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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO INCREASE ITS RATES FOR ELECTRIC SERVICE TO RECOVER COSTS ASSOCIATED WITH THE NORTH VALMY POWER PLANT.	)))))))	CASE NO. IPC-E-16-24

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MATTHEW T. LARKIN

Q. Please state your name, business address, and present position with Idaho Power Company ("Idaho Power" or "Company").

A. My name is Matthew T. Larkin. My business address is 1221 West Idaho Street, Boise, Idaho 83702. I am employed by Idaho Power as the Revenue Requirement Manager in the Regulatory Affairs Department.

Q. Please describe your educational background.

A. I received a Bachelor of Business Administration degree in Finance from the University of Oregon in 2007. In 2008, I earned a Master of Business Administration degree from the University of Oregon. I have also attended electric utility ratemaking courses, including the *Electric Rates Advanced Course*, offered by the Edison Electric Institute, and *Estimation of Electricity Marginal Costs and Application to Pricing*, presented by National Economic Research Associates, Inc.

Q. Please describe your work experience with Idaho Power.

A. I began my employment with Idaho Power as a Regulatory Analyst I in January 2009. As a Regulatory Analyst I, I provided support for the Company's regulatory activities, including compliance reporting, financial analysis, and the development of revenue forecasts for regulatory filings.

In January 2012, I was promoted to Regulatory Analyst II, and, in January 2014, I was promoted to Senior Regulatory Analyst. As a Senior Regulatory Analyst, my responsibilities expanded to include the development of complex cost-related studies and the analysis of strategic regulatory issues.

In March of 2016, I was promoted to my current position of Revenue Requirement Manager. As Revenue Requirement Manager, I oversee the Company's regulatory activities related to revenue requirement, such as power supply expense modeling, jurisdictional separation studies, and Idaho Power's Open Access Transmission Tariff formula rate.

I. OVERVIEW

Q. What is the Company requesting in this case?

A. The Company is requesting the Idaho Public Utilities Commission ("Commission") authorize Idaho Power to (1) accelerate the depreciation schedule for the North Valmy power plant ("Valmy") to allow the plant to be fully depreciated by December 31, 2025, (2) establish a balancing account to track the incremental costs and benefits associated with the accelerated Valmy end-of-life date, and (3) adjust customer rates to recover the associated incremental annual levelized revenue requirement of $28.50 million with an effective date of June 1, 2017.

Q. How is the Company's case organized?

A. My testimony begins with a discussion of why the 2025 end-of-life date for the Valmy plant is appropriate and describes why the Valmy depreciation schedule should be accelerated at this time. My testimony then details the proposed balancing account intended to recover incremental costs and benefits associated with a 2025 end-of-life assumption for Valmy. My testimony concludes with a quantification of the proposed $28.50 million increase to rates with a requested effective date of June 1, 2017, and a summary of why the Company's request is in the public interest.

The direct testimony of Company witness Tom Harvey discusses the prudence of investments made at Valmy that have added to the associated plant balances since the Company's last depreciation update became effective on June 1, 2012, and informs the Commission of necessary future investments at the plant to ensure Valmy continues to be available for reliable load service through the end of 2025. Mr. Harvey's testimony then presents the analysis relied upon by Idaho Power to determine that the proposed depreciable life at Valmy reflecting a 2025 end-of-life date is appropriate.

Q. Please summarize your exhibits.

A. Exhibit No. 1 illustrates the magnitude of potential future revenue requirement increases that would exist if the acceleration of Valmy's depreciation schedule is delayed beyond the proposed effective date of June 1, 2017. Exhibit No. 2 details the derivation of the levelized revenue requirement to be tracked in a Valmy balancing account and the Idaho jurisdictional share of the revenue requirement that the Company is proposing in this case to include in customer rates. Exhibit No. 3 details the development of the current Valmy revenue requirement based upon the Company's 2011 test year filed in Case No. IPC-E-11-08.

II. VALMY ACCELERATED DEPRECIATION

Q. Why is the Company proposing to modify the depreciable life of Valmy at this time?

A. Pursuant to Commission Staff's recommendation in Case No. IPC-E-03-07, Idaho Power is to file an updated depreciation study within five years of the Company's previous depreciation study. The Company's most recent update, approved by Order No. 32559 in Case No. IPC-E-12-08, went into effect on June 1, 2012. Because nearly five years have passed since the last update, the Company began preparations in early 2016 to file a new depreciation study. Through these preparations, the Company identified that significant changes had occurred with regard to the economic life of the Valmy plant, warranting the need for specific review separate from the Company's general depreciation filing. Given the requirement to file an updated depreciation study within the next year, the Company believes it is appropriate to consider Valmy-related issues concurrently with the comprehensive depreciation study filed in Case No. IPC-E-16-23. The requested effective date in both cases is June 1, 2017, which is five years from the effective date of the Company's last depreciation rate update.

Q. Why does Idaho Power believe it is appropriate to address depreciation for Valmy in a separate proceeding rather than through the general depreciation study update filed in Case No. IPC-E-16-23?

A. As discussed in detail in Mr. Harvey's testimony, circumstances surrounding the Valmy plant have changed since the Company last updated its depreciation rates in 2012, resulting in the Company's request for the proposed accounting treatment detailed in my testimony. Similar to the circumstances surrounding the Boardman plant ("Boardman") in 2012, changing conditions have resulted in an expected end-of-life at Valmy that is several years earlier than what is currently reflected in customer rates. Given the complexity associated with the acceleration of Valmy's depreciation schedule, the Company felt that a separate proceeding was appropriate to allow for a full review of the issues presented herein.

Q. What is Valmy's currently approved depreciable life for ratemaking purposes?

A. Currently approved depreciation rates reflect a plant life of 50 years for each unit, resulting in a retirement year of 2031 for Unit 1 and 2035 for Unit 2.

Q. What analysis led Idaho Power to determine that the end-of-life assumption for Valmy should be accelerated to year-end 2025?

A. As detailed in the direct testimony of Mr. Harvey, Idaho Power's preferred portfolio from the 2015 Integrated Resource Plan ("IRP") included the shutdown of Valmy Units 1 and 2 in 2025 to coincide with the completion of the Boardman to Hemingway ("B2H") transmission line. In addition to the 2015 IRP analysis, in 2016, Idaho Power completed an assessment of the operating future of Valmy with respect to economics of production and system reliability. As discussed by Mr. Harvey, the assessment indicates that Valmy is not expected to operate beyond 2025.

Q. In addition to the analyses performed by Idaho Power, are there any other factors that support the use of 2025 as the appropriate end-of-life date for Valmy?

A. Yes. In 2013, Idaho Power's co-owner in Valmy, NV Energy, filed a request with the Public Utilities Commission of Nevada ("PUCN") for a 2021 end-of-life date for Unit 1 at Valmy. The request did not include a change to NV Energy's existing end-of-life date of 2025 for Unit 2. Because of concerns about the increase in common costs that would result from operating only one of the two units beginning in 2021, the PUCN instead approved a 2025 end-of-life date for both Unit 1 and Unit 2 (Docket No. 13-06002, Modified Final Order dated January 29, 2014). Likewise, in its most recent depreciation study filed with the PUCN on June 6, 2016, in Docket No. 16-06008, NV Energy used the same end-of-life date for both units. As discussed in more detail in the testimony of Mr. Harvey, the 2025 shutdown date currently utilized by NV Energy provides an additional indication that the Valmy plant will not be operational beyond 2025.

Q. Has Idaho Power considered utilizing an end-of-life date for Valmy earlier than 2025?

A. Yes. As part of the 2015 IRP, Idaho Power considered the impact to customers of an end-of-life at both Valmy units earlier than 2025. However, Idaho Power's analysis concluded that an end-of-life assumption of 2025 would result in net present value revenue requirement savings as compared to the existing operating assumption while mitigating the customer rate impacts associated with a 2019 end-of-life.

Q. Please summarize why a 2025 end-of-life date is appropriate for the Valmy plant.

A. There are multiple aspects of the current circumstances surrounding the Valmy plant that support the use of a 2025 end-of-life date for depreciation purposes. First, Idaho Power's 2015 IRP led to the use of a 2025 closure date for both Valmy units as part of the Company's preferred portfolio, balancing the short-term rate impacts of an earlier shutdown with long-term revenue requirement savings. The 2025 date was further supported by the assessment performed by the Company in 2016, which concluded that a 2025 end-of-life date for Valmy is preferable with respect to reliability and revenue requirement impacts. Lastly, the currently approved depreciable life utilized by the Company's co-owner at the Valmy plant, NV Energy, reflects a 2025 end-of-life date. This body of evidence strongly supports the modification of the existing Valmy depreciation schedule to reflect a 2025 shutdown date.

III. BENEFITS OF ACCELERATED RECOVERY OF VALMY-RELATED COSTS

Q. Why is it beneficial to accelerate the depreciation schedule at Valmy to reflect the 2025 end-of-life date as requested?

A. There are two primary reasons why it is beneficial to accelerate Valmy's depreciation schedule at this time: (1) doing so will result in the appropriate matching of cost recovery with the remaining operating life of the plant and (2) accelerating the deprecation schedule at this time will mitigate future rate impacts associated with the earlier shutdown of the plant.

Q. Please explain why the Company's proposal results in the appropriate matching of costs and rate recovery.

A. For the reasons summarized above, customers will continue to be served by the Valmy plant until year-end 2025, at which point the plant is no longer expected to be used. By accelerating the depreciation schedule to reflect a 2025 shutdown date, the recovery of Valmy-related costs will align with the remaining operating life of the plant, resulting in cost recovery from customers who are served by the plant. Without accelerating the depreciation schedule to reflect the 2025 shutdown date, cost recovery from customers could extend beyond the plant's operating life, resulting in cost recovery from future customers for a plant that will no longer be providing service at that time.

Q. How does the acceleration of Valmy's depreciation schedule mitigate future rate impacts to customers?

A. From a ratemaking perspective, depreciation expense represents the recovery of investment in plant and equipment over time. When the life of an asset is adjusted to reflect an earlier retirement date, it results in a shorter time period over which costs can be recovered, meaning more costs must be recovered in each year to provide for full recovery of the investment over its useful life. Therefore, the more time that passes before the depreciation schedule at Valmy is adjusted to reflect the 2025 retirement date, the larger the revenue requirement increase will be to allow for full cost recovery.

Q. Have you quantified the potential customer impact of delaying the acceleration of Valmy's depreciation schedule beyond the requested June 1, 2017, effective date?

A. Yes. Exhibit No. 1 presents the impact of delaying the acceleration of Valmy's depreciation schedule beyond the requested June 1, 2017, effective date. As can be seen in Exhibit No. 1, a delay of just 12 months would result in an annual levelized revenue requirement of over $30.54 million and a delay of four years results in an annual levelized revenue requirement amount of over $43.75 million.

IV. RECOMMENDED REGULATORY ACCOUNTING AND RATEMAKING TREATMENT

Q. Please describe the need for the Valmy balancing account.

A. As stated above, the Company believes the operating life of Valmy will end in 2025, earlier than the current depreciable end-of-life of 2031 for Unit 1 and 2035 for Unit 2. In addition to the earlier end-of-life date, Valmy will also require incremental investments to maintain operations prior to ultimately decommissioning the plant. However, the specific timing and exact amounts of these future investments are not yet known. For these reasons, Idaho Power proposes the establishment of a balancing account that would allow flexibility for the timing and recovery of the remaining Valmy revenue requirement.

Q. Has the Commission authorized the Company to implement the requested recovery treatment in any other cases?

A. Yes. In Order No. 32457 (Case No. IPC-E-11-18), the Commission approved a cost recovery approach for incremental annual costs associated with the early retirement of the Boardman power plant. Idaho Power's proposal in this case mirrors the cost recovery approach approved in Case No. IPC-E-11-18 and implemented in Case No. IPC-E-12-09.

Q. Please provide an overview of the Company's proposed cost recovery approach for Valmy.

A. There are three types of costs the Company anticipates booking to the balancing account: (1) the accelerated depreciation associated with existing Valmy plant investments, (2) the return on the undepreciated capital investments at Valmy until its end-of-life, and (3) decommissioning costs related to the Valmy shutdown. Under the proposed approach, the Company will replace the base rate revenue recovery associated with Idaho Power's existing investment in Valmy with a levelized revenue requirement to be tracked in the Valmy balancing account.

Q. What are the benefits associated with this approach?

A. Like the Boardman balancing account, the Valmy balancing account will smooth revenue requirement impacts of a 2025 Valmy shutdown over the remaining eight and a half years of Valmy plant's life and allow for full recovery of Valmy-related costs by its end-of-life. As discussed earlier in my testimony, this will effectively align the cost recovery period with the remaining operating life of the plant, resulting in an appropriate matching of cost recovery from customers who benefit from the plant's operations while mitigating the risk of future customers bearing the costs of a plant that will no longer be providing service. Additionally, through the proposed accounting treatment, customers will pay no more or no less than the actual capital-related costs of the Valmy plant between the proposed effective date of June 1, 2017, and the proposed end-of-life date in 2025.

Q. Please describe the tracking of the accelerated depreciation associated with existing Valmy plant investments.

A. The proposed accounting treatment will result in accelerated depreciation expense related to all Valmy plant investments as compared to current depreciation that is based on a retirement date of 2031 for Unit 1 and 2035 for Unit 2. The Company is proposing to track and recover the accelerated depreciation expense associated with Valmy's 2025 end-of-life through the Valmy balancing account as quantified later in my testimony.

Q. Please explain the return on undepreciated capital investments at Valmy that will be tracked in the balancing account.

A. Although Valmy's end-of-life is expected to occur in 2025, there will be required investments at the plant in addition to its normal maintenance in order to keep the plant operational until that time. The return and associated depreciation expense will be tracked in the balancing account.

Q. Please describe the proposed tracking of the Valmy decommissioning costs.

A. Idaho Power will incur decommissioning costs related to the Valmy 2025 end-of-life. Currently, estimated decommissioning costs are accounted for as an Asset Retirement Obligation ("ARO"), which considers costs to decommission and remove plant components, including the power plant and associated ponds and material handling facilities. The ARO also includes a 15 percent contingency estimate and is partially offset by expected salvage proceeds associated with decommissioning the plant. The Company's current base rates do not include any recovery of ARO related to Valmy.

Q. Does the Company account for the Valmy ARO under Accounting Standards Codification ("ASC") 410?

A. Yes. In accordance with Order No. 29414, Idaho Power records (1) a regulatory asset for the cumulative financial statement impact resulting from the Company's implementation of ASC 410 and (2) the ongoing annual differences between the ASC 410 depreciation and accretion expenses and the annual depreciation expenses that are currently authorized by the Commission in depreciation rates and accruals. If the Commission approves the Company's proposal related to Valmy decommissioning costs, Idaho Power would begin collecting revenues to cover the existing ARO-related liabilities, as well as non-ARO decommissioning costs. Therefore, Idaho Power requests Valmy-related ARO balances be exempted from the deferral treatment under Order No. 29414 and that previously deferred amounts be amortized over the expected remaining life of Valmy.

Q. Has the Company determined the levelized revenue requirement associated with the costs proposed to be tracked in the Valmy balancing account?

A. Yes. The annual levelized revenue requirement associated with the recovery of both existing investments in Valmy on an accelerated basis as well as incremental, forecasted investments between August 1, 2016, and December 31, 2025, is $45.97 million on an Idaho jurisdictional basis. Exhibit No. 2 details the development of the levelized revenue requirement.

Q. Please explain your levelizing calculation.

A. The levelized revenue requirement includes the costs of accelerating the depreciation of the Valmy plant items, the return associated with capital investments net of accumulated depreciation forecasted through the remaining life of Valmy, and the decommissioning costs associated with Valmy's end-of-life. The levelized revenue requirement was determined by calculating the present value of each of the individual items and converting the values into a level payment stream from customers over the eight and a half year recovery period beginning June 1, 2017.

Q. Please quantify the accelerated depreciation component of the levelized revenue requirement amount.

A. The Company's proposal will result in accelerated depreciation expense related to all Valmy plant investments. As previously mentioned, concurrent with this filing, Idaho Power has filed its updated depreciation study in Case No. IPC-E-16-23 that incorporates Valmy's 2025 end-of-life date and adjusts depreciation rates accordingly, anticipating a proposed change in rates effective June 1, 2017. In that filing, however, the Company is proposing to exclude the impacts of the accelerated depreciation for Valmy and instead track these incremental expenses in the Valmy balancing account proposed in this case. As of July 31, 2016, the Valmy net plant investment is approximately $222 million and the Company estimates the net plant investment as of May 31, 2017, will be $217 million. The total accelerated depreciation associated with the Valmy 2025 end-of-life date included in the levelized revenue requirement calculation is approximately $39.73 million on an Idaho jurisdictional basis.

Q. Please quantify the revenue requirement associated with the return on undepreciated capital investments at Valmy.

A. The accelerated depreciation component of the levelized revenue requirement computation includes net Valmy investments as of May 31, 2017. As explained in more detail in the testimony of Mr. Harvey, Idaho Power anticipates the capital expenditures made at Valmy through 2025 will be for routine repairs. The Idaho jurisdictional levelized revenue requirement associated with expected incremental investments at Valmy from August 1, 2016, through December 31, 2025, is $4.45 million. The Revenue Requirement on Incremental Investments section of Exhibit No. 2 details this computation.

Q. Please quantify the annual revenue requirement associated with the Valmy decommissioning costs.

A. Idaho Power estimated its share of the decommissioning costs by applying the Company's 50 percent ownership percentage to the decommissioning study performed by URS Corporation for NV Energy. The total included in the Idaho jurisdictional levelized revenue requirement calculation is $1.79 million.

Q. What is the resulting total levelized revenue requirement?

A. The levelized revenue requirement associated with Valmy includes $39.73 million in accelerated depreciation of existing investments, $4.45 million related to incremental investments, and $1.79 million in decommissioning costs, for a total levelized revenue requirement of $45.97 million on an Idaho jurisdictional basis.

Q. What is the existing revenue requirement associated with Valmy that is currently included in the Company's base rates?

A. Exhibit No. 3 details the development of the $17.47 million Idaho jurisdictional share of the existing revenue requirement. This amount will be replaced with the levelized revenue requirement amount detailed in Exhibit No. 2.

Q. How does the total levelized revenue requirement compare to the existing revenue requirement currently in customer rates?

A. The total levelized revenue requirement of $45.97 million less the Idaho jurisdictional share of the existing revenue requirement of $17.47 million results in an incremental annual levelized revenue requirement of approximately $28.50 million on an Idaho jurisdictional basis.

Q. What level of return on equity ("ROE") have you incorporated into your revenue requirement quantifications?

A. Consistent with the current treatment of Boardman-related revenue requirement computations, the Company proposes to use a 9.5 percent ROE in the quantification of the levelized revenue requirement for Valmy. In Case No. IPC-E-11-18, the Commission agreed with Commission Staff's proposal to use a 9.5 percent ROE to calculate the levelized payments for Boardman. Because the regulatory treatment requested in this case mirrors that applied for recovery of Boardman plant investments, the Company believes it is reasonable and appropriate to apply the same ROE to Valmy investments. The 9.5 percent ROE is also the same level of ROE currently applied as the Accumulated Deferred Investment Tax Credit trigger approved by Order No. 32424 (Case No. IPC-E-11-22).

Q. How does the Company plan to administer the Valmy balancing account on an annual basis?

A. Idaho Power is proposing to administer the Valmy balancing account in the same way the Company administers the Boardman balancing account. On an annual basis, Idaho Power will recalculate the levelized revenue requirement for Valmy based upon actual investments to date and an updated forecast of future investments at the plant.

The Company will also track (1) the monthly deviations between forecasted revenue collection and actual revenue collection and (2) deviations between existing levelized revenue requirement calculations and updated levelized revenue requirement calculations. These two tracked components, along with the revised levelized revenue requirement, would be reviewed annually to determine whether or not a rate adjustment is needed. If the Company determines that a rate adjustment is needed, a new rate would be determined that would recover the newly calculated levelized revenue requirement as well as provide for recovery or refund of the amounts tracked in the balancing account. Should the Company choose not to recommend an adjustment to rates in a given year, amounts previously recorded in the balancing account would remain in the balancing account for future recovery or refund. Under this approach, customers will pay the capital-related costs of the plant until its assumed end-of-life of 2025, no more and no less.

Q. Has Idaho Power updated the Boardman-related levelized revenue requirement amounts included in customer rates since the Boardman balancing account was implemented in June 1, 2012?

A. No. Idaho Power has filed a report with the Commission annually detailing the updated levelized revenue requirement amount based on more current investment amounts and new forecast information, as well as deviations in collections and changes in the levelized revenue requirement amounts since 2012. However, because the difference in the annual revenue requirement amounts has been quite small as a percentage of the Company's Idaho jurisdictional retail revenues each year, and because any such differences are tracked through the Boardman balancing account, the Company has not requested to adjust base rates to recover such differences. To date, the balancing account approach to cost recovery associated with the early shutdown of Boardman has effectively smoothed or "levelized" related rate impacts to customers.

Q. How does the Company propose to allocate the incremental annual levelized revenue requirement amount of approximately $28.50 million to each class of customers?

A. The Company requests that the incremental revenue requirement of approximately $28.50 million be recovered from all customer classes through a uniform percentage increase to all base rate components except the service charge.

Q. Has the Company prepared a schedule that presents the revenue spread results for each customer class under the Company's proposed allocation methodology?

A. Yes. Attachment No. 1 to the Application presents a summary of the proposed revenue impact for each customer class.

V. CONCLUSION

Q. Please summarize your testimony.

A. Multiple studies support the use of 2025 as the end-of-life date for the Valmy plant, including Idaho Power's 2015 IRP and the 2016 analysis detailed in the testimony of Mr. Harvey. In addition, the currently approved depreciable life for the Company's co-owner at Valmy, NV Energy, also reflects a 2025 end-of-life date. Given this body of evidence, Idaho Power is proposing to accelerate the depreciation schedule for the Valmy plant to reflect this earlier shutdown of year-end 2025. The Company's proposal will result in the appropriate matching of cost recovery with the remaining operations of the plant, and mitigate future rate increases that will be required if Valmy's depreciable life is not updated at this time.

Additionally, Valmy will require incremental investments to maintain operations prior to ultimately decommissioning the plant. However, the specific timing and exact amounts of these future investments are not yet known. For that reason, Idaho Power proposes the establishment of a balancing account that would allow flexibility for the timing and recovery of the remaining Valmy revenue requirement, and appropriately align the cost recovery period with the remaining operational life of the plant. The requested treatment is identical to the currently approved methodology related to the early closure of the Boardman power plant, which has proven to be an effective method to provide for cost recovery while smoothing out rate impacts to customers. Under the proposed methodology, Idaho Power seeks approval of an adjustment of $28.50 million to the Company's Idaho jurisdictional revenue requirement to take place on June 1, 2017.

Q. Does this complete your testimony?

A. Yes, it does.

ATTESTATION OF TESTIMONY

STATE OF IDAHO)
) ss.
County of Ada   )

I, Matthew T. Larkin, having been duly sworn to testify truthfully, and based upon my personal knowledge, state the following:

I am employed by Idaho Power Company as the Revenue Requirement Manager in the Regulatory Affairs Department and am competent to be a witness in this proceeding.

I declare under penalty of perjury of the laws of the state of Idaho that the foregoing pre-filed testimony and exhibits are true and correct to the best of my information and belief.

DATED this 21st day of October 2016.

Matthew T. Larkin

SUBSCRIBED AND SWORN to before me this 21st day of October 2016.

CHRISTA S. BEARRY NOTARY PUBLIC STATE OF IDAHO

Christa S. Bearry
Notary Public for Idaho
Residing at: Boise, Idaho
My commission expires: 02/04/2021

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-16-24

IDAHO POWER COMPANY

LARKIN, DI TESTIMONY

EXHIBIT NO. 1

FUTURE REVENUE REQUIREMENT INCREASES ABSENT ACCELERATION AS FILED
VALMY LEVELIZED REVENUE REQUIREMENT

RATE CHANGE	LEVELIZED REVENUE REQUIREMENT	INCREASE
As Filed:		
June 1, 2017	$ 28,497,934	$ -
If Delayed Until:		
June 1, 2018	$ 30,539,150	$ 2,041,216
June 1, 2019	$ 33,528,173	$ 5,030,239
June 1, 2020	$ 37,661,623	$ 9,163,689
June 1, 2021	$ 43,750,797	$ 15,252,863

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-16-24

IDAHO POWER COMPANY

LARKIN, DI
TESTIMONY

EXHIBIT NO. 2

Levelized Revenue Requirement for the Valmy Plant

at May 31, 2017

Revenue Requirement On Existing Investments at May 31, 2017

	Existing Accelerated
2017	48,182,681
2018	46,081,959
2019	44,205,352
2020	42,280,012
2021	40,351,208
2022	38,444,002
2023	36,588,245
2024	34,826,858
2025	32,851,514
Total	363,811,831
PV	273,860,088
Payment	41,787,659

Revenue Requirement On Incremental Investments

Capital Additions & Forecast		Life (years)	Layer 2017	Layer 2018	Layer 2019	Layer 2020	Layer 2021	Layer 2022	Layer 2023	Layer 2024	Layer 2025	
June, 2017	1,680,976	9	260,976	-	-	-	-	-	-	-	-	
January, 2018	9,140,126	8	317,838	1,557,288	-	-	-	-	-	-	-	
January, 2019	6,572,775	7	299,848	1,871,156	1,244,266	-	-	-	-	-	-	
January, 2020	5,301,763	6	282,024	1,760,176	1,471,134	1,153,582	-	-	-	-	-	
January, 2021	3,826,243	5	264,354	1,650,281	1,379,654	1,352,751	954,673	-	-	-	-	
January, 2022	2,981,229	4	246,826	1,541,390	1,289,085	1,264,079	1,087,611	886,586	-	-	-	
January, 2023	2,776,522	3	229,430	1,433,427	1,199,359	1,176,456	1,012,817	977,542	1,047,288	-	-	
January, 2024	2,500,000	2	212,156	1,326,325	1,110,411	1,089,803	938,779	906,643	1,112,405	1,342,010	-	
January, 2025	500,000	1	194,950	1,220,017	1,022,185	1,004,048	865,442	836,333	1,026,780	1,365,357	507,817	
		Total	2,308,402	12,360,059	8,716,094	7,040,720	4,859,321	3,607,105	3,186,474	2,707,367	507,817	Total
		PV	1,738,113	8,948,404	6,072,362	4,723,138	3,143,103	2,251,924	1,922,153	1,579,838	287,016	Payments
		Payment	265,215	1,365,416	926,567	720,692	479,599	343,616	293,297	241,064	43,795	4,679,260

Decommissioning Costs

	2025 Costs	Payment
Decommissioning Costs (Estimated in 2025 dollars)	21,583,188	1,880,690

Total System Summary

Levelized Rev Rqmt - Existing Investment	41,787,659
Levelized Rev Rqmt - Incremental Investments	4,679,260
Levelized Rev Rqmt - Decommissioning Costs & Salvage	1,880,690
New Levelized Rev Rqmt (To be tracked through the balancing account)	48,347,609
Estimated Rev Rqmt Currently in Base Rates (2011)	18,170,111
Net Change in Levelized Rev Rqmt	30,177,498
True-Up of Prior Year Collections	-
True-Up of Levelized Rev Rqmt	-
Annual Rev Rqmt. Impact to Customers	30,177,498

Idaho Jurisdictional Summary

Levelized Rev Rqmt - Existing Investment	39,733,117
Levelized Rev Rqmt - Incremental Investments	4,449,198
Levelized Rev Rqmt - Decommissioning Costs & Salvage	1,788,223
New Levelized Rev Rqmt (To be tracked through the balancing account)	45,970,539
Estimated Rev Rqmt Currently in Base Rates (2011)	17,472,605
Net Change in Levelized Rev Rqmt	28,497,934
True-Up of Prior Year Collections	-
True-Up of Levelized Rev Rqmt	-
Annual Rev Rqmt. Impact to Customers	28,497,934

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-16-24

IDAHO POWER COMPANY

LARKIN, DI
TESTIMONY

EXHIBIT NO. 3

Idaho Power Company

Summary of Revenue Requirement - Idaho

Valmy: 2011 Test Year

RATE BASE		
Electric Plant in Service		
Intangible Plant	$	-
Production Plant	$	327,426,389
Transmission Plant	$	6,868,673
Distribution Plant	$	-
General Plant	$	1,028,151
Total Electric Plant in Service	$	335,323,213
Less: Accumulated Depreciation	$	194,167,721
Less: Amortization of Other Plant		
Net Electric Plant in Service	$	141,155,492
Less: Customer Adv for Construction		
Less: Accumulated Deferred Income Taxes	$	54,387,522
Add: Plant Held for Future Use		
Add: Working Capital		
Add: Conservation - Other Deferred Prog		
Add: Subsidiary Rate Base		
TOTAL COMBINED RATE BASE	**$**	**86,767,970**

NET INCOME		
Operating Expenses		
Operation and Maintenance Expenses		
Depreciation Expenses		8,200,950
Amortization of Limited Term Plant		
Taxes Other Than Income		967,295
Regulatory Debits/Credits		
Provision for Deferred Income Taxes	$	4,705,764
Investment Tax Credit Adjustment		
Current Income Taxes	$	(10,052,922)
Total Operating Expenses	$	3,821,088
Operating Income	$	(3,821,088)
Add: IERCO Operating Income		
Consolidated Operating Income	$	(3,821,088)
Authorized Rate of Return		7.86%
Earnings Deficiency	$	10,641,051
Net-to-Gross Tax Multiplier		1.642
REVENUE REQUIREMENT	**$**	**17,472,605**