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July 3, 2019

VIA ELECTRONIC FILING AND U.S. PRIORITY MAIL

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UE 363 – In the Matter of the Application of Idaho Power Company for Authority to Decrease Its Rates for Electric Service for Costs Associated with the North Valmy Power Plant

Attention Filing Center:

Attached for filing in the above-captioned docket is an electronic copy of Idaho Power Company's Direct Testimony of Matthew T. Larkin and Tom Harvey (Larkin/100-101; Harvey/200-201) which is being filed concurrently with the Application for Authorization to Decrease Rates and accompanying tariff sheets. Confidential copies will be sent to the Commission via U.S. Priority Mail.

Please contact this office with any questions.

Sincerely,

Alisha Till
Paralegal

Attachments

cc: UE 345 Service List

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET NO. UE 363

In the Matter of the Application of IDAHO)
POWER COMPANY for Authority to)
Decrease its Rates for Electric Service for)
Costs Associated with the North Valmy)
Power Plant.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MATTHEW T. LARKIN

July 3, 2019

1 **Q. Please state your name, business address, and present position with Idaho**
2 **Power Company (“Idaho Power” or “Company”).**

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

6 **Q. Please describe your educational background.**

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

13 **Q. Please describe your work experience with Idaho Power.**

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

18 In January 2014, I was promoted to Senior Regulatory Analyst where my
19 responsibilities expanded to include the development of complex cost-related studies
20 and the analysis of strategic regulatory issues.

21 Since becoming the Revenue Requirement Senior Manager in March 2018, I
22 have overseen the Company’s regulatory activities related to revenue requirement,
23 such as power supply expense modeling, jurisdictional separation studies, and Idaho
24 Power’s Open Access Transmission Tariff formula rate.

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I. OVERVIEW

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Q. What is the purpose of this case?

A. The purpose of this case is to present to the Public Utility Commission of Oregon (“Commission”) the results of successful negotiations between Idaho Power and Sierra Pacific Power Company d/b/a NV Energy (“NV Energy”) regarding the terms and conditions under which either partner may elect exit of participation in the North Valmy power plant (“Valmy”). The results of these negotiations, which began in 2017, have been memorialized in the North Valmy Project Framework Agreement between NV Energy and Idaho Power dated as of February 22, 2019 (“Framework Agreement”). Idaho Power has pursued prudent and commercially reasonable efforts to end its participation in the operation of Valmy Unit 1 by December 31, 2019, and Valmy Unit 2 by December 31, 2025. The Company will also present an updated levelized revenue requirement amount because collection amounts associated with Unit 1 will be complete December 31, 2019, when Idaho Power’s coal-fired operations cease. In this case, the Company seeks Commission approval required by the Framework Agreement and to adjust customer rates to reflect cessation of Unit 1 operations on December 31, 2019.

Q. What specific action is the Company requesting of the Commission in this case?

A. The Company is requesting the Commission issue an order no later than October 15, 2019, (1) approving or acknowledging the Framework Agreement and (2) authorizing Idaho Power to adjust customer rates effective January 1, 2020, to reflect a decrease in the annual levelized revenue requirement of \$3.17 million, which equates to an overall decrease of 5.63 percent.

Q. Why is the Company requesting the Commission issue an order no later than October 15, 2019, yet is proposing to adjust customer rates effective January 1, 2020?

1 A. Idaho Power acknowledges the Company is requesting a relatively expedited review
2 of its request in this case. However, as I will discuss later in my testimony, the
3 Framework Agreement is not effective until satisfactory regulatory approvals have
4 been received from all jurisdictions. With Idaho Power's cessation of Unit 1 operations
5 to occur December 31, 2019, it is necessary to have the Framework Agreement in
6 place prior to year-end as it creates the structure whereby Idaho Power may cease its
7 participation in the Valmy plant. It is also important to note the Framework Agreement
8 will facilitate the exit of both Valmy units according to the timeframe already approved
9 by the Commission for depreciation purposes.

10 **Q. How is your testimony organized?**

11 A. My testimony begins with a discussion of the Company's efforts to reach an agreement
12 with NV Energy to amend the current contracts associated with the ownership and
13 operation of Valmy. I provide an overview of the Framework Agreement and how it
14 results in lower costs than what would exist under the current agreements, benefiting
15 Idaho Power's customers. My testimony then summarizes the requested changes to
16 the Valmy levelized revenue requirement to reflect cessation of Valmy Unit 1
17 operations and full depreciation of the investments at December 31, 2019, including
18 the quantification of the proposed \$3.17 million decrease to rates with a requested
19 effective date of January 1, 2020.

20 **Q. Is the Company providing any other testimony in this case?**

21 A. Yes. The direct testimony of Company witness Tom Harvey describes in detail the
22 provisions of the Framework Agreement.

23 **Q. Do you have any exhibits?**

24 A. Yes. Exhibit No. 101 to my testimony provides a summary of the updated levelized
25 revenue requirement calculations by cost category as compared to the levelized
26

1 revenue requirement amounts included in customer rates approved with Order Nos.
2 17-235 and 18-199.

3 **II. IDAHO POWER'S CESSATION OF PARTICIPATION IN VALMY OPERATIONS**

4 **Q. Under what agreements do NV Energy and Idaho Power own and operate**
5 **Valmy?**

6 A. Currently, the ownership and operation of Valmy is governed by three agreements:
7 (1) the Agreement for the Ownership of the North Valmy Power Plant Project
8 ("Ownership Agreement"), (2) the Agreement for the Operation of the North Valmy
9 Power Plant Project ("Operation Agreement") both of which are dated December 12,
10 1978, and (3) the North Valmy Station Operating Procedures Criteria, dated as of
11 February 11, 1993, between Idaho Power Company and Sierra Pacific Power
12 Company, as amended by Amendment No. 1 to the Operating Procedure Criteria for
13 Valmy Coal Diversion Procedures and Usage, dated as of January 1, 2012
14 (collectively, the "Existing North Valmy Agreements"). The Ownership Agreement sets
15 forth Idaho Power's ownership rights and interests in the Valmy plant while the
16 Operation Agreement assigns NV Energy as the operator of the Valmy plant while also
17 setting forth operating decision procedures, operating expense payments, and the
18 annual budgeting process, among other terms and conditions. The Existing North
19 Valmy Agreements have provided NV Energy and Idaho Power ("co-owner" or
20 collectively, the "co-owners") the basis for owning and operating the Valmy plant for
21 over 40 years.

22 **Q. What are the current end-of-life assumptions used by the co-owners for each**
23 **Valmy unit?**

24 A. In the term sheet approved by the Commission in Order No. 18-199, Idaho Power
25 agreed to cease coal-fired operations of Unit 1 by December 31, 2019, and Unit 2 by
26 December 31, 2025, as approved with Order No. 17-235. In its 2018 Update to the

1 Life Span Analysis Process of Valmy Units 1 and 2, NV Energy recommended
2 retirement dates of both units at year-end 2025. However, on December 21, 2018, in
3 Docket No. 18-06003, the Nevada Public Utilities Commission (“Nevada PUC”) issued
4 an order adopting NV Energy’s 2019-2038 Triennial Integrated Resource Plan, 2019-
5 2021 Action Plan, and 2019-2021 Energy Supply Plan, all of which included an early
6 retirement of Unit 1 on December 31, 2021, under NV Energy’s stated conditions.¹
7 The end-of-life date for Unit 2 remained at year-end 2025.²

8 **Q. Do the Existing North Valmy Agreements offer NV Energy or Idaho Power the**
9 **ability to end participation in a Valmy unit?**

10 A. No. While the Ownership Agreement provides for cessation of operations under a
11 variety of scenarios, the Existing North Valmy Agreements do not contemplate a
12 scenario in which one co-owner chooses to exit one or both units at the time the other
13 co-owner wishes to continue operations. With a year-end 2019 cessation of
14 participation in Unit 1 operations, Idaho Power would be the first co-owner to exit a
15 Valmy unit while NV Energy continues operations of the unit through at least 2021, an
16 exit scenario not provided for under the Existing North Valmy Agreements.

17 **Q. Has the Company attempted to amend the Existing North Valmy Agreements**
18 **and end participation in operations of Unit 1?**

19
20 ¹ *Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power*
21 *Company d/b/a NV Energy for approval of their 2019-2038 Triennial Integrated Resource Plan and*
22 *2019-2021 Energy Supply Plan, Docket No. 18-06003 (December 21, 2018). NV Energy’s stated*
23 *conditions include: (1) demonstrative evidence that the three new northern PV projects and*
24 *associated storage projects will achieve commercial operation by June 2022, (2) NV Energy must*
25 *have adequate capacity to serve customer load, (3) there must be sufficient access to capacity and*
26 *energy in western markets to mitigate cost pressure and alleviate a reduction in flexibility associated*
with not having power available from Valmy 1, (4) a transmission area load of 2,800 MW will trigger
a reevaluation of retirement of Valmy 1, (5) accounting treatment regarding decommissioning Valmy
1 must be consistent with other retirement NVE energy generation assets, and (6) the accounting
treatment regarding undepreciated book value must be consistent with the tracking accounting
treatment authorized in prior dockets.

² Nevada PUC Order dated December 21, 2018, Document ID 34967.

1 A. Yes. In 2017, Idaho Power and NV Energy began discussions around Idaho Power's
2 exit from ownership and/or operations of Valmy. While the co-owners do not align on
3 retirement dates of the units, both companies committed to pursuing a path forward
4 that would allow Idaho Power to exit one or more Valmy units on the Company's
5 proposed schedule. On December 27, 2017, the co-owners signed a term sheet
6 ("Term Sheet") that established a nonbinding agreement that would set in motion the
7 path for Idaho Power to achieve its preferred exit dates for both Valmy units. The
8 Term Sheet, which was included as Confidential Attachment 1 to Advice No. 18-02
9 filed with the Commission on February 28, 2018, also identified Idaho Power's intent
10 to cease its participation in operations of Unit 1 on December 31, 2019.

11 **Q. Please summarize the provisions of the Term Sheet.**

12 A. The Term Sheet included both binding and nonbinding provisions. The binding
13 provisions specified that the co-owners were bound to maintain the confidentiality of
14 discussions related to the retirement and shutdown of Valmy and that the co-owners
15 would consult with each other prior to issuing any press release or public statement or
16 making any public filing. The nonbinding provisions indicated the co-owners agreed
17 to enter into a retirement, monitoring, and decommissioning (or similar) agreement
18 that would set forth, among other things, the means for Idaho Power's exit from one
19 or more Valmy units, and clarify certain issues under the existing ownership and
20 operating agreements between the co-owners with respect to retirement,
21 environmental assessment and monitoring, and decommissioning. Through the Term
22 Sheet, the co-owners committed to working through all the binding and nonbinding
23 provisions and memorialize resolutions in an agreement.

24 **Q. What activities have the co-owners undertaken following execution of the Term**
25 **Sheet?**

26

1 A. Immediately following the signing of the Term Sheet, the co-owners commenced
2 preparation and negotiation of the Framework Agreement. Parallel to drafting
3 provisions of the Framework Agreement, the co-owners worked to identify individual
4 operations and maintenance (“O&M”) expense items, separating O&M cost
5 components between fixed and variable O&M expenses. Over 300 different activities
6 were reviewed to determine if the activity will be performed in the future and used for
7 budgeting purposes, what time period it applies to, and what the budget amount would
8 be if only one unit were in operation. The review resulted in approximately 170
9 currently-used activities receiving a designation of fixed or variable O&M. These fixed
10 and variable O&M charges became the foundation for calculating payment obligations
11 contained in the Framework Agreement.

12 **Q. Have the co-owners finalized the Framework Agreement?**

13 A. Yes. The Framework Agreement was executed by Idaho Power on February 22, 2019,
14 and by NV Energy on February 28, 2019, and is effective upon both co-owner’s
15 determination of satisfactory regulatory approvals from this Commission, the Nevada
16 PUC, and the Idaho Public Utilities Commission (“IPUC”). The Framework Agreement
17 will remain in effect until the date in which all Valmy decommissioning activities have
18 been performed or completed and all related decommissioning costs have been paid.

19 **Q. Have the co-owners received satisfactory regulatory approvals from the Nevada
20 PUC or the IPUC?**

21 A. Idaho Power received satisfactory regulatory approval from the IPUC on May 31,
22 2019,³ and NV Energy’s request for regulatory approval from the Nevada PUC⁴ is

23 ³ *In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates
24 for Electric Service to Recover Costs Associated with the North Valmy Power Plant, Case No. IPC-
E-19-08, Order No. 34349 (May 31, 2019).*

25 ⁴ *Application of Nevada Power Company d/b/a/ NV Energy and Sierra Pacific Power
26 Company d/b/a/ NV Energy, seeking approval of Second Amendment to 2018 Joint Integrated*

1 currently pending. Assuming the Nevada PUC approves the Framework Agreement,
2 the Company's request of the Commission in this case represents the final regulatory
3 approval necessary to effectuate the Framework Agreement.

4 **Q. Why is the Framework Agreement in the best interest of Idaho Power's**
5 **customers?**

6 A. The Framework Agreement creates a structure which does not exist under the current
7 Existing North Valmy Agreements whereby Idaho Power may cease its participation
8 in the Valmy plant (or its units). Toward this end, the Framework Agreement clarifies
9 the respective rights and obligations of each co-owner with respect to the continued
10 operation, exit or retirement, and decommissioning of the Valmy plant (or its units).
11 The newly-structured payment obligations set forth in the Framework Agreement
12 provide a financial benefit to customers because (a) incremental capital improvements
13 associated with an exited unit cease, (b) common facility costs are reduced as a result
14 of Idaho Power's new capacity share, and (c) future variable operating costs
15 associated with an exited unit would not be incurred. Therefore, approval or
16 acknowledgment of the Framework Agreement is in the best interest of Idaho Power
17 and its customers.

18 **Q. Please provide a general overview of the purpose of the Framework Agreement.**

19 A. The co-owners entered into the Framework Agreement because the Existing North
20 Valmy Agreements do not provide for a mechanism by which either co-owner can
21 cease participation in Valmy operations in a manner that would allow either co-owner
22 to avoid any of the associated cost obligations, nor do they set forth the terms by which

23
24 *Resource Plan, including a change to the Demand-Side Action Plan to achieve 1.25% annual energy*
25 *savings target, additions to the generation portion of the Supply-Side Action Plan including a new*
26 *cooling pond for Tracy Unit 3 and new agreement with Idaho Power Company for the orderly*
retirement of the North Valmy Station, updates to the Transmission Action plan including several new
transmission projects needed to serve growing distribution and transmission load, Docket No. 19-
05003, Doc. ID 38172 (May 1, 2019).

1 decommissioning of the plant is to occur. The Framework Agreement was executed
2 to (1) clarify the respective rights and obligations of the co-owners with respect to the
3 continued operation, retirement, and decommissioning of the Valmy plant or the units
4 thereof, and (2) provide for a method that allows an exiting participant to cease
5 participation in the Valmy plant or the units thereof. Company Witness Tom Harvey
6 will describe the provisions of the Framework Agreement in more detail.

7 **Q. Are there any costs associated with the Framework Agreement?**

8 A. Yes. The Framework Agreement sets forth payment obligations associated with a co-
9 owner's exit from participation in operation of a Valmy unit. Mr. Harvey will explain the
10 exit fee structure established as part of the Framework Agreement in more detail in
11 his testimony, but generally Idaho Power would be responsible for exit fees, a fixed
12 dollar amount that represents ongoing Valmy-related costs that exist under the
13 Existing North Valmy Agreements, and shared costs (which are known, ongoing
14 Valmy-related costs that exist regardless of a decision to exit a unit). The Company
15 would be liable for these costs until the earlier of the retirement date of each unit or
16 December 31, 2025.

17 In addition, Idaho Power would be responsible for its share of the applicable
18 decommissioning costs arising from activities that occurred prior to exit of the unit.
19 The Company would not, however, be responsible for the following costs after exiting
20 from the unit: operating expenses, fuel-related costs, costs of capital additions,
21 administrative and general expenses, or any new fixed or variable costs associated
22 with such unit.

23 **Q. How do the cost provisions of the Framework Agreement benefit customers?**

24 A. The Existing North Valmy Agreements do not provide relief from contractual payment
25 obligations should Idaho Power exit a unit prior to NV Energy, meaning the Company
26 would be responsible for 50 percent of the fixed and variable costs associated with

1 Valmy for as long as NV Energy operated the plant regardless of Idaho Power's
2 decision to exit from one or both units. With execution of the Framework Agreement,
3 when Idaho Power exits operations of Unit 1 at year-end 2019, total variable operating
4 costs will decrease, a percentage of common facility costs will be reduced, and Idaho
5 Power's cost responsibility for incremental capital improvements specific to Unit 1 will
6 cease. When NV Energy ceases operations of Unit 1, Idaho Power will no longer be
7 responsible for any fees associated with exiting the unit.

8 **III. THE VALMY LEVELIZED REVENUE REQUIREMENT MECHANISM**

9 **Q. Please describe Idaho Power's Valmy balancing account mechanism approved**
10 **with Order No. 17-235.**

11 A. On November 2, 2016, Idaho Power filed an application in Docket No. UE 316,
12 requesting that the Commission update the depreciation expense for Valmy Units 1
13 and 2 to reflect an end-of-life for those units of 2025 and authority to recover all Valmy-
14 related costs by 2025, to align the expected remaining operating life of the plant with
15 cost recovery, resulting in cost recovery from customers who are served by the plant.
16 The parties to the case were able to settle all issues in Docket No. UE 316, and the
17 Commission adopted the settlement in Order No. 17-235, including an agreement that
18 Idaho Power will recover the Valmy costs through an automatic adjustment clause
19 ("AAC"), as defined by ORS 757.210(1), with amounts adjusted annually. The AAC
20 includes accelerated depreciation associated with Valmy investments through May 31,
21 2017, the return on undepreciated existing capital investments at Valmy until its end-
22 of-life based upon the then currently-authorized rate of return, and estimated future
23 decommissioning expenses. The costs are "levelized" by calculating the present value
24 of each of the individual items and converting the values into an annuity or level
25 payment stream from customers over the remaining life of Valmy. The annuity
26 recognizes the time value of dollars collected from customers for future costs. Under

1 the balancing account approach, the Company replaces the base rate revenue
2 recovery associated with Idaho Power's existing investment in Valmy with a levelized
3 revenue requirement.

4 **Q. Were there any further adjustments to customer rates related to the recovery of**
5 **Valmy-specific revenue requirements after June 1, 2017?**

6 Yes. On February 28, 2018, Idaho Power filed Advice No. 18-02 in Docket No. UE
7 345, its first update to the AAC, requesting approval of an update to the revenue
8 requirement on Valmy investments to reflect the Company's accelerated exit from
9 coal-fired operations of Valmy Unit 1 by year-end 2019 as acknowledged by the
10 Commission as part of Idaho Power's 2017 Integrated Resource Plan.⁵ The 19-month
11 recovery of the revenue requirement on Valmy investments was the only update
12 proposed, all other components remained constant. On May 24, 2018, the
13 Commission approved Idaho Power's incremental revenue requirement increase of
14 \$2,498,886 effective June 1, 2018, with Order No. 18-199.

15 **Q. Which components were updated as part of the Company's incremental**
16 **increase of \$2.50 million approved with Order No. 18-199?**

17 A. Similar to the components approved with Order No. 17-235, the revenue requirement
18 calculation approved by Order No. 18-199 includes the costs of accelerating the
19 depreciation of Valmy Units 1 and 2 and the forecasted decommissioning costs
20 associated with the shutdown of Valmy. The calculation includes the incremental
21 change in depreciation expense and associated reserve resulting from the
22 acceleration of depreciation of the Valmy plant accounts and the decommissioning
23 and salvage costs.

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26 ⁵ *In the Matter of Idaho Power Company's 2017 Integrated Resource Plan*, OPUC Docket No. LC 68, Order No. 18-176 (May 23, 2018).

1 **Q. Were there any further adjustments to customer rates related to the recovery of**
2 **Valmy-specific revenue requirements?**

3 A. Yes. Idaho Power's income tax expenses and deferred tax liabilities included in the
4 Valmy levelized revenue requirement amounts and included in customer rates with
5 Order No. 18-199, were calculated in accordance with the Internal Revenue Code of
6 1986. The U.S. Tax Cuts and Jobs Act ("Tax Act"), signed into law on December 22,
7 2017, amends sections of the 1986 code, most notably the reduction in the federal
8 corporate income tax rate from 35 percent to 21 percent. The rate reduction
9 associated with the effects of tax reform on the Valmy levelized revenue requirement
10 resulting from provisions of the Tax Act was calculated and determined through the
11 Commission's proceedings in Docket No. UM 1928 (Idaho Power's application for
12 deferred accounting as a result of the Tax Act), and therefore, reflected in revenue
13 requirement amounts approved in Docket No. UM 1928 and were effective June 1,
14 2018, coincident with the \$2.50 million incremental levelized revenue requirement
15 approved with Order No. 18-199.

16 **Q. Has Idaho Power addressed the Tax Act benefits associated with Valmy Unit 1**
17 **as part of the Company's request in this case?**

18 A. No. Tax Act benefits associated with Valmy Unit 1 are currently included in customer
19 rates through May 31, 2020, and any changes will be addressed in a future filing.
20 Consistent with the term sheet approved by the Commission in Order No. 18-199, any
21 updates in the Valmy levelized revenue requirement will be computed using tax rates
22 in effect prior to the Tax Act, as Tax Act benefits will be tracked through the deferral to
23 be filed no later than December 31, 2019.

24 **Q. You indicated Idaho Power is proposing to update the levelized revenue**
25 **requirement as part of this request. What is the Company's proposal?**

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1 A. Order Nos. 17-235 and 18-199 approved a total incremental annual Oregon
2 jurisdictional levelized revenue requirement of \$1.06 million and \$2.50 million,
3 respectively, associated with the Company's accelerated exit from coal-fired
4 operations of Valmy Unit 1 by year-end 2019 and Unit 2 by year-end 2025. Because
5 collection of the levelized revenue requirement amount associated with Unit 1 will be
6 complete December 31, 2019, when coal-fired operations cease at Valmy, Idaho
7 Power is proposing a \$3.17 million decrease to the levelized revenue requirement
8 collection from customers effective January 1, 2020. Exhibit No. 101 summarizes the
9 changes to the levelized revenue requirement.

10 **Q. Please describe Exhibit No. 101.**

11 A. Exhibit No. 101 presents the levelized revenue requirement computation on both a
12 system-basis and an Oregon jurisdictional basis. The levelized revenue requirement
13 computation can be separated into three components: (1) Component A – the revenue
14 requirement on actual existing Unit 1 investments at May 31, 2017, (2) Component B
15 – the revenue requirement on actual existing Unit 2 and common investments at May
16 31, 2017, and (3) Component C – the revenue requirement associated with future
17 decommissioning costs.

18 Within each section, Total System and Oregon Jurisdictional, Exhibit No. 101
19 presents the levelized revenue requirement currently included in customer rates,
20 details the changes to each component, and presents the Company's proposed new
21 levelized revenue requirement.

22 **Q. What is the Oregon jurisdictional Valmy levelized revenue requirement currently**
23 **included in customer rates?**

24 A. The Company's most recent Valmy levelized revenue requirement update was
25 approved through Advice No. 18-02 in Docket No. UE 345 in Order No. 18-199,
26

1 effective June 1, 2018, and included a total Oregon jurisdictional Valmy levelized
2 revenue requirement of \$4,337,532, as presented on line 4 of Exhibit No. 101.

3 **Q. Is the Company proposing to update all components of the levelized revenue**
4 **requirement computation in this case?**

5 A. No. Because Idaho Power's request in this case is to update the levelized revenue
6 requirement due to cessation of Unit 1 operations, the Company is only proposing to
7 update Component A, the levelized revenue requirement on actual existing Unit 1
8 investments. The Company's proposed updates to the Oregon jurisdictional Valmy
9 levelized revenue requirement computation are reflected in Line 5 of Exhibit No. 101.

10 **Q. Please describe the Company's proposed update to Component A, the revenue**
11 **requirement on actual existing Unit 1 investments at May 31, 2017.**

12 A. Component A, the revenue requirement related to actual existing Unit 1 investments,
13 is based on the Valmy-related plant balances in effect prior to the establishment of the
14 Valmy balancing account, or Unit 1 investments as of May 31, 2017. To reflect
15 cessation of operations and the fully depreciated investments, Idaho Power has
16 removed the revenue requirement associated with Unit 1 investments from the Valmy-
17 related plant balances included in Component A. Row 5 of Exhibit No. 101 reflects
18 the reduction of approximately \$3.17 million associated with Unit 1 investments,
19 resulting in a new levelized revenue requirement on actual existing Unit 1 investments
20 of \$0.

21 **Q. What is the resulting total levelized revenue requirement?**

22 A. The Company's proposed update to the Oregon jurisdictional levelized revenue
23 requirement associated with Valmy includes a total levelized revenue requirement of
24 \$1.17 million, for a reduction of \$3.17 million on an Oregon jurisdictional basis.
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IV. RECOMMENDED RATEMAKING TREATMENT

Q. Why does the Company believe the proposed January 1, 2020, effective date for the requested rate adjustment is reasonable and appropriate?

A. Idaho Power is requesting to decrease customer rates by approximately \$3.17 million on January 1, 2020, to reflect cessation of Valmy Unit 1 operations and full depreciation of the investments on December 31, 2019.

Q. How does the Company propose to allocate the incremental annual levelized revenue requirement amount of approximately negative \$3.17 million to each class of customers?

A. Idaho power proposes to assign the Oregon jurisdictional incremental revenue requirement of negative \$3.17 million to customer classes based on the final stipulated revenue spread methodology utilized in Docket No. UE 233, the Company's last general rate case. This methodology spreads generation-related revenue requirements to customer classes proportionally to the total marginal cost of generation for each rate class as determined by the stipulated class cost-of-service study. In addition, consistent with the methodology approved with Order Nos. 17-235 and 18-199, the Company requests that each class's share of approximately negative \$3.17 million be credited to all customer classes through a uniform percentage decrease 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 1 to the Application presents a summary of the proposed revenue impact for each customer class.

V. CONCLUSION

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Q. Please summarize your testimony.

A. Idaho Power has pursued prudent and commercially reasonable efforts to end its participation in the operation of Valmy Unit 1 by December 31, 2019, and Valmy Unit 2 by December 31, 2025, which have been memorialized in the Framework Agreement. The Company seeks Commission approval or acknowledgment contained in the Framework Agreement no later than October 15, 2019, and authorization to decrease customer rates effective January 1, 2020, by approximately \$3.17 million to reflect cessation and full depreciation of Unit 1 investments, equating to an overall decrease of 5.63 percent.

Q. Does this complete your testimony?

A. Yes, it does.

Idaho Power/101
Witness: Matthew T. Larkin

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

IDAHO POWER COMPANY

UE 363

Exhibit Accompanying Testimony of Matthew T. Larkin

Valmy Levelized Revenue Requirement
2019 Update

July 3, 2019

Valmy Levelized Revenue Requirement 2019 Oregon Update

Idaho Power ceases participation in Unit 1 12-31-19; Both parties operate Unit 2 through 12-31-25

	Component A	Component B	Component C	
	Unit 1 @ 5/31/2017	Common @ 5/31/2017	Decommissionin g Costs	SYSTEM Total
TOTAL SYSTEM				
2018 Settlement Levelized Revenue Requirement	\$ 51,294,368	\$ 25,335,282	\$ 1,871,087	\$ 78,500,737
2020 Incremental Change	(51,294,368)	-	-	(51,294,368)
New Levelized Revenue Requirement Effective January 1, 2020	\$ -	\$ 25,335,282	\$ 1,871,087	\$ 27,206,369
	Component A	Component B	Component C	
	Unit 1 @ 5/31/2017	Common @ 5/31/2017	Decommissionin g Costs	OREGON Total
OREGON JURISDICTIONAL				
Levelized Revenue Requirement	\$ 3,169,499	\$ 1,087,703	\$ 80,330	\$ 4,337,532
2020 Incremental Change	(3,169,499)	-	-	(3,169,499)
New Levelized Revenue Requirement Effective January 1, 2020	\$ -	\$ 1,087,703	\$ 80,330	\$ 1,168,033
TOTAL INCREMENTAL CHANGE TO THE OREGON JURISDICTIONAL VALMY LEVELIZED REVENUE REQUIREMENT				<u>\$ (3,169,499)</u>

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET NO. UE 363

In the Matter of the Application of IDAHO)
POWER COMPANY for Authority to)
Decrease its Rates for Electric Service for)
Costs Associated with the North Valmy)
Power Plant.)
_____)

IDAHO POWER COMPANY
DIRECT TESTIMONY
OF
TOM HARVEY

July 3, 2019

1 **Q. Please state your name, business address, and present position with Idaho**
2 **Power Company (“Idaho Power” or “Company”).**

3 A. My name is Tom Harvey and my business address is 1221 West Idaho Street, Boise,
4 Idaho 83702. I am employed by Idaho Power as the General Manager of Power
5 Supply, Planning and Operations in the Power Supply Department.

6 **Q. Please describe your educational background.**

7 A. I have a Bachelor of Business Administration in business management from Boise
8 State University. I also attended the University of Idaho’s Utility Executive Course in
9 2011.

10 **Q. Please describe your work experience with Idaho Power.**

11 A. I was hired by Idaho Power in July 1980 to work in the Plant Accounting Department.
12 From 1985 through 2009, I was the Fuels Management Coordinator and then was
13 promoted to the Joint Projects Manager. In April 2015, I was promoted to Resource
14 Planning and Operations Director. In January 2018, I was promoted to my current
15 position, General Manager of Power Supply, Planning and Operations in the Power
16 Supply Department. My current responsibilities include supervision over Idaho
17 Power’s jointly-owned coal assets, integrated resource planning, load serving
18 operations, and merchant activities.

19 **Q. What is the purpose of your testimony in this case?**

20 A. The purpose of my testimony is to discuss the results of successful negotiations
21 between Idaho Power and Sierra Pacific Power Company d/b/a NV Energy (“NV
22 Energy”) by describing the provisions of the North Valmy Project Framework
23 Agreement between NV Energy and Idaho Power dated as of February 22, 2019
24 (“Framework Agreement”). I will discuss how those provisions clarify the respective
25 rights and obligations of Idaho Power and NV Energy with respect to the continued
26

1 operation, retirement, and decommissioning of the Valmy plant or the units thereof,
2 resulting in benefits for Idaho Power's customers.

3 **Q. Please describe the North Valmy power plant ("Valmy").**

4 A. Valmy is a coal-fired power plant that consists of two units and is located near
5 Winnemucca, Nevada. Unit 1 went into service in 1981 and Unit 2 followed in 1985.
6 Idaho Power owns 50 percent, or 284 megawatts¹ ("MW") (generator nameplate
7 rating), of Valmy. NV Energy owns the remaining 50 percent interest and is the
8 operator of the facility. Idaho Power and NV Energy (individually, "co-owner" or
9 collectively the "co-owners") work jointly to make decisions regarding Valmy. The plant
10 is connected via a single 345 kilovolt transmission line to the Idaho Power control area
11 at the Midpoint substation. Idaho Power owns the northbound capacity and NV Energy
12 owns the southbound capacity of this line.

13 **Q. Please describe the current agreements under which NV Energy and Idaho
14 Power own and operate Valmy.**

15 A. Currently, the ownership and operation of Valmy is governed by three agreements:
16 the Agreement for the Ownership of the North Valmy Power Plant Project ("Ownership
17 Agreement"), the Agreement for the Operation of the North Valmy Power Plant Project
18 ("Operation Agreement"), both of which are dated December 12, 1978, and the North
19 Valmy Station Operating Procedures Criteria, dated as of February 11, 1993, between
20 Idaho Power Company and Sierra Pacific Power Company, as amended by
21 Amendment No. 1 to the Operating Procedure Criteria for Valmy Coal Diversion
22 Procedures and Usage, dated as of January 1, 2012 (collectively, the "Existing North
23 Valmy Agreements"). The Ownership Agreement sets forth Idaho Power's ownership
24 rights and interests in the Valmy plant while the Operation Agreement assigns NV
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26 ¹ For planning purposes, Idaho Power uses the net dependable capability of 262 MW.

1 Energy as the operator of the Valmy plant while also setting forth operating decision
2 procedures, operating expense payments, and the annual budgeting process, among
3 other terms and conditions. The Existing North Valmy Agreements have provided the
4 co-owners the basis for owning and operating the Valmy plant for over 40 years.

5 **I. THE FRAMEWORK AGREEMENT**

6 **Q. Do the Existing North Valmy Agreements offer NV Energy or Idaho Power the**
7 **ability to end participation in a Valmy unit?**

8 A. No. While the Ownership Agreement provides for cessation of operations under a
9 variety of scenarios, the Existing North Valmy Agreements do not contemplate a
10 scenario in which one co-owner chooses to exit one or both units during the time the
11 other co-owner wishes to continue operations.

12 **Q. Please provide an overview of the provisions of the Framework Agreement.**

13 A. As described in the testimony of Company witness Matthew T. Larkin, the Framework
14 Agreement, included as confidential Exhibit No. 201 to my testimony, clarifies the
15 respective rights and obligations of the co-owners with respect to the continued
16 operation, retirement, and decommissioning of the Valmy plant or the units thereof.
17 The Framework Agreement sets forth provisions that:

- 18 • Allow for the termination of participation in a unit and the retirement of a unit;
- 19 • Include the election to retire or continue to operate and the associated
20 decommissioning study, decommissioning fee, and final exit;
- 21 • Set forth decommissioning governance;
- 22 • Detail decommissioning activities during the interim period;
- 23 • Provide for a decommissioning plan;
- 24 • Establish a decommissioning budget, dispute, and payment processes; and
- 25 • Contain representation and warranties of the co-owners, describe defaults, and
26 incorporate other miscellaneous terms.

1 It also provides for a contractual mechanism by which Idaho Power may amend the
2 Existing North Valmy Agreements to provide for the cessation of Idaho Power's coal-
3 fired operations, or participation thereof, at Valmy.

4 **A. Termination of Participation in a Unit; Retirement of a Unit**

5 **Q. What are the termination of participation and retirement of a unit provisions set**
6 **forth in the Framework Agreement?**

7 A. Article III gives each co-owner the right to elect to terminate participation in a unit, an
8 option not available in the Existing North Valmy Agreements. If a co-owner desires to
9 exit a unit, that party (the "Exiting Participant") must provide the remaining participant
10 written notice no less than 15 months prior to the proposed exit date. The exit notice
11 shall indicate whether or not the Exiting Participant intends to retain ownership of its
12 ownership interests and liabilities with respect to the unit and confirm that the Exiting
13 Participant foregoes its right to all output and productive uses of the unit upon exit of
14 the unit. Upon receipt of the exit notice, the remaining participant has the right to elect
15 to retire such unit at any point from and after the proposed exit date and must provide
16 notice to the Exiting Participant of such election on or before 90 days prior to the
17 proposed retirement date.

18 **Q. Has the Company provided NV Energy an exit notice for Unit 1 pursuant to the**
19 **terms of the Framework Agreement?**

20 A. Yes. Article III acknowledges that Idaho Power's prior notice to NV Energy of its desire
21 to exit Unit 1 on December 31, 2019, contained in a term sheet dated December 27,
22 2017, which was accepted and agreed to by both NV Energy and Idaho Power,
23 constitutes a valid exit notice.

24 **Q. What happens to Idaho Power's share of the output from a unit upon Idaho**
25 **Power's cessation of participation in operation of that unit?**

26

1 A. Pursuant to Section 3.1.4, if NV Energy does not elect to retire a unit when the
2 Company exits participation of that unit, Idaho Power's ownership percentage share
3 of the output of the unit will no longer be available to either co-owner. Should
4 inadvertent use of an Exiting Participant's output occur at a unit, an inadvertent output
5 operations fee will be assessed. Exhibit C, Unit Operation Limitations and Controls,
6 of the Framework Agreement describes the means and methods to limit the net
7 capacity of a unit after a co-owner has exited participation in the operation of that unit.

8 **Q. Would Idaho Power be responsible for any costs associated with the operation
9 of Valmy upon exiting a unit?**

10 A. Yes. The Framework Agreement sets forth payment obligations associated with a co-
11 owner's exit from participation in operation of a Valmy unit, which are described in
12 Exhibit A of the Framework Agreement. Under the Framework Agreement, the
13 Company would be responsible for the applicable exit fees and its portion of shared
14 costs until the earlier of the retirement date of the unit or December 31, 2025. In
15 addition, Idaho Power remains responsible for its share of the applicable
16 decommissioning costs, or those liabilities, costs, and expenses arising from activities
17 that occurred prior to exit of the unit. The Company would not, however, be
18 responsible for the following costs arising after exit from the unit: operating expenses,
19 fuel-related costs, costs of capital additions, or any new fixed or variable costs,
20 associated with such unit.

21 **Q. Company witness Mr. Larkin discussed the exit fee and shared costs. Please
22 describe these costs detailed in Exhibit A of the Framework Agreement.**

23 A. The exit fee and shared costs, or collectively "Project Costs," are an Exiting
24 Participant's contractual payment obligations for the Valmy plant and both categories
25 of costs represent ongoing Valmy-related costs that the Exiting Participant would have
26 been responsible for under the Existing North Valmy Agreements. The exit fee is a

1 fixed dollar amount that represents ongoing Valmy-related costs that exist under the
2 Existing North Valmy Agreements, and shared costs are known, ongoing Valmy-
3 related costs that exist regardless of a decision to exit a unit.

4 Shared costs are those known, ongoing plant-related payment obligations that
5 exist regardless of a decision to exit from a unit. Shared costs include the actual
6 common facility fixed operations and maintenance (“O&M”) costs, non-exited unit fixed
7 O&M costs, and fuel handling fixed O&M expenses in accordance with the Existing
8 North Valmy Agreements. An Exiting Participant is responsible for 50 percent of the
9 shared costs.

10 **Q. Will either of the Project Costs change over time?**

11 A. The exit fee will not change over time, except in the event a unit is retired on or prior
12 to December 31, 2025, at which time the exit fee may cease, or in the event that the
13 exit date for the exited unit occurs after January 1 of the exit year, when the exit fee is
14 proportionately reduced. Because the shared costs are based on actual expenses,
15 they change each month.

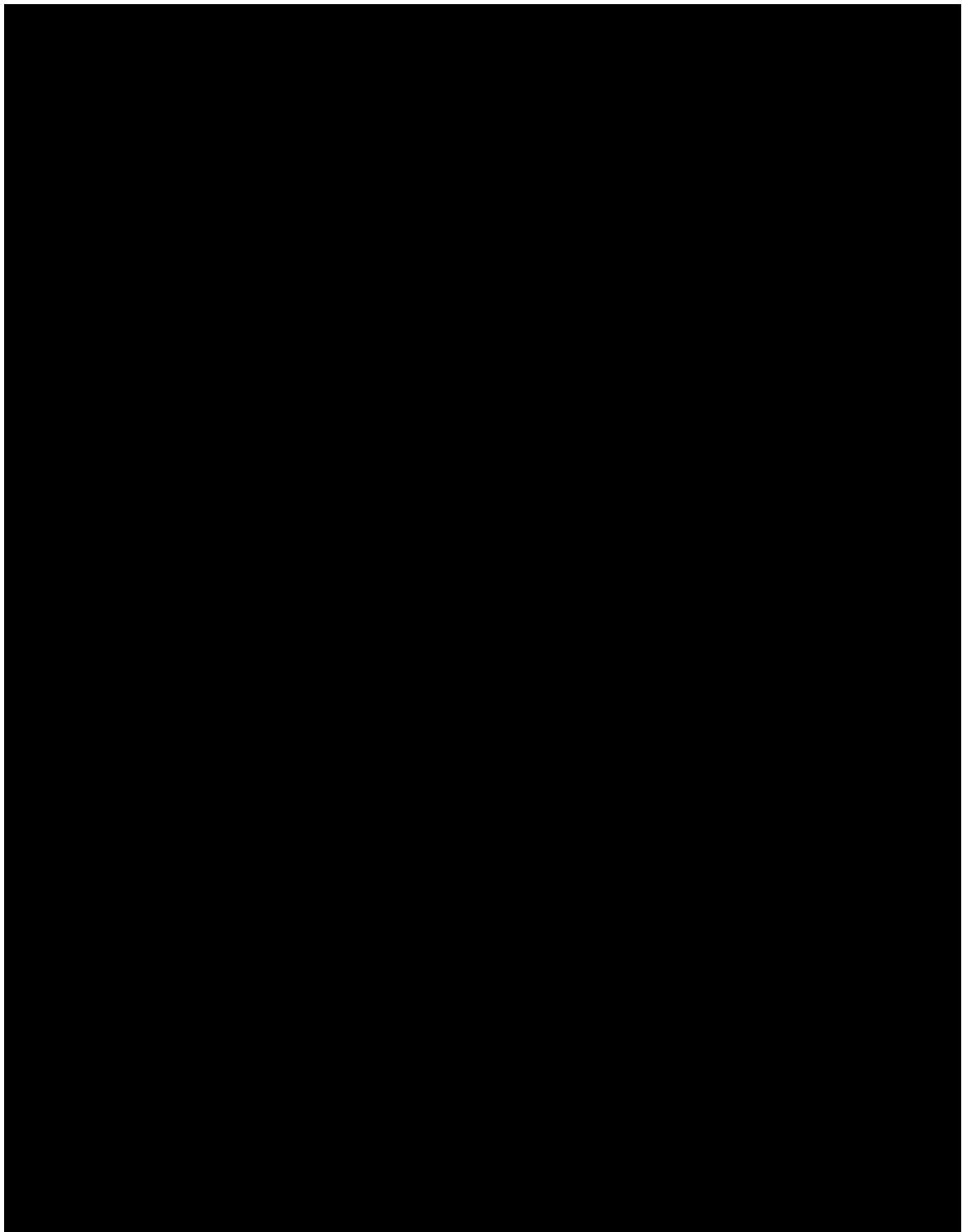
16 **Q. What is the amount of the annual exit fee that Idaho Power will be responsible**
17 **for assuming the Company exits from participation in Unit 1 operations at**
18 **December 31, 2019?**

19 A. Table 1 below, included as Table A-1 in Exhibit A of the Framework Agreement,
20 summarizes the exit fee and shared costs Idaho Power would be responsible for under
21 the current assumption that the Company ceases participation in operations of Unit 1
22 on December 31, 2019, but remains a participant in Unit 2 operations until December
23 31, 2025.

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1 **Table 1. Exiting Participant Exits Unit 1 and Remains in Unit 2**

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1 **Q. If NV Energy ceases operations of Unit 1 on December 31, 2021, would the exit**
2 **fees listed in Table 1 cease?**

3 A. Yes. If NV Energy continued to operate Unit 1 through December 31, 2021, as current
4 publicly available sources² suggest, Idaho Power's exit fee obligations would cease
5 on that date. Shared cost obligations, however, would continue as long as Unit 2 was
6 in operation, or until December 31, 2025, whichever is earlier.

7 **Q. When are the exit fees and shared costs paid?**

8 A. The first exit fee is payable on or prior to the exit date for a unit, and annually on or
9 before December 1 of each year thereafter. Shared costs are paid monthly in
10 accordance with the Existing North Valmy Agreements.

11 **Q. Are there any other costs Idaho Power would be responsible for with respect to**
12 **the Valmy plant that are not a component of the exit fees or shared costs?**

13 A. Yes. In accordance with the Existing North Valmy Agreements, Idaho Power is
14 obligated to pay its ownership percentage share of capital projects required for
15 operation of the plant's common facilities³ and any capital projects specific to units it
16 has not exited. In addition, the Company is responsible for its ownership percentage
17 share of materials and supplies purchased and used in the sole operation of any unit
18 it has not exited, and coal and diesel fuel consumed in the operations of any unit it has
19 not exited.

20 **Q. You indicated earlier that upon receipt of an exit notice, the remaining**
21 **participant has the right to elect to retire such unit. Has NV Energy provided**
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² Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of their 2019-2038 Triennial Integrated Resource Plan and 2019-2021 Energy Supply Plan, Docket No. 18-06003 (December 21, 2018).

³ Excluding common facility projects that are solely attributable to production, for which Idaho Power will be billed at a rate equal to the applicable revised net capacity after exit of a unit.

1 notice that it intends to retire Unit 1 upon Idaho Power's exit on December 31,
2 2019?

3 A. No. However, under the provisions of the Framework Agreement, should NV Energy
4 choose to retire a unit, exit fees for such unit will cease upon retirement.

5 B. Election to Retire or Continue to Operate; Decommissioning Study,
6 Decommissioning Fee, Final Exit; Decommissioning Activities During
7 Interim Period

8 Q. Company witness Mr. Larkin indicated Idaho Power expects to cease operations
9 of both units by December 31, 2025, and that NV Energy's Integrated Resource
10 Plan suggested it has similar timing. When will decommissioning activities
11 begin?

12 A. Under the provisions of the Framework Agreement, a remaining participant will provide
13 notice to an Exiting Participant as to whether or not the remaining participant will retire
14 the units on December 31, 2025, or continue to operate them beyond December 31,
15 2025. If the remaining participant chooses to continue to operate, within 30 days from
16 the notice, the Exiting Participant has the right to elect to (1) follow the
17 decommissioning provisions in Articles VII and VIII of the Framework Agreement,
18 which allow for decommissioning activities to occur under a decommissioning
19 committee structure or (2) in the alternative, jointly undertake the development of a
20 decommissioning study with the option to pay the remaining participant a one-time
21 decommissioning payment equal to 50 percent of the total decommissioning costs as
22 described in Section 4.3 of the Framework Agreement. Either option would satisfy an
23 Exiting Participant's obligations to pay decommissioning costs.

24 Q. Under the one-time decommissioning payment structure, once that
25 decommissioning payment is made, is the Exiting Participant responsible for
26 any other decommissioning costs?

1 A. After payment of the decommissioning fee, the only other decommissioning-related
2 costs would be for costs that were unknown at the time of payment, including costs
3 that (1) were not the type described in the decommissioning study, (2) were not known
4 to the remaining participant at the time the decommissioning study was completed, (3)
5 were not reasonably foreseeable by a plant operator, and (4) were not due to actions
6 of the remaining participant after the Exiting Participant's exit date for a unit.

7 **Q. What would happen to Idaho Power's ownership rights in the Valmy plant if NV**
8 **Energy continued to operate a unit or units after year-end 2025?**

9 A. If NV Energy continued to operate either unit after December 31, 2025, Idaho Power's
10 ownership interests in the Valmy plant would be terminated by the conveyance to NV
11 Energy via an asset purchase agreement in form and substance mutually accepted by
12 both co-owners, releasing the Company of liability for future claims⁴ with respect to
13 the Valmy plant.

14 **Q. What will occur if the notice to the Exiting Participant indicates the Valmy units**
15 **will be retired on December 31, 2025?**

16 A. If the remaining participant notifies the Exiting Participant that it will retire the units on
17 December 31, 2025, then the co-owners will begin the establishment of a
18 decommissioning plan and a decommissioning budget, a dispute process, and a
19 payment process as described in Articles VII and VIII of the Framework Agreement.

20 **Q. Does the Framework Agreement provide an avenue for decommissioning**
21 **activities to occur on Unit 1 once the unit is no longer in operation?**

22 A. Not necessarily. However, if any decommissioning activities are undertaken during
23 the period between cessation of Unit 1 operations and the complete cessation of the

24 ⁴ Idaho Power would continue to be liable for unknown Decommissioning Costs as defined in
25 the Framework Agreement and set forth in Section 4.3.3, liabilities due to events that occurred prior
26 to the date which it exited a unit, and certain types of liabilities that by law cannot be disclaimed via
contract.

1 Valmy plant, those activities would be subject to the Retirement Guidelines included
2 as Exhibit B to the Framework Agreement. The Retirement Guidelines were prepared
3 by the co-owners and are intended to identify the primary work scope components
4 necessary to complete the retirement of the Valmy plant in accordance with the
5 Existing North Valmy Agreements.

6 **C. Decommissioning: Governance; Plan; Budget; Disputes; Payments**

7 **Q. Please describe the establishment of the decommissioning plan that will**
8 **commence once both units are retired.**

9 A. The decommissioning plan will determine the current federal and state requirements
10 under law, if any, for decommissioning Valmy and estimate the cost of
11 decommissioning. This plan will serve as a foundation for, and describe in reasonable
12 detail, the decommissioning activities proposed to be performed under the direction of
13 the decommissioning agent or the decommissioning committee.

14 **Q. What is a decommissioning agent?**

15 A. A decommissioning agent is responsible for performing decommissioning activities
16 assigned by the decommissioning committee. In accordance with Article V of the
17 Framework Agreement, NV Energy is appointed as the decommissioning agent.

18 **Q. Please describe the decommissioning committee.**

19 A. The decommissioning committee consists of one appointed representative of each co-
20 owner. The committee will oversee the performance of the decommissioning agent,
21 including decommissioning activities and the identification thereof. The functions and
22 responsibilities of the decommissioning committee include the review, and approval or
23 rejection of (1) the decommissioning plan proposed by the decommissioning agent,
24 (2) any changes to the Retirement Guidelines, (3) each annual decommissioning
25 budget, (4) any changes to the scope of decommissioning activities or incurrence of
26 additional decommissioning costs proposed by the decommissioning agent, (5) the

1 reports submitted by the decommissioning agent regarding interim decommissioning
2 activities, and (6) proposed decommissioning costs or increases in the
3 decommissioning budget in excess of the amounts identified in Exhibit E of the
4 Framework Agreement. In addition, the decommissioning committee will be
5 responsible for determining each co-owner's decommissioning share pursuant to the
6 Framework Agreement and determining when the decommissioning activities and the
7 decommissioning have been completed. The decommissioning agent will monitor
8 budgets and schedules for the decommissioning activities and approve all proposed
9 changes to the budgets or schedules for the decommissioning activities.

10 **Q. With representation from both NV Energy and Idaho Power, how does the**
11 **decommissioning committee approve a request from the decommissioning**
12 **agent?**

13 A. Any actions or determinations brought to the decommissioning committee require a
14 unanimous vote by both members.

15 **Q. You indicated the decommissioning budget is prepared annually and presented**
16 **to the decommissioning committee for approval or rejection. Is there a process**
17 **in place for disputes to components of the decommissioning budget?**

18 A. Yes. Once the budget is received from the decommissioning agent, the
19 decommissioning committee may provide written notice to the decommissioning agent
20 of any activities or costs within the decommissioning budget that it disputes. The
21 written notice must contain supporting documentation to show the basis for the
22 dispute. The decommissioning agent may then revise the decommissioning budget
23 and resubmit it to the decommissioning committee.

24 **Q. Are decommissioning payments made based on the annual decommissioning**
25 **budget?**

26

1 A. Yes. Idaho Power would be responsible for making its payment of the Company's
2 ownership percentage share of the annual decommissioning costs on or before
3 January 15 and July 1 of the budget year. During that budget year, on a monthly basis,
4 the decommissioning agent will submit to the decommissioning committee a
5 comparison of monthly and year-to-date actual and budgeted decommissioning costs.
6 The decommissioning agent will true-up the total decommissioning costs paid on or
7 before March 1 of the year following the budget year.

8 **Q. Does the Framework Agreement allow for a review of the actual expenditures**
9 **once the decommissioning activities have been completed and payment has**
10 **been made?**

11 A. Yes. Following the true-up of the decommissioning costs billed for the prior budget
12 year, either co-owner may perform an audit of the expenditures. Each co-owner has
13 12 months to dispute any portion of the decommissioning costs.

14 **Q. Are there any other provisions of the Framework Agreement you have not**
15 **discussed?**

16 A. Yes. In addition to the provisions described earlier in my testimony, the Framework
17 Agreement contains representation and warranties of the co-owners, describes
18 defaults, and incorporates other miscellaneous terms.

19 **Q. Please provide an overview of the provisions of the Framework Agreement.**

20 A. The Framework Agreement provides for a mechanism by which either co-owner can
21 cease participation in Valmy operations and sets forth the terms by which
22 decommissioning of the plant is to occur, which was not provided for in the Existing
23 North Valmy Agreements, clarifying the respective rights and obligations of the Parties.

24 **Q. Does this complete your testimony?**

25 A. Yes, it does.

26

Idaho Power/201
Witness: Tom Harvey

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

IDAHO POWER COMPANY

UE 363

Exhibit Accompanying Testimony of Tom Harvey

North Valmy Project Framework Agreement

July 3, 2019

**EXHIBIT 201 IS CONFIDENTIAL
SUBJECT TO OAR 860-001-0070 AND
WILL BE PROVIDED SEPARATELY**