

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1853(7)

In the Matter of

IDAHO POWER COMPANY,

Application for Reauthorization to Defer
Certain Costs Associated with the North
Valmy Power Plant.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 21, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 21, 2025**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: January 8, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: IDAHO POWER:
(Docket No. UM 1853(7))
Application to Reauthorize Deferred Accounting of Costs Associated with
the North Valmy Power Plant.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Idaho Power Company's (Idaho Power or Company) application for reauthorization to defer decommissioning revenues collected and decommissioning costs incurred associated with the North Valmy power plant pursuant to Order No. 17-235, for the 12-month period beginning June 1, 2024.

DISCUSSION:

Issue

Whether the Commission should reauthorize Idaho Power to defer, for future true-up, the decommissioning revenues collected, and decommissioning costs incurred associated with the early retirement of Idaho Power's North Valmy Power Plant (North Valmy).

Applicable Rule or Law

Idaho Power submitted its initial deferral application on May 25, 2021, pursuant to ORS 757.210, ORS 757.259, OAR 860-027-0300, and Order No. 17-235. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and

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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.

Order No. 17-235, issued by the Commission in Docket No. UE 316, approves the Company's initial request for authorization for deferred accounting of future decommissioning revenues and decommissioning costs incurred related to its North Valmy plant.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis

Background

Pursuant to ORS 757.210, ORS 757.259, and OAR 860-027-0300, Idaho Power requests an accounting order reauthorizing Idaho Power to defer decommissioning revenues collected and decommissioning costs incurred pursuant to Order No. 17-235.

The stipulation approved by Order No. 17-235 includes the collection of the North Valmy Power Plant amounts and is an automatic adjustment clause (AAC) as defined in ORS 757.210.

In Order No. 17-235, discussed above, the Commission adopted a stipulation that reflected an end-of-life for Valmy Units 1 and 2 of 2025. The Commission-adopted stipulation approved the recovery of the following expenses and investment associated with Valmy through an AAC:

1. The accelerated depreciation associated with the existing Valmy plant investments through May 31, 2017;
2. The return on undepreciated existing capital investments at Valmy until its end-of-life based upon the then currently authorized rate of return; and
3. Estimated future decommissioning expenses.

Subsequently, in Docket UE 345, the Commission issued Order No. 18-199, approving the further accelerated depreciation associated with Idaho Power's exit from operations of Valmy Unit 1 by December 31, 2019. Most recently, due to cessation of Valmy Unit 1, in Order No. 19-341 the Commission adopted a stipulation to remove the

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accelerated depreciation from customer rates associated with those investments effective January 1, 2020.

Reason for Deferral

This deferral is intended to provide for the deferral and tracking of decommissioning revenues collected and decommissioning costs incurred until decommissioning activities are concluded.

In addition, this deferral will allow Idaho Power to appropriately match the costs borne by and benefits received by customers.

Proposed Accounting

The Company records revenues and expenses that would be subject to the deferral order in accordance with the Code of Federal Regulations to the Federal Energy Regulatory Commission (FERC) Accounts 440-444 (Operating Revenues), FERC Account 557 (Other Expenses), and FERC Accounts 500-598 (Operations and Maintenance Accounts).

Estimated Deferrals in Authorization Period

Order No. 17-235 approved an Oregon jurisdictional revenue requirement increase of \$1.06 million associated with the recovery of the annual incremental return on and accelerated depreciation of existing Valmy investments, and decommissioning costs related to the Valmy shutdown.

In addition, Order No. 18-199 approved an Oregon jurisdictional revenue requirement increase of \$2.50 million associated with the recovery of the accelerated depreciation of existing Valmy Unit 1 investments by year end 2019.

The Oregon jurisdictional revenue requirement decreased \$3.17 million with Order No. 19-341 as a result of the cessation of Valmy Unit 1 and full collection of the associated investments. Idaho Power estimates the deferral account will contain the Oregon jurisdictional share of decommissioning costs, approximately \$1.87 million on December 31, 2025.

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) unless subject to an automatic adjustment clause. Recovery of amounts are not proposed to be subject to an earnings test given the terms of Order No. 17-235.

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- Prudence Review – For amortization, a prudence review should be completed to verify prudence of the costs.
- Sharing – Commission Order No. 17-235 did not mandate any sharing. Therefore, 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

Staff concludes that the Company's application to reauthorize deferral of the costs and revenues related to decommissioning North Valmy is consistent with ORS 757.259 and should be approved by the Commission.

The Company has reviewed this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's application for reauthorization to defer decommissioning revenues collected and decommissioning costs incurred associated with the North Valmy power plant pursuant to Order No. 17-235, for the 12-month period beginning June 1, 2024.