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IDAHO PUBLIC
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LISA D. NORDSTROM
Lead Counsel
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March 11, 2016

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 (2015)

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 2015. In addition, five (5) copies of a disk containing electronic files of the attachments and workpapers are also enclosed.

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:csb
Enclosures
cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 11th day of March 2016 I served a true and correct copy of IDAHO POWER COMPANY'S BOARDMAN POWER PLANT ANNUAL REVIEW FOR THE YEAR ENDING 2015 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

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email Karl.Klein@puc.idaho.gov


Christa Beary, Legal Assistant

**BOARDMAN POWER PLANT ANNUAL REVIEW
FOR THE YEAR ENDING 2015
March 11, 2016**

I. INTRODUCTION

Pursuant to 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 2015. 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 and (2) 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 smoothes 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, Idaho Power filed its *Boardman Power Plant Annual Review* for the years ending 2013 and 2014 and did not request to adjust rates either time.

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 Portland General Electric Company's ("PGE") Boardman shutdown plan with coal-fired operations ceasing on December 31, 2020, required investments have been made in emission controls at the plant as a result of 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 \$795,000 on an Idaho jurisdictional basis. This year's update to the revenue requirement on incremental investments includes actual capital investments made from January 1, 2015, through December 31, 2015, and an update to

the Boardman capital expenditures forecast for 2016 through 2020. Total capital additions for 2015 were approximately \$230,000, which was slightly lower than the forecasted 2015 amount of \$264,000. The majority of the capital investments made in 2015 were for the installation of a new sewage lagoon liner, the upgrade of the calculation engine, a remodel of the control room to improve functionality, and the installation of variable frequency dumper drives.

The capital additions forecast for 2016 through 2020 did not change significantly from last year's Boardman Balancing Account review when reviewed in total; an overall decrease of approximately \$350,000 in forecasted plant additions is expected over the next five years. Included in the decrease is the addition of a \$450,000 investment in 2018 to expand the ash handling disposal area. The expansion is required to prevent the plant from having to ship ash to a third-party disposal area. However, the increase in 2018 investments is offset by decreases in forecasted investments in 2016, 2017, 2019, and 2020, resulting in the overall reduction in forecasted plant additions of \$350,000.

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 completed 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. However, PGE has contracted with a vendor to prepare a new decommissioning study, which is expected to be finalized mid-2016. The updated study will provide Idaho

Power with a more accurate forecast of decommissioning and salvage costs as the plant's closure nears. Idaho Power anticipates these updated costs will be included next year when the Company completes its Boardman Balancing Account review for 2016. The total decommissioning costs and expected salvage included in the levelized revenue requirement calculation is approximately \$505,000 on an Idaho jurisdictional basis.

Attachment 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	\$ 794,985
<u>Decommissioning and salvage costs</u>	<u>\$ 505,053</u>
Updated levelized revenue requirement	\$4,994,761

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 \$180,033 ($\$4,994,761 - \$5,174,794 = (\$180,033)$). 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.

In 2014, Idaho Power and PGE entered into an Asset Purchase Agreement ("APA") for the conveyance and sale 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 purchase price associated with the APA 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 computed the annual credit to customers by converting the gain into an annuity or level payment stream over the remaining life of the plant at the time the APA was executed, 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 1.

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 2 details the tracking of the monthly deviations between the forecasted revenue collections and actual revenue collections. From January 1, 2015, through December 31, 2015, actual revenue collections were slightly higher than forecasted revenue collections, resulting in a 2015 true-up of approximately negative \$40,000. 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 five years), resulting in a single-year true-up of approximately negative \$8,000. Applying this amount to the single-year

true-ups for 2012, 2013, and 2014 produces a total deviation of revenue collections of approximately negative \$31,000.

As stated previously, the deviation between the updated levelized revenue requirement and the existing levelized revenue requirement is a negative \$180,033, creating a true-up of negative \$567,441 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 five years of Boardman's life results in a true-up of approximately negative \$129,000. Attachment 3 details these quantifications.

Attachment 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 1, the net change in the annual revenue requirement associated with the updated levelized revenue requirement calculation is negative \$180,033. The levelized revenue requirement impact of the 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 \$31,438. And, finally, the true-up of the prior years' levelized revenue requirements is negative \$129,024. The sum of each of these categories suggests the updated annual revenue requirement for Boardman is \$391,207 below the level currently reflected in base rates.

V. RECOMMENDATION

Because the difference in the annual revenue requirement of a negative \$391,207 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 until the plant has ceased operations and through completion of decommissioning activities.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-12-09

IDAHO POWER COMPANY

ATTACHMENT 1

Levelized Revenue Requirement for the Boardman Plant Early Shutdown

at December 31, 2015

Revenue Requirement On Existing Investments at May 31, 2012

Year	Existing Accelerated
2012	4,798,006
2013	4,528,528
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	33,480,780
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
January 2014	7	30,843	278,323	682,781	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
January 2015	6	28,892	260,713	639,560	60,876	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
January 2016	5	26,940	243,103	596,379	56,764	111,846	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
January 2017	4	24,989	225,493	553,178	52,652	103,744	52,506	-	-	-	-	-	-	-	-	-	-	-	-	-	
January 2018	3	23,037	207,883	509,977	48,540	95,642	48,406	254,766	-	-	-	-	-	-	-	-	-	-	-	-	
January 2019	2	21,086	190,273	466,776	44,428	87,540	44,305	233,184	74,619	-	-	-	-	-	-	-	-	-	-	-	
January 2020	1	19,134	172,662	423,574	40,316	79,438	40,205	211,602	67,713	113,984	-	-	-	-	-	-	-	-	-	-	
Total		242,463	1,874,384	3,872,245	303,578	478,212	185,421	699,552	142,332	113,984	689,552	142,332	83,206	83,206	64,423	83,206	9,830	836,093	836,093	836,093	836,093
PV		184,420	1,369,878	2,721,050	205,261	311,360	116,354	423,476	83,206	83,206	64,423	12,696	12,696	9,830	9,830	9,830	9,830	9,830	9,830	9,830	9,830
Payment		28,140	209,026	415,199	31,320	47,510	17,754	64,617	12,696	12,696	9,830	9,830	9,830	9,830	9,830	9,830	9,830	9,830	9,830	9,830	9,830

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 - Existing Investment	3,694,723
Levelized Rev Rqmt - Incremental Investments	836,093	Levelized Rev Rqmt - Incremental Investments	794,985
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)	5,253,033	New Levelized Rev Rqmt (To be tracked through the balancing account)	4,994,761
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	(189,342)	Net Change in Levelized Rev Rqmt	(180,033)
Sale of Shared Facilities Gain	(53,334)	Sale of Shared Facilities Gain	(50,712)
True-Up of Prior Year Collections	(30,073)	True-Up of Prior Year Collections	(31,438)
True-Up of Levelized Rev Rqmt	(135,695)	True-Up of Levelized Rev Rqmt	(129,024)
Annual Rev Rqmt. Impact to Customers	(408,444)	Annual Rev Rqmt. Impact to Customers	(391,207)

Idaho Jurisdictional Summary

Levelized Rev Rqmt - Existing Investment	3,694,723	Levelized Rev Rqmt - Existing Investment	3,694,723
Levelized Rev Rqmt - Incremental Investments	794,985	Levelized Rev Rqmt - Incremental Investments	794,985
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)	4,994,761	New Levelized Rev Rqmt (To be tracked through the balancing account)	4,994,761
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	(180,033)	Net Change in Levelized Rev Rqmt	(180,033)
Sale of Shared Facilities Gain	(50,712)	Sale of Shared Facilities Gain	(50,712)
True-Up of Prior Year Collections	(31,438)	True-Up of Prior Year Collections	(31,438)
True-Up of Levelized Rev Rqmt	(129,024)	True-Up of Levelized Rev Rqmt	(129,024)
Annual Rev Rqmt. Impact to Customers	(391,207)	Annual Rev Rqmt. Impact to Customers	(391,207)

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-12-09

IDAHO POWER COMPANY

ATTACHMENT 2

Boardman Balancing Account Revenue Tracking

Twelve Months Ended December 31, 2015

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
Boardman Forecasted Revenues													
Normalized ID Jurisdictional Sales (MWh)	1,152,449	1,052,464	962,551	922,125	931,654	1,100,636	1,339,967	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	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)	1,094,244	1,027,060	925,126	961,156	1,061,961	1,147,790	1,557,565	1,379,371	1,342,005	1,012,234	936,904	1,069,144	13,514,559
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	126,725	118,944	107,139	111,312	122,886	132,926	180,382	159,745	155,418	117,227	108,503	123,818	1,565,123
Difference	(6,741)	(2,942)	(4,334)	4,520	15,091	5,461	25,316	(4,266)	6,913	(1,941)	924	1,621	39,622
Total Over (Under) Collection	(6,741)	(9,683)	(14,017)	(9,497)	5,594	11,055	36,371	32,105	39,018	37,077	38,001	39,622	39,622

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-12-09

IDAHO POWER COMPANY

ATTACHMENT 3

