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February 28, 2019

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

RE: Docket No. UE 316  
Recovery of Costs Associated with the North Valmy Power Plant  
Idaho Power Company's Compliance Filing Regarding the Valmy Automatic  
Adjustment Clause

Attention Filing Center:

Pursuant to the Stipulation adopted with Order No. 17-235, Idaho Power Company ("Idaho Power" or "Company") has completed its annual update to the Valmy Power Plant ("Valmy") incremental revenue requirement for 2018. The purpose of this filing is to provide the Commission with a description of adjustments, if any, made to the incremental recovery amount approved in Order No. 17-235 and subsequently updated with Order No. 18-199. As described in more detail below, Idaho Power is not proposing an adjustment to the incremental revenue requirement approved with Order Nos. 17-235 and 18-199, and therefore, is not requesting a rate change at this time.

### **Background**

On November 2, 2016, Idaho Power filed an application in Docket No. UE 316, requesting that the Public Utility Commission of Oregon ("Commission") update the depreciation expense for Valmy Units 1 and 2 to reflect an end-of-life for those units of 2025 and authority to recover all Valmy-related costs by 2025, to align the expected remaining operating life of the plant with cost recovery, resulting in cost recovery from customers who are served by the plant. The parties to the case were able to settle all issues in Docket No. UE 316, and the Commission adopted the settlement in Order No. 17-235, including an agreement that Idaho Power will recover the Valmy costs through an automatic adjustment clause ("AAC"), as defined by ORS 757.210(1), with amounts adjusted annually and the first annual update to occur by the last day of February 2018. The AAC includes accelerated depreciation associated with Valmy investments through May 31, 2017, the return on undepreciated existing capital investments at Valmy until its end-of-life based upon the then currently authorized rate of return and estimated future decommissioning expenses. Idaho Power's annual updates are to include updated projected decommissioning expenses and any change in Valmy's end-of-life, if necessary.

On February 28, 2018, Idaho Power filed Advice No. 18-02 in Docket No. UE 345, its first update to the AAC requesting approval of an update to the revenue requirement on Valmy investments to reflect the Company's accelerated exit from coal-fired operations of Valmy Unit 1 by year-end 2019 as acknowledged by the Commission as part of Idaho Power's 2017 Integrated Resource Plan.<sup>1</sup> The 19-month recovery of the revenue requirement on Valmy investments was the only update proposed, all other components remained constant. On May 24, 2018, the Commission approved Idaho Power's incremental revenue requirement increase of \$2,498,886 effective June 1, 2018 with Order No. 18-199. Using an updated sales forecast for the June 1, 2018, to May 31, 2019, time period, resulted in an overall increase of 4.51 percent for the Company's Oregon customers.

### **The Incremental Revenue Requirement Calculation**

The revenue requirement calculation approved by Order No. 18-199 includes the costs of accelerating the depreciation of Valmy Units 1 and 2 and the decommissioning costs associated with the shutdown of Valmy. The calculation includes the incremental change in depreciation expense and associated reserve resulting from the acceleration of depreciation of the Valmy plant accounts and the decommissioning and salvage costs. The costs 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 Valmy. The annuity recognizes the time value of dollars collected from customers for future costs.

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 50 percent ownership percentage to the decommissioning study performed by URS Corporation and completed in 2012. An updated decommissioning study has commenced and was still being finalized in February 2019. Given the proximity to the Company's February 28<sup>th</sup> AAC update deadline, Idaho Power will revise the decommissioning costs and expected salvage in a future filing.

Revenue Requirement on Valmy Investments. As part of the Stipulation approved in Docket No. UE 316, Idaho Power agreed that costs associated with investments made at Valmy after May 31, 2017, will not be included until a separate ratemaking proceeding. Idaho Power has not received approval of investments made at Valmy after May 31, 2017, in a separate ratemaking proceeding, therefore, no updates to the May 31, 2017, Valmy plant balances have been made.

Revenue Requirement and Tax Reform. Idaho Power's income tax expenses and deferred tax liabilities included in the Valmy levelized revenue requirement amounts and included in customer rates with Order No. 18-199 were calculated in accordance with the Internal Revenue Code of 1986. The U.S. Tax Cuts and Jobs Act ("Tax Act"), signed into law

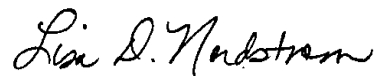
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<sup>1</sup> *In the Matter of Idaho Power Company, 2017 Integrated Resource Plan*, OPUC Docket No. LC 68, Order No. 18-176 (May 23, 2018).

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. The rate reduction associated with the effects of tax reform on the Valmy levelized revenue requirement resulting from provisions of the Tax Act was calculated and determined through the Commission's proceedings in Docket No. UM 1928, Idaho Power's application for deferred accounting as a result of the Tax Act, and therefore, reflected in revenue requirement amounts approved in Docket No. UM 1928.

Because there have been no changes to the decommissioning cost estimate and Valmy's end-of-life date for Unit 1 remains at 2019 and Unit 2 at 2025, the Company is not proposing changes to the Oregon jurisdictional incremental revenue requirement approved with Order Nos. 17-235 and 18-199. If you have any questions regarding this filing, please call Courtney Waites, Senior Regulatory Analyst at (208) 388-5612.

Sincerely,

A handwritten signature in cursive script that reads "Lisa D. Nordstrom".

Lisa D. Nordstrom  
Lead Counsel  
OSB# 973528

LDN:kkt