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IDAHO PUBLIC
UTILITIES COMMISSION

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February 28, 2022

VIA ELECTRONIC FILING

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-22-05
In the Matter of the Application for a Determination Validating the North
Valmy Power Plant Balancing Account True-Up

Dear Ms. Noriyuki:

Enclosed for electronic filing, pursuant to Order No. 35058, please find Idaho Power Company's Application in the above matter.

In addition, attached is the Direct Testimony of Courtney Waites and the Direct Testimony of Lindsay Barretto filed in support of the Application. Word versions are also attached for the Reporter.

Also attached is a protective agreement. Exhibit No. 3 to the testimony of Lindsay Barretto contains confidential information and will be provided separately via encrypted email to parties who sign the protective agreement.

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

Very truly yours,

Lisa D. Nordstrom

LDN:sg
Enclosures

CERTIFICATE OF ATTORNEY

ASSERTION THAT INFORMATION CONTAINED IN AN IDAHO PUBLIC UTILITIES COMMISSION FILING IS PROTECTED FROM PUBLIC INSPECTION

Idaho Power Company's Application for a Determination Validating The North Valmy Power Plant Balancing Account True-Up

Case No. IPC-E-22-05

The undersigned attorney, in accordance with RP 67, believes that Exhibit No. 3 to the testimony of Lindsay Barretto, related to Idaho Power Company's Application for a Determination Validating the North Valmy Power Plant Balancing Account True-Up dated February 28, 2022, may contain information that Idaho Power Company or a third party claims is confidential as described in *Idaho Code* § 74-101, *et seq.*, and § 48-801, *et seq.*, and as such is exempt from public inspection, examination, or copying.

DATED this 28th day of February 2022.



Lisa D. Nordstrom
Counsel for Idaho Power Company

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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 A)	CASE NO. IPC-E-22-05
DETERMINATION VALIDATING THE)	
NORTH VALMY POWER PLANT)	APPLICATION
BALANCING ACCOUNT TRUE-UP.)	
)	
)	

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-502, 61-503, and 61-524, as well as RP 052, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order (1) finding that all actual North Valmy Power Plant ("Valmy") investments during the January 1, 2019, through December 31, 2021, time period were prudently incurred, (2) validating that Idaho Power has accurately quantified the Valmy balancing account true-up as a result of the inclusion of actual costs through December 31, 2021, and updated forecasted investments through December 31, 2025, and (3) confirming this request satisfies the annual reporting required by Commission Order No. 34349. Although Order No. 34349 requires the Company's filing to include a rate change effective June 1, 2022, the Company is not proposing to adjust customer rates at this time.

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

I. BACKGROUND

1. 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 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. The Company exited coal-fired operations of Unit 1 December 31, 2019, as accepted by the Commission in Order No. 33983 as part of Idaho Power’s 2017 Integrated Resource Plan. The Preferred Portfolio identified in the 2021 IRP, filed in Case No. IPC-E-21-43, includes an exit from Valmy Unit 2 in 2025, concluding that the 2025 exit from Valmy provides a more favorable economic outcome when compared to an earlier exit.

2. With Order No. 33771 in Case No. IPC-E-16-24, and updated with Order No. 34349 in Case No. IPC-E-19-08, the Commission approved a balancing account mechanism designed to smooth revenue requirement impacts associated with the shutdown of Valmy and allow for full recovery of Valmy-related costs near the plant’s end-of-life. In addition, it more closely aligns the cost recovery period with the remaining operating life of the plant, resulting in a better matching of cost recovery from customers who benefit from the plant’s operations while mitigating the risk of future customers bearing the costs of a plant that will no longer be providing service. To help mitigate the rate impact to customers, the Commission approved a Valmy-related revenue requirement collection through 2028, three years longer than Idaho Power’s planned operational life of the plant.

3. The Company’s last update to base rates associated with Valmy was

approved with Order No. 34349, in Case No. IPC-E-19-08. The Commission: (1) deemed all actual Valmy investments through December 31, 2018, were prudently incurred, (2) allowed investments at Valmy forecasted through December 31, 2025, to be included in the levelized revenue requirement mechanism, and (3) adjusted customer rates to recover the associated Idaho jurisdictional incremental annual levelized revenue requirement of \$1.21 million effective June 1, 2019. In addition, Order No. 34349 required the Company (1) to file annual reports detailing the amounts recorded to the Valmy balancing account, and (2) to submit a filing no later than February 28, 2022, to true-up the balancing account with forecast-to-actuals, with rates to become effective June 1, 2022.

II. VALMY INVESTMENTS SINCE 2018

4. There have been a number of investments required to operate Valmy in a safe, efficient, and reliable manner, including investments required to ensure environmental compliance as well as a number of investments for routine asset replacement. Exhibit No. 2 to the direct testimony of Ms. Barretto presents Idaho Power's share of the investments made at Valmy between January 1, 2019, and December 31, 2021, detailing 57 different projects totaling \$4.66 million. In addition, for those projects for which Idaho Power's ownership share is over \$20,000, and all investments associated with Unit 1, the Company has included a project description and investment purpose classification as to whether the investment was for environmental compliance, safety, and/or reliability.

5. Of the 40 projects for which a detailed project description and investment purpose classification was provided, 23 were for continued reliable plant operations, four were required for environmental compliance, one was for the safe operations of the plant, and 12 were for a combination of either reliability, environmental compliance, or safety. At \$2.04 million, the investments for reliability purposes are the largest expenditures

made at Valmy since 2018. However, the largest investment made at Valmy during the January 1, 2019, through December 31, 2021, time period, at \$1.24 million, was for a combination of reliability and safety purposes and required the fix of the Unit 2 turbine high pressure/intermediate pressure section shell steam leaks.

6. While the Parties are cognizant of the approaching end-of-life of Valmy, there are investments necessary to ensure the plant remains operational in a safe, efficient, and reliable matter. Because Idaho Power has exited participation in Unit 1 operations, the Company is no longer responsible for capital costs associated with that unit. However, Idaho Power is still responsible for common facility investments and Unit 2 investments until the Company has exited participation in operation of the unit. The latest forecast, presented in Confidential Exhibit No. 3 to Ms. Barretto's testimony, includes the projected spend during the 2022 through 2025 time period.

III. THE VALMY BALANCING ACCOUNT TRUE-UP AND RECOMMENDED RATEMAKING TREATMENT

7. There are four types of costs the Company records to the balancing account: (1) the accelerated depreciation associated with existing Valmy plant investments, (2) the return on the undepreciated capital investments at Valmy, (3) non-fuel operations and maintenance ("O&M") reductions, and (4) decommissioning costs related to the Valmy shutdown. Under the balancing account approach, the Company replaces the base rate revenue recovery associated with Idaho Power's existing investment in Valmy with a levelized revenue requirement and tracks it in the Valmy balancing account. Order No. 34349 approved an Idaho jurisdictional levelized revenue requirement of \$29.90 million, including all Valmy-related plant investments as of December 31, 2018, projected additions to the Valmy plant through 2025, current and future non-fuel O&M savings through December 31, 2025, and projected decommissioning costs.

8. Updating the levelized revenue requirement based on the Valmy balancing account true-up with plant investment balances and actual O&M savings through December 31, 2021, as well as the forecast of investments and O&M savings through December 31, 2025, results in an annual levelized revenue requirement of \$31.68 million on an Idaho jurisdictional basis, including \$32.28 million associated with existing investments, \$2.86 million related to incremental investments, \$1.10 million in decommissioning costs, \$4.45 million in non-fuel O&M savings, and a load variance over-collection of \$101,318. As detailed in Exhibit No. 1 to the direct testimony of Mr. Larkin, the incremental increase to the Idaho jurisdictional levelized revenue requirement is \$1.78 million.

9. Because the true-up of the Valmy balancing account reflects an increase of \$1.78 million in the levelized revenue requirement, and because any such differences are tracked through the Valmy balancing account, the Company requests that the Commission validate its quantification of the Valmy balancing account true-up and recommends that the difference in the annual revenue requirement remain in the balancing account to offset potential future refunds or add to future positive differences. Idaho Power will continue to file the Valmy Levelized Revenue Requirement Balancing Account annual reports following year-end 2022, keeping the Commission apprised of changes to the Valmy levelized revenue requirement as a result of forecast-to-actuals updates.

10. Idaho Power is not requesting to adjust base rates at this time. However, if the Commission determines that a June 1, 2022, rate change is appropriate, the Company's filing includes a quantification of the necessary rate change resulting from the updated incremental annual levelized revenue requirement.

IV. MODIFIED PROCEDURE

11. The Company 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.

V. COMMUNICATIONS AND SERVICE OF PROCEEDINGS

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

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VI. REQUEST FOR RELIEF

13. Idaho Power respectfully requests the Commission issue an order (1) finding that all actual Valmy investments during the January 1, 2019, through December 31, 2021, time period were prudently incurred, (2) validating that Idaho Power has accurately quantified the Valmy balancing account true-up as a result of the inclusion of actual costs through December 31, 2021, and updated forecasted investments through December 31, 2025, and (3) confirming this request satisfies the annual reporting required by Commission Order No. 34349. Although Order No. 34349 requires the Company's filing to include a rate change effective June 1, 2022, the Company is not proposing to adjust customer rates at this time.

DATED at Boise, Idaho, this 28th day of February 2022.

Lisa D. Nordstrom

LISA D. NORDSTROM
Attorney for Idaho Power Company