

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION TO INCREASE) CASE NO. IPC-E-12-09
ITS ELECTRIC RATES TO RECOVER THE)
BOARDMAN BALANCING ACCOUNT) ORDER NO. 32549
)

On February 15, 2012, Idaho Power Company applied to the Commission for an Order authorizing it to increase its rates to begin recovery of the Boardman balancing account.¹ The Company seeks to recover \$1,583,373 in annual revenue, which the Company says will increase all customer class rates by an average of about 0.18%. The Company asks that the rate change take effect on June 1, 2012.

The Commission subsequently issued a Notice of Application, set an intervention deadline, and scheduled a public workshop. *See* Order No. 32479. No one intervened, the workshop occurred, and Commission Staff and the Company recommended that the matter be processed via Modified Procedure. On April 10, 2012, the Commission issued its Notice of Modified Procedure soliciting written comments on the Application. Order No. 32511. Staff filed the only comments in the case; the Company did not reply.

With this Order, the Commission approves an incremental revenue requirement increase of \$1,525,501. We further authorize the Company to increase its current rates by an overall average of 0.181%, as more particularly set forth in Attachment A hereto, with the new rates (once approved) to take effect on June 1, 2012.

THE APPLICATION

Idaho Power owns 10% of the coal-fired, Boardman power plant in Oregon. On February 15, 2012, the Commission authorized the Company to establish a balancing account related to Boardman's early closure, which is set to occur by December 31, 2020. Application at 2-3; Order No. 32457. The balancing account lets the Company track the difference between revenues and expenses associated with the Boardman shutdown. Application at 2. The Company

¹ The Company concurrently filed three other applications. *See* Case Nos. IPC-E-12-06, IPC-E-12-07, and IPC-E-12-08. The Company claims the four filings will cumulatively decrease rates for most customers. The Company describes the cumulative rate impact for the major customer classes as: Residential Schedule 1, (0.80%); Small General Schedule 7, (0.55%); Large General Schedule 9, (1.07%); Large Power Schedule 19, 0.65%; and Agricultural Irrigation Schedule 24, (1.09%). The Company says the rates for its Special Contract customers will cumulatively increase as follows: Micron, 0.66%; Simplot and Department of Energy (INL), 0.68%; and Hoku Block 1, 0.67%. *See* Application, Atch.4.

says the balancing account will ensure that customers only pay for actual expenditures. *Id.* The Company is replacing the base rate revenue recovery associated with the Company's existing investment in Boardman with a levelized revenue requirement to be tracked in the balancing account. *Id.* at 2-3.

With this Application, the Company asks to recover the levelized revenue requirement, which includes: (1) the return associated with Boardman capital investments net of accumulated depreciation forecasted through Boardman's remaining life, (2) the costs of accelerating the Boardman depreciation, and (3) the decommissioning costs associated with the Boardman shutdown. *Id.* at 3. The Company asks to recover an Idaho jurisdictional incremental annual change to base rates of \$1,583,373, and to spread this amount to all customer classes and to recover it by increasing all base rate components except the service charge. *Id.* The Company says the overall, average Boardman-related rate change will be a 0.18% increase. *Id.*

The Company's Application includes a set of proposed tariff sheets that identifies the cumulative impact of all four cases.² The Company says it will make a final compliance filing when all final Orders are received. *Id.* at 3-4.

STAFF COMMENTS

Staff says the Company's request implements the Commission-approved cost recovery approach for Boardman. *See* Order No. 32457. However, Staff asserts that the Company's requested \$1,583,373 revenue requirement should be reduced by \$59,872 to remove a 10% contingency estimate from the decommissioning costs. Staff states the contingency is unnecessary because the Company will update the estimates to actuals. Removing the 10% contingency decreases the incremental revenue requirement to \$1,525,501.

Staff agrees that the Company should continue to annually review the levelized revenue requirement and the Boardman balancing account components. Staff observed that the Commission previously ordered the Company to file annual reports detailing all amounts booked to the balancing account. *See* Order No. 32457. The Company filed a sample annual report as part of this Application. The Company's proposed report consists of a narrative and exhibits describing the investments at Boardman during the prior year and the reason for any changes in forecast investments, and it tracks the monthly differences between forecast and actual revenue collection. Staff recommended that the Company's report update the Company's exhibits in Excel format with

² *See* fn 1, above.

all formulas intact, and that it include all source documents supporting the investments, any new cost estimates, and all Company calculations and conclusions. Staff notes that it will conduct audits of any and all proposed investments and future expenses during annual reviews in the year in which the expense actually occurred.

In discussing the incremental investments, Staff notes that the Company only has included investments, not currently in plant-in-service, as levelized cost in the balancing account. Staff grouped the Company's budget into three categories: (1) emission and regulatory compliance; (2) maintenance; and (3) obsolescence and upgrades. Of a total \$8,453,184 investment, the Company targets 53% for obsolescence and upgrades, 41% for emission controls, and 6% for maintenance.

Staff says that if the Commission removes the 10% contingency from the Company's decommissioning cost estimate (as discussed above), the Company's share of the decommissioning cost would be about \$6,095,800 (2020 dollars). Staff notes, however, that the Company's share could increase by 59% if the Company must dispose of waste ash and excess coal in landfills. Staff also notes that the Company should avoid the cost to dispose of any remaining coal in landfills by using proper purchasing and end-of-life inventory control practices.

In discussing revenue allocation and rate design, Staff accepts the Company's use of updated forecasted billing determinants for the period June 1, 2012 through May 31, 2013. Staff also agreed with the Company's proposal to spread the incremental revenue requirement to all customer classes as a uniform percent increase to all base rate components except customer service charges.

Staff next notes that the Company accounts for the estimated Boardman decommissioning costs as an Asset Retirement Obligation (ARO) under Accounting Standards Codification (ASC) 410. In accordance with Order No. 29414, Idaho Power records: (1) a regulatory asset for the cumulative financial statement impact resulting from the Company's implementation of ASC 410 (previously Statement of Financial Accounting Standards (SFAS) 143); and (2) the ongoing annual differences between the ASC 410 depreciation and accretion expenses and the annual depreciation expenses that are currently authorized by the Commission in depreciation rates and reclamation accruals.

Staff says that under the proposed ratemaking treatment for the Boardman decommissioning, the Company would begin collecting revenues to cover these ARO-related

liabilities. The Company requests, however, that the Boardman-related ARO balances be exempted from the deferral treatment under Order No. 29414. Staff agrees with the Company's proposal to exempt Boardman-related ARO balances from the ARO deferral treatment in Order No. 29414.

DISCUSSION AND FINDINGS

We have reviewed the record in this case, including the Company's Application and Staff's comments. Based on our review of the record, we find the Company's filing properly implements the cost-recovery approach for Boardman contemplated in our Order No. 32457. We continue to believe that it is appropriate for the Company to adjust customer rates to recover incremental annual costs related to the early retirement of Boardman.

Turning to the issue of decommissioning costs, we find that it is reasonable and appropriate to remove the 10% contingency in the amount of \$59,872. This "contingency" is unnecessary because the Company will be reporting its actual decommissioning costs in its annual reports. In addition, we direct Staff to carefully review landfill costs to ensure that the Company and its partners are utilizing appropriate purchasing and end-of-life inventory controls for coal costs to avoid the need to dispose of excess or remaining coal in landfills. The Company and its operating partners shall also continue scrutinizing the need for upgrades and the planned shutdown date with the goal of minimizing costs.

In summary, we find it fair, just and reasonable that the incremental revenue requirement be increased by \$1,525,501. We find that a revenue increase of this amount results in a 0.1914% increase to all non-service charge rates and an overall average rate increase of 0.181%. The Company will be allowed to increase customer rates as set forth in Attachment A. We believe it is appropriate for Boardman-related deferral balances to be exempted from deferral treatment, and for the Company's annual reports to include additional detail as suggested by Staff.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Application to increase its rates to begin recovery of the Boardman balancing account is approved as qualified below.

IT IS FURTHER ORDERED that the Company's annual revenue requirement will be increased by \$1,525,501 effective June 1, 2012, and that the Company's proposed revenue allocation/rate design methodology is approved. The Company may increase current revenues by an overall average of 0.181%, as more particularly set forth in Attachment A.

IT IS FURTHER ORDERED that the Boardman-related ARO balances are exempted from the deferral treatment under Order No. 29414.

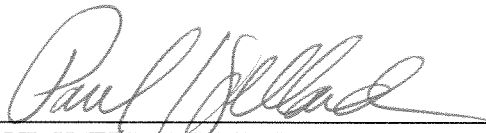
IT IS FURTHER ORDERED that the Company's annual reports to the Commission related to the Boardman balancing account include the narrative and exhibits described by the Company, that the exhibits be updated in Excel format with all formulas intact, and that work papers include all source documentation necessary to verify the Company's calculations and conclusions.

IT IS FURTHER ORDERED that the Commission expressly reserves its right to determine the prudence of any investment or future expenses when it reviews the annual reports of the actual investments and expenses.

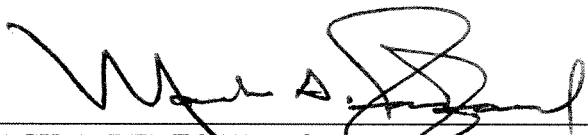
IT IS FURTHER ORDERED that Idaho Power is directed to file appropriate tariffs consistent with this Order. The Commission expressly reserves its approval of the proposed cumulative changes to tariff schedule rates for this case and cases IPC-E-12-06, IPC-E-12-07, and IPC-E-12-08 (as contained in Attachments 2 and 3 to the Company's Application here) until the Commission has completed its review of the aforementioned cases. If the Commission's final Orders in the 12-06, 12-07, or 12-08 cases result in a modification to the proposed tariff schedules contained in Attachments 2 and 3 of this case, the Company shall immediately submit revised tariff schedules that conform to the Commission's Orders in these cases. Revised tariff schedules shall not become effective until they have been submitted to the Commission for its final review and approval.

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. 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 17th
day of May 2012.



PAUL KJELLANDER, PRESIDENT




MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:IPC-E-12-09_kk3

Idaho Power Company
Calculation of Revenue Impact
State of Idaho
Boardman
Proposed to be Effective June 1, 2012

Summary of Revenue Impact
Current Billed Revenue to Proposed Billed Revenue

Line No	Tariff Description	Rate Sch. No	Average Number of Customers ⁽¹⁾	Normalized Energy (kWh) ⁽¹⁾	Current Billed Revenue	Cents Per kWh	Total Adjustments to Billed Revenue	Proposed Total Billed Revenue	Cents Per kWh	Percent Change Billed Revenue
Uniform Tariff Rates:										
1	Residential Service	1	399,329	4,896,272,827	\$397,700,569	8.123	\$695,520	\$398,396,089	8.137	0.17%
2	Master Metered Mobile Home Park	3	23	4,942,681	\$381,220	7.713	\$707	\$381,927	7.727	0.19%
3	Residential Service Energy Watch	4	0	0	\$0	0.000	\$0	\$0	0.000	0.00%
4	Residential Service Time-of-Day	5	0	0	\$0	0.000	\$0	\$0	0.000	0.00%
5	Small General Service	7	28,165	144,888,296	\$14,990,300	10.346	\$24,670	\$15,014,970	10.363	0.16%
6	Large General Service	9	31,614	3,480,101,459	\$196,754,244	5.654	\$363,590	\$197,117,833	5.664	0.18%
7	Dusk to Dawn Lighting	15	0	6,481,376	\$1,173,934	18.112	\$2,228	\$1,176,162	18.147	0.19%
8	Large Power Service	19	116	1,978,623,647	\$83,660,290	4.228	\$159,833	\$83,820,122	4.236	0.19%
9	Agricultural Irrigation Service	24	16,642	1,720,204,410	\$109,785,557	6.382	\$206,019	\$109,991,576	6.394	0.19%
10	Unmetered General Service	40	2,030	15,807,753	\$1,096,245	6.935	\$2,090	\$1,098,334	6.948	0.19%
11	Street Lighting	41	361	23,165,568	\$2,959,897	12.777	\$5,610	\$2,965,507	12.801	0.19%
12	Traffic Control Lighting	42	397	2,981,282	\$142,887	4.793	\$274	\$143,161	4.802	0.19%
13	Total Uniform Tariffs		478,677	12,273,469,299	\$808,645,142	6.589	\$1,460,541	\$810,105,682	6.600	0.18%
Special Contracts:										
14	Micron	26	1	451,138,622	\$17,176,418	3.807	\$33,051	\$17,209,469	3.815	0.19%
15	J R Simplot	29	1	203,558,197	\$6,727,934	3.305	\$12,967	\$6,740,900	3.312	0.19%
16	DOE	30	1	244,266,665	\$8,393,976	3.436	\$16,175	\$8,410,151	3.443	0.19%
17	Hoku - Retail	32	1	0	\$2,835,760	0.000	\$2,767	\$2,838,527	0.000	0.10%
18	Total Special Contracts		4	898,963,484	\$35,134,087	3.908	\$64,960	\$35,199,048	3.916	0.19%
19	Total Idaho Retail Sales		478,681	13,172,432,783	\$843,779,229	6.406	\$1,525,501	\$845,304,730	6.417	0.181%
20	Hoku - Block 1 Energy	32		109,702,243	\$6,764,240	6.166	\$0	\$6,764,240	6.166	0.00%

(1) June 1, 2012 - May 31, 2013 Forecasted PCA Test Year (Hoku Adj)