

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 7, 2019

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE June 1, 2019

DATE: April 30, 2019

TO: Public Utility Commission

FROM: Mitchell Moore *MM*

THROUGH: Jason Eisdorfer *JE* and John Crider *JCB*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 940/Advice No. 19-03) 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 19-03, effective for service rendered on and after June 1, 2019.

**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. 19-03 filing on March 14, 2019, 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.”<sup>1</sup> 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.<sup>2</sup> 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 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 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.

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

<sup>2</sup> *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."<sup>3</sup> 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 decommissioning cost estimate study is anticipated later in 2019.

*Updating Rates to Reflect 2019-2020 Projected Loads:*

IPCo's Advice No. 19-03 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 701,193 MWh normalized Oregon jurisdictional sales. Because sales are forecasted to decrease, rates must be reset. The Company's June 1, 2019 to May 31, 2020 forecast is used to set rates, where:

$$\$102,011 \div 687,203,565 \text{ kWh} = \$0.000148 \text{ per kWh}$$

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 increases the Schedule 92 rate from \$0.000145 to \$0.000148 per kWh. Overall rates increase 0.004 percent. As the decommissioning date nears and cost estimates become more accurate, the revenue requirement may need to be adjusted again at a future date

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<sup>3</sup> See Idaho Power Company's Advice No. 18-03 initial filing at 3.

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**PROPOSED COMMISSION MOTION:**

Approve IPCo's revised Schedule 92, as described in its Advice filing 19-03, effective with service rendered on and after June 1, 2019.

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