

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S REQUEST FOR ACCEPTANCE OF ITS REGULATORY PLAN REGARDING THE EARLY SHUTDOWN OF THE BOARDMAN POWER PLANT)))))))	CASE NO. IPC-E-11-18 ORDER NO. 32457
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On September 26, 2011, Idaho Power Company applied to the Commission for 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. On October 27, 2011, the Commission issued a Notice of Application/Modified Procedure setting a January 13, 2012 comment deadline. *See* Order No. 32387.

On December 2, 2011, the Company filed supporting testimony from its Senior Manager of Cost of Service, Timothy Tatum. Staff reviewed the Company's Application and testimony and filed comments recommending that the Commission accept Idaho Power's proposal with certain qualifications. Staff's comments were the only comments in the case.

With this Order, the Commission approves Idaho Power's Application.

THE APPLICATION

According to Idaho Power's Application, Boardman is 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

Idaho Power notes that Boardman is subject to the federal Clean Air Act, Oregon's Regional Haze Plan, and Oregon's Utility Mercury Rule. These laws and rules require that Boardman be fitted with various emissions controls by certain date. *Id.* at 2-4. According to Idaho Power, PGE analyzed the various emissions control technologies and deadlines and decided that closing Boardman in 2020 would strike "a good balance between the key risk drivers of natural gas and CO2 prices, while maintaining system reliability at a relatively low cost." *Id.* at 4-6 (*quoting* PGE 2009 IRP Addendum, p. 103). The Oregon Public Utility

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

Commission (OPUC) and the Environmental Protection Agency have accepted PGE's 2020 closure plan. *Id.* at 10, 16.

Idaho Power says PGE's Boardman 2020 closure plan increases Idaho Power's revenue requirements for accelerated depreciation expense, additional plant investment related to pollution controls, and decommissioning costs. *Id.* at 16. The Company proposes to respond to the 2020 closure by: (1) performing a depreciation study and asking for new depreciation rates for all plant investment, including Boardman, to become effective June 1, 2012; (2) establishing a balancing account to track closure-related costs and benefits; and (3) asking the Commission, in early 2012, to authorize the Company to increase customer rates to recover Boardman decommissioning costs; the rates would take effect June 1, 2012 (coincident with the depreciation rate change). *Id.* at 10.

Idaho Power says it can calculate the incremental depreciation expense for current investment based upon the shutdown timeline; however, it does not yet know the specific level of investment in capital additions, actual decommissioning costs, and potential salvage proceeds. Idaho Power thus proposes creating a balancing account to allow the Company flexibility for the timing and recovery of the incremental revenue requirement. The balancing account will help the Company track revenues and expenses associated with the Boardman closure and ensure that customers only pay for actual expenditures. *Id.*

Idaho Power says Accounting Standards Codification (ASC) 980-360-35 indicates that when Idaho Power 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.* However, the Company believes closing Boardman involves a downward adjustment to Boardman's useful life rather than an abandonment of the plant. Boardman's useful life was adjusted in 2001 from an original end-of-life date of 2015 to 2020, and in 2008 to an end-of-life date of 2030. The Company says that if it does not collect the Boardman-related balances by the December 31, 2020 end-of-life date, it may need to account for Boardman as an abandonment, which would trigger impairment treatment under ASC 360. *Id.*

Idaho Power estimated its revenue requirement using a 2012 test-year that included 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 its 10% share of

the costs, which is an approach PGE’s consultants (Black & Veatch) found reasonable. *Id.* at 9, 14-15. The Company’s Application preliminarily estimated a total system, \$1.45 million revenue deficiency and a \$1.38 million revenue deficiency for Idaho. *Id.* at 15. Company witness Tatum’s testimony respectively updates these numbers to \$1.6 million and \$1.5 million. *See* Tatum Direct at 10-11.

STAFF COMMENTS AND RECOMMENDATIONS

Staff reviewed the Company’s Application and testimony and various Boardman-related administrative and civil proceedings.² Based on this review, Staff recommended that the Commission approve the Company’s proposed regulatory accounting and cost recovery plan and balancing account. Staff Comments at 5-6.

Staff summarized the Company’s estimated, incremental revenue requirement impact based on the Company’s share of cost as follows:

Revenue Requirement Impact	Accelerated Depreciation Existing Plant	New Investment Pollution Controls	Net Decommissioning Costs (minus salvage)	Total
Total	\$36,167,344	\$11,716,126	\$5,917,900	\$53,801,370
Levelized (annual)	\$4,147,050	\$1,252,340	\$499,363	\$5,898,752

According to Staff, netting the levelized, total revenue requirement impact against the \$4.3 million in Boardman-related revenue requirements currently in rate base yields an annual net revenue system impact to Idaho Power customers of about \$1.6 million. The impact to Idaho customers (using the 95% Idaho jurisdictional allocation) is about \$1.5 million. *Id.* at 5. This is about a 0.172% overall increase based on a current overall revenue requirement of \$870.0 million. *Id.*

Staff confirmed the Company must bear certain Boardman-related expenses. Staff agrees that the Company should track these expenses through a balancing account, levelize incremental revenue requirements across the plant’s remaining life for rate recovery purposes, and ultimately initiate rate recovery proceedings. *Id.* at 6. Staff said levelizing costs will stabilize rates and ensure that the customers who benefit from operating Boardman bear the remaining costs. *Id.* Staff noted that the proposed balancing account and regular rate “true-ups” will guarantee that the Company recovers its costs and earns its overall rate of return on

² Staff’s review included: (1) ODEQ proceedings to determine requirements for Boardman to comply with the federal Regional Haze rules and Oregon’s Utility Mercury rule; (2) litigation between PGE, the Sierra Club, and other interested parties regarding Boardman that resulted in a consent decree (U.S. District Court for the District of Oregon; Civil Case No.: 3:08-cv-01136-HA); and (3) Company testimony and information supplied in this case.

Boardman; nevertheless, Staff believes the advantages of customer rate stability and cost/benefit matching outweigh concerns about allowing a guaranteed return. *Id.* at 7.

However, in light of the Company's reduced recovery risk, Staff recommended that the Commission require the Company to use a lower, 9.5% return on equity (ROE) to calculate the initial, levelized Boardman recovery amount.³ Staff said the Company's future application to recover accelerated Boardman depreciation costs should reflect this reduced risk. Further, the Commission should adjust the ROE in each subsequent rate case using the ADITC trigger calculation where the new "threshold would be 95% of the newly established ROE". *Id.* (citing Order No. 32424 at 4).

Staff recommended that the Company file annual reports detailing all costs booked to the Boardman account. Staff also recommended that the Company's application to recover accelerated Boardman costs in rates include a sample report describing the information the Company will submit to the Commission each year. *Id.*

FINDINGS AND DISCUSSION

The Commission has jurisdiction over Idaho Power, an electric utility, and the issues in this case under Title 61 of the Idaho Code and the Commission Rules of Procedure, IDAPA 31.01.01.000 et seq.

The Commission has reviewed the filings in this case, including the Company's Application, testimony, and Staff's comments. Based on that review, the Commission finds that the Company's Application presents a reasonable plan for responding to the 2020 closing of the Boardman facility.

The Commission finds that it is appropriate for the Company to track Boardman-related costs and benefits through a balancing account, levelize incremental revenue requirements, and initiate rate recovery proceedings. This will help stabilize customer rates and increase the likelihood that the customers who benefit from Boardman's continuing operation will pay the associated costs. The Commission finds it reasonable to offset the Company's resulting, reduced recovery risk with a 9.5% ROE for purposes of calculating the initial, levelized Boardman recovery amount, and to subsequently adjust the ROE using the ADITC trigger calculation. The Commission also directs the Company to file annual reports detailing

³ This coincides with the 9.5% ROE the Commission adopted as the accumulated deferred investment tax credit (ADITC) trigger in Order No. 32424, Case No. IPC-E-11-22.

amounts booked to the balancing account and to submit a sample report when it files for rate recovery.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company's regulatory accounting and cost recovery plan for the early shutdown of Boardman, including the Company's request to establish a balancing account to track associated costs and benefits, is approved.

IT IS FURTHER ORDERED that the Company shall use a 9.5% ROE to calculate the initial levelized Boardman recovery amount. The ROE shall thereafter adjust as discussed above.

IT IS FURTHER ORDERED that the Company shall file annual reports detailing all amounts booked to the Boardman account. The Company must file a sample report when it files its request to recover accelerated Boardman costs in rates.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by 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 and 62-619.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th
day of February 2012.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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