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March 14, 2018

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97301

RE: Tariff Advice No. 18-03
Modifications to Schedule 92, Boardman Operating Life Adjustment

Attention Filing Center:

Idaho Power Company (“Idaho Power” or “Company”) herewith transmits for filing revisions to Schedule 92, Boardman Operating Life Adjustment, (“Schedule 92”) with a requested effective date of June 1, 2018. Pursuant to Order No. 12-235 and Advice No. 17-04, Idaho Power has completed its annual update to the Boardman Power Plant (“Boardman”) incremental revenue requirement for 2017. Schedule 92 is an automatic adjustment clause as defined by ORS 757.210(1). The purpose of this filing is to provide the Public Utility Commission of Oregon (“Commission”) with a description of adjustments made to the incremental recovery amount approved in Order No. 12-235.

Background

On September 26, 2011, Idaho Power filed an application with the Commission requesting approval of the establishment of Schedule 92, the balancing account whereby incremental costs and benefits associated with the shutdown of Boardman will be tracked and recovered from Oregon customers (Docket No. UE 239). In June 2012, the Commission issued Order No. 12-235 approving the Company’s proposed balancing account and method for recovering costs associated with the early shutdown of Boardman. The approved balancing account tracks costs associated with (1) the accelerated depreciation of existing Boardman investments and (2) decommissioning costs related to the Boardman shutdown. The Commission approved the recovery of these incremental costs through Schedule 92, smoothing revenue requirement impacts of the early Boardman retirement over the remaining years of the plant’s life and allowing for full recovery of Boardman-related costs by Boardman’s life end. With the order, the Company’s Oregon jurisdictional revenue requirement increased by \$107,223 effective July 1, 2012.

On November 4, 2014, the Commission approved an application by Portland General Electric (“PGE”) and Idaho Power for the sale of the ownership interest in a portion of certain facilities at Boardman pursuant to an Asset Purchase Agreement (“APA”) between the parties. The APA provided for the conveyance and sale from Idaho Power to PGE of a partial interest in certain Boardman components and common facilities necessary or convenient to

the operation of PGE's Carty Generation Station, collectively referred to as "Shared Facilities". The net book value associated with the APA for the purchase of Shared Facilities at Boardman was \$356,145 while the purchase price was \$620,205, resulting in a gain of \$264,060 on a total system basis of which \$11,500 is allocable to Oregon. Staff agreed with the Company that Schedule 92 is the appropriate mechanism for providing the gain to customers. Therefore, the Company has computed the annual credit to customers by converting the gain into an annuity or level payment stream over the remaining life of the plant, or six years. The Oregon jurisdictional portion of this levelized payment is \$2,290 and will be an offset to the annual revenue requirement impact to customers.

On March 17, 2017, Idaho Power filed Advice No. 17-04, the Company's annual update to Schedule 92 for 2016. The request included the tracking of monthly deviations between forecast revenue collection and actual revenue collection for the 2016 calendar year and an adjustment to the incremental revenue requirement for the overage, as committed to in Docket No. UE 239. However, Staff was concerned with this true-up portion of the incremental revenue requirement and, therefore, to alleviate Staff's concerns, the Company revised its request removing the true-up component of the calculation and added language to Schedule 92 indicating it is an automatic adjustment clause as defined by ORS 757.210(1).

The Incremental Revenue Requirement Calculation

The revenue requirement calculation approved by Order No. 12-235 includes the costs of accelerating the depreciation of the Boardman plant items and the decommissioning costs associated with the shutdown of Boardman. The calculation includes the incremental change in depreciation expense and associated reserve resulting from the acceleration of depreciation of the Boardman plant accounts. It also includes decommissioning and salvage costs that are "levelized" by calculating the present value of each of the individual items and converting the values into an annuity or level payment stream from customers over the remaining life of Boardman. The annuity recognizes the time value of dollars collected from customers for future costs.

Revenue Requirement on Boardman Investments. As part of the Settlement Agreement approved in Docket No. UE 239, Idaho Power agreed that costs associated with investments made at Boardman after December 31, 2011, or after the Company's last general rate case approving Boardman-related plant in service, will not be added to the balancing account until approval has been received in future ratemaking proceedings. Idaho Power has not received approval of investments made at Boardman after December 31, 2011, in a separate ratemaking proceeding, and therefore, no updates to the accelerated depreciation of the Boardman plant investments have been made.

Revenue Requirement on Decommissioning and Salvage Costs. Idaho Power's initial estimate of the decommissioning and salvage costs was determined by applying the Company's 10 percent ownership percentage to the decommissioning study performed by Black & Veatch for PGE and completed in 2011. In 2015, PGE contracted with CH2M Hill to prepare a decommissioning, demolition, and final closure plan for Boardman. The focus of the new plan was to provide planning guidance, rather than detailed cost estimates. Although

the plan did not provide updated cost estimates, through the work with CH2M Hill, PGE identified three decommissioning cost elements that could be updated: (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. Therefore, Idaho Power updated the decommissioning costs and expected salvage, resulting in a decrease of approximately \$785,000 in Idaho Power's share of the costs, or reduction to the levelized revenue requirement calculation of approximately \$3,000 on an Oregon jurisdictional basis.

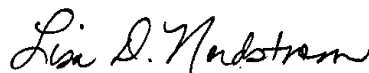
Revenue Requirement and Tax Reform. Idaho Power's income tax expenses and deferred tax liabilities included in the Boardman levelized revenue requirement amounts and included in customer rates, were calculated in accordance with the Internal Revenue Code of 1986. The U.S. Tax Cuts and Jobs Act ("Tax Act"), signed into law on December 22, 2017, amends sections of the 1986 code, most notably the reduction in the federal corporate income tax rate from 35 percent to 21 percent. All changes to the Boardman levelized revenue requirement resulting from provisions of the Tax Act will be calculated and discussed in Docket No. UM 1928 and/or UM 1921, Idaho Power and Commission Staff's applications, respectively, for deferred accounting as a result of the Tax Act. Any potential rate reduction to customers will be determined through the Commission's proceedings in these cases.

Request

The Company is not proposing changes to the Oregon jurisdictional incremental revenue requirement of \$107,223 approved in Docket No. UE 239 except to reflect the net of the gain associated with the sale of the Shared Facilities and the updated net decommissioning costs, resulting in a total reduction in revenue collections associated with the calendar year 2017 of \$5,212 ($(\$2,290) + (2,922) = (\$5,212)$). This would bring the total Oregon jurisdictional incremental revenue requirement collected through Schedule 92 to \$102,011, the same amount recovered from customers over the previous 12-month period. Using an updated sales forecast for the June 1, 2018, to May 31, 2019, time period, this equates to an overall decrease of \$2,467, or 0.004 percent for the Company's approximately 19,400 Oregon customers. Idaho Power respectfully requests that the attached revised Schedule 92 become effective June 1, 2018.

If you have any questions regarding this filing, please call Senior Regulatory Analyst Courtney Waites at (208) 388-5612.

Sincerely,



Lisa D. Nordstrom
Lead Counsel
OSB# 973528

LDN:kkt
Enclosures

SCHEDULE 92
BOARDMAN OPERATING LIFE ADJUSTMENT

PURPOSE

To recover from Customers the revenue requirement impact of the incremental costs and benefits associated with the shutdown of the Boardman power plant. This schedule is an “automatic adjustment clause” as defined in ORS 757.210(1).

APPLICABILITY

This Schedule is applicable to all retail Customers served under the Company’s schedules and special contracts.

ADJUSTMENT RATE

The Adjustment Rate is:

<u>Schedule</u>	<u>Description</u>	<u>Adjustment Rate</u>	
1	Residential Service	0.0145¢ per kWh	(R) (R)
7	Small General Service	0.0145¢ per kWh	
9-S	Large General Service (Secondary)	0.0145¢ per kWh	
9-P	Large General Service (Primary)	0.0145¢ per kWh	
9-T	Large General Service (Transmission)	0.0145¢ per kWh	
15	Dusk to Dawn Lighting	0.0145¢ per kWh	
19-S	Large Power Service (Secondary)	0.0145¢ per kWh	
19-P	Large Power Service (Primary)	0.0145¢ per kWh	
19-T	Large Power Service (Transmission)	0.0145¢ per kWh	
24-S	Irrigation Service (Secondary)	0.0145¢ per kWh	
24-T	Irrigation Service (Transmission)	0.0145¢ per kWh	
40	Unmetered General Service	0.0145¢ per kWh	
41	Municipal Street Lighting	0.0145¢ per kWh	
42	Traffic Control Lighting	0.0145¢ per kWh	