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IDAHO PUBLIC
UTILITIES COMMISSION

December 23, 2020

VIA ENCRYPTED ELECTRONIC MAIL

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg 8,
Suite 201-A (83714)
PO Box 83720
Boise, Idaho 83720-0074

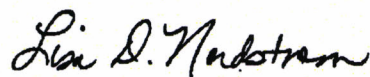
Re: Case No. IPC-E-20-32
Rate Decrease for Costs Associated with the Boardman Power Plant

Dear Ms. Noriyuki:

Enclosed for electronic filing, pursuant to Order No. 34602, please find Idaho Power Company's Reply Comments.

If you have any questions about the attached document, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:slb
Enclosure(s)

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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)	CASE NO. IPC-E-20-32
AUTHORITY TO DECREASE ITS RATES)	
FOR ELECTRIC SERVICE FOR COSTS)	IDAHO POWER COMPANY'S
ASSOCIATED WITH THE BOARDMAN)	REPLY COMMENTS
POWER PLANT.)	

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments pursuant to Order No. 34838 in response to Comments filed by the Idaho Public Utilities Commission ("Commission") Staff on December 10, 2020. Idaho Power welcomes Staff's Comments, particularly in support of the prudence of all Boardman power plant ("Boardman") investments made through June 30, 2020, and approval of the Company's proposed decrease in customer rates effective January 1, 2021. With regard to Staff's concerns surrounding the Company's processes, Idaho Power believes it prudently manages its capital investments over time, but welcomes Staff's proposal to engage in further discussions to help facilitate future prudence reviews.

I. BACKGROUND

Boardman is a pulverized-coal plant located in north-central Oregon. It went into service in 1980 and consists of a single generating unit. Idaho Power owns a 10 percent interest, or 58.5 megawatts (net dependable capacity), in Boardman while Portland General Electric ("PGE") has a 90 percent ownership. As the majority partner of the plant, PGE operates the Boardman facility. In February 2012, the Commission issued Order No. 32457 authorizing the Company to establish a balancing account to track the incremental costs and benefits associated with the early shutdown of Boardman. On May 17, 2012, the Commission issued Order No. 32549, allowing the Company to replace the then current non-levelized base rate revenue recovery associated with Idaho Power's existing investment in Boardman with a levelized revenue requirement that is tracked in the Boardman balancing account.

Cessations of coal-fired operations at Boardman, which was approved by federal and state regulators in 2010 and 2011, occurred in October, 2020. In its Application filed on August 21, 2020, Idaho Power requested an order (1) finding that all actual Boardman investments through June 30, 2020, were prudently incurred, and (2) decreasing customer rates \$3.90 million to reflect full depreciation of all Boardman investments effective January 1, 2021, equating to an overall decrease of 0.33 percent.

II. IDAHO POWER'S REPLY

Based on its extensive audit and review, Staff recommends the Commission (1) approve the Company's request to decrease customer rates of \$3.90 million effective January 1, 2021, to reflect full depreciation of all Boardman investments, (2) find that all actual Boardman investments made through June 30, 2020, are prudently incurred, and

(3) require Idaho Power to provide a proposal within 90 days to address the Company's approach and method for documenting and supporting any future prudency review filings for capital investment with its joint-venture projects.¹ Idaho Power acknowledges and appreciates Staff's extensive review of the capital investment documentation, finding the investments made at Boardman during the June 1, 2012, through June 30, 2020, time period were prudent and concluding that the proposed rate decrease of \$3.90 million should be approved. The remainder of these Reply Comments will respond to Staff's third recommendation regarding appropriate methods of documentation and support for future prudence requests. The Company reiterates its role in decision-making at the plant and the adequate oversight Idaho Power provides on project expenses but looks forward to working with Staff to address the documentation supporting approval of future joint-venture project investments included as part of the Company's request in future prudence filings.

A. The Company has Provided Appropriate Oversight of Capital Investment Decisions at Boardman.

As a 10 percent owner in the plant, Idaho Power is actively involved in the decision-making process related to capital investments at Boardman, regularly participating in discussions of the capital investment forecast prepared by PGE, influencing the investments ultimately made. The validation of Boardman costs begins during the Asset Management Plan meetings, when an open dialog between the partners and plant personnel occurs, leading to refined, cost-effective forecasted spend. It continues upon receipt of the project funding justification and cost information for the project, which is reviewed and approved by the Company within its work order management software.

¹ Staff Comments, p. 2, 10.

Then, on a monthly basis, Idaho Power receives from PGE a Boardman budget comparison that identifies variances at the Federal Energy Regulatory Commission account level.

At a more granular level, the Company performs a formal review of the capital expenditures three times a year through a process referred to as the Budget Update. Specific to expenditures at Boardman, individual projects are reviewed during this process, including an examination of actual spend compared to budget, as well as a comparison to the prior Budget Update. Idaho Power used this information to monitor capital expenditures at the individual project level, to discuss any significant variances with the plant operator to determine the cause, and to verify that past and planned expenditures were or would be prudently incurred.

Staff indicated they were able to perform a review of the Boardman investments to determine the prudence, but it was not without difficulty.² Staff believes that Idaho Power lacks a "robust process to clearly document and track expenses to show both the Company and its partner's steps for approving project expenses,"³ citing a number of items that Staff believes may need improvement based on its review of the Boardman investment documentation. Staff noted the importance of a robust process when managing partners are involved, especially as the Company begins to exit coal-fired operations in units of its other plants. As such, Staff is recommending the Commission require Idaho Power to provide a proposal within 90 days of the Commission's order to

² Staff Comments, p. 8.

³ Staff Comments, p. 8.

address the Company's approach and method for documenting and supporting any future prudence review filings for capital investment with its joint-venture projects.⁴

Idaho Power acknowledges that a prudence review of investments made at a jointly-owned power plant spanning several years, such as the one conducted by Staff in this case, is both a time and data intensive exercise. However, the Company would like to emphasize and clarify certain issues raised in Staff's Comments. In responding to Staff's production requests, Idaho Power provided voluminous⁵ amounts of documentation supporting the investments at Boardman, including financial records, project justification, bidder proposals, construction contracts and scope documents, project change orders, and PGE indirect and direct charges to the project, reconciling those amounts to the Company's records. In total, Staff reviewed 81.4 percent of the total dollars or 26.4 percent of projects⁶ for investments that spanned an eight-year time period. Even though the review covered investments made over several years with differing plant managers, Staff noted that in general the steps taken by PGE were consistent with prudent contracting practices and were used for most major capital projects at Boardman. Staff further noted that for smaller capital projects, the plant often used an onsite contractor to perform work and believes this likely increased efficiency and potentially reduced project costs.⁷

Idaho Power believes the Company has provided sufficient documentation supporting appropriate oversight of the approval of Boardman project expenses.

⁴ Staff Comments, p. 10.

⁵ Idaho Power provided over 500 megabytes of documentation in this case supporting the prudence of Boardman investments.

⁶ Staff's Comments, p. 6.

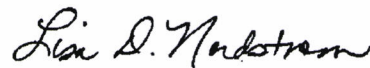
⁷ Staff's Comments, p. 8.

However, the Company looks forward to working with Staff to address their concerns and supports providing Staff a proposal within 90 days of the Commission's order to address the Company's approach and method for documenting its processes for approving project expenses associated with capital investments in other joint-venture projects. Once aligned on the process, these new practices would be in place for future investments, or those investments made in 2021 and beyond, and included as part of the Company's request in future prudence filings.

III. CONCLUSION

Idaho Power appreciates the opportunity to respond to Comments filed in this case, for Staff's review of the voluminous amount of documentation of Boardman-related costs, and its support for a prudence determination of the investments and approval of the Company's proposed decrease in customer rates effective January 1, 2021. The Company respectfully requests that the Commission issue an order approving its request for an order (1) finding that all actual Boardman investments through June 30, 2020, were prudently incurred, and (2) decreasing customer rates \$3,902,622 to reflect full depreciation of Boardman investments, effective January 1, 2021, which equates to an overall decrease of 0.33 percent.

DATED at Boise, Idaho, this 23rd day of December, 2020.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 23rd day of December 2020 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:

Commission Staff

John R. Hammond, Jr.
Deputy Attorney General
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
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Sandra D. Holmes, Legal Asst.