

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 11, 2023**

REGULAR  X  CONSENT       EFFECTIVE DATE                      N/A

DATE: June 15, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: IDAHO POWER COMPANY:  
(Dockets No. UM 1843(5)(6)  
Requests reauthorization to defer revenues and costs associated with  
Boardman Operating Life Adjustment.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Idaho Power Company’s (Idaho Power, IPC or Company) request for reauthorization to defer costs and revenues related to its Boardman Operating Life Adjustment variances for the 12-month periods for UM 1843(5) and UM 1843(6) beginning June 1, 2022, and June 1, 2023, respectively.

**DISCUSSION:**

Issue

Whether the Commission should approve IPC’s reauthorization request to defer, for future true-up, the decommissioning revenues collected, and decommissioning costs incurred, as a result of the early retirement of the Boardman power plant (Boardman).

Applicable Law

Pursuant to ORS 757.259 and OAR 860-027-0300, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates. In addition, OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as the reason for the deferral, estimated amount of the deferral, etc. The Commission has granted previous approval of this deferral, most recently in Order No. 21-226 on July 15, 2021.

## Analysis

### *Background*

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 shutdown of Boardman. The approved balancing account tracks costs associated with: (1) a return on undepreciated existing Boardman capital investments, (2) the accelerated depreciation of existing Boardman investments; and (3) decommissioning costs related to the Boardman shutdown through Schedule 92. This allows for the smoothing of the 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 life end.

On May 12, 2017, Idaho Power filed revisions to Schedule 92, adding language indicating the Boardman Operating Life Adjustment is an automatic adjustment clause (AAC) to promote consistency among similar AACs. Likewise, due to the retroactive aspect, the AAC requires Idaho Power to file associated deferral requests.

In addition, the deferral is intended to provide for the deferral and tracking of decommissioning revenues collected and decommissioning costs incurred until decommissioning activities are concluded; and is filed pursuant to Order No. 12-235 and ORS 757.259(2)(e).

### *Reason for Deferral*

This deferral is intended to capture decommissioning revenues collected and decommissioning costs incurred, pursuant to Tariff Schedule 92, in accordance with Order No. 12-235.

Furthermore, this deferral will match appropriately the costs borne by and benefits received by customers.

### *Proposed Accounting*

Idaho Power accounts for estimated decommissioning costs as an Asset Retirement Obligation (ARO) under Accounting Standards Codification (ASC) 410.

The Company records, as a regulatory asset, the cumulative financial statement impact resulting from the Company's implementation of ASC 410 with respect to Boardman-related ARO's, and the ongoing annual differences between the ASC 410 depreciation and accretion expenses and the annual decommissioning revenues that were authorized by the Commission in Docket No. UE 239.

Thus, the Company proposes to continue recording the revenues collected to cover these ARO related liabilities to the balancing account, Federal Energy Regulatory Commission Account 182 (Regulatory Assets).

#### *Estimate of Amounts*

Order No. 12-235 approved an Oregon jurisdictional revenue requirement increase of \$107,223 associated with the recovery of the annual incremental return on and accelerated depreciation of existing Boardman investments, and decommissioning costs related to the Boardman shutdown. Effective November 1, 2020, revenue requirement amounts associated with Boardman were removed from customer rates as coal-fired operations ceased on October 31, 2020. The Company has not been collecting costs associated with Boardman decommissioning for the 12-month period in both years 2022, UM 1843(5), and 2023, UM 1843(6); however, decommissioning activities have commenced, and expenditures are being incurred, requiring the continued tracking in the Boardman balancing account.

#### *Information Related to Future Amortization*

- Earnings Review - ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e). Recovery of amounts will not be subject to an earnings test given that has been the Staff-recommended proposal for several years.
- Prudence Review - For amortization, a prudence review should be completed to verify prudence of the costs.
- Sharing - Staff does not recommend any sharing of the cost be considered for this deferral.
- Rate Spread/Design - The incremental revenue requirement was recovered based on the marginal cost of generation approved in the Company's last general rate case. Demand and energy revenue was increased by an equal percentage.
- Three Percent Test (ORS 757.259(6)) - The three percent test measures the annual overall average effect on customer rates resulting from deferral

amortizations. The three percent test limits the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Subsection (8) permits the Commission to allow an overall average rate impact greater than three percent for an electric utility upon an earnings review that includes an estimate of the utility's cost of capital for the deferral period. The Commission also has the discretion to consider estimated changes in the electric utility's costs and revenues during the deferral period.

### Conclusion

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends the Commission approve Idaho Power's application.

Staff further notes that the Company's request in this case is consistent with its recovery of decommissioning costs associated with the early retirement of its Boardman power plant.

The Company has reviewed this memo and agrees with its content.

### **PROPOSED COMMISSION MOTION:**

Approve Idaho Power's applications UM 1843(5) and UM 1843(6) for the reauthorization to defer costs and revenues related to Boardman Operating Life Adjustment variances.