

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 19, 2020**

REGULAR CONSENT EFFECTIVE DATE June 1, 2020

DATE: May 5, 2020

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, Michael Dougherty, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1098/Advice No. 20-02)
Updates Schedule 92, Boardman Operating Life Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (Idaho Power, IPC, or Company) revised Schedule 92 tariff, as described in the Advice filing 20-02, effective for service rendered on and after June 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power'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

Idaho Power submitted its Advice No. 20-02 filing on March 13, 2020, pertaining to recovery of Boardman costs. In Order No. 12-235, the Commission authorized IPC 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

Idaho Power 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 incremental revenue requirement, the Company agreed to revise its recovery mechanism to remove the true-up component and added language to Schedule 92 indicating that 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 twice.

First, on November 4, 2014, the Commission approved the sale of a portion of Idaho Power’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 recommended 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.

In 2018, PGE began investigating design and permitting work costs in preparation for decommissioning activities. An updated cost study prepared by AECOM Technical Services, dated October 16, 2019, indicates a slightly higher decommissioning cost forecast than the estimate prepared in 2011. Because the updated study is a Class III study and therefore the decommissioning costs are still uncertain to an extent, Idaho Power is not proposing to update the level of decommissioning and salvage costs currently included in the levelized revenue requirement calculation.

Updating Rates to Reflect 2020 Projected Loads:

Idaho Power’s Advice No. 20-02 adjusts rates to reflect the Company’s most recent load forecast.

However, because cessation of coal-fired operations at Boardman will occur in October, 2020, the Company proposes an incremental revenue requirement amount collected through Schedule 92 beginning June 1, 2020, of \$59,506 ($\$102,011 / 12 \text{ months} * 7 \text{ months}$) to reflect full collection of Boardman revenue requirement amounts upon the plant’s cessation of coal-fired operations.

Order No. 12-235 approved an end-of-life date for Boardman of December 31, 2020. However, as discussed in Docket No. UE 366, Idaho Power Company’s 2020 Annual Power Cost Update, Idaho Power and PGE are planning to deplete coal inventory no later than October 31, 2020.

As a result, the Company modeled its net power supply costs to reflect planned operations of Boardman to cease in October 2020. Therefore, the Company is proposing to collect the full 2020 Boardman remainder of incremental revenue requirement amount of \$59,506 during the five-month period between June 1, 2020,

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

and October 31, 2020. Idaho Power will then request to remove Boardman revenue requirement amounts from customer rates effective November 1, 2020, in a future filing.

An updated sales forecast for the period of June 1, 2020 to October 31, 2020, results in an overall increase of \$15,097 – or 0.06 percent – of revenue requirement for the Company’s approximately 19,000 Oregon customers.

Although sales for this period are forecast to increase, the Company will collect the remainder of the revenue requirement over a period of five months instead of seven.⁴ The Company proposes to increase the rate collected from all customer classes from \$0.0148 per kWh to \$0.0199.

Conclusion

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

Staff reviewed the Company’s filing and associated work papers, and concludes that the Company has correctly set rates to recover the remainder of the annual revenue requirement of \$102,011 if loads match forecasts. This filing increases the Schedule 92 rate from \$0.0148 to \$0.0199 per kWh. Once the decommissioning is complete, as of October 31, 2020, Idaho Power’s new filing, effective November 1, 2020, would remove the rate from customer bills.

PROPOSED COMMISSION MOTION:

Approve Idaho Power’s revised Schedule 92, as described in its Advice filing 20-02, effective with service rendered on and after June 1, 2020.

⁴ The Company’s reasoning to shorten the collection period by two months is that it coincides with the Boardman decommissioning as of October 31, and therefore with the “used and useful” requirement to collect rates for plant-in-service.