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IDAHO PUBLIC
UTILITIES COMMISSION

August 10, 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

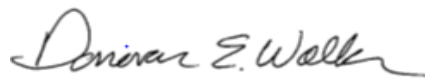
Re: Case No. IPC-E-23-05
In the Matter of Idaho Power Company's Application for a Certificate of
Public Convenience and Necessity to Acquire Resources to be Online by
2024 and Approval of a Power Purchase Agreement with Franklin Solar LLC

Dear Ms. Noriyuki:

Attached for electronic filing, please find Idaho Power Company's Redacted Reply
Comments in the above matter.

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

Very truly yours,



Donovan E. Walker

DEW:sg
Enclosures

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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-23-05
CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	IDAHO POWER COMPANY'S
ACQUIRE RESOURCES TO BE ONLINE)	REPLY COMMENTS
BY 2024 AND FOR APPROVAL OF A)	
POWER PURCHASE AGREEMENT WITH)	
<u>FRANKLIN SOLAR LLC.</u>)	

Idaho Power Company ("Idaho Power" or "Company") respectfully submits these Reply Comments in response to Reply Comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), on August 8, 2023. Idaho Power appreciates Commission Staff's support of an order (1) granting the Company a Certificate of Public Convenience and Necessity ("CPCN") to acquire 72 megawatts ("MW") of dispatchable energy storage necessary to meet the identified capacity deficiency in 2024 and (2) approving the 25-year Power Purchase Agreement ("PPA") between Idaho Power and Franklin Solar LLC ("Franklin Solar"), with modifications. In these Reply Comments, Idaho

Power will respond to concerns raised by Commission Staff regarding the competitive resource procurement process used to evaluate various resources that competed to provide a capacity resource to help meet Idaho Power's peak capacity needs in 2024 and the resulting least-cost, least-risk capacity resources selected through that fair and competitive Request for Proposal ("RFP") process.

I. BACKGROUND

1. Idaho Power has been generally resource-sufficient since the addition of the Langley Gulch natural-gas fired power plant almost a decade ago until recently. The load and resource balance from the Second Amended 2019 IRP did not show a capacity deficiency occurring until the summer of 2028. However, several converging factors outside of the Company's control, including limited third-party transmission capacity, load growth, and a decline in the peak serving effectiveness of certain supply-side and demand-side resources caused Idaho Power to rapidly move to a near-term capacity deficiency starting in 2023. These dynamic circumstances led the Company to immediately file a request for a CPCN to acquire resources to be online in 2023¹, and Idaho Power expects to acquire additional resources each year thereafter through (at least) 2027.

2. 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 resources. To meet its obligation to reliably serve customer load and fill the 2024 capacity deficiency, the Company conducted a competitive solicitation through an RFP seeking to acquire energy and

¹ Case No. IPC-E-22-13.

capacity to help meet Idaho Power's previously identified capacity needs of 85 MW to be online by June of 2024 and an incremental 115 MW in 2025. The procurement process resulted in the acquisition of least-cost, least-risk resources necessary to fill the 2024 capacity deficiency.

3. The competitive RFP process resulted in a least-cost, least-risk selection of two projects to meet the 2024 capacity deficiency: (1) a combination 100 MW solar PV PPA along with an Idaho Power-owned 60 MW energy storage project; and (2) an Idaho Power-owned 12 MW energy storage project. During contract negotiations, the load and resource balance was refreshed again and it was determined that, even with the combined 100 MW solar PV facility and 60 MW energy storage facility, a 7 MW capacity shortfall still existed in 2024. The Company identified the next most cost-effective project able to meet the 2024 capacity deficit, the Idaho Power battery storage benchmark resource. Idaho Power can economically and efficiently add 12 MW of battery storage at the Hemingway substation, the site for which 80 MW of battery storage has been installed to meet the 2023 capacity deficiency without requiring infrastructure upgrades and ensuring maximum investment tax credit benefits. Idaho Power's fair and competitive resource acquisition procurement process resulted in a least-cost, least-risk procurement of 72 MW of energy storage capable of being operational to meet the 2024 deficit.

II. IDAHO POWER'S REPLY

A. The Commission Should Adopt Staff's Recommendation to Grant the Company a CPCN.

4. In order to comply with its continuing obligations to serve customers, the Company must at times acquire additional resources to meet the identified capacity deficits on its system when the need arises, and potentially outside of the formalized IRP

process. Given the short turn-around to construct a resource to meet deficits identified in 2023, coupled with global supply-chain disruptions stemming from the COVID-19 health crisis and other events, it was imperative that the Company move forward quickly on the resource procurement process. Idaho Power performed a quantitative and qualitative evaluation with an objective scoring methodology to reasonably evaluate the price and non-price attributes of each project proposal submitted through the RFP process. The request for a CPCN to acquire 72 MW of dispatchable energy storage is the result of those efforts.

5. Idaho Power appreciates Staff's analysis of the Company's request in this case and their recommended "[a]pproval of the CPCN to acquire 72 MW of BESS capacity."² Staff performed an extensive review in this proceeding of the capacity deficiencies identified at different times during the RFP process, evidence of the fluidity of those deficiencies during the near-term resource decision making phase, concluding that the "capacity needs that drove the proposed resources are justified."³ Further, Staff agrees with Idaho Power's identification of its 103 MW of capacity needs in 2024 concluding "the amount of the deficit is reasonable".⁴

B. Idaho Power Completed a Robust Competitive Resource Procurement Process for Identifying the Least-Cost, Least-Risk 2024 Resource Acquisitions

6. The Company's rapid change in the capacity deficiency was the result of several converging factors, including limited third-party transmission capacity, load growth, and a decline in the peak serving effectiveness of certain supply-side and

² Staff Comments, pg. 3.

³ Staff Comments, pg. 4.

⁴ Staff Comments, pg. 4.

demand-side resources. In order for Idaho Power to meet its obligation to reliably serve customer load in a least-cost, least-risk manner, a competitive solicitation for the acquisition of resources was conducted through an RFP. This competitive RFP process allowed the Company to access the broader peak capacity and energy market to obtain the best resources for Idaho Power's customers, providing access to a spectrum of potential resources and developers. Staff "believes the Company generally conducted a fair and transparent RFP process."⁵ However, Staff indicated questions as to whether the RFP process resulted in projects that are least-cost, least risk resources due, in part, to Idaho Power's "restricted ownership types and resource types that could be submitted for bid"⁶ when the RFP was issued, suggesting the bid pool was limited.

7. The formal request for competitive proposals for the acquisition of electric energy and capacity delivered from electric resources did require that the resources employ certain qualifying technologies under varying ownership arrangements as those were the products that would have the most realistic potential to be in-service by June 2024. Staff believes the limited size of the bid pool resulting from the restricted ownership and resource types may have prevented Idaho Power from identifying the least-cost, least-risk resource. In support of their concerns, Staff identifies a data response provided by the Company, indicating the RFP limited the ownership of the Battery Energy Storage System ("BESS") to only a standalone BESS, not Solar + BESS or Wind + BESS projects. Idaho Power would like to clarify that although not specifically identified in Addendum No. 7 to the RFP, the Company *did* allow for the PPA-based storage component of the Solar + BESS and Wind + BESS resource types to be a BESS structure. Project No. 7 identified

⁵ Staff Comments, pg. 5.

⁶ *Id.*

in Confidential Exhibit No. 4 included a Solar + BESS Battery Storage Agreement proposal to meet the identified 2024 capacity deficiency.

8. Moreover, the Company's assumption that certain resource types could not be constructed in such a short timeline is supported by respondent proposals received through the RFP process for capacity deficiencies identified in 2023, 2024 and 2025; the number of viable projects grew as construction timelines expanded. As evidenced in Case No. IPC-E-22-13 for which the Commission granted a CPCN for 2023 resources, only one project was able to meet the commercial operation date of June 2023, for project submittals necessary to meet the 2024 capacity deficiency, 17 projects were initially identified as able to meet the commercial operation date of June 2024, and, as seen in Case No. IPC-E-23-20,⁷ the number of project proposals able to meet the commercial operation date of June 2025 grew to 36. The bid pool identified those resources that could be constructed in the short timeframe and did not hinder Idaho Power's ability to identify the least-cost, least-risk resource for meeting the 2024 capacity deficiency.

9. It is worth noting that some of the concerns Staff raised regarding the RFP solicitation and resulting selection of the least-cost, least-risk resources are actively being addressed. The Company has begun the competitive procurement process under the Oregon RFP guidelines, issuing an RFP for 2026 resources on June 8, 2023. Because of the probable longer construction time frame, the solicitation broadened potential eligible products which should alleviate Staff's apprehensions associated with a limited bid pool. In addition, Staff noted that although they believe "the scoring process was likely

⁷ *In the Matter of Idaho Power Company's Application for a Certificate of Public Convenience and Necessity to Acquire Resources to be Online in Both 2024 and 2025 and for Approval of an Energy Storage Agreement with Kuna BESS, LLC.*

conducted in a fair and impartial manner,”⁸ Idaho Power should include as part of the bid solicitation materials the weighting factors for the evaluation metrics and criteria. Understanding the importance of inclusion of the weighting factors for respondents of RFPs, the Company has included a description of the non-price factor weighting as a component of the RFP for 2026 resources, as well as the inclusion as Exhibit D to the RFP of the Non-Price Scoring Matrix the non-price evaluation rubric that illustrates the weightings where applicable. As Idaho Power gains experience with the development and issuance of RFPs, future RFPs are refined, becoming more robust and ensuring a continued competitive resource acquisition process.

C. Idaho Power Will Justify All 2024 Resource Costs as Part of a Future Proceeding.

10. Due to their concerns about whether or not the RFP process resulted in projects that are least-cost, least risk resources, Staff recommends the Commission establish a soft cap, stating that “[b]ecause of the issues identified in the RFP process, Staff believes it is reasonable to cap the proposed BESS facilities’ turn-key prices at the lowest unit price”⁹ Idaho Power does not believe a soft cap is necessary. As explained in the Company’s Application, Idaho Power is not requesting binding ratemaking treatment in this case, rather 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 72 MW of energy storage necessary to meet the identified capacity deficiency in 2024. 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

⁸ Staff Comments, pg. 8.

⁹ *Id.*

will justify *all* costs associated with the 2024 resources, not just those costs over the soft cap, if any.

11. If, however, the Commission finds it necessary to implement a soft cap, the Company would like to correct a component of Staff's computation of the soft cap for the BESS projects of \$ [REDACTED] for the 12 MW BESS and \$ [REDACTED] for the 60 MW BESS. "Because of the issues identified in the RFP process, Staff believes it is reasonable to cap the proposed BESS facilities' turn-key prices at the lower unit price identified"¹⁰ in Confidential Attachment A to their Comments, or Project No. 10, Idaho Power's battery storage benchmark resource. However, Project No. 10 is *not* the most cost-effective project identified to meet the 2024 capacity deficit – Project No. 8 is, the combined 100 MW solar PV plus 60 MW energy storage facility. Staff's analysis of the final short list projects only captures the unit price associated with the BESS and fails to account for the benefit associated with low PPA costs of Project No. 8.

12. As a resource addition, AURORA continually selected the combined solar PV and battery storage in the Long-Term Capacity Expansion analysis, indicating the low solar PPA price of Project No. 8 is contributing to the value the project provides as compared to the other final short list projects. In addition to being a lower cost resource, when compared to standalone battery storage systems, the combined solar PV plus energy storage of Project No. 8 better meets the Company's capacity needs, resulting in a higher Effective Load Carrying Contribution than would exist as a standalone energy storage system. This is further evidenced in the additional AURORA modeling scenario runs the Company performed for Staff in Response to Staff's Request for Production No.

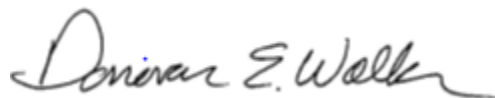
¹⁰ Staff Comments, pg. 8.

15. The runs, performed under a low carbon, low gas scenario, a planning carbon, planning gas scenario, and a high carbon, high gas scenario selected the same 2024 resources in each of the three futures, confirming the 2024 resources reflect the least-cost, least-risk option under a wide range of future assumptions. As such, when computing a soft cap, it is more appropriate to holistically consider Project No. 8's value and base the soft cap of the 60 MW BESS on the unit price associated with that project, as Project No. 8 is the least-cost resource selected. Under this methodology, the soft cap associated with the 60 MW BESS would be approximately \$ [REDACTED].

III. CONCLUSION

13. Idaho Power appreciates the opportunity to respond to Staff's comments filed in this case and for Staff's review of the history of the identification of a 2024 capacity deficiency and understanding of the urgency for acquisition of the summer 2024 resource. The Company respectfully requests the Commission (1) accept Staff's recommendation to grant a CPCN to acquire 72 MW of dispatchable energy storage necessary to meet the identified capacity deficiency in 2024, (2) approve the 25-year PPA between Idaho Power and Franklin Solar, with an amendment to reflect Staff's proposed changes, and (3) reject Staff's proposed establishment of a soft cap to be applied to project costs, or in the alternative, correct Staff's calculated soft cap according to the Company's clarification provided in these comments.

DATED at Boise, Idaho, this 10th day of August, 2023.




DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 10th day of August 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:

<p>Commission Staff Chris Burdin Deputy Attorney General Idaho Public Utilities Commission 11331 W. Chinden Blvd., Bldg No. 8 Suite 201-A (83714) PO Box 83720 Boise, ID 83720-0074</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email Chris.Burdin@puc.idaho.gov</p>
<p>City of Boise Darrell Early Deputy City Attorney Boise City Attorney's Office 150 N. Capitol Blvd. PO Box 500 Boise, ID 83701</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email dearly@cityofboise.org boisecityattorney@cityofboise.org</p>
<p>Wil Gehl Energy Program Manager Boise City Dept. of Public Works 150 N. Capitol Blvd. P.O. Box 500 Boise, Idaho 83701-0500</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email wgehl@cityofboise.org</p>



Stacy Gust, Regulatory Administrative
Assistant