

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 239

In the Matter of

IDAHO POWER COMPANY

Application for Authority to Implement a Boardman Operating Life Adjustment Tariff for Electric Service to Customers in the State of Oregon.

ORDER

DISPOSITION: STIPULATION ADOPTED

**I. INTRODUCTION**

In this order, we adopt a stipulation that resolves all issues related to Idaho Power Company's request for approval to establish the Boardman Operating Life Adjustment tariff. The tariff implements a balancing account to track and recover the incremental costs and benefits associated with the early shutdown of the Boardman power plant.

**II. PROCEDURAL HISTORY**

On September 26, 2011, Idaho Power Company filed an application seeking approval for the company's proposed ratemaking treatment to account for the early closure of Boardman. Idaho Power owns a 10 percent interest in Boardman, and currently collects depreciation expenses using an expected plant life that extends through at least 2030. Idaho Power filed this application in response to the decision made by Portland General Electric Company (PGE), the majority owner and operator of the plant, to close the facility in 2020.

In its filing, Idaho Power proposed the creation of a balancing account to track the cumulative difference between actual revenues and the company's revenue requirement resulting from the early shutdown of the Boardman plant. As detailed in testimony filed on February 2, 2012, the proposed balancing account will address undepreciated capital investments, accelerated depreciation, and decommissioning costs.

CUB intervened as a party under ORS 774.180 and, along with Staff, conducted discovery related to the Company's proposal. A prehearing conference was never scheduled in this docket and neither Staff nor CUB filed testimony.

On May 9, 2012, Idaho Power, CUB, and Staff participated in a settlement conference. As a result of those discussions, the parties agreed to the terms of a stipulation subsequently filed on

May 24, 2012. The stipulation is attached as Appendix A. Idaho Power's motion to admit the stipulation and prefiled testimony is granted.

On March 29, 2012, the Commission provided notice of the stipulation to persons on our electric mailing list. No oppositions to the stipulation or petitions to intervene have been filed.

### III. DISCUSSION

#### A. Idaho Power's Application

As noted, Idaho Power proposed 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. The company proposed that the balancing account would begin tracking the costs associated with the Boardman early shutdown beginning in January 2012, with an annual review and adjustments to the levelized recovery amount to address any significant changes in actual investments as they become known. Any overage or shortfall in the collection of a previous year's levelized revenue recovery would be incorporated into the new levelized revenue requirement calculation when necessary.

Idaho Power noted that, prior to Boardman's shutdown, there will be required investments in emissions controls at the plant in addition to normal maintenance. The company proposed accounting for the return on undepreciated capital investments and the associated depreciation expense (revenue requirements) by tracking these costs in the balancing account. In this filing, Idaho Power seeks an adjustment in rates to reflect only the accelerated depreciation of the Boardman-related investments that were included in the test year used in the company's last general rate case.<sup>1</sup> Idaho Power proposed that the revenue requirement for future capital investments placed in service after January 1, 2012, be tracked in the balancing account and requested for inclusion in rates in a subsequent proceeding.

Because the depreciation rates for Boardman are currently calculated based on an assumed closure of 2030, the shortening of the plant's life will result in increased depreciation expenses. Idaho Power proposed to track the increase in depreciation expense associated with Boardman in the balancing account.

With regard to the third type of closure costs, Idaho Power currently accounts for estimated decommissioning costs as an Asset Retirement Obligation (ARO) under Accounting Standards Codification (ASC) 410. The company's current base rates do not include any recovery of ARO related to Boardman. Rather, as required by Order No. 04-585, Idaho Power records, as a regulatory asset, the cumulative financial statement impact resulting from the Company's implementation of ASC 410, and the ongoing annual differences between the ASC 410 depreciation and accretion expenses and the annual depreciation expenses that are currently authorized by the Commission in depreciation rates and reclamation accruals. Idaho Power proposes to track these costs in the balancing account and revenues would begin to be collected to cover these ARO related liabilities.

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<sup>1</sup> *In the Matter of Idaho Power Company*, Docket No. UE 233, Order No. 12-055 (Feb 2, 2012).

In addition to the proposed balancing account, Idaho Power seeks approval of changes to its Oregon jurisdictional revenue requirement to account for the impacts of the accelerated depreciation of the Boardman plant accounts and from increased decommissioning costs. Incremental depreciation expense was based on actual December 31, 2011, plant balances and the decommissioning costs were calculated using Idaho Power's 10 percent share of the decommissioning costs the Commission previously found reasonable.<sup>2</sup> This incremental Oregon jurisdictional revenue requirement is approximately \$107,223.00 which equates to an overall increase of 0.26 percent.

## **B. Stipulation**

In the stipulation, Idaho Power, CUB, and Staff agree that the company's proposed balancing account and method for recovering the costs associated with the early closure of Boardman is reasonable and should be approved, with one exception. The parties agree that the balancing account should not include the costs associated with new plant in service at Boardman. The parties propose that these costs be added to the balancing account upon approval in future ratemaking proceedings as the investments are made.

The parties also agree that Idaho Power's calculation of the incremental Oregon jurisdictional revenue requirement for which the company seeks recovery is correct. In addition, the parties further agree that the Boardman related ARO balances are exempt from the deferral treatment required by Order No. 04-585, and that Idaho Power should cease to defer ongoing annual differences between the ASC 410 depreciation and accretion expenses and the annual depreciation expenses that are currently authorized by the Commission in depreciation rates and reclamation accruals. The parties agree that Idaho Power can begin the amortization of the previously recorded regulatory asset balance related to the Boardman ARO.

The parties state that the stipulated balancing account will ensure that customers pay no more and no less than the full revenue requirement impacts of early Boardman retirement over the remaining nine years of the plant's life, and will ensure that the company is provided an opportunity to recover Boardman-related costs by the plant's scheduled life end of 2020. The parties also state that the company's proposed tariff correctly reflects the current incremental Oregon jurisdictional revenue requirement related to the early closure of Boardman and will result in rates that are just and reasonable.

## **C. Commission Resolution**

We have reviewed the testimony and supporting exhibits in this case, the stipulation and the joint explanatory brief. Based on that review, we find that the proposed balancing account to track and recover the incremental costs and benefits associated with the early shutdown of Boardman to be reasonable and should be approved. We further find that the rates resulting from the terms of the stipulation are just and reasonable, and should be made effective on July 1, 2012. These new rates will result in an average increase of 0.26 percent for Idaho Power's customers in Oregon.

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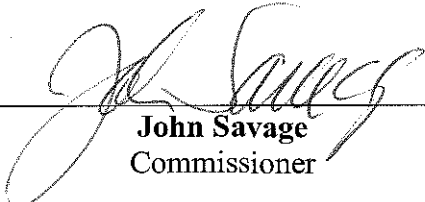
<sup>2</sup> *In the Matter of Portland General Electric Company*, Docket No. UE 230, Order No. 11-242 (Jul 5, 2011).

**IV. ORDER**

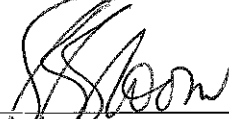
IT IS ORDERED that:

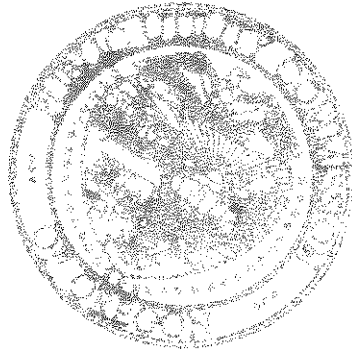
1. The stipulation filed by Idaho Power Company, the Citizens' Utility Board of Oregon, and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
2. Idaho Power Company must file new tariffs consistent with this order to be effective no earlier than July 1, 2012.

Made, entered, and effective JUN 26 2012.

  
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**John Savage**  
Commissioner

  
\_\_\_\_\_  
**Susan K. Ackerman**  
Commissioner

  
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**Stephen M. Bloom**  
Commissioner



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UE 239

In The Matter of

STIPULATION

IDAHO POWER COMPANY

Application for Authority to Implement a  
Boardman Operating Life Adjustment Tariff for  
Electric Service to Customers in the State of  
Oregon.

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") request for approval to establish the Boardman Operating Life Adjustment tariff, which implements a balancing account whereby incremental costs and benefits associated with the shutdown of the Boardman power plant ("Boardman") will be tracked and recovered from the Company's Oregon customers.

**PARTIES**

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power (together, the "Stipulating Parties"). No other party intervened in this docket.

**BACKGROUND**

2. Idaho Power owns a 10 percent interest in Boardman. Portland General Electric Company ("PGE") is the majority owner and operator of Boardman.

3. Based on Idaho Power's current depreciation rates, Boardman's expected plant life extends through at least 2030. However, PGE, as majority owner and operator of the plant, has determined that the least cost, least risk option for customers is to close Boardman in 2020, rather than to install additional pollution controls necessary to comply with applicable

1 environmental regulations. In Order No. 10-457, issued on November 23, 2010, the  
2 Commission acknowledged PGE's 2009 Integrated Resource Plan ("IRP"), which included  
3 closing Boardman in 2020 as part of its IRP's preferred resource portfolio.<sup>1</sup>

4 4. Even though the Boardman plant is now scheduled for closure in 2020, it will  
5 require incremental investments to allow its continued operation until that time. In addition,  
6 decommissioning the plant will require additional investments.

7 5. In order to account for the closure of Boardman in 2020, on September 26, 2011,  
8 Idaho Power filed an Application for Authority to Implement a Boardman Operating Life  
9 Adjustment Tariff ("Application"). The purpose of the Application was to obtain approval for  
10 Idaho Power's proposal to recover the costs associated with the early Boardman shutdown.  
11 Idaho Power's proposal would create a balancing account to track the cumulative difference  
12 between actual revenues and the Company's revenue requirement resulting from the early  
13 shutdown of Boardman. The Company also proposed a new tariff, Schedule 92, which would  
14 allow recovery the incremental costs and benefits associated with the early closure of  
15 Boardman.

16 6. On February 2, 2012, Idaho Power filed testimony that explained in detail the  
17 Company's proposed balancing account.<sup>2</sup> This testimony also updated the incremental  
18 revenue requirement that was included in the Application with the revised Boardman  
19 depreciation rates from the Company's 2011 Depreciation Study.<sup>3</sup> As described in the  
20 testimony, the proposed balancing account will include three types of costs associated with  
21 the early closure of the Boardman plant: (1) a return on undepreciated capital investments; (2)  
22 the accelerated depreciation; and (3) the decommissioning costs.

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24 <sup>1</sup> *Re Portland General Electric Co.*, Docket LC 48, Order No. 10-457 at 15-17 (Nov. 23, 2010).

25 <sup>2</sup> See Idaho Power/100-103.

26 <sup>3</sup> On February 2, 2012, Idaho Power filed an Application for Authorization to Implement Revised  
Depreciation Rates, which was based on the 2011 Depreciation Study. This filing was docketed as UM  
1576.

1           7.   **Return on Undepreciated Capital Investments.**   Prior to Boardman's  
2 shutdown, there will be required investments in emissions controls at the plant in addition to  
3 normal maintenance required to keep the plant operational. Idaho Power anticipates most of  
4 the emissions control upgrades will be made between 2012 and 2014, with routine capital  
5 expenditures for repairs throughout the remaining nine years of the plant's life. The Company  
6 proposed accounting for the return on undepreciated capital investments and the associated  
7 depreciation expense (revenue requirements) by tracking these costs in the balancing  
8 account. In this docket the Company requested that rates be adjusted to reflect only the  
9 accelerated depreciation of the Boardman-related investments that were included in the test  
10 year used in the Company's last general rate case (Docket UE 233). As proposed, the  
11 revenue requirement for future capital investments placed in service after January 1, 2012, will  
12 be tracked in the balancing account and requested for inclusion in rates in a subsequent  
13 proceeding.

14           8.   **Accelerated Depreciation.** Because the depreciation rates for Boardman are  
15 currently calculated based on an assumed closure of 2030, the shortening of the plant's life  
16 will result in increased depreciation expenses. The Company proposed to track the increase  
17 in depreciation expense associated with Boardman in the balancing account.<sup>4</sup>

18           9.   **Decommissioning Costs.** Idaho Power will incur decommissioning costs  
19 related to the shutdown of Boardman. Currently, Idaho Power accounts for estimated  
20 decommissioning costs as an Asset Retirement Obligation ("ARO") under Accounting  
21 Standards Codification ("ASC") 410 (previously Statement of Financial Accounting Standards  
22 143). This considers costs to decommission and remove plant components, including the  
23 power plant and associated facilities, the Carty reservoir, certain transmission lines, the tower  
24 access road, ash field capping or removal, and coal handling facilities. The ARO also

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26 <sup>4</sup> Idaho Power proposed accounting for the accelerated depreciation associated with the Boardman  
closure exclusively through this docket, rather than in UM 1576.

1 includes a 10 percent contingency estimate and is partially offset by expected salvage  
2 proceeds associated with decommissioning the plant. The Company's current base rates do  
3 not include any recovery of ARO related to Boardman. Rather, in accordance with Order No.  
4 04-585, Idaho Power records, as a regulatory asset, the cumulative financial statement impact  
5 resulting from the Company's implementation of ASC 410, and the ongoing annual differences  
6 between the ASC 410 depreciation and accretion expenses and the annual depreciation  
7 expenses that are currently authorized by the Commission in depreciation rates and  
8 reclamation accruals. The Company proposes tracking these costs in the balancing account  
9 and revenues would begin to be collected to cover these ARO related liabilities.

10 10. The Company's proposed balancing account would begin tracking the costs  
11 associated with the Boardman early shutdown beginning in January 2012. Idaho Power  
12 proposed an annual review of the balancing account with adjustments to the levelized  
13 recovery amount to address any significant changes in actual investments as they become  
14 known. Any overage or shortfall in the collection of a previous year's levelized revenue  
15 recovery would be incorporated into the new levelized revenue requirement calculation when  
16 necessary.

17 11. In addition, the Company's February 2, 2012, testimony also included a proposed  
18 Oregon jurisdictional revenue requirement that was calculated using a test period of June 1,  
19 2012, through May 31, 2013. The calculation included impacts resulting from the accelerated  
20 depreciation of the Boardman plant accounts and from increased decommissioning costs.  
21 The Company determined the incremental change in depreciation expense and associated  
22 depreciation reserve resulting from the 2011 Depreciation Study as measured from the  
23 stipulated amounts included in the Stipulation submitted in Docket UE 233 and approved by  
24 the Commission in Order No. 12-055. The annual recovery amount for decommissioning  
25 costs was determined by converting the future value of the decommissioning costs into an

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1 equivalent annual annuity or levelized payment. The annuity recognizes the time value of  
2 dollars collected from customers for future costs.

3 12. The incremental Oregon jurisdictional revenue requirement that the Company  
4 requested to be recovered through Schedule 92, the Boardman Operating Life Adjustment  
5 tariff, is approximately \$107,223. This equates to an overall increase of 0.26 percent.

6 13. A prehearing conference was never convened for this docket and no other party  
7 filed testimony. However, Staff and CUB conducted discovery and thoroughly analyzed the  
8 Company's proposed balancing account and proposed tariff allowing recovery of the current  
9 incremental costs associated with the Boardman shutdown.

10 14. On May 9, 2012, the Stipulating Parties participated in a telephonic settlement  
11 conference. As a result of the settlement discussions, the Stipulating Parties have agreed as  
12 follows:

#### 13 AGREEMENT

14 15. The Stipulating Parties agree that the Company's proposed balancing account  
15 and method for recovering the costs associated with the closure of the Boardman plant is  
16 reasonable and should be approved, with the following exception. The balancing account will  
17 not include the costs associated with new plant in service at Boardman. These costs will be  
18 added to the balancing account upon approval in future ratemaking proceedings as the  
19 investments are made.

20 16. The Stipulating Parties agree that the proposed tariff attached to Idaho Power's  
21 February 2, 2012, testimony as Idaho Power/103 correctly calculates the Oregon jurisdictional  
22 revenue requirement for recovery of the costs associated with the early Boardman shutdown  
23 for the June 1, 2012, to May 31, 2013, test period. The Commission should approve  
24 Schedule 92 as set forth in Idaho Power/103.

25 17. The Stipulating Parties further agree that the Boardman related ARO balances  
26 are exempt from the deferral treatment required by Order No. 04-585. Rather, Idaho Power

1 will cease to defer ongoing annual differences between the ASC 410 depreciation and  
2 accretion expenses and the annual depreciation expenses that are currently authorized by the  
3 Commission in depreciation rates and reclamation accruals. In addition, the Stipulating  
4 Parties agree that Idaho Power can begin the amortization of the previously recorded  
5 regulatory asset balance related to the Boardman ARO. This will ensure that revenues  
6 collected to satisfy Boardman ARO liabilities are properly matched to the Boardman related  
7 ARO depreciation and accretion expense.

8 18. The Stipulating Parties agree to submit this Stipulation to the Commission and  
9 request that the Commission approve the Stipulation as presented. The Stipulating Parties  
10 agree that the rates resulting from the Stipulation are fair, just, and reasonable and ensure  
11 that customers pay no more or no less than the actual costs associated with the full revenue  
12 requirement impacts of the early Boardman retirement over the remaining years of the plant's  
13 life.

14 19. This Stipulation will be offered into the record of this proceeding as evidence  
15 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation  
16 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this  
17 Stipulation at the hearing, and recommend that the Commission issue an order adopting the  
18 settlements contained herein.

19 20. If this Stipulation is challenged by any other party to this proceeding, the  
20 Stipulating Parties agree that they will continue to support the Commission's adoption of the  
21 terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and  
22 put on such a case as they deem appropriate to respond fully to the issues presented, which  
23 may include raising issues that are incorporated in the settlements embodied in this  
24 Stipulation.

25 21. The Stipulating Parties have negotiated this Stipulation as an integrated  
26 document. If the Commission rejects all or any material part of this Stipulation, or adds any

1 material condition to any final order that is not consistent with this Stipulation, each Stipulating  
2 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument  
3 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating  
4 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720  
5 in any manner that is consistent with the agreement embodied in this Stipulation.

6 22. By entering into this Stipulation, no Stipulating Party shall be deemed to have  
7 approved, admitted, or consented to the facts, principles, methods, or theories employed by  
8 any other Stipulating Party in arriving at the terms of this Stipulation, other than those  
9 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to  
10 have agreed that any provision of this Stipulation is appropriate for resolving issues in any  
11 other proceeding, except as specifically identified in this Stipulation.

12 23. This Stipulation may be executed in counterparts and each signed counterpart  
13 shall constitute an original document.

14 This Stipulation is entered into by each Stipulating Party on the date entered below such  
15 Stipulating Party's signature.

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STAFF

CITIZENS' UTILITY BOARD

By: [Signature]

By: \_\_\_\_\_

Date: May 24, 2012

Date: \_\_\_\_\_

IDAHO POWER

By: \_\_\_\_\_

Date: \_\_\_\_\_

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STAFF

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

By: 

Date: \_\_\_\_\_

Date: 5-24-12

IDAHO POWER

By: \_\_\_\_\_

Date: \_\_\_\_\_

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CITIZENS' UTILITY BOARD

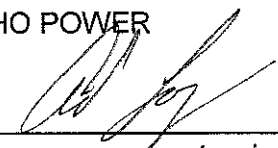
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25 Date: 5/24/12 \_\_\_\_\_