

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-18-08
OF ROCKY MOUNTAIN POWER FOR)
AUTHORIZATION TO CHANGE)
DEPRECIATION RATES APPLICABLE TO) ORDER NO. 34865
ELECTRIC PROPERTY)

On September 11, 2018, Rocky Mountain Power, a division of PacifiCorp (“Company”) asked the Commission to approve the Company’s proposed changes to depreciation rates for its electric plant. The Commission approved the Company’s last depreciation request in 2013. *See* Order No. 32926, Case No. PAC-E-13-02.

On October 5, 2018, the Commission issued a Notice of Application and Notice of Intervention Deadline directing Staff and parties to discuss scheduling.

Monsanto, PacifiCorp Idaho Industrial Customers (“PIIC”), Idaho Irrigation Pumpers Association, Inc., (“IIPA” or “Pumpers”), Sierra Club, and Idaho Conservation League (“ICL”) (individually as “Party” or collectively the “Parties”) intervened.

On April 18, 2019, a technical conference was held in Boise, followed by meetings and conference calls where the Parties discussed settlement possibilities.

On January 17, 2020, the Company filed a supplemental confidential decommissioning study under Section 4.3.1.1 of the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol.¹

On March 16, 2020, the Company filed a second supplemental confidential decommissioning study that included decommissioning costs for the Colstrip plant. (Collectively, the supplemental decommissioning studies filed on January 17, 2020 and March 16, 2020 are called the “2020 Decommissioning Studies” or “2020 Studies”).

On June 15, 2020, the Company filed a proposed Phase I Settlement Stipulation (“Settlement Stipulation”) signed by the Company, Staff, Monsanto, PIIC, and IIPA (collectively the “Stipulating Parties”).² In the Settlement Stipulation, the Stipulating Parties also requested the

¹ In Section 4.3.1.1 of the 2020 Inter-Jurisdictional Allocation Protocol, the Company agreed to file the results of the contractor-assisted engineering study of decommissioning costs for the Jim Bridger, Dave Johnston, Hunter, Huntington, Naughton, Wyodak, and Hayden coal plants in all applicable depreciation dockets.

² ICL was not a Stipulating Party but did not oppose the Settlement Stipulation.

Commission establish a Phase II to facilitate further review of the regulatory treatment of the incremental decommissioning costs.³ The Stipulating Parties noted they would attempt to complete Phase II in time to allow the Commission to issue a final order before December 31, 2020.

On August 18, 2020, the Commission issued a final order for Phase I, approving the Settlement Stipulation. Phase I resolved all depreciation related issues—except incremental decommissioning costs—and authorized Phase II. *See* Order No. 34754.

On August 19, 2020, the Parties met to discuss issues reserved for Phase II and proposed scheduling. The Parties agreed to work towards a proposed settlement agreement on the incremental decommissioning costs. The Parties agreed Phase II should be processed by Modified Procedure. The Parties further agreed to discuss incremental decommissioning costs at a September 22, 2020 settlement meeting. The Parties agreed that if they did not settle, they would individually submit comments on the Company’s proposed ratemaking treatment for incremental decommissioning costs—which the Company filed on August 28, 2020.

As noted above, on August 28, 2020, in a filing with the Commission, the Company proposed ratemaking treatment for its incremental decommissioning costs (“Proposal”). The Proposal summarized the differences between the decommissioning costs in the 2018 depreciation study and the 2020 Decommissioning Studies. The Company proposed to defer \$2,291,178—Idaho’s allocation of incremental decommissioning costs—during calendar year 2021. The Company also proposed to begin collecting the deferred amount on the effective date of the Company’s next general rate case, within which the amortization period to recover the deferral would be determined. The Company stated its desire to align the amortization of incremental decommissioning costs with the new depreciation rates in Phase I authorized by Order No. 34754.

On September 1, 2020, at the Commission’s decision meeting, Staff informed the Commission that, on September 22, 2020 Staff planned to discuss with the Parties the possible settlement of Phase II incremental decommissioning costs.

At the same meeting, Staff asked the Commission to issue a Notice of Modified Procedure establishing comment and reply deadlines. Staff also notified the Commission of the Company’s Proposal filed on August 28, 2020.

³ The incremental decommissioning costs represent the difference between the decommissioning costs filed in the 2018 Depreciation Study and the costs in the 2020 Decommissioning Studies.

On September 9, 2020, the Commission issued a Notice of Modified Procedure establishing public comment and reply deadlines for Phase II incremental decommissioning costs. *See* Order No. 34773.

On September 22, 2020, the Parties held a settlement conference and agreed on treatment of the incremental decommissioning costs.

On October 8, 2020, the Company filed a Stipulation for Phase II (“Phase II Stipulation”) signed by all Parties and requesting Commission approval of the terms included within as related to Idaho’s incremental decommissioning costs.

On October 20, 2020, IIPA filed an Amended Application for Intervenor Funding.

Commission Staff and the Company filed timely comments supporting the Phase II Stipulation. No other comments were received.

Having reviewed the record in this case, the Commission now issues this Order approving the Phase II Stipulation as filed.

THE PROPOSAL

On August 28, 2020, the Company filed a Proposal for ratemaking treatment of Idaho’s jurisdictional allocation of incremental decommissioning costs. The Proposal explained the Company’s updated decommissioning costs and requested consistent treatment of the incremental decommissioning costs to align with the new depreciation rate treatment authorized in Phase I by Order No. 34754.

The Company’s 2020 Decommissioning Studies updated the previous decommissioning studies. The decommissioning cost estimates in the 2018 Depreciation Study were extrapolated from an Association for the Advancement of Cost Engineering (“AACE”) Class 5 estimate for demolition of a limited subset of the Company’s owned and operated coal-fired facilities.⁴ The scope of work for the 2020 Decommissioning Studies included an estimate to identify the costs for the decommissioning demolition, reclamation, and remediation of the Hunter, Huntington, Dave Johnson, Jim Bridger, Naughton, Wyodak, Hayden, and Colstrip generating

⁴ An AACE Class 5 study has an expected accuracy of minus 50 percent to plus 100 percent.

facilities.⁵ The 2020 Studies included an AACE Class 3 cost estimate inclusive of certain owner provided Asset Retirement Obligation (“ARO”) costs estimates.⁶

Decommissioning costs include the costs to: (1) develop the decommissioning project including site investigation; (2) decommission the facility, including decontaminating and preparing the facility for the demolition contractor; (3) dismantling and demolition of the facility less the offset value of salvage and scrap; (4) complete ARO, site remediation, and site reclamation; and (5) estimate competitive market contractor margin and indirect costs.⁷

The differences between previous decommissioning estimates and the 2020 Studies lie primarily in the method, estimate class, scope, assumption for ARO and environmental liabilities, site reclamation, owner’s costs, and contractor indirect costs.

The Company stated Idaho’s jurisdictional allocation of the incremental decommissioning costs based on the 2020 Decommissioning Studies is about \$2.3 million per year. According to the Proposal, the decommissioning costs collected in rates would be deferred to a regulatory liability account and would be reduced by actual decommissioning costs as incurred by the Company. The Company requested that the incremental decommissioning costs start to amortize on January 1, 2021 to align with the amortization of new depreciation rates authorized by Order No. 34754. The Company requested the approval to defer Idaho’s 2021 incremental decommissioning costs into a regulatory asset account. The deferred decommissioning costs would be collected in customers’ rates beginning with the rate effective date of the Company’s next general rate case.⁸

PHASE II STIPULATION

On October 8, 2020, the Company filed the all-Party Phase II Stipulation to resolve Idaho’s incremental decommissioning costs—the lone issue remaining in this case.

⁵ The Company’s owned, but not operated, Cholla Unit 4 and Craig Units 1 and 2 were not included in the 2020 Decommissioning Studies because those units had common depreciable lives proposed for all states in the most recent depreciation study and common retirement dates in the 2019 Integrated Resource Plan.

⁶ The 2020 Decommissioning Studies provide an AACE Class 3 estimate for demolition, Salvage, and scrap costs for the facilities studied. An AACE Class 3 cost estimate has an expected accuracy of minus 20 percent to plus 30 percent.

⁷ Costs and offsets were adjusted to the Company’s ownership values for each facility studied. Demolition costs are offset by the value of salvage and scrap. Estimated salvage value is based on the projected value of equipment, materials, and commodities that could be sold. Estimated scrap value is based on the estimated then-current market prices of steel, titanium, copper-based metals, and other valuable metals.

⁸ The amortization period to recover the deferral would be determined in the Company’s next general rate case.

Absent a general rate case with rates effective January 1, 2021, and pending Commission approval, the Parties agreed the Company could defer about \$2.3 million in incremental decommissioning costs allocated to Idaho during calendar year 2021. The Parties further agreed:

1. That the Company will defer Idaho's incremental change in decommissioning expense of \$2,291,178, for one year beginning January 1, 2021 through December 31, 2021. The Company will defer \$190,931.50 ($\$2,291,178 / 12$) monthly in a regulatory asset account for recovery in the Company's next general rate case. No carrying charge will be applied to the regulatory asset during the deferral period.
2. The Parties agree the \$2,291,178 deferral will be amortized over fifteen years beginning with the rate effective date of the Company's next general rate case. A carrying charge or rate base treatment will be determined in the Company's next general rate case.
3. The Company will provide quarterly updates on the 2020 Decommissioning Studies beginning after the quarter ending December 31, 2020, until the Company files its next general rate case. The quarterly updates will report on any actions in other states related to the 2020 Decommissioning Studies. In addition to the quarterly updates, the Parties will convene to discuss alternative rate treatment options before the next general rates case.
4. The Parties agree that any Party may propose any ratemaking treatment for Idaho's allocation of decommissioning costs in the Company's next general rate case.

The Stipulating Parties could not agree that each specific component of the Phase II Stipulation was just and reasonable in isolation. But all Parties agreed the Phase II Stipulation achieves a just and reasonable result and is in the public interest.

The Parties agreed that no part of the Phase II Stipulation or the formulae or methods used to develop the same or a Commission order approving the same would be argued or considered as precedential in any future case except with regard to issues expressly called-out and resolved by the Phase II Stipulation. The Phase II Stipulation does not resolve or provide any inferences regarding—and the Parties are free to take any position on— any issues not specifically called-out in the Phase II Stipulation. Nothing in the Phase II Stipulation shall be construed to modify or supersede existing settlement agreements entered by or among the Parties to the Phase II Stipulation.

The Parties also agreed that if any person challenged the approval of the Phase II Stipulation or requested reconsideration of any order issued by the Commission approving the Phase II Stipulation, each Party would use its best efforts to support the Phase II Stipulation. If any

person sought judicial review of a Commission order approving the Phase II Stipulation, no Party would oppose the Phase II Stipulation in that proceeding.

THE COMMENTS

Commission Staff and the Company commented in support of the Phase II Stipulation.

1. Staff Comments

Staff reviewed the 2020 Decommissioning Studies and agreed they are the most current estimates for decommissioning costs based on a third-party evaluation using the most up-to-date information available to the Company. Staff believed that 2020 Decommissioning Studies reasonably estimated coal plant decommissioning costs. But Staff suggested significant uncertainties remain, including “estimate accuracy, actual coal plant closure dates, other jurisdiction[s’] exit dates, and escalation of decommissioning costs over time.”

Staff reviewed the key terms of the Phase II Stipulation stating:

“. . . Phase II provides the means to recognize and implement the start of recovery for incremental decommissioning costs above those currently recovered through depreciation expense. In recognizing the increased amounts identified in the 2020 Studies, the [Phase II Stipulation] allows ratepayers to transition one year of incremental decommissioning costs over a 15-year amortization period. Although the deferral recognizes incremental costs for recovery, the Company will not start recovery through rates until completion of the Company’s next general rate case. The delay will allow Parties additional time to: (1) understand how the Company and other state jurisdictions are addressing coal plant decommissioning costs; and (2) evaluate alternative ratemaking treatment for Idaho’s allocation of decommissioning costs.”

Staff believed the Phase II Stipulation was a fair, just, and reasonable compromise of issues raised by the Parties and recommended the Commission approve the Phase II Stipulation.

2. Company Comments

The Company’s comments discussed the origination and scope of the 2020 Decommissioning Studies. The Company supported the Phase II Stipulation as a “fair, just, and reasonable compromise of the issues raised by the Parties” and stated its belief that the Phase II Stipulation was in the public interest. The Company discussed the terms, reiterating that the 2020 Decommissioning Studies are the most accurate and current estimates available for the cost to decommission the Company’s coal plants.

INTERVENOR FUNDING

One petition for intervenor funding was received. The petition included a funding request for both phases of this case. In it, the IIPA requested \$36,483.16 consisting of:

- \$8,400.00 for 42 hours of work performed by Tony Yankle;
- \$13,402.43 for 101.2733 hours of work performed by Dr. Lance Kaufman and \$155.00 for his travel expenses and costs; and
- \$13,180.00 for 65.9 hours of work performed by Eric Olsen, \$1,107.00 for 12.3 hours of paralegal work, \$358.77 for travel expenses and costs, and \$34.96 for soft costs.

COMMISSION DISCUSSION AND FINDINGS

1. Phase II Stipulation

The Company is an electrical corporation and public utility. *See Idaho Code* §§ 61-119 and 61-129. The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* §§ 61-501 and 61-503.

The Commission reviewed the record, including the Company's Proposal, the Phase II Stipulation, Staff's comments, and the Company's comments. The Commission appreciates the Parties working together to reasonably settle Phase II. The Commission accepts the Parties' Phase II Stipulation as filed.

The Commission finds the Phase II Stipulation strikes a fair balance that allows the Company to meet its ratemaking needs regarding incremental decommissioning costs during 2021.⁹ The Phase II Stipulation allows the Company to defer the incremental decommissioning costs for one year and after the next general rate case, amortize the deferral over 15 years. We find this temporary solution reasonable given the Company did not file a rate case, as planned, in 2020. The year-long deferral provides the Parties an additional year to determine the best ratemaking treatment for incremental decommissioning costs, which can be explored in totality in a general

⁹ The Company planned to file a general rate case in Case No. PAC-E-20-03 by June 1, 2020 but chose not to because of Covid-19 and the financial implications a rate increase could have on customers. Instead, the Company filed a settlement in PAC-E-20-03 signed by Staff, IIPA, Monsanto, PIIC, and ICL that asked for: (1) an accounting order to create a regulatory asset to transfer decommissioning and plant closure costs for Cholla Unit No. 4 when it is retired; (2) approval of modifications to Phase II of the settlement stipulation to implement tax reform approved in Order No. 34431; and (3) approval of ratemaking treatment for Pryor Mountain and Foote Creek I wind resources. The Commission is separately considering this application in Case. No. PAC-E-20-03.

rate case. Therefore, the Company may defer Idaho's incremental change in decommissioning expense of \$2,291,178, for one year, through December 31, 2021.

2. Intervenor Funding

Commission decisions benefit from robust public input. "It is hereby declared the policy of this state to encourage participation at all stages of all proceedings before the commission so that all affected customers receive full and fair representation in those proceedings." *Idaho Code* § 61-617A(1). Recoverable costs can include legal fees, witness fees, transportation, and other expenses so long as the total funding for all intervening parties does not exceed \$40,000 in any proceeding. *Idaho Code* § 61-617A(2). The Commission must consider the following factors when deciding whether to award intervenor funding:

- (1) That the participation of the intervenor materially contributed to the Commission's decision;
- (2) That the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;
- (3) The recommendation made by the intervenor differs materially from the testimony and exhibits of the Commission Staff; and
- (4) The testimony and participation of the intervenor addressed issues of concern to the general body of customers.

Id.

To obtain an award of intervenor funding, an intervenor must further comply with Commission Rules of Procedure 161-165. IDAPA 31.01.01.161-165. The petition must contain an itemized list of expenses broken down into categories, a statement explaining why the costs constitute a significant financial hardship if not recovered, and a statement showing the class of customer on whose behalf the intervenor participated. Commission Rule 162; IDAPA 31.01.01.162. The payment of awards is to be made by the utility and is an allowable expense to be recovered from ratepayers in the next general rate case. Commission Rule 165.02, .03; IDAPA 31.01.165.02, .03.

The Commission received a timely petition for intervenor funding from IIPA. Because we lack insight into the confidential settlement negotiations, we award intervenor funding based on our assessment of the submitted written materials. Based on the foregoing standards and the materials in front of the Commission, we find it appropriate to award \$36,483.16 to IIPA. We note that in future cases, intervenors need to provide an explanation of soft costs with their petitions to intervene.

ORDER

IT IS HEREBY ORDERED the Parties' Phase II Stipulation is approved, effective January 1, 2021.

IT IS FURTHER ORDERED that the Company may defer Idaho's incremental decommissioning costs from current rates—\$2,291,178—to a regulatory asset for one year, through December 31, 2021.

IT IS FURTHER ORDERED that intervenor funding in the amount of \$36,483.16 is awarded to IIPA.

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 regarding 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 11th day of December 2020.



PAUL KJELLANDER, PRESIDENT

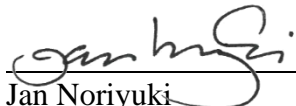


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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ORDER NO. 34865