



Case No. IPC-E-16-23, Order No. 33652 and IPC-E-16-24, Order No. 33650

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Idaho Power Company seeks 3.1 percent rate increase for accelerated Valmy closure and updated depreciation

If approved, new rates would become effective June 1, 2017

BOISE (November 18, 2016) – The Idaho Public Utilities Commission has set a Dec. 5 deadline for parties seeking to intervene in two Idaho Power Company dockets regarding an accelerated depreciation for the Valmy coal plant in Nevada and an updated depreciation study for the remainder of the utility's plant assets.

Idaho Power and Nevada Energy, co-owners of the Valmy plant, want to shut down the two-unit plant by 2025, six years earlier than the planned retirement of Unit 1 and 10 years earlier than the planned retirement of Unit 2. Consequently, Idaho Power is asking the commission to compress the remaining depreciation on the plants into the shorter 2025 time period, which, if approved, would increase base rates by \$28.5 million, or about 2.5 percent. The company maintains that an earlier retirement of the plant would save customers about \$103 million in today's dollars if it continues to operate the plant until it is fully depreciated in 2035.

Idaho Power is also seeking a 0.6 percent increase to update the depreciation on its remaining plant assets, excluding Valmy and the Boardman, Oregon coal plant. The combined 3.1 percent increase, if granted, would increase the monthly bill of a residential user who uses the system average of 1,000 kilowatt-hours per month by about \$3.08.

If the commission were to approve both applications, the rate changes would not occur until June 1, 2017, the same time the annual Power Cost Adjustment (PCA) is also implemented.

Idaho Power is a 50-50 owner with Nevada Energy in the Valmy coal-fired plant near Winnemucca, Nev. The plant consists of two units that can generate up to 284 megawatts.

A significant decrease in market prices for electricity has made it uneconomical for Idaho Power to operate Valmy except to meet peak energy needs during extremely cold or hot weather. In 2011, the average price Idaho Power and its customers received for off-system sales was

\$22.71 per megawatt. In 2016, that has declined to \$8.76 per MW. Consequently, the cost to dispatch Valmy generation is usually higher than the market price, Idaho Power claims.

Idaho Power further claims that since its last general rate case in 2011, Valmy plant balances have increased about \$70 million due to a number of investments required for environmental compliance, as well as investments for routine maintenance and repair.

In a separate application, Idaho Power is seeking a 0.6 percent increase, effective June 1, 2017, following an update of its depreciation on its remaining assets.

Utilities are allowed a depreciation component in retail rates to help cover the costs to replace facilities. Depreciation rates establish the amount of time over which Idaho Power recovers from customers its investment in its electrical system. Depreciation means the loss in the service value of a utility's various plants due to wear and tear or decay that is not otherwise restored by maintenance or covered by insurance. A loss in service value can also be caused by the obsolescence of plant due to new technologies and by new requirements imposed by federal or state governments.

Every five years, Idaho Power conducts a study to determine depreciation rates for each of its plant accounts. Idaho Power's depreciation study was conducted by Gannett Fleming Valuation and Rate Consultants, LLC.

Parties seeking to intervene in either the Valmy case or the depreciation update for the purpose of submitting testimony and exhibits and cross-examining witnesses must do so by no later than Dec. 5. Later, the commission will announce dates for public comment deadlines and possible customer workshops or hearings.

To read Idaho Power's application and supporting documentation on the accelerated depreciation for the Valmy coal plant, go the www.puc.idaho.gov. Under the "Electric" heading, select Open Cases and scroll down to Case No. IPC-E-16-24. For the updated depreciation study case, scroll down to Case No. IPC-E-16-23.

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