



Case No: IPC-E-16-32

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Comment deadline set for proposed settlement approving Hells Canyon relicensing expenses

BOISE (Dec. 13, 2017) – A tentative settlement has been reached in a case involving the relicensing of Idaho Power’s largest hydropower complex.

The proposed settlement agreement calls for approximately \$216.5 million in expenditures related to the relicensing of the Hells Canyon Complex to be designated as prudently incurred and eligible to be a factor in determining customer rates at a later date.

That’s a decrease of almost \$5 million from Idaho Power’s initial request to the Idaho Public Utilities Commission, filed in late 2016.

The settlement is now awaiting approval of the Commission, which is accepting public comments on the case through Jan. 5, 2018.

The Hells Canyon Complex consists of the Brownlee, Oxbow and Hells Canyon dams and is capable of providing 1,167 megawatts of energy. That is approximately 70 percent of Idaho Power’s annual hydroelectric generation and 30 percent of its total generating capacity.

Idaho Power is required to obtain a license from the Federal Energy Regulatory Commission (FERC) in order to operate the dams.

Hells Canyon’s previous 50-year license expired in 2005. The complex has been operating under annual licenses since then as the company and stakeholders attempt to resolve a number of issues associated with the license application that Idaho Power filed with FERC in 2003.

Idaho Power said its relicensing work began in 1991 and has included extensive public review and involved a number of federal and state agencies in Idaho and Oregon.

More than 100 species with endangered, threatened or protective status are present in the complex’s general area, and Hells Canyon must comply with various provisions of the Wilderness

and Wild and Scenic Rivers Act, the National Historic Preservation Act, the National Environmental Policy Act, the Endangered Species Act and Clean Water Act, in addition to regulations imposed by the Environmental Protection Agency.

Idaho Power does not expect a decision from FERC until 2021 at the earliest.

While FERC is responsible for relicensing the complex, the Idaho Public Utilities Commission is charged with determining whether the utility can recover from customers the costs associated with obtaining the license.

To be eligible for inclusion in customer rates, a utility must demonstrate that capital costs are associated with a plant-in-service that is used and useful in the near term, and that those expenses were prudently incurred.

In December 2016, the company asked the Commission to designate \$220,845,830 in relicensing-related expenses through Dec. 31, 2015 as prudently incurred.

Analysis by Commission staff ensued and settlement discussions were held in October. The tentative settlement now before the Commission call for \$213,606,878 in relicensing expenses to be approved, along with \$2,897,267 in costs tied to a settlement agreement the company reached in 2003 with Oregon's Baker County in order to mitigate the economic impact of Hells Canyon on the surrounding communities.

Among the expenses excluded in the proposed settlement were those that Commission staff determined were lacking sufficient documentation, were more appropriately categorized as operations and maintenance expense or for Allowance for Funds Used During Construction (AFUDC), and those that Commission staff could not confirm to be related to relicensing.

Idaho Power customers already pay for some costs associated with the relicensing effort after a 2009 Commission decision authorized the company to collect approximately \$6.5 million annually from customers as AFUDC related to relicensing.

As of Dec. 31, 2015, customers had paid nearly \$58 million toward relicensing, leaving a balance of almost \$162 million.

Idaho Power expects to continue to spend between \$20 million and \$30 million annually on the relicensing effort until a new license is issued.

If FERC issues the license in 2021, the company projects its expenses to range from \$350 million to \$400 million.

Even with the relicensing costs, Idaho Power contends that the continued operation of the Hells Canyon Complex is a cost-effective resource for its customers.

Assuming relicensing costs of \$400 million, Idaho Power estimates the capital cost for the Hells Canyon Complex to be \$358 per kilowatt. By comparison, the estimated capital cost for a combined

cycle natural gas combustion turbine is \$1,145 per kilowatt, according to the company.

Expenses related to the relicensing that are not included in the tentative settlement agreement will be considered O & M expenses at the time in which they are incurred, according to the settlement agreement.

The proposed settlement also calls for Idaho Power to file a request for prudence determination on relicensing costs incurred after Dec. 31, 2015 through a time period no longer than five years from the date the Commission approves the settlement agreement, if approval occurs.

The proposed agreement does not call for a change to rates.

Customers interested in providing input on this case for the official case record should file comments. To submit written comments, go to the Commission website, www.puc.idaho.gov, and click on "Case Comment Form" under the Electric" heading and enter the case number, IPC-E-16-32. Or go [here](#). Comments can also be mailed to the Idaho Public Utilities Commission, P.O. Box 83720, Boise, ID, 83720-0074.

Idaho Power's application and exhibits related to the case and proposed settlement are available on the commission's website. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. IPC_E-16-32. Or go [here](#).