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IDAHO PUBLIC
UTILITIES COMMISSION

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July 8, 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, please find Idaho Power Company's Reply Comments
in the above matter.

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

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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)	IDAHO POWER COMPANY'S
BALANCING ACCOUNT TRUE-UP.)	REPLY COMMENTS
)	
)	

Idaho Power Company ("Idaho Power" or "Company") respectfully submits these Reply Comments in response to the Comments filed by the Idaho Public Utilities Commission ("Commission") Staff on June 22, 2022. The Company acknowledges and appreciates Staff's review of the North Valmy Power Plant ("Valmy") investments made during the January 1, 2019, through December 31, 2021, time period and the quantification of the Valmy balancing account true-up as a result of the inclusion of actual costs through December 31, 2021. In the paragraphs that follow, Idaho Power will respond to some concerns raised by Staff in their Comments:

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. 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.¹

2. With Order No. 33771 in Case No. IPC-E-16-24, and updated by 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

¹ 2021 IRP, pp. 151-153.

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.

4. Therefore, on February 28, 2022, Idaho Power filed a request with the Commission for an order (1) finding that all actual Valmy investments made 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 the 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, Idaho Power is not proposing to adjust customer rates at this time.

II. IDAHO POWER'S REPLY

5. The quantification of the Valmy balancing account true-up consisted of updating plant investment balances and actual non-fuel operations and maintenance expense ("O&M") savings through December 31, 2021, as well as the forecast of investments and O&M savings through December 31, 2021, and the load variance true-up resulting from collections of levelized revenue requirement amounts. Idaho Power appreciates Staff's finding that the Company has accurately quantified the Valmy balancing account true-up.²

6. Idaho Power funded fifty-seven (57) different investments totaling \$4.66 million that were 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 made at the plant between January 1, 2019,

² Staff Comments, p. 8.

and December 31, 2021. Of the 40 projects for which Idaho Power's ownership share is over \$20,000, or was associated with Unit 1, twenty-three (23) were for continued reliable plant operations, four (4) were required for environmental compliance, one (1) was for the safe operations of the plant, and twelve (12) were for a combination of either reliability, environmental compliance, or safety.

7. Idaho Power validates and approves costs incurred by its operating partner, NV Energy, on a monthly basis, at a minimum. The first review is performed as part of the Ownership Meetings, which are held twice a year and include discussions regarding capital expenditures, among other items. Beginning in 2021, the Company requested monthly meetings with plant and corporate personnel to discuss the items on a more frequent basis. The North Valmy Monthly Budget Review and Update provide a forum for an open dialog discussing capital project budgets, variances, scope and need, and year-end forecasts. Also on a monthly basis, NV Energy uploads the prior month preliminary cost data file to the Company's secure FTP site for Idaho Power's accrual entry. At this time, total costs are compared to budget and budget update amounts and any significant variances are discussed with NV Energy. This same review is performed later in the month when the prior month actual costs are finalized.

8. In their audit, Staff analyzed two types of prudence, decisional prudence, which is based on need, and operational prudence, which is based on whether or not the Company implemented the investment in the least-cost manner. Staff concluded that the investments were needed to continue safe and reliable operation of the facility, or decisional prudence, but indicated they cannot "recommend that the investments were operationally prudent due to lack of sufficient evidence documenting that the projects were done in a least-cost way."³ As such, Staff recommends Idaho Power provide Staff

³ Staff Comments, p. 4.

with additional information via a compliance filing within six months of the Commission's order in this case necessary to determine prudence.

9. In their Comments, Staff described their audit consisted of a detailed analysis of ten projects that were either the highest cost projects or projects Staff felt "had unusual circumstances."⁴ Staff discussed three of the projects, highlighting the documentation provided by Idaho Power did not provide any type of budget-to-actual performance, failing to prove the project was implemented in the least-cost manner. During the discovery and audit process, Idaho Power focused on explaining the process undertaken by the Company to ensure the Valmy projects are managed to achieve least cost but did not include an analysis for each capital project verifying the costs incurred.

10. After reviewing Staff's Comments and gaining a better understanding of the type of information Staff needs to make a recommendation regarding operational prudence, Idaho Power is able to prepare a reconciliation of budget-to-actual costs for each Valmy project for which the Company seeks prudence, including a summary of the charges capitalized and an explanation of any variances. The Company is open to working with Staff to develop the documentation necessary for Staff's audit and prudence review prior to any future filing for which a prudence determination is requested.

11. While the Company believes the investments made at Valmy between January 1, 2019, through December 31, 2021, were prudent and that the documentation provided to Staff in response to their audit was sufficient, Idaho Power will provide additional information for Staff to make a prudence determination and is open to working with Staff to identify their information needs. However, the Company proposes a slightly different procedural approach, under which the information to further support prudence of the investments made during the January 1, 2019, through December 31, 2021, time period is submitted as part of the Valmy Levelized Revenue Requirement Balancing

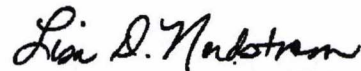
⁴ Staff Comments, p. 5.

Account 2022 Annual Review ("2022 Annual Review"), providing the Commission the opportunity to make a prudence determination in conjunction with Staff's recommendation following their review of the additional documentation. The Company envisions filing this report as a new case that will include the 2022 Annual Review and the prudence determination for these investments in the first quarter of 2023, resulting in administrative efficiency for both the Commission and Staff.

III. CONCLUSION

12. Idaho Power appreciates the opportunity to respond to Staff's Comments filed in this case and their review of the documentation supporting 57 different Valmy investments made between January 1, 2019, and December 31, 2021, totaling \$4.66 million. The Company 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, or, in the alternative, accept Staff's recommendation that the Company file additional documentation to support a prudence determination but as part of the 2022 Annual Review, (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.

DATED at Boise, Idaho, this 8th day of July 2022.



LISA D. NORDSTROM
Attorney for Idaho Power Company

I HEREBY CERTIFY that on the 8th day of July 2022, 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

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Deputy Attorney General
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