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March 3, 2014

VIA HAND DELIVERY

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

Re: Case No. IPC-E-13-16
Selective Catalytic Reduction ("SCR") Controls on Jim Bridger Units 3 and 4

Dear Ms. Jewell:

In Order No. 32929, the Commission directed Idaho Power Company ("Company") to submit quarterly reports updating the Commission on any changes to environmental policy or regulations until such time as the Bridger upgrades are installed and placed in service. While the project is still in an early stage of construction, the enclosed materials indicate that the Company still expects the SCRs on Units 3 and 4 will be placed in service by December 31, 2015, and December 31, 2016, respectively.

Please note that the attachment to this report is commercially sensitive and if disclosed freely could subject Idaho Power or its customers to risk of competitive disadvantage or other business injury. Consequently, the attachment will be provided separately to those parties that have signed the Protective Agreement in this matter. The undersigned attorney, in accordance with RP 233, certifies that this monthly report contains information that is a trade secret or privileged or confidential as described in Idaho Code § 9-340, et seq., and § 48-801, et seq., and as such is exempt from public inspection, examination, or copying.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt

Enclosures

cc: Service List
RA Dept files
Legal files
Tim Tatum
Kelley Noe

Idaho Power Company's
Quarterly Report for the Jim Bridger SCR Upgrade at Units 3 and 4
March 3, 2014

This quarterly report provides an update as to the current status of environmental policies or regulations that are relevant to the construction of the Selective Catalytic Reduction ("SCR") controls at Jim Bridger Units 3 and 4. This report also provides a construction progress update for the SCR installation project through February 15, 2014, and a schedule of major construction milestones. Finally, a summary of actual project costs and a forecast of total project costs through December 31, 2013, are provided as a confidential attachment to this report.

Environmental Regulations Update:

Federal Implementation Plan ("FIP") for Regional Haze in Wyoming

On January 30, 2014, the Environmental Protection Agency ("EPA") published in the Federal Register the approval of the Wyoming State Implementation Plan ("SIP") for the installation of SCRs on Jim Bridger Units 3 and 4 in 2015 and 2016, respectively. The final ruling also affirmed the 0.07 emission limit for nitrogen oxides, resulting in no project scope changes. This ruling is consistent with the installation dates and emission limits that were used for modeling the economics of the SCR installation versus other alternatives in the Company's Coal Unit Environmental Analysis. This final rule will become effective March 3, 2014.

Clean Air Act Section 111(d)

By June 2014, the EPA is expected to release its draft proposal for performance standards for carbon dioxide emissions from existing fossil fuel-fired power plants (Clean Air Act Section 111(d)). The final rule is expected by June 2015 with a deadline of June 2016 for the State Implementation Plans. It is currently estimated that approval or disapproval, from the Federal EPA, of the SIPs will occur in 2018.

Coal Combustion Residuals

In 2012, various environmental groups filed a lawsuit (*Appalachian Voices, et al. v. Jackson*, Case No. 1:12-00523) against the EPA seeking to compel the EPA to undertake action to address the coal ash disposal regulations that were initially proposed in 2010 under the Resource Conservation and Recovery Act ("RCRA"). The United States District Court for the District of Columbia ordered the EPA to propose a date by which it would finalize revised coal ash disposal rules. On January 29, 2014, the EPA entered into a Consent Decree committing to take final action by December 19, 2014, regarding EPA's proposed revision of RCRA Subtitle D regulations pertaining to coal combustion residuals.

The updates provided above for the Clean Air Act Section 111(d) and Coal Combustion Residuals are intended to provide the Commission with the timeframe in which regulatory action by the States or EPA might occur. At this point, there has not been a change in these environmental regulations or the rules governing National Ambient Air Quality Standards, cooling water intakes or effluent guidelines that would warrant an update to the Company's assumptions used in its Coal Unit Environmental Analysis.

Construction Progress Update:

The project to install the SCR controls on Jim Bridger Units 3 and 4 is moving forward as planned and is on schedule to meet the required completion dates. The following section provides a high level description of the project activities to date.

Upon receiving a Certificate of Public Convenience and Necessity from the Idaho Public Utilities Commission, Idaho Power Company issued its formal notice to support the issuance of a full notice to proceed ("FNTP") on December 2, 2013, to PacifiCorp, its operating partner. A coordination meeting was convened on December 19, 2013, with the Babcock & Wilcox and Perry Group (BWP or EPC Contractor) and certain subcontractors to review each subcontractor's contract and scopes of work, review design drawings, discuss coordination issues and schedule requirements, and to align on safety goals. Following that meeting, the EPC Contractor's staff and subcontractors began mobilization to setup temporary facilities and establish the site office trailer complex for construction.

Since the issuance of the FNTP, major procurement packages that were included as part of the EPC contract were released for structural steel, fabricated plate for the SCR and flues, certain major equipment, onsite nursing services, and construction trailers. Also, the design for the safety vent stack relocation has been ongoing.

The SCR retrofit will require a micropile foundation due to the limited amount of space around each unit. The initial micropile tests were unsuccessful. New locations and design parameters for test piles have been identified by the EPC Contractor and testing is still being conducted.

For optimal performance of the SCR, the temperature of the gas entering the SCR must be at least 600 degrees Fahrenheit. Idaho Power, PacifiCorp, and the EPC Contractor (Project Team) are currently evaluating whether a low temperature economizer exit gas temperature ("EEGT") control system is needed at this time to achieve optimal long-term performance of the unit. The Project Team is analyzing the limited amount of time the unit operates at reduced loads resulting in an exit gas temperature below the 600 degree threshold as compared to the cost of installing the low temperature EEGT control system.

On January 21, 2014, PacifiCorp and the EPC Contractor finalized the Unit 4 induced draft fan sizing. PacifiCorp agreed to the requirements for stress and the number of starts, and adjusted the performance guarantees to accommodate the higher than expected required pressure rise. A change in work order will be issued with the modified technical specification. There is no cost change to the contract for this change in work.

On January 29, 2014, the Project Team's recommendation to proceed with the installation of a bare tube base economizer was issued to the Jim Bridger plant boiler engineer. The bare tube economizer was selected over a finned tube economizer, based on the estimated reduced forced outages due to channeling erosion from fly ash around the fins. The cost of the bare tube economizer from the selected provider was evaluated as the lowest cost option and met the performance criteria.

On January 31, 2014, the EPC Contractor issued a letter outlining work that could be accomplished during a short outage on Unit 3 in the spring of 2014. Jim Bridger plant management is currently reviewing the proposed work in conjunction with the length of the outage to determine if the timing for the work would be appropriate.

Schedule:

Generally, the project remains on schedule with the following major milestones:

- Physical Flow Model Demonstration – March 2014
- SCR Area Foundation Installation Complete – June 4, 2014
- Unit 3 Fall Outage Start – September 5, 2015
- Unit 3 Mechanical Completion – November 5, 2015
- Unit 3 Compliance deadline – December 31, 2015
- Unit 4 Fall Outage Start – September 3, 2016
- Unit 4 Mechanical Completion – November 3, 2016
- Unit 4 Compliance deadline – December 31, 2016

Conclusion:

At this point, there have been no material changes in environmental policies or regulations that would warrant an update to the Company's assumptions used in its Coal Unit Environmental Analysis supporting installation of SCR on Jim Bridger Units 3 and 4. The installation of SCR controls at Jim Bridger Units 3 and 4 remains on schedule and under budget. The SCR investments continue to be the most cost-effective means of ensuring that Units 3 and 4 comply with state and federal emissions regulations. Further, the Company continues to believe that the Jim Bridger SCR investments represent the lowest cost and least risk option for serving future customer demands.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 3rd day of March 2014 I served a true and correct copy of the within QUARTERLY REPORT FOR THE JIM BRIDGER SCR UPGRADE AT UNITS 3 AND 4, upon the following named parties by the method indicated below, and addressed to the following:

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