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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION TO DECREASE ITS RATES FOR ELECTRIC SERVICE FOR COSTS ASSOCIATED WITH THE BOARDMAN POWER PLANT	**CASE NO. IPC-E-20-32** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission ("Staff"), by and through its attorney of record, John R. Hammond, Jr., Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 34838 on November 18, 2020, in Case No. IPC-E-20-32, submits the following comments.

BACKGROUND

On August 21, 2020, Idaho Power Company ("Idaho Power" or "Company") applied to decrease customer rates for the cessation of Boardman Power Plant ("Boardman") operations that will occur October 31, 2020. Idaho Power owns a 10 percent interest, or 58.5 megawatts of net dependable capacity from Boardman. *Application* at 2.

Idaho Power requests the Commission issue an order authorizing: 1) investments made through June 30, 2020, were prudently incurred; and 2) a decrease in customer rates of

$3,902,622 or 0.33% to reflect the full depreciation of all Boardman investments with an effective date of January 1, 2021.

STAFF REVIEW AND ANALYSIS

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. Based on its review, Staff concludes:

1. Expenditures in the balancing account were properly recorded.
2. Capital investment made from June 1, 2012 through June 30, 2020 totaling $4,984,584 is reasonably supported as being prudent.
3. The Company's methodology and calculations for spreading the reductions in rates for customers are appropriate and accurate.

Based on these conclusions, Staff recommends the Commission approve the Company's Application to decrease the Company's revenue by $3,902,622 effective January 1, 2021 to reflect full depreciation of all Boardman investments. Additionally, Staff recommends the Commission find the Company's investments in Boardman from June 1, 2012 through June 30, 2020 were prudent.

Balancing Account and Levelized Revenue Requirement

In Commission Order No. 32457, Idaho Power was authorized to establish a balancing account to track the incremental costs and benefits for the early closure of Boardman in 2020. 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. These revenue requirement components are subsequently "levelized" by calculating the present value of the individual items and converting the values into an annuity or level payment stream from customers over the remaining life of Boardman using a return on equity of 9.5 percent, as approved in Order No. 32457. The Boardman balancing account smooths the impact of the early retirement of Boardman over the remaining life of the plant. In addition, it 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.

The Company is now requesting that the Commission find that actual Boardman investments made through June 30, 2020 were prudently incurred and decrease customer rates effective January 1, 2021 to reflect full depreciation of all Boardman investment. The total of all the adjustments on an Idaho jurisdictional basis is a decrease of $3,902,622 or 0.33% as shown in Table No. 1 below.

Table No. 1: Boardman Revenue Requirement Impact by Component

Removal of Boardman Levelized Revenue Requirement	$(5,135,872)
Removal of Additional Revenue Requirement Adjustments	$1,019,333
TCJA Adjustment	$213,918
Total Rate Adjustment	$(3,902,622)

Boardman Levelized Revenue Requirement

In Case No. IPC-E-19-32, Order No. 34519 approved the total Idaho jurisdictional Boardman-related levelized revenue requirement of $5,135,872. 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. This is the amount that is currently built into rates. The Company does not expect any additional Boardman-related plant investments to be made in 2020. The Company continues to track changes in the balancing account, including deviations between the existing levelized revenue requirement calculation and updated levelized revenue requirement calculations, as well as the monthly deviations between forecast revenue collection and actual revenue collection, and the future decommissioning costs.

Decommissioning

Previously, the owners of Boardman requested an updated decommissioning cost study from AECOM, the Updated Boardman Coal Plant Decommissioning and Demolition Plan, dated October 16, 2019. The results of the study did not change the decommissioning cost estimate enough to necessitate an update in the decommissioning costs the Company is currently collecting from customers.

In addition, now that Portland General Electric ("PGE") has determined they will decommission the plant upon cessation of coal-fired operations, a Class II Decommissioning and Demolition Study ("Study") has commenced. Idaho Power received the Study in August 2020 and is evaluating the decommissioning costs and salvage estimates included in the study. Idaho Power states that while initial results indicate expected decommissioning costs are higher than levels currently reflected in rates, it is still reviewing the Study results.

The Class II study includes actual bidder estimates for specific portions of the planned demolition, resulting in smaller contingency adders. The previous study, a Class III study, included an estimate of the costs as computed by AECOM, and a higher contingency amount in light of the approximations.

As of December 31, 2020, the Company will have collected from customers decommissioning and salvage costs nearly equivalent to those estimated with the AECOM Class III study, and the levelized revenue requirement associated with decommissioning and salvage costs included in customer rates will be set to zero. As decommissioning costs are incurred, amounts accrued in the balancing account will be used to pay the expenses. Because the Boardman balancing account allows for the tracking of differences between actual decommissioning costs and those forecasted, any over- or under-collection of costs will be available for future collection from, or refund to, customers.

Differences Between Existing & Updated Revenue Requirement Calculations, and Forecast & Actual Revenue Collections

Idaho Power is tracking: 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.

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. The result is a true-up of $37,820 for the amount that would be an over collection. This amount is reflected on the True-Up of Levelized Revenue Requirement line of Exhibit No. 1. The Company is not requesting a rate change for this true-up.

The deviation between the forecast revenue collection and actual revenue collection for June 1, 2012, through August 31, 2019, was included in the previous case. The true-up from September 1, 2019, through June 3, 2020, is a total under collection of $5,625. The Company is not requesting a rate change for this true-up.

Because the true-up would be a one-time refund to customers over a one-year period and the sum of the two true-ups is negative $32,194, a decrease that would have a negligible impact on rates, the true-ups will remain in the balancing account until the next adjustment to rates when decommissioning costs are trued up. Further, at the time of filing there are still several months remaining in 2020 that will also be included in the true-up calculation.

While the Company has quantified the Boardman annual levelized revenue requirement to reflect the most current balancing account amounts, the plant is still online, and recovery of Boardman-related investments will continue through year-end. Staff anticipates that a final annual levelized 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.

Additional Adjustments to the Revenue Requirement Calculation

Order No. 34519 approved three additional revenue requirement adjustments that resulted in a rate reduction: 1) a gain of $251,077 associated with the sale of shared facilities to PGE; 2) $473,097 in over-collection of revenues from June 1, 2012, through September 30, 2019; and 3) $295,158 in over-collection of revenue requirement amounts from June 1, 2012, through December 31, 2019. Because these amounts have been refunded to customers during January 1, 2020, through December 31, 2020, they have been removed from the annual revenue requirement.

Tax Cuts and Jobs Act of 2017 ("TCJA") Adjustment

The tax rates included in the levelized revenue requirement computation reflect the tax rates in effect prior to the TCJA, and that benefits of the TCJA associated with the Boardman levelized revenue requirement mechanism were calculated and determined in Case

No. GNR-U-18-01. *See* Order No. 34071. The Boardman levelized revenue requirement amounts currently included in customer rates includes income tax expense based on provisions of the Internal Revenue Code of 1986 *prior* to the TCJA, meaning the $5.14 million is greater than the decreased revenue requirement Idaho Power will experience. The Company has included an adjustment of $213,918 to reflect the TCJA benefits that will no longer exist upon cessation of Boardman operations. Customers received benefits of the TCJA associated with Boardman through the PCA.

Financial Audit

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 as well as the costs closed to each project. The Company provided copies of the work order jackets for the sixteen largest projects. In addition to reviewing all the financial information contained in these 16 work order jackets, and the additional information provided through discovery, Staff made a sample selection 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 amounting to 81.4% of the total dollars, and 26.4% of the projects.

To assess the Company's internal controls, Staff reviewed the internal audit reports with supporting work papers relevant to Boardman and the results of the Sarbanes-Oxley Compliance Reports specific to the Boardman plant. Overall, Staff found that the internal controls were adequate and effective.

Each work order packet generally contained enough information to verify that PGE had billed Idaho Power for the capital investment, that Idaho Power had correctly applied AFUDC, and that Idaho Power had recorded the capital project to the correct FERC account.

Prudence of Past Capital Investment

In its Application, the Company requested Boardman investments made from June 1, 2012, through June 30, 2020, be determined as prudently incurred. During this period, the Company made a total of $5,340,729 in capital investment, which is reflected in Exhibit No. 3 of the Application. During this same period, the Company sold its interests in certain Boardman investments to the operating partner, PGE, in the amount of $356,145. As a result, the Company is requesting a determination of prudence and recovery of $4,984,584 in capital investment. The Company's net capital investment by year during this period is shown in Table No. 2.

Table No. 2: Boardman Net Company Capital Investment June 1, 2012 through June 30, 2020

Year	Idaho Power Share of Investments
2012	$163,426
2013	$1,310,858
2014	$2,813,816
2015	$229,563
2016	$286,744
2017	$26,499
2018	$153,222
2019	42,746
2020	(42,289)
TOTAL	**4,984,584**

Staff believes the decisions for making these capital investments are reasonable based on the Company's stated needs for safety, regulatory compliance, plant reliability, and plant economic operation. For each of the sixteen Boardman capital projects over $40,000 within this period, the Company provided a description of the project and its justification. These sixteen projects totaled $4,312,111 or 87% of the Application's prudence request. The remaining 113 capital projects are about 13% of the Company's total request and show justification of need consistent with the reasons stated above.

Upon review of Company provided documentation received through production requests, Staff believes the Company's operating partner PGE has implemented each project in a reasonably prudent manner. As part of its review, Staff requested original documentation for several major Boardman capital investments. Staff reviewed the provided documentation to confirm: 1) the need for each project; 2) whether standard contractual practices were in place; and 3) whether standard construction procedures for project tracking and scheduling were used.

The largest single investment made by the Company was the installation of the Dry Sorbent Injection System used to control sulfur emissions necessary for regulatory compliance. The Company's investment as a 10% owner of Boardman was $2,778,967, presented as Work Order No. 27363452 in Company Exhibit No. 3. As part of the project, the operating partner PGE developed bid specifications for the proposed work, requested and received multiple EPC (engineering, procurement, and construction) bids, and subsequently performed a bid evaluation to select the overall least cost contractor based on contract scope. These steps are all consistent with prudent contracting practices. In general, these practices were used for most major capital projects at Boardman.

In contrast, smaller capital projects often used one or more onsite contractor(s) to perform the work. The Company justified the use of these contractors by noting their familiarity with operating practices and requirements at Boardman. Staff believes this familiarity could have provided increased efficiency, by improving schedule performance and potentially reducing cost for executing the projects. In other instances, the work was performed directly by PGE personnel. Staff believes, both approaches are reasonable depending on project circumstances and scope.

Determination of Prudency for Investment Expense

Exhibit No. 4 of Company witness Mr. Adelman's testimony compared Boardman's project capital investment budget amounts to actual investment amounts over time (Adelman, DI at 2). The Company provided Exhibit No. 4 in response to the Company's prior filing in Case No. IPC-E-19-32, where Staff was unable to directly compare any actual project investment to budget amounts (Adelman, DI at 20). Mr. Adelman noted that the information was not readily available for Staff's review in the prior case because of difficulties compiling the data (Adelman, DI at 20). As a result, Staff was unable to recommend whether the capital investments in the prior case were prudent due to a lack of sufficient and timely information while still trying to meet the Company's filing schedule.

Although Staff was able to perform a review in this case sufficient to determine the prudence of the Company's investments, it was not without difficulty. Staff believes the Company has not addressed many of the shortcomings and lack of a robust process to clearly document and track expenses and to show both the Company and its partner's steps for approving project expenses in a comprehensive and detailed manner. For example, Staff encountered the following issues in its review this year:

1. Lack of documentation showing the Company's due diligence or direct efforts in limiting or reducing costs for the Boardman capital projects;

2. Inconsistent project numbers used between Idaho Power's accounting system and the Boardman operating partner, PGE[1] (Exhibit No. 3 used Idaho Power's accounting project numbers; Exhibit No. 4 used PGE Boardman project name or PGE project number, as available);
3. Inconsistent or not well-defined reference to dollar amounts attributed to PGE versus dollar amount attributed to the Company's 10% ownership;
4. No historical documentation showing the steps made by PGE or Idaho Power within the Boardman capital project approval process;
5. Lack of consistent detailed tracking of PGE Boardman project dollars to amounts paid by Idaho Power;
6. Lack of historical documentation tracking changes to project justification, scope, and/or projected costs over time; and
7. No documentation showing tracking of budget-to-actual costs by a project task breakdown.

Staff believes the Company is obligated to its customers to assure that capital investments made at Boardman and at its other joint-venture, partner-managed plants are properly documented, prudent, and reasonable. Without such a process in place, Staff believes it will be difficult for the Company to meet its obligation and Staff will continue to have difficulty in reviewing the prudence of investments in Boardman and in its other partner-plants.

Although it may appear that these issues are unique to Boardman and PGE, similar issues demonstrating a lack of a clear and robust process were raised in other prudence determinations. For example, Staff raised issues in determining the prudence of development phase expenses for the Selective Catalytic Reduction project for the Jim Bridger Coal Plant in Case No. IPC-E-13-16 involving PacifiCorp as the managing partner.[2]

The lack of a robust process to determine prudence of the Company's capital projects, especially when managing partners are involved, will become more important in the future given final decommissioning of Boardman and capital projects associated with future Valmy and

[1] Exhibit No. 3 used Idaho Power's accounting project numbers; Exhibit No. 4 used PGE Boardman project name (or PGE project number as available). No cross-index was provided.
[2] Mike Louis, DI at 32, in Case No. IPC-E-13-16 described the difficulty in reviewing PacifiCorp's invoices that "cut across multiple contracts, work-breakdown structure elements, and commitment cost item categories, effectively removing the ability to trace the activity causing the cost."

Bridger plant closures. Because of these reasons, Staff recommends that the Company work with Staff to address its process short-comings related to tracking and documenting expenses for prudence determinations with its managing partners within 90 days of the Commission order in this case.

Rate Verification

Staff has reviewed the Company's proposed tariff changes and believes they appropriately reflect cost changes resulting from cessation of Boardman operations and the reinvestment of the savings into energy efficiency. The net impact of the Company's proposed changes from both of these filings on the monthly bill of a residential customer using 950 kWh per month is $0.02.

Customer Notice, Press Release, and Public Comments

The Company's press release and customer notice were included 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). Staff reviewed the documents and determined both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The notice was included in bills mailed to customers beginning September 4 and ending October 2, 2020, providing customers with a reasonable opportunity to file timely comments with the Commission by the December 10, 2020, deadline. As of December 9, 2020, no customer comments had been filed.

STAFF RECOMMENDATIONS

Staff recommends:

1. The Commission approve the decrease in customer rates of $3,902,622 effective January 1, 2021 to reflect full depreciation of all Boardman investments;
2. The Commission find that all actual Boardman investments made through June 30, 2020, are prudently incurred; and
3. The Commission 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.

Respectfully submitted this 10th day of December 2020.

John R. Hammond, Jr.
Deputy Attorney General

Technical Staff: Richard Keller
Kathy Stockton
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10th DAY OF DECEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-20-32, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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