

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN) CASE NO. PAC-E-20-03
POWER'S APPLICATION TO INCREASE)
ITS RATES AND CHARGES IN IDAHO) NOTICE OF APPLICATION
AND FOR APPROVAL OF PROPOSED)
ELECTRIC SERVICE SCHEDULES AND) NOTICE OF
REGULATIONS) INTERVENTION DEADLINE
)
)
ORDER NO. 34731

On March 26, 2020, Rocky Mountain Power (“Company”), a division of PacifiCorp, filed a Notice of Intent to file a General Rate Case. The Company later decided that, due to the impacts of the Covid-19 pandemic, it would instead develop a rate plan allowing it to delay filing a general rate case.

On May 28, 2020, the Company, Commission Staff, Bayer, Idaho Conservation League, Idaho Irrigation Pumper Association, and PacifiCorp Idaho Industrial Customers stipulated that the Company would delay filing a general rate case and instead apply for an accounting order (the “Stipulation”).

On July 2, 2020, the Company submitted this Application with the Stipulation and asked for: (1) an accounting order authorizing the Company to create a regulatory asset to transfer decommissioning and plant closure costs of Cholla Unit No. 4 when it is retired; (2) approval of modifications to Phase II of the settlement stipulation to implement tax reform (the “Tax Stipulation”) approved in Order No. 34431;¹ and (3) approval of ratemaking treatment for Pryor Mountain and Foote Creek I wind resources.

The Company requested its Application be processed by Modified Procedure.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Company represents the Stipulation ensures its general rates will not change before January 1, 2022. In the Stipulation, the parties further agreed to support the Company’s Application to request Commission authorization for:

1. A regulatory asset to transfer Cholla Unit 4 net book balance upon closure of the plant by December 31, 2020. The regulatory asset will also include other closure-related decommissioning costs.

¹ See Case No. GNR-U-18-01.

2. Modifications to the Phase II Settlement Stipulation in Case No. GNR-U-18-01, on ratemaking treatment for the 2017 Tax Cut and Jobs Act (“TCJA”).² The Company may propose that the remaining balance from excess deferred income tax (“EDIT”) savings from the TCJA be retained to buy-down Unit 4 and be deferred to offset the January 1, 2022 rate increase.
3. Ratemaking treatment for the Pryor Mountain and Foote Creek I wind resources to match costs and benefits with a cost cap amount each year at the benefit level. The Company may propose to include these resources in the Resource Tracking Mechanism/Energy Cost Adjustment Mechanism (“RTM/ECAM”), consistent with the terms of Case No. PAC-E-17-07.
4. There will be no change in the ECAM baseline net power cost of \$26.90/megawatt hour (on a sales basis) established in PAC-E-16-12, until the baseline is reset in the next general rate case.
5. The Company will make its results of operation and cost of service models developed in anticipation of filing a rate case on June 1, 2020, available to parties and the Company will respond to parties’ reasonable data requests.

YOU ARE FURTHER NOTIFIED that the Company states it has started to retire Cholla Unit 4 and anticipates achieving retirement by year-end 2020, earlier than the January 2023 timeframe initially set forth in the 2019 Integrated Resource Plan (“IRP”).³

YOU ARE FURTHER NOTIFIED that the Company expects early retirement of Cholla Unit 4 to generate between \$96 million and \$123 million in present-value benefits relative to any alternative where Cholla Unit 4 continues to operate through April 2025.⁴ Early retirement will increase costs in 2020 and decrease costs between 2021 and 2025.⁵

YOU ARE FURTHER NOTIFIED that when the Company acquired Cholla Unit 4, it prepaid for firm transmission capabilities. The Company began amortizing prepaid

² In its Application, the Company also refers to the Tax Cut and Jobs Act as the Tax Reform Act. This Order tracks the language used by the Company in its Application.

³ See Case No. PAC-E-19-16. The Company did additional economic analysis on the IRP and confirmed that closure at the end of 2020 is expected to generate more present-value benefit to the customer relative to the continued operation of Cholla Unit 4 through April 2025.

⁴ Due to environmental compliance rulings, the Company is required to cease operations of Cholla Unit 4 or convert it to natural gas by April 30, 2025. The Company’s most recent IRPs have indicated it would be economic to seek earlier retirement.

⁵ Increased costs in 2020 are primarily associated with early termination payments of a safe harbor lease. The Company, although the legal owner of Cholla Unit 4, for income tax purposes only, is treated as leasing portions of Cholla Unit 4 that are subject to a safe harbor lease. With early retirement the Company has estimated the potential safe harbor lease payments could be as high as \$3.3 million. Early retirement of Cholla Unit 4 by December 31, 2020 will reduce net system costs through the assumed April 2025 retirement date. Over this period, projected generation from Cholla Unit 4 declines, and the value of energy net of fuel costs is insufficient to offset annual fixed operating costs according to the Company’s Application.

NOTICE OF APPLICATION

NOTICE OF INTERVENTION DEADLINE

ORDER NO. 34731

transmission service cost over a 50-year life in 1997. Under early retirement, the Company expects to write off the unamortized balance of prepaid firm transmission capability.

YOU ARE FURTHER NOTIFIED that because the Company anticipated filing a general rate case with rates effective January 1, 2020, the Company removed Cholla Unit 4 from the 2018 Depreciation Study.⁶ If the Commission approves the 2018 Depreciation Study, then depreciation of Cholla Unit 4 will end on December 31, 2020. The Company has provided a \$0.9 million offset to the regulatory asset balance for 2021 to account for the current annual depreciation expense in Idaho.

YOU ARE FURTHER NOTIFIED that the Company requests approval to use tax benefits to buy-down the net plant balance and transfer the remaining balances for Cholla Unit 4 from respective Federal Energy Regulatory Commission (“FERC”) accounts and record a regulatory asset in FERC Account 182.3 the date Cholla Unit 4 is removed from service.⁷

YOU ARE FURTHER NOTIFIED that the Company will stop recovering estimated decommissioning costs when it stops depreciating Cholla Unit 4. The Company estimates the cost of decommissioning and remediation will be about \$47 million but is unsure when the site where Cholla Unit 4 is located will actually be retired, decommissioned, and remediated.⁸

YOU ARE FURTHER NOTIFIED that the Company recommends using part of the EDIT benefits to buy-down or offset the Cholla Unit 4 unrecovered plant balances and closure costs.

YOU ARE FURTHER NOTIFIED that in the Tax Stipulation,⁹ the parties agreed the Company could propose changes to the 7-year amortization period for the unamortized portion of the non-protected property and non-property EDIT balance in the Company’s next Idaho general rate case. In the new Stipulation, the Parties agreed the Company could propose modifications to the Tax Stipulation outside a general rate case.

YOU ARE FURTHER NOTIFIED that the Company states a \$24.3 million EDIT balance will be available for customers after the Company combines the amortization of

⁶ See Case No. PAC-E-18-08. This Case is ongoing.

⁷ Idaho’s share of the regulatory asset would be based on the system generation allocation factor for calendar year 2019.

⁸ Arizona Public Service Company owns Cholla Units 1 and 3 and operates the entire Cholla facility. The Company owns approximately 37 percent of Cholla’s common facilities and 100 percent of Cholla Unit 4.

⁹ See Case No. GNR-U-18-01; Order No. 34331.

protected property for 2018-2020¹⁰ that has not been returned to customers with the unamortized non-protected EDIT balance.

YOU ARE FURTHER NOTIFIED that the Company requests authorization to use about \$15.9 million of the available \$24.3 million EDIT Tax Reform Act benefits to pay off Cholla Unit 4's unrecovered balances. The Company would use the Cholla Unit 4 regulatory asset in FERC Account 182.3 to transfer the safe harbor lease payment and track actual decommissioning costs.

YOU ARE FURTHER NOTIFIED that the Company also asks permission to stop refunding the tax savings from the ECAM in 2021, and use the remaining EDIT savings as of December 31, 2021—about \$8.4 million—to mitigate the rate impact from the 2021 general rate case.¹¹

YOU ARE FURTHER NOTIFIED that the Company asks permission to include Pryor Mountain and Foote Creek I wind resources in the RTM for the Company's other wind projects (*see* Order No. 34104), and match the costs with the benefits the facilities produce.

YOU ARE FURTHER NOTIFIED that the Company proposes to cap the costs for Pryor Mountain and Foote Creek I wind resources at the benefit levels passed back through the RTM or ECAM. Therefore, customers would not see a net cost for these projects through either mechanism. The Company would defer any net costs for possible future recovery in its next general rate case.

YOU ARE FURTHER NOTIFIED that the Application, the Stipulation, and supporting documents have been filed with the Commission and are available for public inspection during regular business hours at the Commission's office. The Application and testimonies are also available on the Commission's web site at www.puc.idaho.gov. Click on the "ELECTRIC" tab in the left-hand column of the homepage, then click on "Open Cases," and then click on the case number as shown on the front of this document.

¹⁰ The tax benefit received in the ECAM for the amortization of the protected EDIT balances was calculated using the Average Rate Assumption Method. The Company now uses the Reverse South Georgia Method ("RVSG") to amortize protected EDIT. The EDIT balance remains the same under either method, but the RSGM uses a shorter amortization period, which increases the amortization in 2018-2020, providing an additional benefit to customers in 2018-2020 that has not been returned through the ECAM. See Order No. 34679.

¹¹ The current refund of \$7.6 million in tax savings for Schedule 197 would continue until new rates are effective after the next general rate case.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code. The Commission may enter any final order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that persons desiring to intervene in this matter to obtain parties' rights of participation must file a Petition to Intervene with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and .073. **Persons who wish to intervene as a party must file a Petition to Intervene within 21 days from the service date of this Order.** Persons desiring to present their views without parties' rights of participation are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that after the intervention deadline runs, the Commission Secretary will issue a Notice of Parties. Staff then will informally confer with the parties about scheduling for this case.

ORDER

IT IS HEREBY ORDERED that persons desiring to intervene for the purpose of obtaining parties' rights of participation must file a Petition to Intervene with the Commission, pursuant to Rules 72 and 73, IDAPA 31.01.01.72-73, within 21 days from the service date of this Order.

IT IS FURTHER ORDERED that after the Commission Secretary issues a Notice of Parties, Staff will informally confer with the parties about an appropriate schedule.

IT IS FURTHER ORDERED that parties continue to comply with Order No. 34602, issued March 17, 2020. All pleadings should be filed with the Commission electronically and shall be deemed timely filed when received by the Commission Secretary. *See* Rule 14.02. Service between parties should also be accomplished electronically. Voluminous discovery-related documents may be filed and served on CD-ROM or a USB flash drive.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th
day of July 2020.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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