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LISA D. NORDSTROM
Lead Counsel
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January 5, 2018

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-32
Hells Canyon Complex Relicensing Costs Through 2015
Idaho Power Company's Comments in Support of Settlement Stipulation

Dear Ms. Hanian:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Comments in support of the Settlement Stipulation filed in this matter on December 8, 2017.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR A)	CASE NO. IPC-E-16-32
DETERMINATION OF HELLS CANYON)	
COMPLEX RELICENSING COSTS)	IDAHO POWER COMPANY'S
THROUGH 2015 AS PRUDENTLY)	COMMENTS IN SUPPORT OF
INCURRED.)	SETTLEMENT STIPULATION
)	

Idaho Power Company's ("Idaho Power" or "Company") Hells Canyon Complex ("HCC") is the largest privately-owned hydroelectric generation facility in the United States and is the linchpin of the Company's low cost, carbon-free hydroelectric generation fleet. To preserve this resource, Idaho Power has diligently worked with stakeholders for more than 20 years to secure a new long-term operating license from the Federal Energy Regulatory Commission ("FERC"). The Idaho Public Utilities Commission ("Commission") Staff audited more than 20 years of the Company's HCC relicensing expenses incurred through 2015. Informed by Staff's findings, the

Stipulating Parties¹ agree that the settlement stipulation submitted in this proceeding (“Settlement Stipulation”) appropriately balances customer and Company interests while facilitating continued regulatory oversight until FERC issues a new 40- to 50-year license. Idaho Power, by and through its undersigned attorney, hereby submits to the Commission these comments in the above-captioned proceeding. Idaho Power supports the Settlement Stipulation and urges the Commission to adopt the Settlement Stipulation, without modification. The Company’s comments are organized as follows:

Section I – provides the procedural background in the case and summarizes the Company’s original filing;

Section II – details the agreed upon terms of the Settlement Stipulation and how it differs from Idaho Power’s initial proposal; and

Section III – provides the Company’s support for the Settlement Stipulation.

I. BACKGROUND

On December 14, 2016, Idaho Power Company filed an Application in this case requesting an order designating Idaho Power’s expenditures of \$220,845,830 through December 31, 2015, in HCC relicensing costs as prudently incurred and eligible for inclusion in customer rates at a later date.

In January 2017, the Commission issued an order providing notice of the Application and setting a deadline for interventions. Order No. 33686. Subsequently, the Commission granted Petitions to Intervene from the Idaho Irrigation Pumpers Association, Inc. (“IIPA”), the Industrial Customers of Idaho Power, and the Idaho

¹ The Settlement Stipulation was entered into by Idaho Power, Commission Staff, and IIPA, hereinafter referred to jointly as “Stipulating Parties.”

Conservation League ("ICL") ("Parties"). Order Nos. 33701, 33707, and 33716. On June 19, 2017, ICL filed a Notice of Withdrawal from the case.

In the months leading up to settlement discussions, Commission Staff conducted an extensive audit of the transactions at issue in this case. Commission Staff issued and the Company responded to 35 production requests and 45 audit requests and conducted multiple on-site audits at the Company's corporate headquarters.

Settlement discussions regarding the issues related to the Company's request were held on October 11, 2017, and October 26, 2017. The Stipulating Parties were able to reach an agreement in principle and Idaho Power filed the agreed upon Settlement Stipulation and corresponding motion to approve the Settlement Stipulation on December 8, 2017. On December 14, 2017, the Commission issued Order No. 33948 which provided Notice of Settlement Stipulation, Notice of Modified Procedure, and established a January 5, 2018, comment deadline and a January 31, 2018, reply comment deadline.

II. SETTLEMENT STIPULATION

The Stipulating Parties agree that a total of \$216,504,145 in expenditures were reasonably incurred and therefore should be eligible for inclusion in customer rates at a later date. This Settlement Stipulation consists of \$213,606,878 of HCC relicensing costs and \$2,897,267 related to Baker County settlement agreement expenditures that are more appropriately classified as expense and will be deferred in a separate regulatory account for amortization to be determined in a future rate proceeding.

As detailed further in the Settlement Stipulation, the Stipulating Parties agree that:

- Amounts Reasonably Incurred. \$213,606,878 in HCC relicensing expenditures and \$2,897,267 related to Baker County settlement agreement expenditures, for a total of \$216,504,145 in expenditures incurred through December 31, 2015, be accepted as reasonably incurred and eligible for inclusion in customer rates at a later date, representing a reasonable compromise of the positions in the case for the purpose of settlement;
- Baker County Regulatory Asset and Accounting Treatment. Idaho Power's expenditures associated with the Baker County settlement agreement included in the Company's request in this case should be classified as a reasonably incurred operations and maintenance ("O&M") expense and should be deferred for amortization at a later time. Therefore, the Stipulating Parties support the establishment of a regulatory asset for Baker County settlement agreement expenditures incurred through December 31, 2017. The commencement of the amortization period, length of the amortization period, and timing for inclusion of the amortization in customer rates will also be determined in that future rate proceeding. The Stipulating Parties agree that the Company's activities associated with the Baker County settlement agreement were unique in nature and were part of a broader settlement compromise. Therefore, the accounting treatment agreed to by Idaho Power shall not be indicative of the accounting treatment of costs

associated with any future settlement agreement the Company may enter into with other parties, if any;

- Future Review of Post-2015 HCC Relicensing Expenses. To aid in future reviews of the transaction data, Idaho Power will work with Commission Staff and interested Parties to identify the detail requested to be contained within a work order description to allow for the reporting of work orders by project specific to HCC relicensing work. In addition, Idaho Power will file with the Commission a request for a prudence determination on HCC relicensing expenditures incurred after December 31, 2015, through a time period specified by the Company in its filing, but not to exceed five years from the Commission's approval of this Settlement Stipulation;
- HCC Relicensing Document Retention. Upon Commission approval of this Stipulation, Idaho Power will retain records currently in the Company's possession associated with HCC relicensing, evidencing actual expenditures and HCC relicensing purpose, and will continue to maintain evidence of such future expenditures for the HCC relicensing project until the expenditures are included in customer rates; and
- Modification of Idaho Power's Information Retention Policy. The Company will modify its information retention policy to provide for the retention (from and after the date of implementation of such modified information retention policy) of evidence of actual expenditures and purpose, either in physical or electronic (e.g., imaged record) format, for future capital projects that are expected to span more than five years, until such time as a prudence

determination of the expenditures has been made and the expenditures are included in customer rates. The Company will notify Commission Staff when a modified information retention policy is complete and make those documents, like all Company policies, available for on-site audits.

III. IDAHO POWER'S SUPPORT FOR THE SETTLEMENT STIPULATION

Idaho Power recommends the Commission adopt the proposed Settlement Stipulation for several reasons. First, the Settlement Stipulation represents a fair and balanced outcome for both customers and shareowners that supports the Company's efforts to preserve and operate an important source of low cost, carbon-free electric energy for its customers. Second, it accepts that some reasonably incurred expenditures are more appropriately classified as O&M expense. Finally, it acknowledges verification of the Company's expenditures incurred over the past three decades was challenging and sets forth a regulatory framework to ease future transaction data reviews that is a reasonable compromise of the Stipulating Parties' desires.

A. The Settlement Stipulation Balances Customer and Company Interests.

Idaho Power has been involved in relicensing activities since the early 1990s, incurring costs over the last several decades. The Company takes its responsibility of prudently managing costs seriously and believes it is important to get the maximum value for its customers. Idaho Power's relicensing activities provide evidence supporting the conscientious work of employees and efforts made in managing HCC relicensing costs. If FERC does not issue a new license until 2021, the Company estimates total HCC relicensing costs to be between \$350 million to \$400 million.

However, Idaho Power expects the Company's efforts will be cost-effective, resulting in a cost per kilowatt far below that of a Combined Cycle Combustion Turbine (the next most cost-effective form of baseload generation).

To be eligible for recovery in customer rates, capital costs must be associated with electric plant-in-service that is used and useful in the near term. Atypical to investments the Company makes in other generation units, the HCC continues to provide Idaho Power customers a low cost, clean energy source throughout the relicensing process. The costs Idaho Power has incurred are directly correlated to the Company's efforts to license the HCC for a temporary annual license, as well as a long-term license. Idaho Power continues operating the HCC to the full extent, providing customers the benefit of a resource that is used and useful even during the relicensing process. For example, in 2016 the HCC provided 28.3 percent of Idaho Power's total electricity generated to benefit its customers.

The Stipulating Parties agree that a total of \$216,504,145 expenditures incurred through December 31, 2015, should be accepted as reasonably incurred and eligible for inclusion in customer rates at a later date. Commission Order Nos. 30722 and 32426 authorized Idaho Power to collect \$6,520,122 annually from the Company's Idaho jurisdictional customers for recovery of Allowance for Funds Used During Construction ("AFUDC") associated with the HCC relicensing project, amounts included in the \$216,504,145 of reasonably incurred expenditures. As of December 31, 2015, the Company had already collected from customers a total of \$58,834,892. Therefore, when Idaho Power ultimately files a request to adjust customer rates to include recovery of HCC relicensing costs deemed reasonably incurred, it will first be jurisdictionalized,

then will be net of amounts previously collected, resulting in a lower impact to customer rates. In addition to the jurisdictionalizing and netting, the Settlement Stipulation acknowledges that, with the long life of the HCC, the equivalence of a 40 to 50-year license, the reasonably incurred HCC relicensing expenditures will result in a low cost, carbon free energy source for customers.

B. Some HCC Relicensing Expenditures are Reasonably Incurred but More Appropriately Classified as O&M Expense.

In an effort to manage future HCC license costs, protect Idaho Power's operational flexibility of the HCC, and address concerns raised by Baker County, Oregon, the Company entered into a settlement agreement with Baker County that resolved HCC operational economic impact concerns and gained the county's support of Idaho Power's relicensing efforts. As part of the agreement, Idaho Power provides funding for recreational construction and maintenance projects. The Stipulating Parties acknowledge that the Baker County settlement agreement expenditures were reasonably incurred but more appropriately classified as an O&M expense and should be deferred for amortization at a later time. The regulatory asset will include Baker County settlement agreement expenditures incurred through December 31, 2015, and reviewed in this proceeding, as well as those incurred from January 1, 2016, through December 31, 2017, which will be reviewed in a future proceeding. The regulatory account will not accrue AFUDC or a carrying charge of any type. In addition, any similar Baker County settlement related expenditures incurred beyond December 31, 2017, will be considered O&M expense at the time in which they are incurred. Because the expenditures were unique in nature and part of a broader settlement compromise, the Settlement Stipulation acknowledges the accounting treatment agreed to by Idaho

Power shall not be indicative of accounting treatment of costs associated with any future settlement agreement the Company may enter into with other parties, if any.

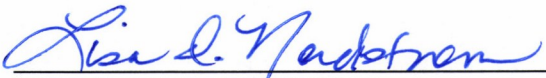
C. Verification of Idaho Power's HCC Relicensing Expenditures was Challenging.

Idaho Power began its relicensing efforts in 1991 in preparation for the filing of a new license, resulting in expenditures spanning nearly three decades and a transaction data file through year-end 2015 exceeding 186,000 rows of data. The expenses incurred can be categorized as aesthetic, aquatic, archeological/cultural, recreation, admin and legal, terrestrial/botanical, and wildlife and further segregated by labor, purchased services, materials, accounting entries, overheads, and other expenses. Commission Staff conducted an extensive audit of the transactions at issue in the case issuing 35 production requests, 45 audit requests and conducting multiple on-site audits at the Company's corporate headquarters. The age of the supporting documentation and Idaho Power's current Information Retention Policy required both Idaho Power and Commission Staff to perform in-depth research and use alternative accepted auditing practices of the supporting documentation for verification of the prudent expenditures. As a result, through a collaborative approach, the Stipulating Parties commit to continuing to develop a regulatory framework to ease the review of future HCC relicensing expenditure prudence determination requests as set forth in Section 9 (Annual Reporting of HCC Relicensing Expenditures), Section 10 (HCC Relicensing Expenditures Reporting by Work Order Project), Section 11 (Information Retention Policy), Section 12 (Future Prudence Requests), and Section 13 (Future HCC Relicensing Activities) of the Settlement Stipulation.

IV. CONCLUSION

As evidenced in these comments, the Stipulating Parties invested significant time and effort preparing and reviewing nearly three decades of HCC relicensing expenditure activities and supporting documentation. As a compromise of the respective positions of the Stipulating Parties, the Company believes that the proposed Settlement Stipulation is a reasonable resolution of the issues and is in the public interest. For all the reasons presented in these comments, Idaho Power urges the Commission to adopt the Settlement Stipulation submitted in this proceeding as filed, without modification, and to issue an order authorizing the terms of the Settlement Stipulation.

DATED this 5th day of January, 2018.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 5th day of January 2018 I served a true and correct copy of the IDAHO POWER COMPANY'S COMMENTS IN SUPPORT OF SETTLEMENT STIPULATION upon the following named parties by the method indicated below, and addressed to the following:

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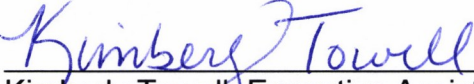
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