

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S REQUEST FOR)	CASE NO. IPC-E-11-18
ACCEPTANCE OF ITS REGULATORY)	
PLAN REGARDING THE EARLY)	NOTICE OF APPLICATION
SHUTDOWN OF THE BOARDMAN POWER)	
PLANT)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 32387

On September 26, 2011, Idaho Power Company requested that the Commission issue an Order: (1) accepting the Company's accounting and cost recovery plan for the early shutdown of the Boardman Power Plant; and (2) allowing the Company to establish a balancing account to track shutdown-related costs and benefits. The Company does not ask the Commission to approve rate recovery for future expenses associated with the Boardman shutdown at this time. Application at 1. The Company asks that the matter be processed under Modified Procedure, and that the Commission issue the requested Order by mid-February 2012. *Id.* at 16.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Idaho Power describes Boardman as a single-generating unit, coal-fired power plant in north-central Oregon. Idaho Power owns 10%, or 58.5 MW (net dependable capacity) of Boardman, which entitles Idaho Power to about 50 aMW. Application at 1. Portland General Electric ("PGE") owns 65% of Boardman and operates the plant. *Id.*¹

YOU ARE FURTHER NOTIFIED that Idaho Power maintains Boardman is subject to the federal Clean Air Act, Oregon's Regional Haze Plan, and Oregon's Utility Mercury Rule. The Company says these laws and regulations require Boardman to be fitted with various emissions controls. *Id.* at 2-4. According to Idaho Power, after analyzing each of the Boardman-related control technologies and associated deadlines required by the legal requirements (and a consent decree in a federal court case), PGE determined that closing Boardman in 2020 would strike "a good balance between the key risk drivers of natural gas and CO2 prices, while

¹ Bank of America Leasing and Power Resources Cooperative own the remaining 15% and 10%, respectively.

maintaining system reliability at a relatively low cost.” *Id.* at 4-6 (*quoting* PGE 2009 IRP Addendum, p. 103). Under the 2020 closure plan, the owners of the plant would install new burners to reduce nitrogen oxide emissions by nearly 50% and use lower sulfur coal to reduce SO2 emissions by 50%.

YOU ARE FURTHER NOTIFIED that Idaho Power says PGE’s decision to close Boardman in 2020 impacts Idaho Power as part owner of the Boardman plant. *Id.* at 10. According to Idaho Power, PGE’s plan to close Boardman increases Idaho Power’s revenue requirements related to accelerated depreciation expense, additional plant investments, and decommissioning costs. *Id.* at 16. Idaho Power notes that PGE has initiated a proceeding at the Oregon Public Utility Commission (OPUC) that addresses similar concerns.

YOU ARE FURTHER NOTIFIED that Idaho Power proposes a three-step plan to respond to the proposed 2020 closure. *Id.* at 10. In sum, Idaho Power will: (1) perform, in early 2012, a depreciation study and ask for new depreciation rates for all plant investment, including Boardman, to become effective June 1, 2012; (2) establish a balancing account to track closure-related incremental costs and benefits; and (3) ask the Commission, in early 2012, to authorize the Company to increase customer rates to recover Boardman decommissioning costs, with rates to take effect June 1, 2012 (coincident with the depreciation rate change). *Id.*

YOU ARE FURTHER NOTIFIED that Idaho Power states if Boardman closes in 2020, the Company will incur costs associated with accelerated depreciation, new investment related to pollution controls, and decommissioning. *Id.* Idaho Power states it can easily calculate the incremental depreciation expense for current investment based upon the current shutdown timeline. However, Idaho Power does not yet know the specific level of investment in capital additions, actual decommissioning costs, and potential salvage proceeds. With the OPUC and EPA approving PGE’s shutdown plan, Idaho Power says it knows incremental cost impact will occur, but not precisely what the cost impact will be. Idaho Power thus proposes creating a balancing account to allow the Company flexibility for the timing and recovery of the incremental revenue requirement. Idaho Power asserts the balancing account will help the Company track, on a cumulative basis, the difference between revenues and expenses associated with the Boardman shutdown, and that this tracking will ensure that customers only pay for actual expenditures. *Id.*

YOU ARE FURTHER NOTIFIED that Idaho Power maintains under Accounting Standards Codification (ASC) 980-360-35, that when it abandons an operating asset, the Company must remove the asset's cost from plant in service, establish that cost as a regulatory asset, and recognize any disallowed amount as a loss. *Id.* Idaho Power believes that PGE's decision to shutdown Boardman by December 31, 2020, is not an abandonment of Boardman; rather, it is a downward adjustment to Boardman's useful life. Adjustments to Boardman's useful life previously occurred in 2001 from an original end-of-life date of 2015 to 2020, and most recently in 2008 to an end-of-life date of 2030. If, however, Idaho Power is not allowed to collect the Boardman plant-related balances by the end-of-life date of December 31, 2020, Idaho Power could be required to account for the Boardman plant as an abandonment, which would also trigger impairment treatment under ASC 360. *Id.*

YOU ARE FURTHER NOTIFIED that Idaho Power states it has estimated its revenue requirement using a 2012 test year that includes impacts from: (a) the accelerated depreciation of Boardman plant accounts; and (b) increased decommissioning costs. *Id.* The Company based incremental depreciation expense on expected December 31, 2011 plant balances. It calculated decommissioning costs using Idaho Power's 10% share of the costs that PGE found to be reasonable in the Black & Veatch (B&V) study. *Id.* at 14-15. The Company preliminarily estimates a revenue deficiency of approximately \$1.45 million on a total system basis, or \$1.38 million for the Idaho jurisdiction. *Id.* at 15.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and that it will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The Report also is available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on Idaho Power's Application may file a written comment in support or opposition with the Commission **by January 13, 2012**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this matter shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary	Jason Williams
Idaho Public Utilities Commission	Lisa D. Nordstrom
PO Box 83720	Idaho Power Company
Boise, ID 83720-0074	1221 West Idaho Street
	PO Box 70
Street Address for Express Mail:	Boise, ID 83707-0070
472 W. Washington Street	E-Mail: lnordstrom@idahopower.com
Boise, ID 83702-5918	jwilliams@idahopower.com

Comments should contain the case caption and case number shown on the first page of this Order. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Idaho Power may file reply comments (if necessary) by **January 27, 2012**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider the Application on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

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 and specifically *Idaho Code* §§ 61-502, 61-503, 61-524, and 61-525. 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.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons may file written comments by January 13, 2012.

IT IS FURTHER ORDERED that Idaho Power may file reply comments (if necessary) by January 27, 2012.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of October, 2011.



PAUL KJELLANDER, PRESIDENT



MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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