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June 12, 2017

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Re: UE 316 – In the Matter of the Application of IDAHO POWER for Authority to Increase Its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant

Attention Filing Center:

Attached for filing in the above-captioned docket is the Joint Explanatory Brief. The Stipulation is being filed concurrently in this docket.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo

Wendy McIndoo
Office Manager

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 316

In the Matter of: IDAHO POWER COMPANY Application for Authority to Increase Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant.	**JOINT EXPLANATORY BRIEF**

This brief explains and supports the Stipulation filed in this proceeding on June 12, 2017, among Idaho Power Company ("Idaho Power" or "Company"), the Oregon Citizens' Utility Board ("CUB"), and Staff of the Public Utility Commission of Oregon ("Staff") (together, the "Stipulating Parties"). The Stipulation resolves all issues among the parties to Idaho Power's Application for Authority to Increase its Rates for Electric Service to Recover Costs Associated with the North Valmy Power Plant ("Application"), and reflects the agreement of all parties to adopt an automatic adjustment clause ("AAC") allowing Idaho Power to recover accelerated depreciation, return on undepreciated capital investments, and decommissioning costs associated with the early closure of the North Valmy Power Plant ("Valmy"). The agreed-upon recovery mechanism is consistent with Commission precedent, allows the Company to recover all of its prudently incurred costs, and promotes inter-generational equity by ensuring that Valmy-related costs are recovered from customers who benefit from the plant.

I. BACKGROUND

A. <u>The Valmy Plant</u>

Valmy is a coal-fired electric generation plant located near Winnemuca, Nevada. Valmy is comprised of two units—Unit 1 and Unit 2. Idaho Power owns fifty percent of the total plant output, or 284 megawatts (MW)[1]; NV Energy owns the other fifty percent, and is the operator of the plant. Idaho Power and NV Energy work jointly to make decisions regarding the plant.

Idaho Power's last depreciation study—conducted in 2012—reflected continued plant life for Valmy of 50 years for each Unit, resulting in a retirement date of 2031 for Unit 1 and 2035 for Unit 2.[2] However, in recent years, the economics of Valmy's operation have changed significantly, as decreased prices for off-system sales have resulted in Valmy operating fewer hours.[3] The Public Utilities Commission of Nevada has approved a 2025 end-of-life date for both Units of Valmy,[4] and the preferred portfolio selected in Idaho Power's 2015 Integrated Resource Plan ("IRP") included retirement of Valmy in 2025, coinciding with construction of the Boardman to Hemingway transmission line ("B2H").[5] Because of the changing economics of plant operation and the 2025 Valmy closure date identified in Idaho Power's 2015 IRP, accepted for filing in Order No. 16-160, Idaho Power anticipates that it will not be economical to operate the Valmy plant beyond year-end 2025, and the plant is no longer expected to be utilized after that date.

B. <u>Idaho Power's Filing</u>

On November 2, 2016, Idaho Power filed its Application, testimony, and exhibits.[6] The Company requested that the Commission authorize Idaho Power to accelerate the depreciation schedule for Valmy to reflect an end-of-life date for the plant of 2025 and to recover all Valmy-

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[1] For planning purposes, Idaho Power uses the net dependable capability of 262 MW.

[2] Docket No. UM 1576, Order No. 12-296, Attachment 2 (July 20, 2012); Idaho Power/100, Larkin/4.

[3] Idaho Power/100, Larkin/4; Idaho Power/200, Harvey 7–13.

[4] Idaho Power/100, Larkin/5.

[5] *In the Matter of Idaho Power Company's 2015 Integrated Resource Plan*, Docket No. LC 63, Application at 5 (June 30, 2015); Order No. 16-160 (Apr. 28, 2016) (accepting 2015 IRP for filing).

[6] *See* Application; Idaho Power/100–101; Idaho Power/200–203.

related costs by that date to align cost recovery with the plant's remaining operating life and to ensure cost recovery from the customers who are served by the plant.[7]

Idaho Power proposed to establish a balancing account for recovery of the Valmy revenue requirement.[8] The Company anticipated booking to the balancing account: (1) accelerated depreciation associated with existing Valmy plant investments through May 31, 2017; (2) return on undepreciated capital investments until Valmy's end-of-life; and (3) decommissioning costs related to the Valmy shutdown.[9] The Company proposed to track decommissioning costs and revenues related to Valmy's closure in the balancing account in order to ensure that the Company would recover no more and no less than the actual costs associated with Valmy's 2025 end-of-life. Idaho Power proposed to true-up the balancing account each year by tracking the monthly deviations between forecasted and actual revenue collection and to adjust rates annually.[10] This proposal mirrored the Company's cost recovery mechanism for the Boardman plant, which was approved in Docket No. UE 239.[11] The Company's proposed changes would increase its Oregon annual revenue requirement by $1,056,800, a 1.91 percent increase.[12]

On November 2, 2016, Idaho Power also filed an application to institute revised depreciation rates for its plant-in-service (except the Valmy plant, which was addressed in this docket, and the Boardman plant, which was addressed in Docket No. UE 239) and to adjust Oregon base rates accordingly. That case was docketed as UM 1801.

C. Analysis Subsequent to Idaho Power's Filing

After the Company made its filing in this docket, Idaho Power performed a supplemental Valmy shutdown analysis. When last evaluated in the Company's 2015 IRP, the Company's

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[7] Application at 7.

[8] Idaho Power/100, Larkin/7.

[9] Idaho Power/100, Larkin/8; Staff/100, Gibbens/15.

[10] Idaho Power/100, Larkin 12; Staff/100, Gibbens/15.

[11] Staff/100, Gibbens/15.

[12] Idaho Power/101, Larkin/1; Application at 9 & Attachment 1.

P9 portfolio identified the retirement of Valmy Unit 1 in 2019 and retirement of Unit 2 in 2025 as the lowest cost and least risk scenario on a quantitative basis. However, several key factors created uncertainty that prompted the Company to choose the higher cost P6(b) portfolio with retirement of both Valmy Units in 2025. These factors included: (1) consideration of Valmy and Jim Bridger coal unit early retirement; (2) the Environmental Protection Agency's proposed Clean Air Act Section 111(d) regulation; (3) 320 MW of solar projects contracted under the Public Utility Regulatory Policies Act of 1978 that were as-yet unbuilt; and (4) the timing of construction of B2H.

Idaho Power believes that these risks have largely diminished in the two years since it completed the 2015 IRP, and the Company's updated quantitative analysis continues to reflect significant cost savings related to a 2019 Valmy Unit 1 shutdown with greater assurance that it would not negatively impact system reliability. The Company has quantified a present value reduction in total system-level revenue requirements over time of $33 million associated with a 2019 Valmy Unit 1 shutdown date as compared to the 2015 IRP assumption that Valmy Unit 1 would operate through 2025. As such, the Company has incorporated the 2019 Valmy Unit 1 shutdown date assumption into its portfolio planning process that will be reflected in the upcoming 2017 IRP that Idaho Power anticipates filing on June 30, 2017. The settlement in this proceeding does not waive Staff's or CUB's rights to evaluate the Valmy retirement dates in a future planning or ratemaking proceeding.

D. <u>Procedural Background</u>

On December 21, 2016, Staff requested, on behalf of all parties, that this docket be consolidated with UM 1801, explaining that arguments about rate recovery could overlap in the two cases.[13] The parties proposed separate schedules for the two cases.[14] The request for

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[13] Order Consolidating Dockets and Adopting Procedural Schedules at 1 (Dec. 23, 2016).

[14] *Id.* at 2.

consolidation and the proposed schedules were granted in the ALJ Ruling dated December 23, 2016.[15]

On November 7, 2016, CUB filed its Notice of Intervention. Both Staff and CUB served, and the Company responded to, numerous data requests in this docket. A Staff Workshop was held on January 17, 2017. On March 24, 2017, Idaho Power filed supplemental testimony regarding its 2016 Results of Operations.[16] Staff filed reply testimony and exhibits on May 4, 2017, and raised concerns about the Company's proposed recovery mechanism, its calculation of decommissioning costs, and the proposed rate design.[17] CUB also filed reply testimony on May 4, 2017, supporting Idaho Power's Application to accelerate depreciation of Valmy, "including seeking recovery of the updated revenue requirement, and applying it to customer classes based on an equal cents/kwh basis."[18] Settlement conferences were held on March 28, 2017, and May 11, 2017. Over the course of the two settlement conferences, the Stipulating Parties agreed to settle all issues in this case.

II. TERMS OF THE STIPULATION

The following presents each of the substantive terms of the Stipulation, with an explanation of the Stipulating Parties' support for the same.

A. <u>Prudence of Accelerated Depreciation</u>

Stipulation, paragraph 18: *The Stipulating Parties agree that the 2025 closure expectation for Valmy reflects prudent planning based on Idaho Power's most recently acknowledged IRP, is in the best interest of the Company's customers and that Idaho Power should therefore be allowed to recover the prudently-incurred costs associated with the early closure of that plant, including accelerated depreciation.*

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[15] *Id.* at 2–3.

[16] Idaho Power/300, Larkin/1.

[17] Staff/100–106; Staff/200–205; Staff/300–304.

[18] CUB/100, Jenks/5.

Although a specific shutdown date for Valmy Units 1 and 2 has not been requested or acknowledged by the Commission in an IRP, Idaho Power's analyses in its 2015 IRP support the conclusion that accelerated depreciation for Valmy Units 1 and 2 is prudent. The average price for off-system sales has fallen from $24.56 in 2011 to $19.57 in 2015 to $15.77 at September 2016, which has resulted in a decrease in the number of hours Valmy operates economically, and Valmy's capacity factor has decreased from 76% in 2008 to 15% in 2015.[19] Valmy still is needed to balance the Company's generation portfolio and provide reliable service, so immediate closure is not appropriate.[20] However, Idaho Power's studies demonstrate that early closure is appropriate;[21] in particular, the Company's analysis concludes that the net present value of the revenue requirement associated with a 2025 end-of-life date is $103 million less than the revenue requirement of the current retirement date.[22]

Staff's analysis supports the Company's conclusion that accelerated depreciation for Valmy is reasonable and appropriate. In particular, Staff analyzed the assumptions, data, and models in Idaho Power's 2015 IRP and updated the Company's benefit/cost model with current information obtained in this docket.[23] Based on this work, Staff determined that, "the decision to close Valmy in 2025 results in benefits to customers in 2025 and becomes a cumulative benefit to customers by 2027."[24] Staff also found that power costs would have to be six times higher to make it economical to keep Valmy open after 2025.[25] Staff concluded that allowing Idaho Power to close Valmy in 2025 is in customers' best interest.[26]

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[19] Idaho Power/200, Harvey/8–9.

[20] Idaho Power/200, Harvey/10–11.

[21] Idaho Power/100, Larkin/4; Idaho Power/200, Harvey/7–8.

[22] Idaho Power/200, Harvey/12; Idaho Power/203, Harvey/2.

[23] Staff/100, Gibbens/7.

[24] Staff/100, Gibbens/9.

[25] Staff/100, Gibbens/9.

[26] Staff/100, Gibbens/10.

B. <u>Depreciation Expense</u>

Stipulation, paragraphs 19-21: *The Stipulating Parties agree that Idaho Power's requested increase in annual depreciation expense for Valmy from $8.57 million on a total system basis to $24.1 million on a total system basis, is reasonable.*

Historically, Idaho Power's depreciation rates include net salvage estimates that are based upon analyses of historical cost of removal and salvage data, expectations with respect to future removal requirements and markets for equipment and materials. Idaho Power's net salvage values include only interim cost of removal and salvage estimates, and do not include any terminal cost of removal or salvage estimates. No decommissioning studies or estimates are prepared as part of Idaho Power's depreciation study and filing processes. To include estimates of terminal cost of removal and salvage as part of a depreciation filing, a decommissioning study would be necessary, for which Idaho Power has not historically completed as part of its depreciation studies and filings.

Idaho Power records the variance between the interim net salvage estimates accrued as part of its depreciation expense entries and the actual interim net salvage activity experienced during a period as an adjustment to FERC account 108 (Accumulated Provision for Depreciation and Amortization of Electric Utility Plant) and a regulatory deferral account as required by OPUC Order No. 04-585. Upon retirement of the related assets and determination of actual removal costs, any differences between actual removal costs and projected removal costs are trued-up. The offsetting entry to eliminate the regulatory account activity associated with these assets will be to FERC account 108, effectively adjusting rate base for any under or over collected net salvage.

Staff reviewed the calculations supporting the Company's requested increase in depreciation expense for Valmy.[27] Staff initially proposed to increase the depreciation expense

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[27] Staff/200, Peng/2–5.

to include net salvage value of $1.25 million,[28] but that proposal was not included in the Stipulation. The Stipulating Parties agree that the depreciable life and depreciable balance reflected in the Stipulation is a reasonable basis for ratemaking and will result in just and reasonable rates for customers.

C. <u>Prudence of Capital Expenditures</u>

Stipulation, paragraph 22: *The Stipulating Parties agree that the approximately $70 million in capital expenditures made on a total system basis between the Company's last Oregon general rate case and May 31, 2017, were prudent and should be recovered pursuant to the AAC discussed below*.

Staff reviewed the Company's capital expenditures for Valmy since Idaho Power's last Oregon general rate case, which included replacements, upgrades, rebuilds, and new installations of plant parts for safety, economic, environmental, and reliability purposes.[29] Staff determined that all of these investments were prudent.[30] Therefore, the Stipulating Parties agree that these amounts should be recovered pursuant to the AAC.

D. <u>Continued Evaluation of Unit Closures</u>

Stipulation, paragraph 23: *Idaho Power will conduct ongoing analyses to evaluate the economics of an earlier retirement and may request changes to customer rates as part of the annual update process to reflect any corresponding increases in depreciation expense related to a shorter depreciable life for one or both Valmy units.*

As described above, Idaho Power believes that the analysis performed and used in the portfolio planning process of the Company's 2017 IRP indicates that a closure date earlier than that agreed to in the Stipulation may, in fact, represent the least cost approach for the Company's customers. Therefore, in conjunction with Idaho Power's development of its 2017

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[28] Staff/200, Peng/3.

[29] Staff/100, Gibbens/11.

[30] Staff/100, Gibbens/11–13.

IRP, it is appropriate for the Company to analyze the economics of an earlier retirement for Valmy Unit 1. Moreover, it is possible that facts affecting the economics of Valmy may change in the future. Therefore, the Stipulating Parties agree that Idaho Power will conduct ongoing analyses to evaluate the economics of an earlier retirement and may request changes to customer rates as part of the annual update process to reflect any corresponding increases in depreciation expense related to a shorter depreciable life for one or both Valmy units.

E. <u>Automatic Adjustment Clause</u>

Stipulation, paragraphs 24–26: *The Stipulating Parties agree that Idaho Power will recover the following expenses and investment associated with Valmy through an AAC:*

a. accelerated depreciation associated with existing Valmy plant investments through May 31, 2017;

b. the return on the undepreciated capital investments at Valmy until its end-of-life based upon the then currently authorized rate of return; and

c. estimated future decommissioning expenses.

Due to the agreed-upon rate spread and billing system constraints, the Stipulating Parties agree that the AAC amounts described in paragraph 24 will be collected through base rates rather than Schedule 92.

Amounts to be collected through the AAC will be adjusted annually on a forward-looking basis, based on updated projected decommissioning expense and any change in Valmy's end-of-life, if necessary. Idaho Power will file its annual updates, beginning in 2018, by the last day of February for rates to be updated and effective by June 1 of each year. The 2012 URS Corporation decommissioning study relied upon by the Company estimates Idaho Power's 50 percent ownership share of decommissioning costs to be $14.697 million in 2012 US dollars.

Staff proposed that the Company should recover costs associated with the early closure of Valmy through an AAC, which is consistent with Commission precedent.[31] The AAC will

[31] Staff/100, Gibbens/16–17.

adjust rates annually on a forward-looking basis, based on Valmy's projected end-of-life and decommissioning costs, and the Company will make annual filings to update amounts collected pursuant to the AAC.[32] This mechanism will allow the Company to recover its prudently incurred costs for Valmy and will avoid retroactive-ratemaking concerns.[33] The Stipulating Parties agree that recovery through an AAC is appropriate in this case.

F. <u>Regulatory Accounting</u>

1. <u>Balancing Account</u> (Stipulation, paragraphs 27–31)

The Stipulating Parties agree that revenues collected through the AAC for estimated future decommissioning expense, as well as offsetting actual decommissioning expense, will be deferred and tracked in a Regulatory Asset (Account 182.3) or Regulatory Liability (Account 254) account until decommissioning activities are concluded, subject to a true up as described in paragraph 28. Amounts in the balancing account will receive a carrying charge equal to Idaho Power's current authorized rate of return.

The Stipulating Parties agree that, after decommissioning activities are concluded, amounts in the balancing account, either positive or negative, will be recovered or refunded in customer rates, through a surcharge or credit, as appropriate.

The Stipulating Parties agree that, to implement the decommissioning balancing account described in paragraphs 26–28, the Commission should approve a deferral of future decommissioning revenues collected and decommissioning costs incurred. Idaho Power will file a request for authorization for deferred accounting effective July 1, 2017, concurrent with the filing of this Stipulation. Idaho Power will request annual renewals of the deferral to be effective June 1 of each subsequent year until decommissioning activities are concluded.

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[32] Staff/100, Gibbens/16–17.

[33] *See* Staff/100, Gibbens/15.

The Stipulating Parties agree that, after the Company begins incurring decommissioning expenses, it will present such expenses for a prudence review and determination to the Commission on an annual basis by the last day of February.

The Stipulating Parties agree that to implement the accounting described in paragraphs 26–28, Idaho Power will be required to establish various regulatory accounts that will allow for the matching of Generally Accepted Accounting Principles ("GAAP") revenue recognition with the actual monthly pattern of the Valmy revenue requirement from 2017 through 2025 and decommissioning expenses post-2025. These adjustments will allow the Company to match revenues with the costs that it is incurring over the next eight years.

Use of a balancing account and deferral will ensure that Idaho Power recovers its full decommissioning costs for Valmy—no more and no less.[34] The Company will present these costs for a prudence review on an annual basis. Use of a balancing account is consistent with Commission precedent,[35] and the Stipulating Parties agree that this mechanism is appropriate here.

2. <u>Income Tax Accounting (Stipulation, paragraphs 32–33)</u>

Income tax calculations based on the terms of the Stipulation reflect the new recovery period through 2025 and maintain compliance with the Internal Revenue Code ("IRC") normalization rules for accelerated depreciation. Because the Company does not currently track accumulated deferred income taxes ("ADIT") and reversing flow-through difference by specific plant, such as Valmy, the Company used a tax accounting system generated estimated amount of ADIT for the numbers included in the 2011 test year for Valmy, as well as for the beginning balance of ADIT for revenue requirement computations in the original filing and this Stipulation. The Stipulating Parties agree that acceptance of the income tax calculations in this Stipulation also requires recognition that the balance of ADIT and reversing flow through related

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[34] Staff/100, Gibbens/16.

[35] Staff/100, Gibbens/15.

to the thermal plant tax accounting group, after removing Valmy, will be used in future rate proceedings for the other thermal plants (mainly the Jim Bridger plant), including general rate cases.

While the actual target shutdown date may be as early as the end of 2019 for Valmy Unit 1 and the end of 2025 for Valmy Unit 2, the Stipulating Parties agree to treat the shutdown date of both Units as the end of 2025 for ratemaking purposes. Because GAAP and IRC rules, including normalization, will require the Company to make income tax filings and accounting entries consistent with the service lives that actually occur rather than the assumption on which the revenue requirement is based, the Stipulating Parties support authorization of regulatory accounts to adjust the financial statement impacts resulting from the timing of Valmy-related depreciation and income tax and GAAP results as compared to the 2025 ratemaking assumption.

The Stipulation's accounting-related provisions ensure that the Company can conduct its accounting in accordance with applicable standards without creating a conflict with the terms of the Stipulation. Therefore, the Stipulating Parties agree that such terms are necessary and appropriate in the Stipulation in this case.

3. <u>Asset Retirement Obligations (Stipulation, paragraph 34)</u>

The Stipulating Parties agree that Idaho Power's Valmy-related Asset Retirement Obligation ("ARO") balances will continue to be accounted for using the accounting treatment required by Order No. 04-585, such that the recorded Valmy-related ARO liabilities will be fully offset by the related regulatory assets at the time of decommissioning. Revenues collected as a result of the AAC and contained in the balancing account, including future adjustments due to changes in decommissioning estimates and actual costs, will cover the estimated asset retirement costs and decommissioning.

This portion of the Stipulation ensures that Valmy-related ARO balances will be accounted for appropriately and that no accounting conflict will be created by the terms of the Stipulation.

G. Oregon Jurisdictional Revenue Requirement

Stipulation, paragraphs 35–36: *The Stipulating Parties agree to an Oregon jurisdictional revenue requirement increase of $1,056,800 effective July 1, 2017, to be recovered through the AAC as described in Section E above. The Stipulating Parties acknowledge that only eleven months of collection will occur prior to the next rate update on June 1, 2018. Therefore, the revenue requirement increase of $1,056,800 will be collected over the eleven-month period, July 1, 2017 through May 31, 2018.*

The Stipulating Parties agree that in future general rate case proceedings, the levelized revenue requirement and corresponding revenue collection subject to the Valmy AAC will be calculated consistently with the computational methodology agreed to in this Stipulation and will not be included in the Company's rate case test year revenue requirement.

Staff's and the Company's analyses confirm that the Company's requested $1,056,800 revenue requirement increase to be recovered through the AAC is reasonable, appropriate, and calculated consistent with the jurisdictional allocation agreed to in Idaho Power's most recent general rate case. The Stipulating Parties agree that the amounts in the Valmy AAC will be removed from future general rate cases to avoid double-counting.

H. Rate Spread

Stipulation, paragraph 37: *The Stipulating Parties agree that the incremental revenue requirement associated with the AAC should be recovered from customers based on the marginal cost of generation consistent with Staff's proposed methodology*[36] *and consistent with the methodology approved in the Company's last general rate case.*

Staff analyzed whether the Company's proposed rate spread would result in cost-based rates and whether rates for customers that benefit most from Valmy correspond to the level of benefit.[37] Based on its analyses, Staff proposed to spread energy costs among Schedules

[36] Staff/300, St. Brown/8.

[37] Staff/300, St. Brown/4.

using the generation energy component from the marginal cost study in the Company's most recent general rate case and to spread 27.91% of the incremental revenue requirement based on demand.[38] Staff's recommended rate spread moves rates closer to relative cost of service and is reflective of how the Company currently uses Valmy.[39] The Stipulating Parties agreed to Staff's Option 2, which increases demand and energy revenue by an equal percentage and will result in just and reasonable rates for each customer class.

I. <u>Future Electric Plant-in-Service Adjustments</u>

Stipulation, paragraph 38: *The Stipulating Parties agree that all future Valmy electric plant-in-service investments or other adjustments to FERC Account 101 will be addressed in a general rate case proceeding.*

This provision of the Stipulation confirms that future adjustments or changes to the plant-in-service amounts for Valmy will occur in a general rate case, rather than in this docket. This approach will ensure an adequate opportunity for the Stipulating Parties to perform a prudence review of such costs, and will alleviate concerns Staff and CUB may have regarding single-issue ratemaking.

III. DISCUSSION

A. <u>The Stipulation will result in just and reasonable rates.</u>

The Commission will adopt a stipulation if it is supported by competent evidence in the record, appropriately resolves the issues in a case, and results in just and reasonable rates.[40]

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[38] Staff/300, St. Brown/5–6.

[39] Staff/300, St. Brown/7–8.

[40] *See Re PacifiCorp's 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432 at 6 (Oct. 30, 2009) ("The Commission concludes that the Stipulation is an appropriate resolution of all primary issues in this docket."); *See Re PacifiCorp Request for a General Rate Revision*, Docket No. UE 210, Order No. 10-022 at 6 (Jan. 26, 2010) ("When considering a stipulation, we have the statutory duty to make an independent judgment as to whether any given settlement constitutes a reasonable resolution of the issues."); *See Re PacifiCorp Request for a General Rate*, Docket No. UE 217, Order No. 10-473 at 7 (Dec. 14, 2010) ("We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and reasonable.").

When evaluating the rates, the Commission examines "the reasonableness of the overall rates."[41] Here, the Stipulation satisfies these standards.

B. Accelerated depreciation is prudent and in customers' best interest.

As described above, based on information contained in the Company's 2015 IRP, Idaho Power's and Staff's analyses demonstrate that early closure of Valmy will likely decrease the revenue requirement and that power costs would need to be six times higher to make it economical to keep Valmy open past 2025.[42] Therefore, their analyses demonstrate, and the Stipulating Parties agree, that accelerated depreciation reflecting the early closure of Valmy is prudent and in customers' best interest.[43]

C. Allowing accelerated recovery is consistent with Commission policy.

The Commission's general policy is to allow for accelerated depreciation of coal-fired generating resources when it is in the public interest.[44] The Commission previously has approved stand-alone recovery mechanisms for accelerated depreciation of coal-fired generating resources for Portland General Electric ("PGE") and Idaho Power for the Boardman plant and for PGE for its share of the Colstrip plant.[45] In Docket No. UE 215, the Commission approved PGE's mechanism for collecting decommissioning and accelerated depreciation costs for Boardman.[46] In PGE Advice No. 16-15, the Commission approved an AAC to recover costs associated with PGE's share of Colstrip Units 3 and 4 before the precise date of plant closure was known.[47] Here, Idaho Power and NV Energy have not agreed to a closure date yet but

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[41] *Re Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*, Docket No. DR 10 *et al.*, Order No. 08-487 at 7-8 (Sept. 30, 2008).

[42] Idaho Power/200, Harvey/12; Idaho Power/203, Harvey/2; Staff/100, Gibbens/9.

[43] *See* Staff/100, Gibbens/10.

[44] Staff/100, Gibbens/5.

[45] Staff/100, Gibbens/4–5.

[46] Staff/100, Gibbens/5.

[47] Staff/100, Gibbens/6.

they continue to discuss this issue.[48] However, Staff does not recommend waiting until Idaho Power and NV Energy reach a decision regarding Valmy's closure date to accelerate depreciation, establish a recovery mechanism, and implement rate changes.[49] Given Oregon's interest in removing costs related to coal generation from rates, Commission precedent allowing accelerated depreciation for coal plants, and the short time remaining in which Valmy is expected to be operational, allowing accelerated recovery for Valmy is appropriate.

D. <u>The recovery mechanism is consistent with past Commission decisions.</u>

The mechanism agreed upon by the Stipulating Parties is similar to the mechanism successfully employed by PGE for Colstrip and Boardman.[50] The AAC with annual update filings, along with the balancing account and deferral, allows for regular review and forecast of decommissioning costs and a true-up to ensure the Company collects no more and no less than it incurs. This mechanism also ensures a prudence review of decommissioning costs.

E. <u>An immediate rate change is appropriate.</u>

Changing rates immediately allows for recovery of Valmy costs before the plant is taken out of service. This means that costs will be recovered from the customers who are served by the plant.[51] Updating rates immediately also mitigates the potential for rate shock, because accelerating depreciation now means that costs will be spread over a longer time period and thus will have a smaller impact on rates.[52]

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[48] Idaho Power/200, Harvey/11.

[49] Staff/100, Gibbens/5–6.

[50] Staff/100, Gibbens/16–17.

[51] Idaho Power/100, Larkin/7–8.

[52] Idaho Power/100, Larkin/7; Staff/100, Gibbens/7.

F. <u>The Stipulation is supported by the record.</u>

The Stipulation is supported by the record, which includes the testimony and exhibits from the Company, Staff, and CUB.[53] Staff and CUB conducted a thorough investigation and served numerous data requests. Staff raised concerns regarding certain aspects of Idaho Power's filing. These issues were addressed at settlement meetings and workshops, and, to resolve Staff's concerns, the Stipulating Parties agreed to an arrangement slightly different from that originally proposed in the Company's Application. After negotiations, the Stipulating Parties reached agreement on all issues as detailed above.

The Stipulating Parties agree that the testimony filed by Idaho Power, Staff, and CUB, along with this Joint Brief, is sufficient to support a finding that the Stipulation is reasonable and should be adopted. Because the Company's filed case, as modified by the Stipulation, reflects correct calculations that conform to Commission precedent and policy, the resulting rates are just and reasonable and fall within the "range of reasonableness" for resolution of these issues.[54]

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[53] Idaho Power/100–101; Idaho Power/200–203; Staff/100–106; Staff/200–205; Staff/300–304; CUB/100–101.

[54] *See Re US West*, Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

IV. CONCLUSION

For all of the above reasons, the Stipulating Parties request that the Commission approve the Stipulation and the resulting rates.

DATED: June 12, 2017.

Respectfully submitted,

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