mountain county in Northeastern Oregon.

The Company has no realistic alternative to the Longhorn substation. Staff questioned what the Company would do if BPA does not construct the Longhorn Substation. The Company stated: "In the unlikely event that BPA decides not to pursue construction of the Longhorn substation, the Company will look to find a new 500-kV interconnection point for B2H in the area." *See* Response to Production Request No. 12

Despite the lack of a contingency plan, Staff believes the risk of BPA not building the substation is low because the substation is critically important to BPA, the Company, PAC, and UEC. Furthermore, BPA owns the land, has completed the environmental review process and has already resolved two chronic problem areas. Funding for the substation has been built into the overall B2H cost, including a 20% contingency. Finally, the Company states: "According to BPA, construction of the Longhorn substation is expected to begin in spring 2023 in response to the UEC interconnection request. BPA is beginning the second phase of the Line and Load Interconnection Facilities Study for the B2H interconnection at Longhorn." *See* Response to Production Request No. 44.

ROW Acquisitions

The Company has already obtained ROWs across federal and state property, which eliminates much of the risk associated with the project. However, the Company must still acquire many private easements, so significant risks remain relating to costs and scheduling . The Company has estimated the fair market value of the remaining ROWs, added a contingency, and built that into the project budget. Each landowner must be persuaded to grant an easement for a fair price. For each landowner that cannot be persuaded, the Company will have to balance between offering more money (cost risk) or pursuing a legal remedy (schedule risk). Staff believes that both cost and schedule risks are significant for this issue. However, Staff believes that this case pairs well with the statutory framework of the Company's condemnation rights; Staff believes that this can serve as a backstop to reduce these risks. *See Idaho Code* § 7-711A.

Boardman to Ione Alternate Transmission Path

Currently, the 69-kV B-I transmission line crosses U.S Navy property in Umatilla County, Oregon. The B2H transmission line must be constructed across a portion of the B-I path. BPA has agreed to remove the interfering segment, but before the B-I segment can be removed, BPA must construct an alternative transmission path to serve its Columbia Basin load that creates a significant cost and schedule risk for the Company.

The Company and PAC executed an agreement with BPA on March 18, 2020, to pay BPA for its costs associated with removing the B-I line and building the new path. BPA must construct and energize the alternate transmission path by Spring of 2025, to allow time to remove the old line and finish B2H by Spring of 2026.

Currently, BPA is performing environmental studies of the proposed alternate path. The Company has included an approximate cost estimate for this work in its overall B2H budget, but the final project scope is not yet known. Potential environmental mitigations are also not yet known.

Supply Chain

Staff believes the current supply chain problems add significant schedule risk to the project. Staff has received reports from utility companies that the purchase lead time for transformers has grown from a few months to 24 to 36 months. Likewise, the purchase lead time for electric meters has grown from 8 weeks to 52 weeks. Although national efforts are being directed to alleviate some of these issues, the risk of schedule delay due to supply chain problems is significant.

Inflation

Staff believes that persistent inflation adds significant cost risk to the project. The Company mitigated inflation risk by hiring experienced transmission engineers to update the cost estimates reflecting the most current prices (as of January 2023), and then adding a 20% contingency to account of the uncertainty of inflation. However, Staff has received recent reports from utility companies with evidence that certain electrical components such as transformers, switch gear, and electric cabling have increased in price by as much as 80% over the last year. Even with the 20% contingency, the Company's final project cost may be underestimated.

Outstanding Permits

The primary risk from an outstanding permit is schedule delay. The Company has spent years obtaining some of the particularly difficult to obtain project permits, but several routine permits and permits out of the Company's control are still outstanding.

The Company has identified almost 50 different permits that the project has obtained or is in the process of obtaining. *See* Response to Production Request No. 19. Overall, the Company assesses a "high likelihood that the pending permits will be issued in time to complete construction of B2H in 2026." *Id.* Staff reviewed the list of pending permits and agree the schedule risk is low for routine filings within the Company's control.

However, the environmental review is not complete for the new B-I substation, and the engineering studies are incomplete for the Longhorn substation. These requirements are the responsibility of BPA and are outside of the Company's control. In addition, environmental reviews are frequently used by opponents to block federal actions. These reasons lead Staff to believe that schedule risk for all outstanding permits is at a moderate level.

Other Risks

In addition to the risks associated with the construction of the project, Staff identified and analyzed several other risks that are *external* to the construction of the project but may result in increased operational costs or unrealized benefits after the project is put into operation. However, Staff believes its analysis of these costs and benefits from the project supports the granting of the requested CPCN in this case when compared to the costs and benefits of the next best alternative.

<u>Mid-C Market Sufficiency</u>

The primary purpose of B2H is to provide access to the Mid-C market for the Company to purchase power when needed, typically in July and August. Therefore, it is essential to assess the likelihood that power will be available when the Company needs it.

The Company evaluated market sufficiency using peak load analysis, BPA's Resource Adequacy assessment, Northwest peak coincident load, a Renewable Portfolio Standard ("RPS") review, and Northwest IRP resource plans. The Company's consolidated assessment is that summer Mid-C capacity will be available for the foreseeable future. In addition, because most utility companies in the Northwest have winter peak demands, an abundance of summer surplus is expected.

Staff reviewed the Company's evidence and concurs that the evidence suggests a summer surplus will be available in the foreseeable future. Although Staff has concerns that the electrification mandates in Oregon and Washington may begin to cause summer shortages, this is not substantiated by data. Therefore, Staff believes the risk of market insufficiency is low.

Mid-C Market Price

Staff believes that sustained high prices in the Mid-C market could present cost risk to ratepayers, but the preponderance of the modeling evidence suggests that B2H is still the most cost-effective solution.

The Company intends to use B2H to economically purchase Mid-C market electricity to meet its energy needs and to resolve future capacity deficits during summer peaks. According to the Company, as the price of Mid-C market power rises, the less cost-effective B2H becomes, but can be mitigated through the sale of surplus electricity. *See* Response to Staff Production Request No. 46.

However, it is difficult to determine if more expensive market purchases would render the overall B2H portfolio less cost-effective than the non-B2H portfolio. To assess this, Staff asked the Company to model it over a 20-year time period. High market prices had to be indirectly forced by inputting high gas or high carbon prices. The result show that in 18 out of 20 stochastic runs, the B2H portfolio was still the most cost-effective solution. Based on this, Staff believes that the Mid-C market price risk is low to moderate.

Mid-C to Longhorn TSA

The Company's primary purpose for B2H is to obtain a high-capacity transmission path to the Mid-C market in south-central Washington. However, B2H provides only a portion of the full transmission path. The Company must still obtain transmission rights on existing networks for the segment between the Longhorn substation and the Mid-C market. Without this, B2H would not be useful to the Company.

On March 24, 2023, the Company and BPA signed an agreement for the Company to acquire 500 MW of PTP transmission service between Mid-C and Longhorn. The agreement includes several contingencies including successful energization of B2H, and completion of the Longhorn substation. Response to Production Request No. 42, Attachment 10. The 500 MW acquisition aligns with the Company's 2021 IRP preferred portfolio capacity requirement. Based on this agreement, Staff believes that the TSA risk is low.

BPA Buyout

The Company's Ownership Buyout of BPA amounts to hundreds of millions of dollars in additional expenses to construct and maintain B2H. However, BPA committed to purchasing long-term transmission services across B2H and other parts of the Company's network. The Company asserts that the long-term revenue from BPA will adequately cover the increased project costs and the reimbursement of BPA's earlier expenses.

Staff analyzed the Company's cost and revenue assumptions provided in its Responses to Production Request Nos. 34 and 35. Staff agrees that the assumptions are realistic because they are based on recent historic transmission volumes by BPA, and informed forecasts of annual Open Access Transmission Tariffs ("OATT") rates. Also, the revenue from BPA is expected to continue indefinitely, with modest annual increases. Over time, this revenue should fully offset the extra project expenses and become a benefit to ratepayers as the transmission line is depreciated.

In addition, the Permit Buyout agreement with BPA defers the payback of BPA's early B2H expenses until 10 years after B2H is energized. This allows the Company to accumulate sufficient revenue from BPA to cover the payback. Staff believes the cost and revenue assumptions are realistic, that the revenue should adequately cover the costs, and therefore the Permit Buyout risk to ratepayers is low.

Asset Exchanges

The *Project Description* section lists the six components that make up the asset exchanges between PAC and the Company. These exchanges are not part of B2H but are essential to unlock its usefulness, posing a risk to the overall deal if the exchanges do not occur. The Company and PAC have mitigated this risk by signing an agreement to execute these actions contingent on CPCN Commission approval and after B2H is energized. The Company stated that, "[b]oth the Company and PacifiCorp will request approval of the agreement pursuant to

Idaho Code § 61-328, …, in a future proceeding at a time that would allow for a Commission determination prior to energization of B2H." Response to Production Request No. 6.

The main risk of the Asset Exchanges is if the value of the assets is not comparable. This issue will need to be resolved when the two companies file for authorization from the Commission. Given the current signed agreement between the Company and PAC, Staff believes the risk in completing the asset exchanges is low. However, Staff recommends that recovery for the cost of the project be contingent on both PAC and the Company obtaining Commission approval of these exchanges.

Customer Notice and Public Comments

A telephonic Customer Workshop for Idaho Power's application was held on Monday, April 17, 2023. Customer participation was minimal. As of Tuesday, May 23, 2023, there has been one (1) Customer Comment received, which was in support of this case.

STAFF RECOMMENDATIONS

Staff makes the following recommendations:

1. Issue an order granting a CPCN for the construction of the B2H project, but make the project's recovery contingent on the Commission's approval of all Asset Exchanges and the Commission's determination of prudence of actual cost when the project is complete;
2. When the Company does file for recovery, it should include evidence of its pursuit of alternative funding sources for the project; and
3. Establish a soft cap for the recoverable value of the project as discussed above.

Respectfully submitted this 23rd day of May 2023.

Michael Duval
Deputy Attorney General

Technical Staff: Matt Suess

Jolene Bossard
Jon Kruck
Kevin Keyt
Kimberly Loskot

i:umisc/comments/ipce23.1mdmsjbjkkkl comments

THIS ATTACHMENT
IS CONSIDERED
CONFIDENTIAL AND
PROPRIETARY IN
CASE NO. IPC-E-23-01

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23rd DAY OF MAY 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-23-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

DONOVAN E WALKER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: dwalker@idahopower.com
dockets@idahopower.com
(Confidential Copy)

TIMOTHY TATUM
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: ttatum@idahopower.com
(Confidential Copy)

ERIC L OLSEN
ECHO HAWK & OLSEN PLLC
PO BOX 6119
POCATELLO ID 83205
E-MAIL: elo@echohawk.com
(Confidential Copy)

LANCE KAUFMAN PhD
2623 NW BLUEBELL PLACE
CORVALLIS OR 97330
E-MAIL: lance@aegisinsight.com
(Redacted Copy)

PETER J RICHARDSON
RICHARDSON ADAMS PLLC
PO BOX 7218
BOISE ID 83702
E-MAIL: peter@richardsonadams.com
(Confidential Copy)

DR DON READING
280 S SILVERWOOD WAY
EAGLE ID 83616
E-MAIL: dreading@mindspring.com
(Redacted Copy)

ED JEWELL
DEPUTY CITY ATTORNEY
BOISE CITY ATTORNEY'S OFFICE
PO BOX 500
BOISE ID 83701-0500
E-MAIL: ejewell@cityofboise.org
dearly@cityofboise.org
boisecityattorney@cityofboise.org
(Confidential Copy)

WIL GEHL
ENERGY PROGRAM MANAGER
BOISE CITY DEPT OF PUBLIC WORKS
PO BOX 500
BOISE ID 82701-0500
E-MAIL: wgehl@cityofboise.org
(Redacted Copy)

MARIE CALLAWAY KELLNER
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL: mkellner@idahoconservation.org
(Confidential Copy)

BRAD HEUSINKVELD
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL:
bheusinkveld@idahoconservation.org
(Redacted Copy)

JIM SWIER
MICRON TECHNOLOGY INC
8000 S FEDERAL WAY
BOISE ID 83707
E-MAIL: jswier@micron.com
(Redacted Copy)

AUSTIN RUESCHHOFF
THORVALD A NELSON
AUSTIN W JENSEN
HOLLAND & HART LLP
555 17TH ST STE 3200
DENVER CO 80202
E-MAIL: darueschhoff@hollandhart.com
tnelson@hollandhart.com
awjensen@hollandhart.com
aclee@hollandhart.com
(Redacted Copy)

SECRETARY