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IDAHO PUBLIC UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
lnordstrom@idahopower.com

June 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 Controls on Jim Bridger Units 3 and 4

Dear Ms. Jewell:

In Order No. 32929, the Idaho Public Utilities Commission ("Commission") directed Idaho Power Company ("Idaho Power" or "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. The enclosed materials indicate that the Company still expects the selective catalytic reduction controls 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:csb
Enclosures
cc: Service List
RA Files
Legal Files
Tim Tatum
Kelley Noe

Idaho Power Company's
2nd Quarterly Report for the Jim Bridger SCR Upgrade at Units 3 and 4
June 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, as well as a status update on Idaho Power Company's ("Idaho Power" or "Company") efforts on performing a new Coal Unit Environmental Investment Analysis ("Coal Study"). This report also provides a construction progress update for the SCR installation project through May 30, 2014, and a schedule of major construction milestones. Finally, a summary of actual project costs and a forecast of total project costs through March 31, 2014, are provided as a confidential attachment to this report.

Environmental Regulations Update:

Clean Air Act Section 111(d) for existing power plants

On June 2, 2014, the Environmental Protection Agency ("EPA") released its draft proposal calling for a 30 percent reduction in greenhouse gas emission from existing power plants from 2005 levels by 2030, with interim goals beginning in 2020. The proposal has two main elements: (1) state-specific emission rate-based CO₂ goals and (2) guidelines for the development, submission and implementation of state plans. However, due to the recent release and lack of sufficient time to review and evaluate the draft proposal, the Company will provide the Commission with a more thorough update of the proposal in the next quarterly report.

The final rule is expected by June 2015 with a deadline of June 2016 for the states to issue their State Implementation Plans ("SIP"). It is currently estimated that approval or disapproval, from the Federal EPA, of the SIPs will occur in the 2016-2018 timeframe.

Clean Water Act Section 316(b)

On May 19, 2014, EPA Administrator, Gina McCarthy, signed the final 316(b) rule: "National Pollution Discharge Elimination System—Final Regulations To Establish Requirements For Cooling Water Intake Structures at Existing Facilities and Amend Requirements at Phase I Facilities." This regulation will be effective sixty (60) days after publication in the Federal Register.

To determine what, if any, actions will be required to comply with this regulation, studies will be performed at the Jim Bridger Power Plant prior to consultation with the State of Wyoming Department of Environmental Quality. Because the Jim Bridger Power Plant utilizes a closed-cycle cooling system (cooling towers), this rule is initially expected to have a minimal impact to the plant.

Idaho Power's Coal Study Update:

Idaho Power intends to complete an update to its internal Coal Study by the end of 2014. The update to the Coal Study will assess the economic impacts associated with future investments required for compliance with known state and federal environmental regulations. The results of the Coal Study update will be used during the preparation of the 2015 Integrated Resource Plan.

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 construction activities since the last quarterly report (which provided an update through February 15, 2014).

On May 8, 2014, the physical flow model demonstration test was performed by Nels Consulting and witnessed by PacifiCorp, Idaho Power, Babcock & Wilcox (“EPC Contractor”), and Sargent & Lundy (“Owners’ Engineer”). The physical flow model performed as required per the technical specifications listed in the contract.

To support the boiler and air preheater structural reinforcement installation project, the EPC Contractor hired TRAX International to perform an analysis to study transient conditions in the boiler and ductwork. TRAX International issued its preliminary “National Fire Protection Agency (“NFPA”) 85 Controls¹ and Instrumentation” report dated May 8, 2014, and the final “Furnace Draft Analysis” report dated May 13, 2014. Both of these reports will inform the Owners’ Engineer as they develop the specifications for the Unit 3 boiler and air preheater structural reinforcement installation that will go out for bid in June 2014.

The EPC Contractor successfully completed testing of the micropiles and resumed drilling the micropiles and piers. All Unit 3 SCR foundations were completed on May 30, 2014, and all Unit 4 foundations are scheduled to be completed by November 14, 2014.

Idaho Power and PacifiCorp independently performed analyses to justify the installation of the low temperature economizer exit gas temperature (“EEGT”) control system. The analyses studied 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. Idaho Power determined that the low temperature EEGT control system is not cost-effective and does not recommend that the system should be installed. PacifiCorp’s independent analysis resulted in the same recommendation as that of Idaho Power.

A short outage on Unit 3 began on May 30, 2014, to relocate the vent stacks for the reheat safety valves. The derrick crane that will be used for the construction of the SCR cannot operate with the stacks at their present position.

Schedule:

The project remains on schedule to comply with the required completion dates with the following major milestones:

- Physical Flow Model Demonstration – Completed May 8, 2014
- Unit 3 SCR Area Foundation Installation – Completed May 30, 2014
- Unit 4 SCR Area and Induced Draft Fan Foundation Installation – November 14, 2014

¹ NFPA 85 contributes to operating safety and prevents explosions and implosions in boilers with greater than 12.5 MMBTUH, pulverized fuel systems, and heat recovery steam generators.

- 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:

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 June 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:

Commission Staff

Kristine A. Sasser
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 kris.sasser@puc.idaho.gov

Industrial Customers of Idaho Power

Peter J. Richardson
Gregory M. Adams
RICHARDSON ADAMS, PLLC
515 North 27th Street (83702)
P.O. Box 7218
Boise, Idaho 83707

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email peter@richardsonadams.com
greg@richardsonadams.com

Dr. Don Reading
6070 Hill Road
Boise, Idaho 83703

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email dreading@mindspring.com

Idaho Conservation League

Benjamin J. Otto
Idaho Conservation League
710 North Sixth Street
Boise, Idaho 83702

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email botto@idahoconservation.org

Snake River Alliance

Dean J. Miller
McDEVITT & MILLER LLP
420 West Bannock Street (83702)
P.O. Box 2564
Boise, Idaho 83701

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email joe@mcdevitt-miller.com

Ken Miller, Clean Energy Program Director
Snake River Alliance
P.O. Box 1731
Boise, Idaho 83701

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email kmiller@snakeriveralliance.org



Kimberly Towell, Executive Assistant