



Case Nos. IPC-E-16-23 and IPC-E-16-24, Order Nos. 33770 and 33771

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Regulators approve settlement calling for early retirement of Idaho Power coal plant, rates set to increase

BOISE (June 5, 2017) - State regulators have approved a settlement calling for the early retirement of a coal plant co-owned by Idaho Power.

The settlement allows the company to accelerate the recovery of its investment in the North Valmy Power Plant through base rates, leading to a rate increase of 1.17 percent.

That equates to an additional \$1.20 on the monthly bill of the typical residential customer using 1,000 kilowatt-hours of energy per month.

The impact on base rates is significantly lower than the company's original proposal for closing the plant, which Idaho Power co-owns with NV Energy.

Entering settlement talks, the company had proposed raising rates by 3.1 percent to recover its investment in Valmy, while increasing the recovery of depreciation costs at its other plants as outlined in Case IPC-E-16-23. That would have led to a \$3.08 increase to the monthly bill of the typical residential customer who uses 1,000 kilowatt-hours per month.

The 1.17-percent increase that emerged from the settlement went into effect June 1, along with slight increases to two annual rate adjustment mechanisms - the Power Cost Adjustment and Fixed Cost Adjustment. Combined, the changes will lead to an average monthly increase of \$3.21 for the typical residential customer.

The settlement calls for shuttering Valmy's Unit 1 in 2019, and Unit 2 in 2025. Unit 1 went into service in 1981 and Unit 2 came online in 1985. Each had a 50-year life expectancy, and their depreciation was embedded in Idaho Power's base rates with the expectation that the units would operate until 2031 and 2035, respectively.

The rate increase is expected to generate nearly \$13.3 million in annual revenue until 2028, when Valmy is fully depreciated – down from \$28.5 million in Idaho Power's original proposal.

Idaho Power maintains that closing the plant early will ultimately save customers money. The company said a significant decrease in market prices for electricity has made it uneconomic to operate the 522-megawatt plant except during extremely cold or hot weather, when the demand for energy surges. In

addition, the Idaho Power said, costs associated with the plant's operation have increased significantly since 2011.

Idaho Power's original plan for closing the plant ahead of schedule was submitted for Commission approval in fall 2016. It called for closing both units in 2025 and raising rates by 2.5 percent, or \$28.5 million annually, in order to allow the company to recover its investment.

Concurrently, Idaho Power asked for commission approval to adjust depreciation rates for its other plants and equipment based on the result of a recently completed depreciation study. New depreciation rates outlined in Case IPC-E-16-23 would have led to a \$6.7 million increase to base rates, or 0.6 percent.

The settlement was reached after two meetings with interested parties, including the US Department of Energy, Idaho Conservation League, Sierra Club, Idaho Irrigation Pumpers Association, Micron Technology and the Industrial Customers of Idaho Power.

The settlement resolves both the Valmy retirement and the depreciation rate case, but the parties agreed that there would be no rate increase tied to the depreciation rate case.

In approving it, the Commission noted that the settlement balances the competing interests of the parties involved as well as ratepayers.

"We recognize the considerable efforts of the parties and commend their cooperation in reaching agreement on the various and complex issues in this case," the Commission said.

To read Idaho Power's application and supporting documentation, go www.puc.idaho.gov. Under the "Electric" heading, select "Open Cases" and scroll down to Case Nos. IPC-E-16-23 and IPC-E-1624.