

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-22-05
COMPANY’S APPLICATION FOR A)
DETERMINATION VALIDATING THE) ORDER NO. 35494
NORTH VALMY POWER PLANT)
BALANCING ACCOUNT TRUE-UP)
)

On February 28, 2022, Idaho Power Company (“Company”) applied to the Idaho Public Utilities Commission (“Commission”) for an order: (1) finding that all actual North Valmy Power Plant (“Valmy”) investments from January 1, 2019, through December 31, 2021, were prudently incurred; (2) validating that the Company had 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 Company’s request satisfied the annual reporting required by Commission Order No. 34349.

Valmy is a coal-fired power plant that consists of two units and is located near Winnemucca, Nevada. NV Energy co-owns the plant with the Company and is Valmy’s main operator. The Company exited coal-fired operations of Unit 1 on December 31, 2019. Order No. 33983. The Company anticipates that it will exit from Valmy Unit 2 by end of 2025. *Application* at 2; *see also* Case No. IPC-E-21-43.

In Order No. 34349, 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. The Commission also approved Valmy-related investments forecasted through December 31, 2025, to be included in the levelized revenue requirement mechanism. Order Nos. 34349 and 33771. In Order No. 34349, the Commission directed the Company to file annual reports detailing the amounts recorded to the Valmy balancing account, and to submit a filing to true-up the balancing account with forecast-to-actuals no later than February 28, 2022. Order No. 34349 at 4.

The Company stated that “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.” *Application* at 3. The Company represented it completed 57 projects totaling \$4.66 million

between January 1, 2019, and December 31, 2021. The Company stated that since 2018, the largest expenditures were those made for reliability purposes, \$2.04 million. The Company represented that the largest single investment made at Valmy for the same time-period was for repair of the Unit 2 turbine high pressure/intermediate pressure section shell steam leak, \$1.24 million. The Company also provided its spending and investment forecast for 2022 through 2025.

The Company stated that there were four costs included in its balancing account: (1) the accelerated depreciation associated with existing Valmy plant investments; (2) the return on the undepreciated capital investments at Valmy; (3) nonfuel operations and maintenance (“O&M”) reductions; and (4) decommissioning costs related to the Valmy shutdown. In Order No. 34349, the Commission approved an Idaho jurisdictional levelized revenue requirement of \$29.90 million that included 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.

The Company represented that 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 future investments and O&M savings through December 31, 2025, resulted in an annual levelized revenue requirement of \$31.68 million on an Idaho jurisdictional level, 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 overcollection of \$101,318; all representing an increase of \$1.78 million from the revenue requirement approved in Order No. 34349.

The Company did not request an adjustment to customer rates at this time; however, if the Commission determined that a June 1, 2022, rate change was appropriate, the Company stated that its filing included the necessary quantifications for the Commission to calculate a rate change resulting from the annual levelized revenue requirement.

COMMENTS

1. Staff Comments

Staff reviewed the Application, testimony, and responses to production requests. Based on its review, Staff recommended the amounts for the investments made between January 1, 2019, through December 31, 2021, as shown in Company Exhibit No. 2, be maintained in the balancing account, but without a determination of prudence at this time. Staff believed the Company

accurately quantified the Valmy balancing account true-up, that the Company’s filing satisfied the annual reporting requirement, and that a change in customer rates was not necessary.

The Valmy balancing account true-up with plant investment balanced, actual O&M savings through December 31, 2021, as well as future investments and O&M savings through December 31, 2025, resulted in an annual levelized revenue requirement of \$31.68 million on an Idaho jurisdictional level as shown in Table No. 1 below.

Table No. 1: Valmy Levelized Revenue Requirement	
Existing Capital Investments as of Dec. 31, 2021	\$ 32,282,687
Incremental Capital Investments through 2025	\$ 2,859,968
Decommissioning Costs	\$ 1,095,534
Non-Fuel O&M Savings	\$ (4,454,106)
Load Variance Overcollection	\$ (101,318)
Total Levelized Revenue Requirement	\$ 31,682,765

The \$31.68 million levelized revenue requirement was an increase of \$1.78 million over the levelized revenue requirement approved in Order No. 34349.

Staff recommended that the \$1.78 million difference in the annual revenue requirement remain in the balancing account, and an adjustment to customer rates to recover the incremental annual levelized revenue requirement resulting from the true-up was not necessary. Staff believed the Application satisfied the annual reporting required by Commission Order No. 34349.

To determine prudence needed for the Company to begin recovery for its capital investments, Staff analyzed two types of prudence: decisional prudence and operational prudence. Staff explained that decisional prudence of an investment is based on need, while operational prudence is based on whether the Company implemented the investment in a least-cost manner. As a result of its review, Staff concluded that the investments made at the North Valmy Plant during the 2019 through 2021 timeframe as shown in Exhibit No. 2, were needed to continue safe and reliable operation of the facility. As such, Staff recommended that the amounts for these investments be maintained in the balancing account.

However, Staff could not recommend that the investments were operationally prudent due to a lack of sufficient evidence documenting that the projects were done in a least-cost manner. Staff further recommended the Company provide the information needed by Staff six months after the Commission’s order in this case through a compliance filing. Staff recommended the Company

meet with Staff prior to the Compliance filing to determine the information required to determine prudence of its capital investments. Staff believed this was consistent with Order No. 35423, which provided that the Company meet with Staff to identify the “process by which the Company documents the decision-making aspect of its capital investments...[and] to develop a more comprehensive future documentation process.” Order No. 35423 at 13.

The Company included forecasted capital investments and projected decommissioning costs in the balancing account in order to facilitate rate stability by including these costs and levelizing their impact. Staff reviewed the Company’s forecast and believed the costs were within the bounds of the Framework Agreement and were reasonable given the Company’s early exit plan. Staff recommended those adjusted costs be included in the balancing account, and the actual investments be reviewed for prudence and true-up prior to being recovered in rates.

Staff reasoned that the Company was requesting Commission approval to include the incremental Idaho jurisdictional revenue requirement of \$1,556,651 for actual and forecasted investments projected through December 31, 2025, in the balancing account. Further the Company had characterized those investments as necessary and routine capital expenditures needed to operate the facility safely and reliably through the end of its life. Staff verified that the Company’s investments included expenditures for future plant maintenance outages as well as equipment replacement and upgrades for Unit No. 2 and common facilities to ensure reliable operation through the end of its life. Staff reviewed, and would continue to review, any planned investments that could be avoided given the facility’s end of life. To ensure that any unnecessary future expenditures are minimized, Staff recommended the Company include any updates to forecasted expenditures as part of the annual reporting as circumstances change.

Staff audited a sample of Valmy O&M expenses. Based on the audit, Staff believed the update to actual O&M expenses was accurate, and Staff believed the forecast of the O&M expenses through December 31, 2025, was reasonable.

Ultimately, Staff recommended:

- the Commission find the amounts for the investments made between January 1, 2019, through December 31, 2021, as shown in Company Exhibit No. 2, be maintained in the balancing account, but without a determination of prudence at this time;
- the Commission validate that Idaho Power has accurately quantified the Valmy balancing account true-up as a result of the inclusion of actuals through December 31, 2021, and updated forecasted investment through December 31, 2025;

- the Commission confirm the Company's Application satisfies the annual reporting required by Commission Order No. 34349;
- the Commission confirm that although Order No. 34349 requires the Company's filing to include a rate change effective June 1, 2022, that customer rates not be adjusted at this time;
- the Company work with Staff to develop available documentation for actual expenses for audit and prudence review prior to a compliance filing; and
- the Commission direct the Company to provide the information needed by Staff within six months after the Commission's order in this case through a compliance filing after meeting with Staff to determine the information needs required to determine prudence of its capital investments.

2. Company Reply Comments

After reviewing Staff's Comments, the Company stated that it was 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. The Company believed 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, but Idaho Power would provide additional information for Staff to make a prudence determination and was open to working with Staff to identify its information needs.

However, the Company proposed a 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 would be submitted as part of the Valmy Levelized Revenue Requirement Balancing Account 2022 Annual Review ("2022 Annual Review"), providing the Commission the opportunity to make a prudence determination in conjunction with Staff's recommendation following its review of the additional documentation. The Company envisioned filing that report as a new case that would include the 2022 Annual Review and the prudence determination for those investments in the first quarter of 2023, resulting in administrative efficiency for both the Commission and Staff.

The Company requested the Commission issue an order: (1) finding that all actual Valmy investments made between January 1, 2019, through December 31, 2021, 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 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.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501, -502, and -503. The Commission may enter any final order consistent with its authority under Title 61.

The Commission has reviewed the Company's Application including all submitted materials, Staff comments, and Company reply comments. Based on its review of the record, the Commission finds that the amounts for the investments made between January 1, 2019, through December 31, 2021, as shown in Company Exhibit No. 2 of the Application, shall be maintained in the balancing account; however, the Commission makes no finding as to the prudence of those investments at this time.

The Commission finds it fair just and reasonable for the Company to file additional documentation to support a prudence determination as part of the Company's 2022 Annual Review. The Commission believes that the process by which the Company documents and submits such documentation to support a prudence determination can be strengthened by working with Staff to develop a more comprehensive documentation process for actual expenses for audit and prudence review prior to the Company's filing of its 2022 Annual Review.

The Commission finds that Idaho Power has accurately quantified the Valmy balancing account true-up as a result of the inclusion of actuals through December 31, 2021, and updated forecasted investment through December 31, 2025. The Commission finds that the Company's Application satisfies the annual reporting required by Commission Order No. 34349 and finds that no rate change will be made at this time.

ORDER

IT IS HEREBY ORDERED that the amounts for the investments made between January 1, 2019, through December 31, 2021, as shown and identified in the Application shall be maintained in the balancing account.

IT IS FURTHER ORDERED that the Company shall file additional documentation to support a prudence determination as part of the Company's Valmy Levelized Revenue Requirement Balancing Account 2022 Annual Review after meeting with Staff to expand the documentation process.

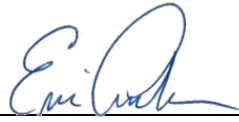
IT IS FURTHER ORDERED that Idaho Power has accurately quantified the Valmy balancing account true-up as a result of the inclusion of actuals through December 31, 2021, and updated forecasted investment through December 31, 2025.

IT IS FURTHER ORDERED that the Company's Application satisfies the annual reporting required by Commission Order No. 34349.

IT IS FURTHER ORDERED that no rate change will be made at this time.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* §§ 61-626 and 62-619.

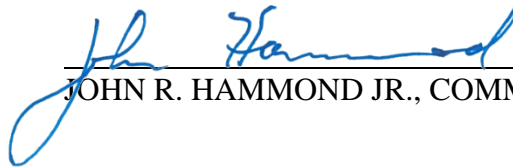
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of August 2022.



ERIC ANDERSON, PRESIDENT

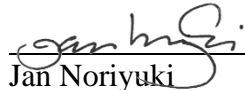


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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