

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION |) | |
| OF IDAHO POWER COMPANY FOR |) | CASE NO. IPC-E-16-23 |
| AUTHORITY TO INCREASE RATES DUE |) | |
| TO REVISED DEPRECIATION RATES FOR |) | |
| ELECTRIC PLANT-IN-SERVICE |) | ORDER NO. 33770 |
| |) | |

This case concerns Idaho Power’s request for Commission approval of its revised depreciation rates for electric plant-in-service. On May 3, 2017, Idaho Power Company filed an unopposed Motion to approve a Settlement Stipulation in this case, signed by Idaho Power; Commission Staff; Idaho Irrigation Pumpers Association, Inc. (IIPA); Micron Technology, Inc.; the U.S. Department of Energy and the Federal Executive Agencies (DOE); and the Industrial Customers of Idaho Power (ICIP) (collectively, the “Stipulating Parties”). The Idaho Conservation League (ICL) and Sierra Club had no objection to, but did not sign, the Settlement Stipulation. The Stipulating Parties agreed that the Settlement Stipulation, which results in no associated change in retail rates, fully resolves this matter. Having reviewed the record, the Commission approves the Settlement Stipulation in the public interest as a fair, just, and reasonable resolution of this case.

BACKGROUND

Depreciation of a utility’s electric plant is “the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes that can be reasonably anticipated or contemplated, against which [a utility] is not protected by insurance.” Spanos Direct (Exhibit 3 to Application) at 2. For financial and ratemaking purposes, Idaho Power periodically conducts studies to determine depreciation rates for each plant account (i.e., the Company’s various plant functions such as steam, hydraulic, transmission, distribution, etc.). *See id.* at 3.

The last major changes to the Company’s depreciation rates were approved by the Commission June 1, 2012, Order No. 32559 (adopting stipulation), and were based on the Company’s electric plant-in-service on June 30, 2011. Application at 2. In 2015, Idaho Power “conducted a new, detailed depreciation study of all electric plant-in-service,” providing updates to “net salvage percentages and service life estimates for all plant assets” as of December 31,

2015. *Id.* Depreciation associated with the North Valmy plant due to its accelerated closing was raised in Case No. IPC-E-16-24, and not in this matter. *Id.* at 2-3.

THE APPLICATION

Based on the 2015 Study, Idaho Power requested authority to implement proposed revised depreciation rates and adjusted Idaho jurisdictional base rates, effective June 1, 2017. *Id.* at 2. Idaho Power proposed depreciation rates “based on [a] straight line, remaining life method for all electric plant,” as was used for the agreed depreciation rates adopted in Order No. 32559. *Id.* at 3. The Company proposed “an adjustment to the book reserve of the general plant accounts,” to address that rates consistent “with the amortization period for general plant assets in service today, and those expected to be added in the future, do not align with the actual book reserve.” *Id.* The Company recommended a \$7.79 million adjustment to the book reserve of the Company’s general plant account book, to bring it “in line with the ages of the surviving plant-in-service.” *Id.* at 4. Idaho Power proposed “to amortize this amount over a five-year period, resulting in an increase in amortization expense of \$1.56 million annually.” *Id.*

As proposed in its Application, the Company’s Idaho jurisdictional revenue requirement would have increased “\$6,672,588, as measured against the revenue requirement approved in the Company’s last general rate case.” *Id.* Idaho Power asked that the incremental revenue requirement of \$6,672,588 (an overall increase of 0.59%) “be recovered from customers through a uniform percentage increase to all base rate components except the service charge.” *Id.* at 5.

The Commission issued an Order providing notice of the Application and setting a deadline for interventions. Order No. 33652. The Commission granted Petitions to Intervene from HIPA, Micron Technology, ICL and Sierra Club, DOE, and ICIP. Order Nos. 33659, 33670, 33710, 33673, and 33676. The Stipulating Parties conferred and agreed to process the Application via Modified Procedure with agreed comment deadlines, which the Commission adopted. Order No. 33690. The Stipulating Parties engaged in settlement discussions in February and April 2017, culminating in a Settlement Stipulation and Motion for approval thereof that Idaho Power filed on May 3, 2017.

THE SETTLEMENT STIPULATION

The Stipulating Parties agreed the Settlement Stipulation represents a “fair, just, and reasonable compromise of the dispute(s) between the Parties, and that this Settlement Stipulation

is in the public interest.” *Id.* at 2. The Stipulating Parties agreed to depreciation rates set forth in Attachment 1 to the Settlement Stipulation, “which would result in no associated change in retail rates.” *Id.* at 4. The Stipulating Parties further agreed to an effective date of June 1, 2017, for the rates set forth in Attachment 1, and that the agreement “represent[s] a compromise of the differing depreciation methodologies, theories, and opinions presented in this case, and do not necessarily reflect an endorsement of the underlying rationale for each adjustment by any of the Stipulating Parties.” *Id.*

PUBLIC COMMENTS

The Commission received 11 timely comments in response to the notice of settlement, Order No. 33763, and one comment a day after the deadline. Each of these comments supported efforts to close the Valmy plant by 2021, and generally to end the state’s reliance on coal; they also advocated use and encouragement of renewable energy. One comment was filed prior to the notice of settlement, although it is unclear whether the comment was intended to specifically address this case. That comment asked that the Commission not allow Idaho Power a rate increase. We note that the Settlement Stipulation to which the Parties agreed or did not object, results in no rate increase. As always, we appreciate the public comments in matters before us. The public’s input provides a more complete perspective for evaluating and rendering decisions in the Commission’s cases. The comments received in this matter are no exception.

DISCUSSION AND FINDINGS

The Commission has discretion to determine the manner in which it will consider proposals of settlement. IDAPA 31.01.01.274. We find that the Settlement Stipulation before us is the result of substantial negotiations in which all Stipulating Parties participated and to which the Stipulating Parties either agreed or did not object. Also, we commend the Parties for their considerable efforts in reaching agreement on the many complex issues raised in this case. We therefore find that further proceedings are not necessary.

After reviewing the Settlement Stipulation and Motion, the Commission adopts and approves the Settlement Stipulation as presented. We find that it appropriately resolves issues regarding reasonable depreciation accruals to be booked in Idaho Power’s accounts going forward. We further find that the Settlement Stipulation is a reasonable compromise of the contested issues; by entering such agreement, the Stipulating Parties resolve such issues,

avoiding expense, inconvenience, and uncertainty of further litigation. We find that the Settlement Stipulation is just, fair and reasonable, in the public interest, and in accordance with the law and regulatory policy of this State. IDAPA 31.01.01.275 and .276. Accordingly, we accept and approve the Settlement Stipulation proposed by the Stipulating Parties and resulting in no customer retail rate change, without modification.

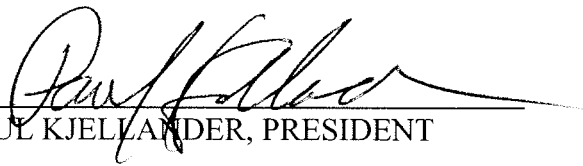
ORDER

IT IS HEREBY ORDERED that Idaho Power's Motion to approve the Settlement Stipulation is granted. The Commission adopts the revised depreciation accrual rates contained in the Settlement Stipulation and its attachments.

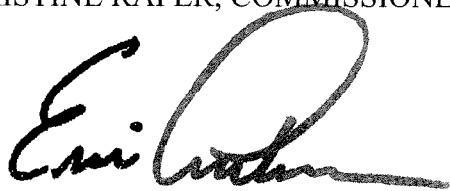
IT IS FURTHER ORDERED that the depreciation rates approved by this Order shall become effective on June 1, 2017.

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 31st
day of May 2017.


PAUL KJELLANDER, PRESIDENT


KRISTINE RAPER, COMMISSIONER


ERIC ANDERSON, COMMISSIONER

ATTEST:


Diane M. Hanian
Commission Secretary

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