



RECEIVED

2015 MAR 10 PM 4: 27

IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
lnordstrom@idahopower.com

March 10, 2015

VIA HAND DELIVERY

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

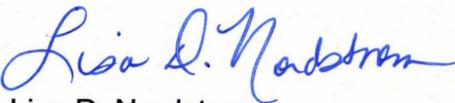
Re: Case No. IPC-E-12-09
Compliance Filing – Boardman Power Plant Annual Review (2014)

Dear Ms. Jewell:

Pursuant to Idaho Public Utilities Commission Order No. 32549 in Case No. IPC-E-12-09, Idaho Power Company hereby submits an original and four (4) copies of its *Boardman Power Plant Annual Review* for the year ending 2014.

If you have any questions regarding this filing, please contact Courtney Waites at 208-388-5612 or cwaites@idahopower.com.

Sincerely,


Lisa D. Nordstrom

LDN:kkt

Enclosures

**BOARDMAN POWER PLANT ANNUAL REVIEW
FOR THE YEAR ENDING 2014
March 10, 2015**

RECEIVED
2015 MAR 10 PM 4: 28
IDAHO PUBLIC
UTILITIES COMMISSION

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 2014. The purpose of this report is to provide the Commission with (1) an updated levelized revenue requirement calculation along with a description of actual investments made during the prior calendar year and rationale for any change in the forecast of investments to be made in the future, (2) a description of and adjustment for the benefits associated with the Asset Purchase Agreement (“APA”) with Portland General Electric (“PGE”), and (3) a revenue collection worksheet that tracks the over- or under-collection of the previous year’s revenue. 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 then current non-levelized 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 smooths revenue requirement impacts of the early Boardman retirement over the remaining years of the plant's life and provides an opportunity for 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.

On March 12, 2013, Idaho Power filed its Boardman Power Plant Annual Review for the Year Ending 2012. The Company did not request to adjust rates at that time and committed to continue to review the Boardman Balancing Account annually and update the Boardman levelized revenue requirement. Similarly, on March 7, 2014, Idaho Power filed its Boardman Power Plant Annual Review for the Year Ending 2013 and did not request to adjust rates.

III. THE LEVELIZED REVENUE REQUIREMENT CALCULATION

The revenue requirement calculation approved by Order No. 32457 includes the return associated with the 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 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 Nos. 32424 and 33149 (Case Nos. IPC-E-11-22 and IPC-E-14-14). 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 offsetting 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. During the review of the Boardman Balancing Account for 2012, Idaho

Power updated the revenue requirement on existing investment components to include actual plant balances as of May 31, 2012. 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 remains constant through the remaining life of Boardman.

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 PGE's Boardman shutdown plan with coal-fired operations ceasing on December 31, 2020, required investments have been made in emission controls at the plant resulting from compliance with the Best Available Retrofit Technology II (BART II) standards in addition to normal maintenance repairs required to keep the plant operational. Idaho Power has completed all anticipated emission controls upgrades and expects routine capital expenditures for repairs throughout the plant's remaining life.

The levelized revenue requirement associated with incremental investments at Boardman is approximately \$800,000 on an Idaho jurisdictional basis. This year's update to the revenue requirement on incremental investments includes actual capital investments made from January 1, 2014, through December 31, 2014, less the net-book-value of plant-in-service reductions associated with the sale of a portion of certain facilities at Boardman to PGE pursuant to the APA between the parties. The APA provided for the conveyance and sale from Idaho Power to PGE of a partial interest in certain Boardman components and common facilities necessary or convenient to the operation of PGE's Carty Generation Station, collectively referred to as "Shared

Facilities". The revenue requirement on incremental investments also includes an update to the Boardman capital expenditures forecast for 2015 through 2020. Total capital additions for 2014 were approximately \$2.8 million. This includes nearly \$3.2 million in capital additions, less \$356,145 associated with the net-book-value of the Shared Facilities sold to PGE.

The largest portion of the capital investments made in 2014, approximately \$2.6 million, came from investments for sulfur dioxide controls, upgrading to a dry sorbent injection technology. These investments were referenced in the review of the Boardman Balancing Account for 2013 because the project was near completion and was a significant investment in Construction Work in Progress. Another investment of approximately \$160,000 was for fire protection equipment while remaining dollars were for routine maintenance items and minor tools and equipment. The difference between forecasted 2014 investments and actual 2014 investments was less than \$150,000.

The capital additions forecast for 2015 through 2020 did not change significantly from last year's Boardman Balancing Account review. An overall decrease of approximately \$400,000 in forecasted plant additions in 2015 through 2017 is expected with no change from 2018 through 2020. The majority of the decrease is in 2015 and is a result of a determination that some routine maintenance items would not be needed.

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 & Veatch for PGE. 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	\$ 800,459
<u>Decommissioning and salvage costs</u>	<u>\$ 505,053</u>
Updated levelized revenue requirement	\$5,000,235

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 \$174,559 ($\$5,000,235 - \$5,174,794 = (\$174,559)$). 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.

The purchase price associated with the aforementioned APA with PGE for the purchase of Shared Facilities at Boardman was \$620,205, resulting in a gain of \$264,060 on a total system basis. Idaho Power views the Boardman Balancing Account as the appropriate mechanism for recording the gain and has computed the annual credit to customers by converting the gain into an annuity or level payment stream over the remaining life of the plant, or six years. The Idaho jurisdictional portion of this levelized annual payment is \$50,712 and is an offset to the annual revenue requirement impact to customers, as shown on Attachment No. 1. Attachment No. 2 is a copy of the

final accounting entries associated with the conveyance of the property interests at Boardman.

IV. THE TRACKING OF REVENUE COLLECTIONS **AND REVENUE REQUIREMENTS**

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. 3 details the tracking of the monthly deviations between the forecasted revenue collections and actual revenue collections. From January 1, 2014, through December 31, 2014, actual revenue collections were slightly higher than forecasted revenue collections, resulting in a 2014 true-up of approximately negative \$43,000. In an attempt to smooth adjustments to customers' rates, the Company will spread the true-up of the deviation of the revenue collections over the remaining life of Boardman (i.e., the remaining six years), resulting in a single-year true-up of approximately negative \$7,000. Applying this amount to the single-year true-ups for 2012 and 2013 produces a total deviation of revenue collections of approximately negative \$24,000.

As stated previously, the deviation between the updated levelized revenue requirement and the existing levelized revenue requirement is a negative \$174,559 creating a true-up of negative \$450,945 since establishment of the Boardman Balancing Account on June 1, 2012. Smoothing the adjustment to the annual revenue

requirements by spreading the deviation over the remaining six years of Boardman's life, results in a true-up of approximately negative \$75,000. Attachment No. 4 details these quantifications.

Attachment No. 1 presents a summary of the updated levelized revenue requirement calculation as compared to the original Boardman levelized revenue requirement used to establish current base rates along with other tracking adjustments. As can be seen on Attachment No. 1, the net change in the annual revenue requirement associated with the updated levelized revenue requirement calculation is negative \$174,559. The levelized gain associated with the sale of the Shared Facilities to PGE is negative \$50,712. The true-up of prior years' revenue collections is negative \$23,514. And finally, the true-up of the prior years' levelized revenue requirements is negative \$75,157. The sum of each of these categories suggests the updated annual revenue requirement for Boardman is \$323,943 below the level currently reflected in base rates.

V. RECOMMENDATION

Because the difference in the annual revenue requirement of a negative \$323,943 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 to customers. 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, 2014

Revenue Requirement On Existing Investments at May 31, 2012

Year	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
Total	33,480,760
PV	25,465,839
Payment	3,885,772

Revenue Requirement On Incremental Investments

Boardman Capital Additions & Forecast	Life (Years)	Layer										Total			
		2012	2013	2014	2015	2016	2017	2018	2019	2020					
June, 2012	9	34,746	-	-	-	-	-	-	-	-	-	-	-	-	-
January, 2013	8	32,795	295,934	682,781	-	-	-	-	-	-	-	-	-	-	-
January, 2014	7	30,843	278,323	639,580	69,989	-	-	-	-	-	-	-	-	-	-
January, 2015	6	28,892	260,713	596,379	65,262	81,831	-	-	-	-	-	-	-	-	-
January, 2016	5	26,940	243,103	553,178	60,534	75,903	70,929	-	-	-	-	-	-	-	-
January, 2017	4	24,989	225,493	509,977	55,807	69,976	65,390	137,567	-	-	-	-	-	-	-
January, 2018	3	23,037	207,883	466,776	46,352	58,120	51,079	125,914	185,968	-	-	-	-	-	-
January, 2019	2	21,086	190,273	423,574	349,022	349,878	250,480	377,741	354,723	326,974	-	-	-	-	-
January, 2020	1	19,134	172,662	3,872,245	235,988	227,803	157,179	228,667	207,368	184,805	184,805	184,805	184,805	184,805	184,805
Total		242,463	1,874,384	7,271,050	3,600,999	3,476,601	2,398,659	34,892	31,642	28,199	28,199	28,199	28,199	28,199	28,199
PV		184,420	1,369,878	2,721,050	415,199	415,199	415,199	415,199	415,199	415,199	415,199	415,199	415,199	415,199	415,199
Payment		28,140	209,026	415,199	36,009	34,760	23,984	34,892	31,642	28,199	28,199	28,199	28,199	28,199	28,199

Decommissioning Costs and Expected Salvage

Decommissioning Costs (Estimated in 2020 dollars)	7,864,900	Payment	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 - Existing Investment	3,694,723
Levelized Rev Rqmt - Incremental Investments	841,850	Levelized Rev Rqmt - Incremental Investments	800,459
Levelized Rev Rqmt - Decommissioning Costs & Salvage	531,168	Levelized Rev Rqmt - Decommissioning Costs & Salvage	505,053
New Levelized Rev Rqmt (To be tracked through the balancing account)	5,258,790	New Levelized Rev Rqmt (To be tracked through the balancing account)	5,000,235
Estimated Rev Rqmt Currently in Base Rates (2011)	3,812,406	Estimated Rev Rqmt Currently in Base Rates (2011)	3,649,293
Rev Rqmt Currently in Base Rates (2012)	1,629,969	Rev Rqmt Currently in Base Rates (2012)	1,525,501
Total Rev Rqmt Currently in Base Rates	5,442,375	Total Rev Rqmt Currently in Base Rates	5,174,794
Net Change in Levelized Rev Rqmt	(183,585)	Net Change in Levelized Rev Rqmt	(174,559)
Sale of Shared Facilities Gain	(53,334)	Sale of Shared Facilities Gain	(50,712)
True-Up of Prior Year Collections	(24,383)	True-Up of Prior Year Collections	(23,514)
True-Up of Levelized Rev Rqmt	(79,043)	True-Up of Levelized Rev Rqmt	(75,157)
Annual Rev Rqmt. Impact to Customers	(340,345)	Annual Rev Rqmt. Impact to Customers	(323,943)

Idaho Jurisdictional Summary

Levelized Rev Rqmt - Existing Investment	3,694,723	Levelized Rev Rqmt - Existing Investment	3,694,723
Levelized Rev Rqmt - Incremental Investments	800,459	Levelized Rev Rqmt - Incremental Investments	800,459
Levelized Rev Rqmt - Decommissioning Costs & Salvage	505,053	Levelized Rev Rqmt - Decommissioning Costs & Salvage	505,053
New Levelized Rev Rqmt (To be tracked through the balancing account)	5,000,235	New Levelized Rev Rqmt (To be tracked through the balancing account)	5,000,235
Estimated Rev Rqmt Currently in Base Rates (2011)	3,649,293	Estimated Rev Rqmt Currently in Base Rates (2011)	3,649,293
Rev Rqmt Currently in Base Rates (2012)	1,525,501	Rev Rqmt Currently in Base Rates (2012)	1,525,501
Total Rev Rqmt Currently in Base Rates	5,174,794	Total Rev Rqmt Currently in Base Rates	5,174,794
Net Change in Levelized Rev Rqmt	(174,559)	Net Change in Levelized Rev Rqmt	(174,559)
Sale of Shared Facilities Gain	(50,712)	Sale of Shared Facilities Gain	(50,712)
True-Up of Prior Year Collections	(23,514)	True-Up of Prior Year Collections	(23,514)
True-Up of Levelized Rev Rqmt	(75,157)	True-Up of Levelized Rev Rqmt	(75,157)
Annual Rev Rqmt. Impact to Customers	(323,943)	Annual Rev Rqmt. Impact to Customers	(323,943)

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-12-09

IDAHO POWER COMPANY

ATTACHMENT NO. 2

IDAHO POWER COMPANY
FINAL JOURNAL ENTRIES
Boardman Asset Purchase Agreement

Account	Debit	Credit
108000 – Accum Prov F/Depr-EPIS	2,281,702	
101000 – Electric Plant in Service		2,281,702
Record retirement of electric plant sold.		
102000 – Electric Plant Purchsd or Sold	2,281,702	
108000 – Accum Prov F/Depr-EPIS		2,281,702
Transfer cost of assets sold.		
108000 – Accum Prov F/Depr-EPIS	1,925,557	
102000 - Plant Purchsd or Sold		1,925,557
Transfer accumulated depreciation on assets sold.		
131201 – Cash	620,205	
102000 – Electric Plant Purchased or Sold		620,205
Record cash received for electric plant sold.		
102000 – Electric Plant Purchased or Sold	264,060	
182493 – Boardman balancing account (ID)		252,560
182494 – Boardman balancing account (OR)		11,500
Record cash received for electric plant sold.		

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-12-09

IDAHO POWER COMPANY

ATTACHMENT NO. 3

Boardman Balancing Account Revenue Tracking
 Twelve Months Ended December 31, 2014

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total
Boardman Forecasted Revenues													
Normalized ID Jurisdictional Sales (MWh)	1,152,449	1,052,464	962,551	922,125	931,654	1,100,636	1,336,967	1,416,209	1,282,310	1,028,994	928,924	1,065,150	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	0.115810
Boardman Forecasted Revenues	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
Boardman Actual Revenues													
Idaho Jurisdictional Sales (MWh)	1,180,245	1,111,810	950,797	903,276	1,000,008	1,245,883	1,481,966	1,469,408	1,197,549	1,016,641	936,645	1,049,370	13,543,628
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	0.115810
Boardman Actual Revenues	136,684	128,759	110,112	104,609	115,811	144,266	171,630	170,172	138,688	117,737	108,473	121,528	1,568,489
Difference	3,219	6,873	(1,361)	(2,183)	7,916	16,821	16,564	6,161	(9,816)	(1,431)	894	(669)	42,988
Total Over (Under) Collection	3,219	10,092	8,731	6,548	14,464	31,285	47,849	54,010	44,194	42,763	43,658	42,988	42,988

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-12-09

IDAHO POWER COMPANY

ATTACHMENT NO. 4

