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IDAHO PUBLIC  
UTILITIES COMMISSION

**LISA D. NORDSTROM**  
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March 12, 2013

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

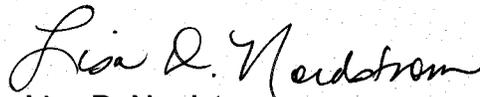
Re: Case No. IPC-E-12-09  
Compliance Filing – Boardman Power Plant Annual Review (2012)

Dear Ms. Jewell:

Pursuant to Idaho Public Utilities Commission Order No. 32549 in Case No. IPC-E-12-09, Idaho Power Company hereby submits its *Boardman Power Plant Annual Review* for the year ending 2012.

If you have any questions regarding this filing, please contact Courtney Waites at 388-5612 or [cwaites@idahopower.com](mailto:cwaites@idahopower.com).

Sincerely,

  
Lisa D. Nordstrom

LDN:kkt  
Enclosure

cc: Service List  
Greg Said  
RA File  
Legal File

**BOARDMAN POWER PLANT ANNUAL REVIEW  
FOR THE YEAR ENDING 2012  
March 12, 2013**

**I. INTRODUCTION**

Pursuant to the Idaho Public Utilities Commission ("Commission") Order Nos. 32457 (Case No. IPC-E-11-18) and 32549 (Case No. IPC-E-12-09), Idaho Power Company ("Idaho Power" or "Company") has completed its annual update to the Boardman Power Plant ("Boardman") levelized revenue requirement and review of the Boardman Balancing Account for 2012. The purpose of this report is to provide the Commission with (1) an updated levelized revenue requirement calculation describing actual investments made during the prior calendar year and rationale for any change in the forecast of investments that will be made, and (2) a revenue collection worksheet that tracks the over- or under-collection of the previous year's collections. Because the results of this annual review demonstrate that there is not a material difference between associated revenue from current rates and the updated Boardman levelized revenue requirement, and because any such differences are tracked within the Boardman Balancing Account, the Company is not recommending a rate change as part of this report.

**II. BACKGROUND**

On September 26, 2011, Idaho Power filed an application with the Commission requesting an order (1) accepting the Company's accounting and cost recovery plan for the early shutdown of Boardman and (2) allowing the Company to establish a balancing account to track shutdown related costs and benefits (Case No. IPC-E-11-18). 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. Idaho Power will incur costs associated with (1) a return on undepreciated capital investments at Boardman until its shutdown, (2) the accelerated depreciation associated with Boardman investments, and (3) decommissioning costs related to the Boardman shutdown. Under this approach, the Company would replace the base rate revenue recovery associated with the Company's existing investment in Boardman with a levelized revenue requirement that is tracked in the Boardman Balancing Account. The Boardman Balancing Account smoothes revenue requirement impacts of the early Boardman retirement over the remaining years of the plant's life and allows full recovery of Boardman-related costs by Boardman life end.

On February 15, 2012, Idaho Power requested authority to increase rates to begin recovery of the levelized revenue requirement associated with Boardman (Case No. IPC-E-12-09). The Commission issued Order No. 32549 on May 17, 2012, authorizing implementation of the cost recovery approach approved in Order No. 32457 and increasing the Company's annual revenue requirement by \$1,525,501 effective June 1, 2012, to reflect the new levelized Boardman revenue requirement.

### **III. THE LEVELIZED REVENUE REQUIREMENT CALCULATION**

The revenue requirement calculation approved by Order No. 32457 includes the return associated with Boardman capital investments net of accumulated depreciation forecasted through the remaining life of Boardman, the costs of accelerating the depreciation of the Boardman plant items, and the decommissioning costs associated with the shutdown of Boardman. Each of these revenue requirement components are subsequently "levelized" by calculating the present value of each of the individual items and converting the values into an annuity or level payment stream from

customers over the nine-year remaining life of Boardman using a return on equity ("ROE") of 9.5 percent, as approved in Order No. 32457. The 9.5 percent ROE corresponds with the ROE threshold for accelerated amortization of accumulated deferred investment tax credits approved by Order No. 32424 (Case No. IPC-E-11-22). The levelized revenue requirement calculation can be separated into three components: (1) the revenue requirement on existing investments as of May 31, 2012, prior to when the Boardman Balancing Account was established; (2) the revenue requirement on incremental investments after May 31, 2012, after the Boardman Balancing Account was established; and (3) the revenue requirement associated with future decommissioning and salvage costs.

Revenue Requirement on Existing Investments. The revenue requirement component related to existing investments is based on the Boardman-related plant balances in effect prior to the establishment of the Boardman Balancing Account or existing investments at May 31, 2012. In Case No. IPC-E-12-09, the approved accelerated depreciation expense was based on a net plant balance that included actual plant values as of December 31, 2011, and forecasted reserve balances through May 31, 2012. Idaho Power has updated the revenue requirement on existing investment components to include actual plant balances as of May 31, 2012. As of that date, the Boardman investment was approximately \$75.5 million and accumulated depreciation was approximately \$52.9 million. These amounts reflect a true-up of forecasted plant investments to actual plant investments made between January 1, 2012, through May 31, 2012, an increase of approximately \$788,000. For actual Boardman investments as of May 31, 2012, the total levelized revenue requirement, including incremental depreciation expense associated with the 2020 shutdown, is approximately \$3.7 million on an Idaho jurisdictional basis. This component of revenue

requirement will now remain constant through the remaining life of Boardman; future updates will only involve the revenue requirements associated with incremental investments after May 31, 2012 and future decommissioning and salvage costs.

Revenue Requirement on Incremental Investments. The revenue requirement component related to incremental investments captures all plant investments made at Boardman after May 31, 2012, or when the Boardman Balancing Account was established. Although the Environmental Protection Agency has approved Portland General Electric's Boardman shutdown plan with coal-fired operations ceasing on December 31, 2020, there will be required investments in emissions controls at the plant in the future resulting from the Best Available Retrofit Technology II ("BART II") petition in addition to normal maintenance repairs required to keep the plant operational. Idaho Power anticipates most of the emission controls upgrades will be made by 2014, with routine capital expenditures for repairs throughout the plant's remaining life.

This year's update to the revenue requirement on incremental investments includes actual capital investments made from June 1, 2012, through December 31, 2012, and an update to the Boardman capital expenditures forecast for 2013 through 2020. The levelized return on the actual and forecasted incremental investments and the associated depreciation expense is approximately \$833,000 on an Idaho jurisdictional basis.

The largest portion of the capital investments made in 2012, approximately \$500,000, came from investments in mercury controls required by BART II. Another investment of approximately \$170,000 was related to the expansion of the shop warehouse. This expansion will provide needed work space for equipment repair and overhaul and allow for plant personnel to perform the necessary maintenance activities to ensure that the plant remains operational through the remaining life of the plant. The

remaining dollars were for routine maintenance items, including the installation of a water recovery from demineralization system (\$47,000), new plugged coal chute detectors (\$32,000), miscellaneous pump, valve and motor replacements (\$35,000), Light-Emitting Diode stack lighting (\$30,000), and the installation of a redundant mercury Continuous Emission Monitoring System (\$26,000).

Idaho Power's levelized revenue requirement calculation approved in Case No. IPC-E-12-09 included an estimated \$1.77 million in plant investments at Boardman in 2012; however, actual plant investments made at Boardman in 2012 totaled approximately \$1 million. The difference between forecasted 2012 investments and actual 2012 investments is primarily driven by timing differences. Approximately \$414,000 of plant investments made in 2012 did not "close to plant" prior to December 31, 2012. As a result, this amount has been added to the capital additions forecast for 2013. Approximately \$163,000 in plant investments were made after May 31, 2012, and are included in the revenue requirement associated with the incremental investments. The \$788,000 of remaining plant investments made prior to June 1, 2012, are captured in the revenue requirement on existing investments.

The capital additions forecast for 2013 through 2020 did not change significantly. There was an overall decrease of approximately \$670,000 in forecasted plant additions in 2013 through 2015 and no change from 2016 through 2020. The decrease in the early years is primarily a result of less wear and tear on plant investments than expected which results in a decreased need for routine maintenance items.

Revenue Requirement on Decommissioning and Salvage Costs. Idaho Power estimated its share of the decommissioning and salvage costs by applying the Company's 10 percent ownership percentage to the decommissioning study performed

by Black and Veatch for Portland General Electric. Because a new study has not been performed since approval of the Company's levelized revenue requirement in Case No. IPC-E-12-09, no updates have been made to the decommissioning costs and expected salvage. The total included in the levelized revenue requirement calculation is approximately \$505,000 on an Idaho jurisdictional basis.

Attachment No. 1 details the derivation of the updated levelized revenue requirement and the Idaho jurisdictional share of the revenue requirement. The following is a summary of the Idaho jurisdictional levelized revenue requirement computation based on the sum of the updated components:

Existing investments	\$3,694,723
Incremental investments	\$ 832,662
<u>Decommissioning and salvage costs</u>	<u>\$ 505,053</u>
Updated levelized revenue requirement	\$5,032,437

With the approval of an incremental revenue requirement of \$1,525,501, Order No. 32549 increased the Boardman-related revenue requirement in base rates to \$5,174,794 on an Idaho jurisdictional basis. The difference between the updated levelized revenue requirement and the current levelized revenue requirement amount for Boardman is a negative \$142,357 ( $\$5,032,437 - \$5,174,794 = (\$142,357)$ ). Based on updated plant investment data, the Company's quantification of the levelized revenue requirement associated with the early shutdown of Boardman is slightly less than previously calculated.

**IV. THE TRACKING OF REVENUE COLLECTIONS**

In Case No. IPC-E-12-09, the Company proactively committed to tracking (1) the monthly deviations between forecast revenue collection and actual revenue collection and (2) deviations between existing levelized revenue requirement calculations and updated levelized revenue requirement calculations. Order No. 32549

approved an incremental annual revenue requirement of \$1,525,501 effective June 1, 2012, and Idaho Power adjusted base rates accordingly using forecasted annual sales of 13,172,433 megawatt-hours. Attachment No. 2 details the tracking of the monthly deviations between the forecasted revenue collections and actual revenue collections. Because the Boardman Balancing Account went into effect mid-year, the monthly deviations were only tracked for seven months during 2012; future Boardman related annual compliance filings will include twelve months of tracking. From June 1, 2012, through December 31, 2012, actual revenue collections were slightly higher than forecasted revenue collections, resulting in a true-up of approximately \$34,000.

As stated previously, the deviation between the updated levelized revenue requirement and the existing levelized revenue requirement is a negative \$142,357, creating a true-up of \$142,357 related to 2012. In an attempt to smooth adjustments to customer's rates, the Company will spread the true-up of both the deviations of the levelized revenue requirement and deviations of revenue collections over the remaining life of Boardman (i.e., the remaining eight years). This results in a single-year true-up component of approximately \$18,000 and \$4,000, respectively. Attachment No. 3 details this quantification. The total true-up related to the tracking of monthly deviations between forecast and actual revenue collection and the deviations between existing and updated levelized revenue requirement calculations is a negative \$22,000.

Attachment No. 1 includes a summary of the updated levelized revenue requirement calculation including the true-up of prior years' revenue collection. The change in the annual revenue requirement associated with the updated levelized revenue requirement calculation and the true-up of deviations associated with prior years' collection is a decrease of \$164,390.

## **V. RECOMMENDATION**

Because the difference in the annual revenue requirement of a negative \$164,390 is quite small as a percentage of Idaho Power's Idaho jurisdictional retail revenues, and because any such differences are tracked through the Boardman Balancing Account, the Company is not requesting to adjust base rates at this time. Instead, the Company recommends that the difference in the annual revenue requirement associated with Boardman and any true-up recorded in the Boardman Balancing Account remain in the balancing account to offset future positive differences or for future refund. Idaho Power will continue to annually review the Boardman Balancing Account and update the Boardman levelized revenue requirement.

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-12-09**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 1**

## Levelized Revenue Requirement for the Boardman Plant Early Shut-Down at December 31, 2012

### Revenue Requirement On Existing Investments at May 31, 2012.

Existing Accelerated	
2012	4,798,006
2013	4,528,526
2014	4,259,046
2015	3,989,566
2016	3,720,087
2017	3,450,607
2018	3,181,127
2019	2,911,647
2020	2,642,167
<b>Total</b>	<b>33,480,780</b>
PV	25,465,839
Payment	3,885,772

### Revenue Requirement On Incremental Investments

Boardman Capital Additions & Forecast	Life (years)	Layer	Layer	Layer	Layer	Layer	Layer	Layer	Layer	Layer	Total
		2012	2013	2014	2015	2016	2017	2018	2019	2020	
June, 2012	169,426	34,746	-	-	-	-	-	-	-	-	-
January, 2013	2,890,673	32,795	652,586	-	-	-	-	-	-	-	-
January, 2014	940,360	30,843	613,752	228,181	-	-	-	-	-	-	-
January, 2015	410,300	28,892	574,918	213,744	108,805	-	-	-	-	-	-
January, 2016	475,300	26,940	536,085	199,306	101,455	141,034	-	-	-	-	-
January, 2017	320,300	24,989	497,251	184,869	94,106	130,817	110,196	-	-	-	-
January, 2018	325,300	23,037	458,418	170,431	86,757	120,601	101,590	137,567	-	-	-
January, 2019	320,300	21,086	419,584	155,994	79,407	110,385	92,984	125,914	185,968	-	-
January, 2020	310,300	19,134	380,751	141,556	72,058	100,168	84,378	114,260	168,756	326,974	-
<b>Total</b>		<b>242,463</b>	<b>4,133,346</b>	<b>1,294,080</b>	<b>542,588</b>	<b>603,004</b>	<b>389,147</b>	<b>377,741</b>	<b>354,723</b>	<b>326,974</b>	<b>Total</b>
PV		184,420	3,020,823	909,358	366,866	392,611	244,193	228,667	207,368	184,805	Payments
Payment		28,140	460,940	138,757	55,979	59,908	37,261	34,892	31,642	28,199	875,717

### Decommissioning Costs and Expected Salvage

	2020 Costs	Payment
Decommissioning Costs (Estimated in 2020 dollars)	7,864,900	685,322
Expected Salvage (Estimated in 2020 dollars)	(1,769,100)	(154,154)
Net:	6,095,800	531,168

### Total System Summary

Levelized Rev Rqmt - Existing Investment	3,885,772
Levelized Rev Rqmt - Incremental Investments	875,717
Levelized Rev Rqmt - Decommissioning Costs & Salvage	531,168
<b>New Levelized Rev Rqmt (To be tracked through the balancing account)</b>	<b>5,292,657</b>
Estimated Rev Rqmt Currently in Base Rates (2011)	3,812,406
Rev Rqmt Currently in Base Rates (2012)	1,629,969
<b>Total Rev Rqmt Currently in Base Rates</b>	<b>5,442,375</b>
<b>Net Change in Levelized Rev Rqmt</b>	<b>(149,717)</b>
True-Up of Prior Year Collections	(5,534)
True-Up of Prior Years Levelized Rev Rqmt	(18,715)
<b>Annual Rev Rqmt. Impact to Customers</b>	<b>(173,966)</b>

### Idaho Jurisdictional Summary

Levelized Rev Rqmt - Existing Investment	3,694,723
Levelized Rev Rqmt - Incremental Investments	832,662
Levelized Rev Rqmt - Decommissioning Costs & Salvage	505,053
<b>New Levelized Rev Rqmt (To be tracked through the balancing account)</b>	<b>5,032,437</b>
Estimated Rev Rqmt Currently in Base Rates (2011)	3,649,293
Rev Rqmt Currently in Base Rates (2012)	1,525,501
<b>Total Rev Rqmt Currently in Base Rates</b>	<b>5,174,794</b>
<b>Net Change in Levelized Rev Rqmt</b>	<b>(142,357)</b>
True-Up of Prior Year Collections	(4,238)
True-Up of Prior Years Levelized Rev Rqmt	(17,795)
<b>Annual Rev Rqmt. Impact to Customers</b>	<b>(164,390)</b>

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-12-09**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 2**

**Boardman Balancing Account Revenue Tracking**  
**Twelve Months Ended December 31, 2012**

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total
<b>Boardman Forecasted Revenues</b>													
Normalized ID Jurisdictional Sales (MWh)	1,152,449	1,052,464	962,551	922,125	931,654	1,100,636	1,338,967	1,416,209	1,282,310	1,028,994	928,924	1,055,150	13,172,433
Boardman Rate (\$)	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	
<b>Boardman Forecasted Revenues</b>	133,465	121,886	111,473	106,791	107,895	127,465	155,066	164,011	148,504	119,168	107,579	122,197	\$ 1,525,501
<b>Boardman Actual Revenues</b>													
Idaho Jurisdictional Sales (MWh)						1,171,781	1,428,809	1,501,856	1,343,005	1,045,860	950,263	1,002,578	
Boardman Rate (\$)						0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	0.115810	
<b>Boardman Actual Revenues</b>						135,704	165,447	173,930	155,534	121,121	110,050	116,109	\$ 977,895
<b>Difference</b>						8,239	10,381	9,919	7,029	1,953	2,471	(6,088)	\$ 33,905
<b>Total Over (Under) Collection</b>	-	-	-	-	-	8,239	18,621	28,539	35,569	37,522	39,993	33,905	\$ 33,905

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-12-09**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 3**



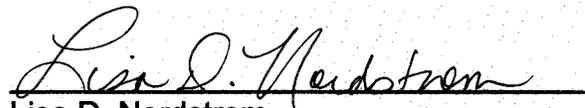
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 12<sup>th</sup> day of March 2013 I served a true and correct copy of the BOARDMAN POWER PLANT ANNUAL REVIEW FOR THE YEAR ENDING 2012 upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

Karl T. Klein  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington (83702)  
P.O. Box 83720  
Boise, Idaho 83720-0074

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 U.S. Mail  
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 Email Karl.Klein@puc.idaho.gov

  
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Lisa D. Nordstrom