

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-19-32
COMPANY'S APPLICATION FOR)
AUTHORITY TO DECREASE ITS RATES)
FOR ELECTRIC SERVICE FOR COSTS) ORDER NO. 34519
ASSOCIATED WITH THE BOARDMAN)
POWER PLANT)

On October 17, 2019, Idaho Power Company submitted an Application requesting the Commission approve ratemaking treatment for costs associated with the early retirement of the coal-fired Boardman power plant ("Boardman").

On November 6, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 34475.

On December 5, 2019, Staff filed comments.

On December 12, 2019, the Company filed reply comments.

Having reviewed the record, the Commission issues this order approving the requested rate decrease, deferring a prudency determination on actually incurred costs, and approving an update to forecasted expenses.

BACKGROUND

Boardman is a single generating unit pulverized coal power plant in Oregon. Application at 2. Boardman went into service in 1980. *Id.* Idaho Power owns a 10% interest in the plant while Portland General Electric ("PGE") has a 90% ownership interest. *Id.* Idaho Power's ownership interest in Boardman provides the Company with about 50 average megawatts of energy generating capability. *Id.* In 2010 and 2011, federal and state regulators approved ending coal-fired operations at Boardman on December 31, 2020. *Id.* In February 2012, the Commission authorized the Company to establish a balancing account to track the incremental costs and benefits associated with an early shutdown of Boardman. Order No. 32457. In May 2012, the Commission authorized an incremental increase in the Company's annual revenue requirement of \$1,525,501, effective June 1, 2012, to align cost recovery for the plant with its useful life. Order No. 32549. Idaho Power has filed its Boardman Power Plant Annual Review each year since. Application at 3. This is the first year the Company has requested to adjust rates. *Id.*

The Commission authorized the Company to establish a balancing account (also called a levelized revenue requirement) for Boardman to “stabilize customer rates and increase the likelihood that the customers who benefit from Boardman’s continuing operation will pay the associated costs.” Order No. 32457 at 4. The balancing account was originally composed of: 1) all plant investments as of May 31, 2012, which included actual investments through December 31, 2011, and forecasted investments from January 1, 2012 through May 31, 2012; 2) projected additions to Boardman from June 2012 through 2020; and 3) estimated decommissioning and salvage costs. Application at 3, *see* Order No. 32549.

THE APPLICATION

The Company is requesting to update the Boardman levelized revenue requirement, as of January 1, 2020, because the plant is nearing the end of coal-fired operations and to true-up forecasts to actuals, which results in a refund to customers. *See* Application at 4. Idaho Power requests the Commission: 1) find all actual investments made to the Boardman power plant through December 31, 2018 were prudently incurred; 2) approve an update to forecasted investments through 2020 at Boardman to be included in the levelized revenue requirement mechanism established in Order No. 32457; and 3) decrease customer rates by \$1.06 million, effective January 1, 2020, to reflect the decrease in collections associated with the Boardman levelized revenue requirement, which equates to an overall decrease of .09%. *Id.* at 1.

The requested \$1.06 million decrease to the Boardman levelized revenue requirement in customer rates includes updates to reflect: 1) a decrease in the annual levelized revenue requirement of \$38,922; 2) a gain of \$251,077 associated with an Asset Purchase Agreement with PGE; 3) a true-up of \$473,097 in over collection of revenues from previous years; and 4) an over collection of \$295,158 in revenue requirement from previous years.

For plant investments from January 1, 2012 through May 31, 2012, Idaho Power seeks to recover \$400,000 over the forecasted amount, for a total of \$3,936,546. For plant investments from June 1, 2012 through December 31, 2018, and forecasted investments through 2020, the Company seeks to recover about \$370,000 less than the forecasted amount of \$1.1 million. Idaho Power seeks to recover \$445,875 for decommissioning costs, about \$60,000 less than authorized. In sum, the Company seeks to recover a total levelized revenue requirement of \$5,135,872 on an Idaho jurisdictional basis to true-up forecasts to actuals for the balancing account, which is \$38,922 less than the \$5,174,794 authorized by the Commission in Order No. 32549.

Additionally, the Company seeks to refund to customers the proceeds from an Asset Purchase Agreement with PGE worth \$251,077, \$473,097 for over collection of prior years' revenues because of higher than expected sales volumes, and \$295,158 in over collection of authorized levelized revenue requirement amounts. The additional adjustments result in a total refund to customers of \$1,019,332. Between the true-up for the balancing account and the additional adjustments, Idaho Power seeks to refund customers about \$1.06 million through a uniform percentage decrease to all customer classes to all base rate components except the service charge. *Id.* at 7.

COMMENTS

A. Commission Staff.

Staff recommends the Commission: 1) approve the \$1.06 million decrease in customer rates, to be effective January 1, 2020; 2) defer a prudence determination of investments through December 31, 2018 until a later filing after adequate documentation is available, and 3) approve inclusion of the updated investments forecasted through 2020 in the levelized revenue requirement mechanism. Staff states it reviewed the Company's proposed rate change work papers and believes the proposed changes are calculated correctly and are spread reasonably. Staff Comments at 8-9. Staff recommends a prudence determination be delayed until the next balancing account true-up, but the cost of the investments remain in the balancing account and in rates, so that if found to be prudent, customers that benefitted from these investments would appropriately pay for the cost.

Staff recommends deferring a prudence determination for four reasons. First, there is insufficient time to thoroughly review the quantity of projects submitted. Staff notes the Company requested a prudence review on 122 separate capital projects reflecting 216 budget items over a five and a half year period. Staff notes PGE may have potentially included plant investments that do not directly align with the closure of the plant at the end of 2020, or may have charged Idaho Power for projects that benefitted an adjacent operating plant directly owned by PGE. Staff Comments at 7. Second, Staff notes difficulty obtaining adequate documentation from the Company to determine the prudence of the projects because PGE, not Idaho Power, operates the plant and maintains the records. Third, Staff notes discrepancies between previous statements of cost and costs currently reported. Fourth, Staff states there was insufficient evidence that projects were needed or completed in a least-cost manner.

From the documentation provided, Staff states it could determine Idaho Power paid PGE for the projects, but could not determine whether the projects were sufficiently justified or completed in a least-cost manner. “To determine prudence, Staff believes project source documents such as operational history, regulatory requirements, initial budgets, request for quotes and proposals, contracts, change order requests, schedules, construction status reports, and Company communication are necessary to show need and how capital projects were completed, not just that costs were paid.” *Id.* at 8.

Staff notes PGE overcharged Idaho Power on a project to install a sewage lagoon liner. Because Idaho Power transferred 50% of its shared facilities to PGE in 2014, Staff states Idaho Power should have only been charged for 5% of the project costs, yet was charged 10%. Staff believes Idaho Power’s portion of the investment should be \$39,704 rather than the \$79,409 charged. Staff recommends the difference be carried forward in the balancing account until the next review and be used to offset future costs.

B. Idaho Power.

Idaho Power disputes several of Staff’s recommendations. First, the Company asserts it is active in Boardman capital investment decisions. Idaho Power states that, as a minority owner, it has contractual limitations on its influence over capital expenditures, but the Company is still active in the decision-making process and participates in meetings for the Asset Management Plan and at Ownership Meetings. The Company states it provided Staff with the opportunity to review meeting materials for a total of 15 AMP or Ownership meetings that occurred over the past seven years, and explained to Staff in an on-site audit the review process for proposed capital investments. *Id.* at 4-5.

Second, regarding the discrepancy identified by Staff between prior cost statements and current cost statements, the Company states it simply erred in presenting information in a production response, but this error did not result in an error in the balancing account computation. The Company states the amount in the balancing account is correct, which is demonstrated by the work order packet provided in response to another production request and discussed with Staff during an on-site visit. *Id.* at 5.

Third, the Company states it provided sufficient evidence to support a prudence determination for Boardman-related expenditures from June 1, 2012 through December 31, 2018, but understands Staff’s request to defer a prudency determination because the quantity of projects

it asked Staff to review in a short timeframe was considerable. Idaho Power Company's Reply Comments at 2-3. The Company states it provided Staff documentation including "project reconciliations of original estimated project costs with final project costs, internal bid reviews and/or vendor selection support, vendor quotations, purchase orders, change logs, preliminary engineering reports, funding requests, and Idaho Power's work order packet documentation." *Id.* at 6.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, 502, and 61-503. The Commission is "vested with power and jurisdiction to supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the provisions of this act." *Idaho Code* § 61-501. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503.

The Commission has reviewed the record, including the Application, the Comments of Commission Staff, and the Reply Comments of the Company. The Commission finds it reasonable to approve the Company's request to reduce customer rates by \$1.06 million, and to spread the rate decrease to all customer classes on a uniform basis. The Commission also finds it appropriate to defer a prudence determination on the actual costs incurred since June 1, 2012 until a later filing. This will allow the Company additional time to document that the costs not only were incurred, but they were incurred prudently. The Commission also finds it reasonable to approve the forecasted investments through 2020 for inclusion in the balancing account.

ORDER

IT IS HEREBY ORDERED that Idaho Power customer rates associated with the Boardman levelized revenue requirement are decreased by \$1,058,255, effective January 1, 2020.

IT IS FURTHER ORDERED the decrease in rates is spread to all customer classes through a uniform percentage decrease to all rate base components except the service charge.

IT IS FURTHER ORDERED that forecasted investments through 2020 at Boardman in the amount of \$48,206 be included in the levelized revenue requirement mechanism established by Order No. 32457.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

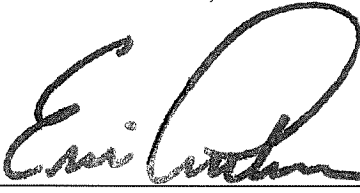
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26th day of December 2019.



PAUL KJELLANDER, PRESIDENT

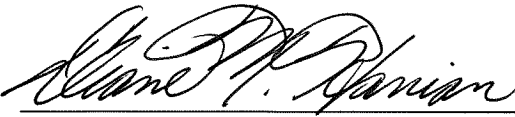


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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