



Case No. IPC-E-16-32, Order No. 33686

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## **Idaho Power Company seeks prudence determination regarding \$220.8 million relicensing expense to date**

**BOISE (January 17, 2017)** – Idaho Power Company is asking state regulators to determine that \$220.8 million spent to date on relicensing efforts for its three Hells Canyon hydroelectric projects be declared a “prudent” expenditure for possible inclusion in customer rates at a later date. The application does not request a change to rates at this time.

Idaho Power’s 50-year license from the Federal Energy Regulatory Commission (FERC) to operate the Hells Canyon Complex expired in 2005. Idaho Power submitted its new license application to FERC in 2003. FERC has not yet issued a new long-term license (between 30 and 50 years), but Idaho Power has been able to continue to operate the projects under annual licenses that have been issued each year since 2005.

In 2009, the Idaho Public Utilities Commission authorized Idaho Power to collect about \$6.5 million annually from customers as allowance for funds used during construction (AFUDC) associated with the relicensing effort. As of Dec, 31, 2015, customers have paid \$58.8 million toward relicensing, leaving a balance of about \$162 million.

The commission set a deadline of January 25 for parties who want to intervene in the case to provide testimony and cross-examine other parties. Later, the commission will set deadlines for customer comment and possible commission workshops or hearings.

Idaho Power claims it likely be at least 2021 before its license is issued. The company estimates that the annual costs it will incur before getting a license will be between \$20 million and \$30 million, pushing total costs to between \$350 million and \$400 million.

The company claims that continued operation of the hydroelectric projects – Brownlee, Oxbow and Hells Canyon – which provide up to 1,167 megawatts of generating capacity, is still cost-effective for customers, even when including relicensing expense. Assuming relicensing costs of \$400 million, the capital cost for the Hells Canyon Complex is \$359 per kilowatt, according to

Idaho Power. That is less than a third of the estimated capital costs of a combined-cycle natural gas combustion turbine at \$1,145 per kW, according to Idaho Power.

Idaho Power is seeking the prudence determination now rather than during a general rate case to allow commission staff to more narrowly focus on relicensing costs as compared to all the other issues that are treated in a rate case. Further, Idaho Power's key employees who have been involved in the relicensing process since its beginnings are nearing retirement.

The relicensing process involves numerous natural resources and environmental agencies and requires extensive public review. Because the Hells Canyon Complex forms the border between Oregon and Idaho, it is subject to the jurisdiction of both states. Portions of the project are either within or adjacent to national forest lands, wilderness areas, the Hells Canyon National Recreation Area and other federal reservations. The Snake River below Hells Canyon Dam is designated under the Wild and Scenic Rivers Act. More than 100 species with an endangered, threatened or other special-status designation are present in the general area of Hells Canyon. In addition to federal and state agencies and environmental organizations, six federally recognized Native American tribes claim the Hells Canyon Complex affects lands and natural resources in which they have an interest.

The Hells Canyon Complex must comply with various provisions of the Wilderness and Wild and Scenic Rivers Acts, the National Historic Preservation Act, the National Environmental Policy Act, EPA and Clean Water Act regulations and the Endangered Species Act.

To read a copy of Idaho Power's application along with supporting testimony, go to [www.puc.idaho.gov](http://www.puc.idaho.gov). Under the "Electric" heading, scroll down to Case No. IPC-E-16-32.

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