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IDAHO PUBLIC
UTILITIES COMMISSION

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March 29, 2024

Monica Barrios-Sanchez, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-24-14
Idaho Power Company's Application for an Order Authorizing Inclusion in the Bridger Balancing Account of all Non-Fuel Operations and Maintenance Expenses Associated with Plant Operations.

Dear Ms. Barrios-Sanchez:

Attached for electronic filing, please find Idaho Power Company's Application in the above-entitled matter.

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

Sincerely,

Lisa D. Nordstrom

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LDN:sg
Attachment

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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 AN ORDER AUTHORIZING INCLUSION IN THE BRIDGER BALANCING ACCOUNT OF ALL NON-FUEL OPERATIONS AND MAINTENANCE EXPENSES ASSOCIATED WITH PLANT OPERATIONS.	))))))))	CASE NO. IPC-E-24-14 APPLICATION

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-524 and 61-525 and RP 052, respectfully makes application to the Idaho Public Utilities Commission ("Commission" or "IPUC") for an order authorizing inclusion in the Jim Bridger Power Plant ("Bridger") balancing account of all non-fuel operations and maintenance ("O&M") expenses associated with plant operations. Idaho Power will seek recovery of these deferred Bridger costs in a future rate proceeding and is not proposing a change in customer rates at this time.

I. BACKGROUND

1. The Bridger plant, located near Rock Springs, Wyoming, consists of four generating units. PacifiCorp has two-thirds ownership and is the operator of the facility and Idaho Power owns one-third of Bridger, or 706 megawatts ("MW") of net dependable capacity. Unit 1 began commercial operation in 1974, Unit 2 in 1975, Unit 3 in 1976 and Unit 4 in 1979. The Company and PacifiCorp (collectively, the "Bridger Co-Owners") work jointly to make decisions regarding the plant, including required investments and the retirement of the plant. The plant is connected to the Borah West transmission path, 345-kilovolt ("kV"), 230-kV, and 138-kV transmission lines west of the Borah Substation near American Falls, Idaho. Idaho Power's one-third share of energy from Bridger flows west over this path. The Idaho-Wyoming path, or Bridger West, consists of three 345-kV transmission lines between Bridger and southeastern Idaho. The Company owns 800 MW of the 2,400 MW east-to-west capacity which effectively feeds into the Borah West path when power is moving east to west from Bridger.

2. The coal units continue to deliver generating capacity and energy during high-demand periods and/or during periods of high wholesale-electric market prices. Within Idaho Power's coal fleet, Bridger provides recognized flexible ramping capability enabling the Company to demonstrate ramping preparedness required of Energy Imbalance Market participants. However, despite the system reliability benefits, the economics of coal plant ownership and operation remain challenging because of the need for capital investments for environmental retrofits. As a result, Idaho Power's Second Amended 2019 Integrated Resource Plan ("IRP"), acknowledged with Order No. 34959, identified a preferred portfolio that included early Bridger unit exits in 2022, 2026, 2028, and 2030.

3. Unlike the majority of the Company's assets that depreciate over a lifecycle that corresponds with their respective technical useful lives, Idaho Power's coal plants have transitioned in recent years to having a lifespan largely dictated by economic and regulatory factors. Because the economic and regulatory factors that will determine the Bridger plant's actual operating life are likely to shift and change over the next several years, it was important the Company put in place a cost recovery mechanism that could mitigate the rate volatility that could otherwise exist under a more traditional ratemaking approach. As a result, with Order No. 35423 in Case No. IPC-E-21-17, the Commission approved Idaho Power's Bridger balancing account mechanism that is designed to smooth revenue requirement impacts associated with the cessation of coal-fired operations at Bridger and allow for full recovery of Bridger coal-related costs by December 31, 2030. The levelized revenue requirement includes the costs of accelerating the depreciation of the Bridger coal-related plant items, the return associated with coal-related capital investments net of accumulated depreciation forecasted through Idaho Power's participation in operations of Bridger, a small portion of decommissioning costs associated with Bridger's end-of-life, and O&M associated with coal-fired non-fuel O&M expense reductions.

II. BRIDGER IN IDAHO POWER'S GENERATION PORTFOLIO

4. During development of the 2021 IRP, Idaho Power continued to analyze exiting from coal units before the end of their depreciable lives. At the time, because Units 1 and 2 were going to require Selective Catalytic Reduction investments by year-end 2021 and 2022 for continued coal operation, PacifiCorp had modeled in their 2021 IRP various coal unit retirements and associated gas conversions. Driven in part by ongoing cost pressures on existing coal-fired facilities and dropping costs for new resource alternatives, PacifiCorp's 2021 IRP Preferred Portfolio included cessation of Bridger Unit

1 and Unit 2 coal-fired operations at the end of 2023 and conversion to natural gas and operational in May of 2024. As such, for 2021 IRP modeling, Idaho Power also analyzed the conversion of Bridger units to natural gas.

5. Idaho Power used AURORA's Long Term Capacity Expansion ("LTCE") modeling capabilities, which produces optimized portfolios under various future conditions, to determine the best Bridger operating option specific to the Company's system. Any costs associated with continued capital investments and early exit or conversion were included in the analysis. If the units were converted to natural gas, changes to the fuel costs and operating expenses were modeled to capture the change in fuel. The Company's resulting AURORA-produced optimized 2021 Preferred Portfolio, acknowledged with Order No. 35603, included the conversion of Units 1 and 2 from coal to natural gas by the summer of 2024, and the exit of coal-fired operations in Units 3 and 4 by year-end 2025 and 2027, respectively. Further, the 2023 IRP, filed in Case No. IPC-E-23-23, again identified the conversion of Units 1 and 2 from coal to natural gas by the summer of 2024.

III. CONVERSION OF BRIDGER UNITS FROM COAL TO GAS

6. With an acknowledged Preferred Portfolio that identifies the conversion of Bridger Units 1 and 2 to natural gas by the summer of 2024, coal-fired operations of Units 1 and 2 ceased on December 31, 2023. Work necessary for the conversion has commenced. In 2022, a project management team was assembled, and the development phase began. Shortly thereafter contracts were executed for design work, material supply, and construction. Construction of the outdoor portions of the natural gas pipeline began in October 2023 and was completed in December 2023. At that point, and following cessation of coal-fired operations, installation of the equipment within the plant began with online tuning for Unit 2 starting in March 2024 and dispatch the same month. Online

tuning[1] for Unit 1 is expected to begin in April 2024 with dispatch of the unit to occur in May 2024.

7. Once gas-fired operations commence, the Co-Owners will be required to continue to make capital investments necessary to operate the plant in a safe, efficient, and reliable manner, similar to the investments necessary under coal-fired operations. In addition, non-fuel O&M expenses will continue to be incurred, including costs associated with day-to-day supervision, maintenance, administration, and general operation of Bridger whether operations are coal-fired or gas-fired. Non-fuel O&M expenses include but are not limited to: (1) labor expenses, (2) non-labor project costs such as materials and supplies, use of contractors and outside services, equipment and vehicles, equipment leases, and travel, (3) environmental remediation costs, (4) an allocation of corporate engineering and administration costs, and (5) administrative and general expenses.

IV. PROPOSED ACCOUNTING TREATMENT

8. The Bridger balancing account mechanism established in Case No. IPC-E-21-17 is intended to smooth the revenue requirement impacts associated with the cessation of coal-fired operations at Bridger and allow for full recovery of Bridger coal-related costs by its end-of-life. The mechanism also captures non-fuel O&M expense savings associated with cessation of operations of each unit when exited. Therefore, the Bridger coal-related levelized revenue requirement included in customer rates reflects reduced non-fuel O&M expense associated with Units 1 and 2 beginning 2024, Unit 3 beginning 2026 and Unit 4 beginning 2029.

[1] Online tuning involves the firing of the boiler with natural gas to bring the turbine/generator online, allowing for firing at the boiler from minimum load to maximum load to balance the air flow (forced draft and induced draft fans) with natural gas for optimum temperature balance in the boiler, efficient fuel burn, and to reduce emissions.

9. While savings associated with non-fuel O&M expense reductions due to cessation of coal-fired operations have been captured, the mechanism does not currently provide for recovery of non-fuel O&M expenses associated with the gas-fired operations that will commence in 2024. At this time, the Company anticipates the gas-fired non-fuel O&M expense categories will be similar to those of the coal-fired non-fuel O&M expense categories though the cost categories of the variable non-fuel O&M expenses, which include the costs associated with the consumption of chemicals and other supplies driven by a unit of output, may vary.

10. Because the rates resulting from Idaho Power's last general rate case, Case No. IPC-E-23-11, in effect January 1, 2024, were based on a 2023 test year, they do not include non-fuel O&M expenses associated with gas-fired operations at Bridger. Additionally, in accordance with the Code of Federal Regulations,[2] because Bridger will continue to produce steam for electric generation, whether the fuel source is coal or natural gas, all Bridger gas-fired investments and O&M expenses will be recorded in steam production accounts in the same manner as coal-fired investments and O&M expenses. Therefore, Idaho Power will be unable to differentiate non-fuel O&M expenses by unit. Consequently, the Company seeks authorization from the Commission to include the Idaho jurisdictional share of ***all*** non-fuel O&M expenses associated with Bridger operations, whether gas-fired or coal-fired, in the Bridger balancing account.

11. The Bridger coal-related levelized revenue requirement included in customer rates computes non-fuel O&M reductions using a base level of non-fuel O&M expenses of approximately $31.3 million in 2022 and 2023, dropping to $18.2 million beginning 2024 when coal-fired operations of Unit 1 and Unit 2 cease, as compared to

[2] CFR Title 18/Chapter I/Subchapter C/Part 101: eCFR :: 18 CFR Part 101 -- Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act.

actual non-fuel O&M expenses during each year. Idaho Power is proposing to track within the mechanism ***all*** actual non-fuel O&M expenses associated with the four Bridger units and common facilities, comparing the actual non-fuel O&M expenses to the $18.2 million forecast of non-fuel O&M expense currently reflected in customer rates, effective January 1, 2024. In doing so, the Company will capture in the balancing account any non-fuel O&M variances associated with operations of Bridger regardless of the fuel source, if they exist. Idaho Power will seek to update the current level of Bridger-related costs in customer rates to include all non-fuel O&M expenses in the Bridger levelized revenue requirement mechanism in a future rate proceeding.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

12. Communications and service of pleadings with reference to this Application should be sent to the following:

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VI. MODIFIED PROCEDURE

13. 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.

VII. REQUEST FOR RELIEF

The Bridger balancing account mechanism is intended to smooth the revenue requirement impacts of ceasing coal-fired operations at Bridger and captures non-fuel O&M expense savings associated with cessation of operations of each unit when exited. However, the Company's 2021 Preferred Portfolio, acknowledged by Order No. 35603, included the conversion of Units 1 and 2 from coal to natural gas by the summer of 2024, and indicated Bridger operations will continue following cessation of coal-fired operations. Because the Bridger mechanism did not contemplate operations of a unit continuing once coal-fired operations ceased, customer rates do not include non-fuel O&M expenses associated with the commencement of Bridger gas-fired operations in 2024. Therefore, Idaho Power respectfully requests that the Commission issue an order authorizing the inclusion in the Bridger balancing account of ***all*** non-fuel O&M expenses associated with plant operations.

DATED at Boise, Idaho this 29th day of March 2024.

Lisa D. Nordstrom

LISA D. NORDSTROM
Attorney for Idaho Power Company