

ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2018

REGULAR CONSENT EFFECTIVE DATE June 1, 2018

DATE: May 14, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *MPM*
I

THROUGH: Jason Eisdorfer and John Crider *JC*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 749/Advice No. 18-03) Updates Schedule 92, Boardman Operating Life Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (IPCo or Company) revised Schedule 92 tariff, as described in the Advice filing 18-03, effective for service rendered on and after June 1, 2018.

DISCUSSION:

Issue

Whether the Commission should approve IPCo's revised Schedule 92 for the purpose of collecting costs associated with an early retirement of the Boardman coal plant.

Applicable Rule

ORS 757.205 and ORS 757.210 pertain to filing schedules with the Commission and hearing to establish new rates. ORS 757.210(1)(b) defines automatic adjustment clause as "a provision of a rate schedule that provides for rate increases or decreases or both, without prior hearing, reflecting increases or decreases or both in costs incurred, taxes paid to units of government or revenues earned by a utility and that is subject to review by the commission at least once every two years." Filings that make any change in rates, tolls, or charges must be filed with the Commission at least 30 days before the effective date of the changes.

OAR 860-022-0025(2) states that each energy utility filing tariffs or schedules changing existing tariffs or schedules shall submit: (a) a statement plainly indicating the increase, decrease, or other change thereby made in existing rates, charges, tolls, or rules and regulations; (b) a statement setting forth the number of customers affected by the proposed change and the resulting change in annual revenue; and (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed change.

Analysis

Background

IPCo submitted its Advice No. 18-03 filing on March 14, 2018, pertaining to recovery of Boardman costs. In Order No. 12-235, the Commission authorized IPCo to “track and recover the incremental costs and benefits associated with the early shutdown of Boardman.”¹ The Commission-approved stipulation created a balancing account to address three types of costs associated with the early closure of the Boardman plant: (1) a return on undepreciated capital investments; (2) the accelerated depreciation; and, (3) the decommissioning costs, and authorizing any overage or shortfall in the collection of a previous year’s levelized revenue recovery to be incorporated into the new levelized revenue requirement calculation when necessary.² IPCo makes an annual filing to update rates collected pursuant to Schedule 92. In its 2017 filing, in order to address concerns regarding the true-up portion of the of the incremental revenue requirement, the Company agreed to revise its recovery mechanism to remove the true-up component and added language to Schedule 92 indicated it is an automatic adjustment clause as defined by ORS 757.210(1).

Incremental Revenue Requirement Calculation:

Initially, Order No. 12-235 approved the collection of \$107,223 related to the incremental costs and benefits associated with the shut-down of Boardman. Since that time, calculation of revenues necessary to recover costs from customers has been adjusted several times.

First, on November 4, 2014, the Commission approved the sale of a portion of IPCo’s ownership interest in certain facilities at Boardman. The Oregon-jurisdictional gain from the sale was approximately \$11,500. Staff agreed with the Company that Schedule 92 is the appropriate mechanism for crediting the gain to customers. Accordingly, the annual credit computed to be \$2,290, and is recognized as an offset to the annual revenue requirement associated with Boardman decommissioning costs.

¹ *In re Idaho Power Company*, OPUC Docket No. UE 239, Order No. 12-235 at 3 (Jun. 26, 2012).

² *Id.* at 2.

Second, in 2015 CH2M Hill performed a new study identifying three decommissioning costs that can be avoided: “(1) elimination of the Carty reservoir removal costs as the site will remain; (2) transmission assets that will not need to be removed; and, (3) the Tower Road extension costs will no longer be incurred.”³ In order to avoid the necessity of a large rate adjustment near 2020, Staff recommends that rates reflect the most up-to-date information. Removing these three cost components lowered the Oregon-allocated annual incremental revenue requirement by an additional \$2,922.

The revision to the revenue requirement resulting from the updated costs identified in the CH2M Hill study and the customer credit from the ownership interest sale described above was a reduction of \$5,212, resulting in an updated revenue requirement of \$102,011.

Finally, in the present case, Idaho Power notes that it has not updated its calculations for income tax expenses and deferred tax liabilities in accordance with the recently enacted U.S. Tax Cuts and Jobs Act, and notes that all changes and potential rate reductions associated with the Tax Act will be calculated and discussed in the tax deferral proceedings currently pending before the Commission.

Updating Rates to Reflect 2018-2019 Projected Loads:
IPCo’s Advice No. 18-03 adjusts rates to reflect the Company’s most recent load forecast.

Rates in last year’s filing were set to be recovered over a forecasted 685,937 MWh normalized Oregon jurisdictional sales. Because sales are forecasted to change, rates must be reset. The Company’s June 1, 2018 to May 31, 2019 forecast is used to set rates, where:

$$\$102,011 \div 701,192,978 \text{ kWh} = \$0.000145 \text{ per kWh}$$

Conclusion

Staff believes that collection of early shut-down costs for IPCo’s share of Boardman pursuant to an automatic adjustment clause continues to be appropriate and consistent with the PGE’s recovery of similar costs for its share of Boardman and Colstrip plants.

Staff reviewed the Company’s filing and associated workpapers, and concludes that the Company has correctly set rates to recover an annual revenue requirement of \$102,011 if loads match forecasts. This filing reduces the Schedule 92 rate from \$0.000149 to \$0.000145 per kWh. Overall rates decrease 0.004 percent. As the decommissioning

³ See Idaho Power Company’s Advice No. 18-03 initial filing at 3.

Docket No. ADV 749/Advice No. 18-03
May 14, 2018
Page 4

date nears and cost estimates become more accurate, the revenue requirement may need to be adjusted again at a future date

PROPOSED COMMISSION MOTION:

Approve IPCo's revised Schedule 92, as described in its Advice filing 18-03, effective with service rendered on and after June 1, 2018.

IPC ADV 749 – Boardman Operating Life Adj.