

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-20-32
COMPANY’S APPLICATION TO)
DECREASE ITS RATES FOR ELECTRIC)
SERVICE FOR COSTS ASSOCIATED WITH) ORDER NO. 34885
THE BOARDMAN POWER PLANT)
)

On August 21, 2020, Idaho Power Company (“Idaho Power” or “Company”) applied to decrease customer rates to reflect the Boardman Power Plant (“Boardman”) ceasing operations.

The Idaho Conservation League (“ICL”) was granted intervention on September 29, 2020. *See* Order No. 34791. On November 18, 2020, the Commission issued Notice of Modified Procedure and set comment and reply comment deadlines for interested persons and parties and the Company.

The Commission Staff (“Staff”) filed Comments on December 10, 2020, and was the only party to do so. The Company filed reply comments on December 23, 2020.

Having reviewed the record, we now approve the Company’s Application as discussed below.

BACKGROUND

Boardman is a pulverized-coal plant in north-central Oregon that has operated since 1980. Idaho Power owns a 10 percent interest, or 58.5 megawatts (net dependable capacity), in Boardman.¹ *Application* at 1. After certain adjustments, the Company’s annual share of the output of Boardman is approximately 50 average megawatts. *Id.* In 2010 and 2011, federal and state regulators approved ending coal-fired operations at Boardman on December 31, 2020. *Id.* Boardman ceased operating on October 31, 2020.

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. *Id.* at 5.

¹ Portland General Electric (“PGE”) operated Boardman and owns the other 90 percent. *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. *See* Order Nos. 32549 and 34519.

In December 2019, the Commission approved an incremental levelized revenue requirement decrease of \$38,922, for a total Idaho jurisdictional Boardman-related levelized revenue requirement of \$5,135,872. *See* Order No. 34519. The \$5.14 million levelized revenue requirement included (1) all Boardman-related plant investments as of December 31, 2018, (2) projected additions to the Boardman plant for 2019, and (3) estimated decommissioning and salvage costs. *Id.* In addition, the Company recorded \$1.02 million in the balancing account to benefit customers for three one-time revenue requirement adjustments. *Id.*

APPLICATION

Idaho Power represents that one of the three components of levelized revenue requirement—the revenue requirement associated with incremental investments made after May 31, 2012—has changed since Order No. 34519 issued. *Application* at 4. The Company asserts updating the Boardman levelized revenue requirement results in an annual amount of \$5,131,466 on an Idaho jurisdictional basis, or an annual decrease to the Idaho jurisdictional levelized revenue requirement of \$4,406. *Id.*; *see also* Exhibit No. 1 to the Direct Testimony of Matthew T. Larkin.

The Company represented that the Idaho jurisdictional Boardman-related levelized revenue requirement of \$5,135,872, included approximately \$750,000 for new plant investments made from June 1, 2012, through December 31, 2018, and a forecast of investments for 2019. *Id.* Updating the levelized revenue requirement associated with incremental investments to include actual plant investments made through June 30, 2020, results in an Idaho jurisdictional levelized revenue requirement of \$749,045, or a decrease of approximately \$4,400. *Id.* The Company stated the update to the levelized revenue requirement for Boardman includes the \$3,936,546 for existing investments, \$749,045 for incremental investments, and \$445,875 in decommissioning and salvage costs, for a total levelized revenue requirement of \$5,131,466 on an Idaho jurisdictional

basis. *Id.* The total Idaho jurisdictional levelized revenue requirement of \$5.13 million, less the Idaho jurisdictional share of the existing revenue requirement of \$5.14 million, results in an incremental annual levelized revenue requirement of negative \$4,406 on an Idaho jurisdictional basis. *Id.*

The Company states it continues to track: (1) deviations between existing levelized revenue requirement calculations and updated levelized revenue requirement calculations and (2) the monthly deviations between forecast revenue collection and actual revenue collection. *Id.* at 5. The updated levelized revenue requirement is \$4,406 lower than what the Company is currently collecting from customers. Thus, the Company asserted that customers have paid \$4,406 per year more than the updated levelized revenue requirement. The Company represented this results in a true-up of \$37,820. *Id.*

The Company asserted it made investments at Boardman from June 1, 2012, to June 30, 2020, and has been involved in the capital spend decision-making process. *Id.* Idaho Power requests that the Commission find the Company's Boardman-related investments made between June 1, 2012, through June 30, 2020, to be prudent. *Id.*

The Company proposes to remove the \$5,135,872 in Boardman levelized revenue requirement from customer rates, effective January 1, 2021, to reflect full depreciation of all Boardman investments. *Id.* at 6. The Company quantified the Boardman annual levelized revenue requirement to reflect the most current balancing account amounts. *Id.* However, because Boardman is still online, and recovery of Boardman-related investments will continue through year-end, it is likely a final annual levelized revenue requirement computation will be required to ensure customers pay no more or no less than actual Boardman-related costs. *Id.*

The Company asserted that the removal of \$5,135,872 in levelized Boardman revenue requirement, less the expiration of the one-time credit of \$1,019,333, less the adjustment of \$213,918 to reflect in the levelized Boardman revenue requirement income tax expense amounts resulting from the Tax Cuts and Jobs Act of 2017 ("TCJA"), results in a total decrease to customer rates of \$3,902,622 effective January 1, 2021. *Id.*

The Company proposed to allocate the decrease related to the Boardman balancing account using the jurisdictional separation study methodology used to determine the Idaho jurisdictional revenue requirement in Case No. IPC-E-11-08. *Id.* at 7. The Company requested that the approximately \$3.90 million decrease for Boardman levelized revenue requirement

collections be applied to all customer classes through a uniform percentage decrease to all base rate components except the service charge. The proposed change equates to an overall decrease of 0.33 percent. *Id.* at 7.

The Company provided a copy of proposed IPUC No. 29, Tariff 101, in both clean and legislative formats, containing the tariff sheets for proposed rates for providing retail electric service to its customers following the removal of the Boardman levelized revenue requirement amounts from January 1, 2021, through December 31, 2021, resulting in a rate decrease. *Id.*

Idaho Power asserted that the Application was brought to the attention of the Company's customers by a press release to media in the Company's service area, and a customer notice distributed in customers' bills. *Id.* at 8. The Company represented that the customer notice was distributed over Idaho Power's billing cycles, with the last notice being sent by October 12, 2020. *Id.*

COMMENTS

A. Staff's Comments

Staff recommends the Commission: (1) approve the decrease in customer rates of \$3,902,622, effective January 1, 2021, to reflect full depreciation of all Boardman investments; (2) find that all Boardman investments made from June 1, 2012, through June 30, 2020, are prudently incurred; and (3) require the Company to provide a proposal within 90 days to address the Company's approach and method for documenting and supporting any future prudency review filings for capital investment with its joint-venture projects. *Staff Comments* at 2. Staff reviewed the Company's Application, focusing on: (1) a review of the balancing account, including a review of the inputs to the levelized revenue requirement and an audit of the actual capital investments; (2) prudence review of actual Boardman capital investments made from June 1, 2012, through June 30, 2020; and (3) verification that any change in rate would be properly distributed to customers.

The balancing account tracks the incremental costs for the accelerated Boardman end-of-life date, including: (1) the return on undepreciated capital investments at Boardman until its shutdown; (2) the accelerated depreciation associated with Boardman investments; and (3) estimated Boardman decommissioning costs. *Id.* Staff stated the Boardman balancing account smooths the impact of the early retirement of Boardman over the remaining life of the plant. *Id.* Staff also asserted that the balancing account provides an opportunity for full recovery of all

prudently incurred actual costs, while collecting estimated Boardman costs from customers who will benefit, matching the cost recovery from the customers benefitting from Boardman's operations and mitigating the risk of future customers bearing the costs of a plant that will no longer provide service. *Id.* at 2-3.

Staff verified that the total of all adjustments to the balancing account on an Idaho jurisdictional basis is a decrease of \$3,902,622 or 0.33%. *Id.* at 3. Staff noted that the Company expects no additional Boardman-related plant investments to be made in 2020. *Id.* Further, Staff recognized that the Company continues to track changes in the balancing account, including deviations between the existing levelized revenue requirement calculation and updated levelized revenue requirement calculation, as well as the monthly deviations between forecast revenue collection and actual revenue collection, and the future decommissioning costs. *Id.*

Staff stated that because PGE will decommission Boardman on cessation of coal-fired operations, a Class II Decommissioning and Demolition Study has commenced. *Id.* at 4. Staff stated Idaho Power received this study in August 2020 and is in the process of reviewing it. *Id.* The Company represented this study indicates higher decommissioning costs, but Idaho Power's review of this study is still ongoing. *Id.* Staff noted that as decommissioning costs are incurred, amounts accrued in the balancing account will be used to reflect the level of expenses already recovered. *Id.* Because the Boardman balancing account tracks difference between actual decommissioning costs and those forecasted, any over collection or under collection of costs will be available for future refund to, or collection from, customers. *Id.*

Staff noted the deviation between the existing and updated revenue requirement calculation true-up is computed by converting the annual incremental levelized revenue requirement to a monthly amount and multiplying it by the 103-month collection period from June 1, 2012, through December 31, 2020. *Id.* The result is a true-up of \$37,820 representing the overcollection. *Id.* at 4-5. Staff stated the Company is not requesting a rate change for this true-up. *Id.* at 5. Staff also stated the true-up for forecast revenue collection and actual revenue collection from September 1, 2019, through June 3, 2020, is an under collection of \$5,625 and the Company is not requesting a rate change for this true-up either. *Id.* Staff asserted that because the two true-ups of negative \$32,194 would be a one-time benefit to customers over a one-year period, a decrease that would have a negligible impact on rates, the true-ups should remain in the balancing account until the next adjustment to rates when decommissioning costs are trued up. *Id.* Staff also

noted several months remained in 2020 when the Company filed the Application, and these months would be included in the true-up calculation. *Id.* Staff also anticipates that a final, annual leveled revenue requirement computation will be necessary, and an adjustment will be required to true-up actual decommissioning and salvage costs with those amounts collected from customers when decommissioning of Boardman is complete. *Id.*

Staff also noted that three revenue requirement adjustments that resulted in a previous rate reduction, approved in Order No. 34519, have been refunded to customers from January 1, 2020, through December 31, 2020, and have been removed from the annual revenue requirement. *Id.*

Staff noted the Boardman leveled revenue requirement amounts currently in customer rates include income tax expense based on the Internal Revenue Code of 1986 prior to the TCJA, meaning the \$5.14 million exceeds the decreased revenue requirement Idaho Power will experience. *Id.* at 5-6. Staff verified the Company included a \$213,918 adjustment to reflect the TCJA benefits that will end when Boardman operations cease. *Id.* at 6. Staff stated customers received Boardman-related TCJA benefits through the Power Cost Adjustment. *Id.*

Staff represented that Company Exhibit No. 3 provided all the Boardman Plant Additions from June 1, 2012 through June 30, 2020, by Project Number, with a description of the project and the costs closed to each project. *Id.* The Company provided copies of the work order jackets for the sixteen largest projects. Staff reviewed these materials and selected a sample of the remaining representative projects for further review. Staff reviewed \$4,348,580 of work orders out of the total capital investment from June 1, 2012, through December 31, 2018, of \$5,340,729. Staff's sample amounted to 81.4% of the total dollars, and 26.4% of the projects. *Id.* Staff stated the projects' work order packets generally contained enough information for Staff to verify that PGE had billed Idaho Power for the capital investment, that Idaho Power had correctly applied its Allowance for Funds Used During Construction, and that the Company had recorded the capital project to the correct Federal Energy Regulatory Commission account. Staff also reviewed the Company's internal audit reports and work papers for Boardman and the results of the Sarbanes-Oxley Compliance Reports specific to Boardman. *Id.* Overall, Staff represented that the Company's internal controls were adequate and effective. *Id.*

Staff recognized that the Company requested Boardman investments from June 1, 2012, through June 30, 2020, be determined as prudently incurred. *Id.* The Company's total

capital investment was \$5,340,729. *Id.* Staff stated the Company also sold \$356,145 of the Company's interests in certain Boardman investments to PGE. *Id.* As a result, the Company seeks a prudence determination and recovery of \$4,984,584 in capital investment. *Id.* at 6-7. Staff believed the Company reasonably decided to make these capital investments based on the Company's stated needs for safety, regulatory compliance, plant reliability, and plant economic operation. *Id.* at 7. After reviewing Idaho Power's documentation, Staff also believed the Company's operating partner, PGE, prudently implemented each Boardman project. *Id.*

Although Staff was able to make a prudence recommendation after its review of the Company's investments, the review process was not without difficulty. *Id.* at 8. Staff believed the Company has not addressed many shortcomings and lacks a robust process to clearly document and track expenses and to show the Company's and its partner's steps for approving project expenses. *Id.* In its comments, Staff listed seven problems that made reviewing the Company's Application difficult. *Id.* at 8-9. Staff believed the Company is obligated to its customers to assure that capital investments at Boardman and other joint-venture, partner-managed plants are properly documented and prudent. *Id.* at 9. Staff asserted that without such a process, it would be difficult for the Company to meet its obligation and Staff would continue to have difficulty reviewing the prudence of the Company's investments. *Id.* Staff noted similar problems while reviewing the prudence of expenses in other cases, including the development-phase expenses for the Selective Catalytic Reduction project for the Jim Bridger Coal Plant, which involved PacifiCorp as the managing partner. *Id.* (citing Case No. IPC-E-13-16). Accordingly, Staff recommended that the Company work with it, within 90 days of the Commission's order in this case, to address the Company's process shortcomings related to tracking and documenting expenses for prudence determinations with its managing partners. *Id.* at 10.

Staff believed the Company's proposed tariff appropriately reflects cost changes resulting from ending Boardman operations and reinvesting the savings into energy efficiency. *Id.* Staff stated the monthly net impact of the Company's proposed changes from this case and Case No. IPC-E-20-33 (In the Matter of Idaho Power Company's Authority to Revise the Energy Efficiency Rider, Tariff Schedule 91) on the bill of a residential customer using 950 kWh per month is a \$0.02 decrease. *Id.*

The Company included its press release and customer notice with its Application. Each document addresses two cases: this case (IPC-E-20-32) and Revise Energy Efficiency Rider, Tariff

Schedule 91 (IPC-E-20-33). *Application* at 8. Staff determined the press release and customer notice comply with Rule 125 of the Commission’s Rules of Procedure (IDAPA 31.01.01.125). *Staff Comments* at 10. Staff verified the Company included the customer notice in customer bills mailed from September 4 through October 2, 2020, which Staff believed gave customers a reasonable opportunity to file comments with the Commission by the December 10, 2020, deadline. *Id.* As of December 28, 2020, no customer comments had been filed. *Id.*

B. Company Reply Comments

Idaho Power appreciated Staff’s recommendation that the Commission find the Company’s Boardman investments from June 1, 2012, through June 30, 2020, were prudent and that a proposed \$3.90 million rate decrease be approved. *Company Reply Comments* at 1.

The Company reiterated its role in decision-making at the plant and the adequate oversight it claims to provide on project expenses. *Id.* at 3. Idaho Power believed the Company sufficiently documented its oversight of the approval of Boardman project expenses. *Id.* at 5-6. But the Company stated it welcomes working with Staff within 90 days of the Commission’s order to address Staff’s concerns and the Company’s approach and method for documenting its processes for approving project expenses from capital investments in other joint-venture projects. *Id.*

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 fair, just and reasonable to approve the Company’s request to reduce customer rates by \$3,902,622, effective January 1, 2021, to reflect full depreciation of all Boardman investments, and to spread the rate decrease to all customer classes on a uniform basis.²

² The rate decrease does not apply to the Company’s service charge.

The Commission first addressed Idaho Power's plan to close Boardman in 2012 when the Company requested that we accept the Company's accounting and cost recovery plan for the early shutdown of Boardman and allow the Company to establish a balancing account to track shutdown-related costs and benefits. *See* Order No. 32457. The Commission approved these requests and found this would help "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 Commission also directed the Company to file annual reports detailing amounts booked to the balancing account and to submit a sample report when it files for rate recovery. *Id.*

This case is the culmination of a multi-year process on the part of the Company and the interested parties. The Commission appreciates the parties' efforts in the instant prudency review, which the Company accurately described as "a time and data intensive exercise." *Company Reply Comments at 5.* The Commission has reviewed the record and finds that the capital investments to close Boardman were necessary and prudent. Idaho Power's documentation sufficiently supports this finding. The Commission thus finds the Company prudently incurred its expenses in Boardman capital investments made from June 1, 2012, through June 30, 2020.

Although the Company has met its burden in this case, we recognize the concerns voiced by Staff that the Company's processes and documentation were not without issues. *See* Staff Comments at 8-9. We understand that Idaho Power has spent significant time and resources in this multi-year effort, and the Commission acknowledges that undertaking. But, ultimately, the Company must assure that capital investments, like those made at Boardman or at its other joint-venture plants, are properly documented, prudent and reasonable. We reiterate our concern that the Company may not be taking an active enough role in overseeing the capital investments and other expenditures of its plants that are joint ventures. We appreciate the Company's stated willingness to work with Staff to address concerns about documentation, specifically the Company's approach and method for documenting its processes for approving project expenditures from capital investments in other joint-venture projects. We encourage this and look forward to an update of these processes as the issue develops.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Application is approved, as noted above. Customer rates associated with the Boardman are decreased by \$3,902,622, effective

January 1, 2021, to reflect full depreciation of all Boardman investments. The Company's proposed Tariff Schedule 101 is approved effective January 1, 2021.

IT IS FURTHER ORDERED that 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 all Boardman capital investments made from June 1, 2012, through June 30, 2020, were prudently incurred.

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. 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 31st day of December 2020.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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