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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
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June 27, 2019

VIA HAND DELIVERY

Diane M. Hanian, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-19-18
Validation of North Valmy Power Plant Unit 2 Closure in 2025 – Idaho Power
Company's Application and Testimony

Dear Ms. Hanian:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application.

Also enclosed are an original and eight (8) copies of the Direct Testimony of Tom Harvey filed in support of the Application. One copy of Mr. Harvey's testimony has been designated as the "Reporter's Copy." A disk containing a Word version of Mr. Harvey's testimony is enclosed for the Reporter.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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UTILITIES COMMISSION

Attorneys 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-19-18
DETERMINATION VALIDATING A NORTH)
VALMY POWER PLANT UNIT 2 CLOSURE) APPLICATION
IN 2025.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* §§ 61-502, 61-503, and 61-524 and RP 052, respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order acknowledging the Company has sufficiently validated the economic retirement date of the North Valmy power plant Unit 2 as December 31, 2025, as directed by the Commission in Order No. 34349.¹

In support of this Application, Idaho Power asserts as follows:

¹ *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant*, Case No. IPC-E-19-08, Order No. 34349 at 4-5 (May 31, 2019).

I. BACKGROUND

1. The North Valmy power plant (“Valmy”) is a coal-fired power plant that consists of two units and is located near Winnemucca, Nevada. Unit 1 went into service in 1981 and Unit 2 followed in 1985. Idaho Power owns 50 percent, or 284 megawatts² (“MW”) (generator nameplate rating), of Valmy. NV Energy is the co-owner of the plant with the remaining 50 percent ownership and operates the Valmy facility. Idaho Power and NV Energy (collectively, the “co-owners”) work jointly to make decisions regarding Valmy. The plant is connected via a single 345 kilovolt transmission line to the Idaho Power control area at the Midpoint substation. Idaho Power owns the northbound capacity and NV Energy owns the southbound capacity of this line.

2. The ownership and operation of Valmy is dictated by three agreements: (1) the Agreement for the Ownership of the North Valmy Power Plant Project; (2) the Agreement for the Operation of the North Valmy Power Plant Project, both of which are dated December 12, 1978; and (3) the North Valmy Station Operating Procedures Criteria, dated as of February 11, 1993, between Idaho Power Company and Sierra Pacific Power Company, as amended by Amendment No. 1 to the Operating Procedure Criteria for Valmy Coal Diversion Procedures and Usage, dated as of January 1, 2012. Additionally, as presented in Case No. IPC-E-19-08, the co-owners entered into the North Valmy Project Framework Agreement between NV Energy and Idaho Power, dated as of February 22, 2019 (“Framework Agreement”), memorializing the terms and conditions under which either partner may elect exit of participation in Valmy.

² For planning purposes, Idaho Power uses the net dependable capability of 262 MW.

3. Idaho Power, in the settlement stipulation approved by the Commission with Order No. 33771³ in Case No. IPC-E-16-24, agreed to use prudent and commercially reasonable efforts to end its participation in the operation of Unit 1 by December 31, 2019, and Unit 2 by December 31, 2025. Subsequent to Order No. 33771, the Company filed an application to increase its rates to recover costs associated with Valmy in Case No. IPC-E-19-08. During review of Idaho Power's Application in the case, Commission Staff ("Staff") indicated that it reviewed the Company's Unit 2 closure analysis but did not have adequate information from Idaho Power at the time to determine whether the Company had completed a thorough review of a unit withdrawal date of December 31, 2025. The Commission adopted Staff's recommendation in Order No. 34349 that the Company use best efforts to file within 21 days of the service date of the 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.

II. UNIT 2 RETIREMENT ECONOMIC ANALYSIS

4. Since Order No. 34349 was issued, Idaho Power has completed additional analyses supporting the economic retirement date of Unit 2. The Company's analyses can be grouped into three general categories: (1) a Long-Term Capacity Expansion ("LTCE") analysis performed during the development of the 2019 Integrated Resource Plan ("IRP"); (2) a portfolio cost comparison between a 2019 Unit 2 shutdown and a 2025 Unit 2 shutdown under the planning assumptions from the 2019 IRP; and (3) a comprehensive Valmy verification for all 24 portfolios modeled in the IRP, including all costs and benefits associated with the Framework Agreement.

³ *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Plant*, Case No. IPC-E-16-24, Order No. 33771 (May 31, 2017).

5. Concurrent with the processing of Case No. IPC-E-19-08 and in conjunction with the development of the 2019 IRP, Idaho Power developed 24 resource portfolios using the LTCE capability of the AURORA model to analyze whether exiting Unit 2 prior to 2025 would benefit customers. The LTCE capability of AURORA produces a Western Electricity Coordinating Council- (“WECC”) optimized portfolio under various future conditions, such as varying assumptions for natural gas prices and carbon costs. The WECC-optimized portfolio includes the addition of supply- and demand-side resources for Idaho Power’s system while simultaneously evaluating the economics of exiting from current generation units.

6. LTCE Analysis. The AURORA LTCE modeling was performed using three natural gas and four carbon emissions adders to develop optimized resource portfolios for a range of possible future conditions, with the Boardman-to-Hemingway transmission line project and without. Twenty-four separate portfolios were developed which included varied amounts of nameplate generation additions, creating a diversity of resource mixes and illustrating the many combinations of resources that result in a reliable system for customers at varying costs. Idaho Power modeled the 24 portfolios to validate a Unit 2 shutdown date of 2025. In all 24 scenarios, Unit 2 did not shut down prior to 2025. However, these runs did not include the final costs and benefits associated with the newly-executed Framework Agreement.

7. Portfolio Cost Comparison. To compare the net cost and benefits of an early Unit 2 shutdown, Idaho Power did an analysis using planning natural gas and carbon assumptions with the full costs and savings of the Framework Agreement included, but this time forced Unit 2 to shut down in 2019. The Company compared this portfolio cost to that of its 2019 IRP preferred portfolio, which includes a 2019 and 2025 shutdown for Units 1 and 2, respectively. The result was a portfolio cost of

approximately \$95 million more than the preferred portfolio, supporting the conclusion that the net cost savings associated with an early retirement of Unit 2 would not support a shutdown of Unit 2 prior to 2025. The results of this cost comparison are summarized in Exhibit No. 1 to the Direct Testimony of Tom Harvey.

8. Comprehensive Valmy Verification. In addition, Idaho Power ran the capacity expansion model for all 24 portfolio scenarios with the full costs and savings of the Framework Agreement included as inputs to the model. Under this approach, the LTCE model was allowed to shut down Unit 2 in any year prior to 2025, taking into account all costs and benefits associated with an early exit; i.e., exit fees resulting from the Framework Agreement, avoided capital expenditures, and avoided operations and maintenance expense. All 24 portfolios validated a Unit 2 closure of 2025 as the least cost option because each of the modeled scenarios shut down Unit 2 in 2025. It is important to note that this analysis included a model run that reflected the least favorable coal scenario that is most likely to result in early coal closure—the high carbon, planning gas scenario. Even under this “least favorable” coal scenario, Unit 2 was shown to be needed and cost-effective until the end of 2025.

9. The results of all three analyses indicate that, under the broad range of modeled scenarios, in no case is it economically beneficial to exit Unit 2 prior to 2025. Given the fact that these models included all expected costs and benefits associated with an early exit from Unit 2, this analysis validates year-end 2025 as the appropriate exit date for both depreciation purposes and the Company’s planned exit from the Valmy plant.

III. MODIFIED PROCEDURE

10. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed

under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present its testimony and support the Application in such hearing.

IV. COMMUNICATIONS AND SERVICE OF PLEADINGS

11. Service of pleadings, exhibits, orders, and other documents relating to this proceeding should be served on the following:


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V. REQUEST FOR RELIEF

12. Idaho Power respectfully requests that the Commission issue an order acknowledging the Company has sufficiently validated the economic retirement date of Valmy Unit 2 as December 31, 2025, as directed by the Commission in Order No. 34349.

DATED at Boise, Idaho, this 27th day of June 2019.



LISA D. NORDSTROM
Attorney for Idaho Power Company