

ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 22, 2017

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE May 31, 2017

DATE: August 15, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *man*

THROUGH: Jason Eisdorfer *JE* and Marc Hellman *Sefer Mdt*

SUBJECT: Idaho Power Company: (Docket No. UM 1843) Requests Authorization to Defer Costs Associated with Boardman Operating Life Adjustment Variances.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Idaho Power Company's (IPCO or Company) request to defer costs and revenues related to Boardman Operating Life Adjustment variances for the 12-month period beginning June 1, 2017.

**DISCUSSION:**

Issue

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

Applicable Law

Idaho Power submitted its deferral application on May 31, 2017, pursuant to ORS 757.210, ORS 757.259, OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210. ORS 757.210 sets forth the law regarding utility filings of any rate or schedule of rates stating or establishing a new rate or schedule of rates that are fair, just and reasonable. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

## Analysis

### *Background:*

In June 2012, the Commission issued Order No. 12-235, approving the establishment of Schedule 92, the balancing account to track the cumulative difference between actual revenues and the Company's revenue requirement resulting from the early shutdown of Boardman. Idaho Power owns a 10 percent interest in Boardman.

On May 12, 2017, Idaho Power filed revisions to Schedule 92, adding language indicating the Boardman Operating Life Adjustment as an automatic adjustment clause (AAC) to promote consistency among similar AACs. At its May 30, 2017 public meeting, the Commission approved Idaho Power's Advice No. 17-04, establishing an automatic adjustment clause for collection of Boardman early retirement costs, including separately tracking decommissioning costs and revenues to promote transparency.<sup>1</sup>

### *Proposed Accounting:*

As described in the Company's deferral application, prior to the approval of deferred accounting treatment, Idaho Power will record the revenues in FERC Accounts 440-444 (Operating Revenues), FERC Account 557 (Other Expenses), and FERC Accounts 500-598 (Operations and Maintenance Accounts). Upon approval, Idaho Power proposes to record the deferred costs and revenues in FERC Account 254 (Regulatory Liabilities) until decommissioning activities are concluded. The net balance in Account 254 will earn interest equal to Idaho Power's current authorized rate of return (ROR) of 7.757 percent.<sup>2</sup> Once decommissioning activities have finished, the net balance in the balancing account will be recovered or refunded in customer rates, through a surcharge or credit, as appropriate.

### *Estimated Deferrals in Authorization Period:*

Idaho Power estimates the deferral account will be approximately \$521,000 at December 31, 2020, representing the Oregon jurisdictional portion of Boardman decommissioning costs. Because deferred amounts associated with decommissioning costs are dependent on factors that cannot be precisely forecasted, IPCO is unable to provide a precise estimate of the total deferred amount.

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<sup>1</sup> *In re Idaho Power Company*, Docket No. ADV 534 (IPCO Advice 17-04).

<sup>2</sup> See Order No. 12-055, page 2.

*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.
- 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 being considered for deferral.
- Rate Spread/Design – The incremental revenue requirement will be recovered based on the marginal cost of generation approved in the Company's last general rate case. Demand and energy revenue will be 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 North Valmy power plant.<sup>3</sup>

The Company has reviewed this memo and has stated no objections.

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<sup>3</sup> See *In re Idaho Power*, OPUC Docket No. UE 316, Order No. 17-235 (Jun. 30, 2017).

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**PROPOSED COMMISSION MOTION:**

Approve Idaho Power's application to defer, for future true-up, the decommissioning revenues collected and decommissioning costs incurred associated with the early retirement of Boardman..