

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. IPC-E-19-08
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
FOR ELECTRIC SERVICE TO RECOVER) ORDER NO. 34349
COSTS ASSOCIATED WITH THE NORTH)
VALMY POWER PLANT)

On March 8, 2019, Idaho Power Company (“Idaho Power” or “Company”) filed an Application requesting Commission approval of certain matters related to the Company’s withdrawal from the North Valmy Generating Station (“Valmy”).

On March 29, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure establishing a May 10, 2019 comment deadline and a May 17, 2019 reply comment deadline. Order No. 34293. The Idaho Conservation League (“ICL”) intervened as a party, and the ICL, Commission Staff, and several members of the public filed comments about the Application. The Company then filed a reply.

Now, based on our review of the record, the Commission approves the Application.

BACKGROUND

Valmy is a coal-fired power plant near Winnemucca, Nevada, consisting of two units. Unit 1 went into service in 1981 and Unit 2 in 1985. Idaho Power and NV Energy each own 50% of the plant, and NV Energy operates the plant. In IPC-E-16-24, the Commission approved a settlement stipulation (“Settlement Stipulation”) under which the Company agreed to (1) negotiate with NV Energy to permanently end coal-burning operations at Valmy Unit 1 by December 31, 2019, and Valmy Unit 2 by December 31, 2025, or alternatively, (2) use prudent and commercially reasonable efforts to end its participation in Valmy along the same timeline. Order No. 33771 at 3. Also included in the Settlement Stipulation, as pertinent to this case, was the creation of a balancing account to track the incremental costs and benefits associated with the accelerated Valmy end-of-life date, a levelized revenue requirement that runs through 2028, and a commitment from the Company to analyze the economics of a Unit 2 retirement.

THE APPLICATION

The Company requests the Commission: (1) approve the North Valmy Project Framework Agreement between NV Energy and Idaho Power dated February 22, 2019

("Framework Agreement"); (2) find all actual Valmy investments through December 31, 2018 were prudently incurred; (3) allow investments at Valmy forecasted through December 31, 2025 to be included in the levelized revenue requirement mechanism established by Order No. 33771; and (4) adjust customer rates to recover the associated incremental annual levelized revenue requirement of \$1.21 million, which equates to an overall increase of 0.11 percent, effective June 1, 2019. Application at 1-2. The Company estimates its requests would save customers about \$17.2 million when compared to the costs they would pay if the Company were to operate both units through 2025 under current agreements. Errata to Application at 2.

COMMENTS

Commission Staff, ICL, and several customers filed comments about the Application, and the Company filed a reply. The comments and reply are summarized below.

A. Commission Staff.

Staff recommended the Commission approve the Company's requests. *See* Staff Comments at 11. Staff also recommended the Commission require the Company to: (1) file an analysis validating the December 31, 2025 Unit 2 closure date within 21 days of the Commission's Order, or provide a revised economic closing date within that same timeframe; (2) submit a filing by no later than February 15, 2022 that will true-up all prudently incurred actual costs through December 31, 2021, provide an update of forecasted investments including decommissioning costs, and validate the Unit 2 retirement date with an analysis conducted in the 2021 IRP, with rates to become effective June 1, 2022; (3) file an annual report detailing the amounts booked to the Valmy balancing account, similar to the requirement approved by the Commission for early closure of the Company's Boardman facility; and (4) work with Staff to develop documentation for audit and prudence review. *Id.* 11-12.

B. Idaho Conservation League.

ICL recommended the Commission approve the Framework Agreement. ICL notes that the exiting participant's capacity is not available for use by the remaining participant, which ensures air pollution will decrease upon exit and that the remaining participant will operate the plant so as not to increase common costs and remediation obligations after a participant's exit. This, in turn, will keep costs down. ICL believes the Framework Agreement sets reasonable exit fees, and establishes a reasonable process for evaluating, approving, and auditing actual costs incurred to decommission the plant.

ICL recommends the Commission defer any rate increase related to future spending on Unit 2 until the Company completes its 2019 IRP and submits a Unit 2 closure validation study. ICL notes that, in the Settlement Agreement approved in Case No. IPC-E-16-14, the Company agreed not to apply to change base rates in 2019 until it had completed a closure validation study, either as a stand-alone study or as part of its IRP, to examine the least cost/least risk closure date of Valmy units. Since the Company did neither of these things, ICL recommends the Commission defer judgment on the prudence of post-2019 Unit 2 operations until the Company completes its full 2019 IRP analysis and files the results.

C. Public Comments.

The Commission received two public comments on this matter. Both were opposed to the increase in rates.

D. Reply Comments of Idaho Power.

In its reply comments the Company agreed with Staff's recommendations that the Company file annual reports detailing amounts recorded in the Valmy balancing account, and submit a filing to true-up the balancing account with rates effective June 1, 2022. The Company also explained the process it used to evaluate a Unit 2 economic closure date.

Regarding the annual reports, the Company states it will work with Staff to develop the report and discuss available documentation. Regarding the true-up of forecasted-to-actual investments with rates effective June 1, 2022, the Company requested a due date of this filing of February 28, 2022 instead of February 15, 2022, in order to better align with its other auditing and reporting timelines. Regarding the analysis of its Unit 2 economic retirement date, the Company notes that a 21 day timeline will coincide and conflict with the Company finalizing its 2019 IRP due for filing on June 28, 2019. Therefore, the Company requests the Commission direct Idaho Power to make best efforts to file the application within 21 days. Regarding ICL's recommendation to defer a rate adjustment until after the Company completes its validation study of a Unit 2 withdrawal, the Company states that the balancing account and the studies completed to date give adequate assurance that customers will not be harmed.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential,

discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission may enter any final order consistent with its authority under Title 61.

The Commission has reviewed the record, including the Application, the comments of Commission Staff, ICL, the public, and the reply comments of Idaho Power. Based on our review, we find it reasonable to: (1) approve the Framework Agreement; (2) deem all actual Valmy investments through December 31, 2018 were prudently incurred; (3) allow investments at Valmy forecasted through December 31, 2025 to be included in the levelized revenue requirement mechanism established by Order No. 33771; (4) adjust customer rates to recover the associated incremental annual levelized revenue requirement of \$1.21 million, effective June 1, 2019; (5) direct the Company to use best efforts to file an analysis validating the December 31, 2025 economic retirement date of Unit 2 within 21 days of the service date of this Order; (6) require the Company to submit a filing by no later than February 28, 2022 to true-up the balancing account with forecast-to-actuals, with rates to become effective June 1, 2022; (7) require the Company to file an annual report detailing the amounts booked to the Valmy balancing account, similar to the requirement established in Order No. 32457 for the Company regarding early closure of the Boardman power plant; and (8) direct the Company to work with Staff to identify documentation for audit and prudence review.

We find the additional requirements proposed by Staff will help ensure that the Company's decisions are robustly analyzed and soundly justified, and that the costs incurred in continuing to operate and decommission Valmy will be prudent and correctly booked. While we recognize that costs to customers will increase slightly in the near term because of the Company's earlier than initially expected withdrawal from Valmy, we find that the Company's withdrawal from Valmy is ultimately in the public interest.

ORDER

IT IS HEREBY ORDERED that the Company's Framework Agreement with NV Energy is approved as prudent and commercially reasonable.

IT IS FURTHER ORDERED that all actual Valmy investments through December 31, 2018 are approved as prudently incurred.

IT IS FURTHER ORDERED that all forecasted investments at Valmy through December 31, 2025 are to be included in the levelized revenue requirement mechanism established by Order No. 33771.

IT IS FURTHER ORDERED that customer rates be adjusted to recover the incremental annual levelized revenue requirement of \$1.21 million, effective June 1, 2019.

IT IS FURTHER ORDERED that the Company use best efforts to file, within 21 days of the service date of this Order; (1) an analysis validating the December 31, 2025 economic retirement date of Unit 2; or (2) an analysis supporting a different economic retirement date of Unit 2.

IT IS FURTHER ORDERED that the Company submit a filing by no later than February 28, 2022 to true-up the balancing account with forecast-to-actuals, with rates to become effective June 1, 2022.

IT IS FURTHER ORDERED that the Company file an annual report detailing the amounts booked to the Valmy balancing account.

IT IS FURTHER ORDERED that the Company work with Staff to identify documentation for audit and prudence review.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *30th*
day of May 2019.



PAUL KJELLANDER, PRESIDENT




KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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