

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	CASE NO. IPC-E-16-32
OF IDAHO POWER COMPANY FOR A	)	
DETERMINATION OF HELLS CANYON	)	NOTICE OF APPLICATION
RELICENSING COSTS THROUGH 2015 AS	)	
PRUDENTLY INCURRED	)	NOTICE OF
	)	INTERVENTION DEADLINE
	)	
	)	ORDER NO. 33686

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On December 14, 2016, Idaho Power Company filed a prudency Application for expenditures of \$220,845,830 in Hells Canyon Complex (HCC) relicensing costs for inclusion in customer rates at a later date. The Company is not requesting an adjustment to customer rates at this time.

### NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Company explains that the HCC consists of three hydroelectric projects—Brownlee, Oxbow, and Hells Canyon—on the segment of the Snake River that forms the border between Oregon and Idaho. Application at 2. The HCC provides 34% of the Company's total generating capacity. *Id.*

YOU ARE FURTHER NOTIFIED that the Company is required to obtain a license from the Federal Energy Regulatory Commission (FERC) to operate the HCC; the licensing process includes extensive public review and involves numerous natural resources and environmental agencies. *Id.* The Company's previous long-term license expired on July 31, 2005; the Company began its relicensing efforts in 1991 in anticipation of that expiration. *Id.* The Company filed its new license application with FERC in 2003. *Id.* FERC has not yet issued a new long-term license and the Company has been operating the HCC under annual licenses issued by FERC since July 2005. *Id.* The Company cannot predict with certainty the timing of the issuance of a new long-term license, but estimates it will be delayed until at least 2021. *Id.*

YOU ARE FURTHER NOTIFIED that the Company states that the Commission authorized Idaho Power to collect \$6,520,122 annually from Idaho customers for recovery of allowance for funds used during construction (AFUDC) associated with the HCC relicensing project. *Id.* (*citing* Order Nos. 30722 and 32426). As of December 31, 2015, AFUDC amounts collected from customers total \$58,834,892. *Id.* This results in a net HCC relicensing construction work in progress (CWIP) balance of approximately \$162.1 million on a system

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basis. *Id.* at 2-3. The Company explains that because customers have already contributed to HCC relicensing costs, its future request for recovery would be net of the previously collected amounts and would be less than the \$220,845,830 the Company is requesting as prudently incurred in this Application. *Id.* at 3.

YOU ARE FURTHER NOTIFIED that the Company is requesting a prudence determination on the \$220,845,830 of HCC relicensing costs through December 31, 2015, at this time for four reasons. *Id.* First, the project has spanned nearly three decades to date and the HCC is currently providing customers with clean, reliable generating resource. *Id.* Second, the transaction data file through the end of 2015 exceeds 186,000 rows of data, providing the opportunity for an extensive transaction review. *Id.* Third, Idaho Power's subject matter experts and key employees involved in relicensing efforts to date are nearing retirement. *Id.* Finally, handling the prudence determination outside a general rate case will allow Commission Staff to narrow their focus to the HCC relicensing costs in this request rather than when the Company files its next general rate case. *Id.*

YOU ARE FURTHER NOTIFIED that the Company acknowledges that 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. *Id.* (citing Order Nos. 32585 and 32224). The Company explains that the HCC continues to provide Idaho Power's customers a low cost, clean source of more than 1,100 MW of generating capacity. *Id.* The costs the Company has incurred over the past three decades are directly correlated to the Company's efforts to license the HCC (both for temporary annual licenses and for a long-term license). *Id.* at 3-4.

YOU ARE FURTHER NOTIFIED that the Company estimates that the annual costs it will incur to obtain a new long-term license range from \$20 million to \$30 million until the new license is issued. *Id.* at 4. If FERC does not issue a new license until 2021, the Company estimates HCC relicensing costs to be between \$350 and \$400 million. *Id.* Assuming relicensing costs of \$400 million and 1,167 MW of generating capacity, the HCC cost is less than a third of the estimated capital costs of a combined-cycle combustion turbine (\$359 per kilowatt (kW) for HCC versus \$1,145 per kW for a combined-cycle combustion turbine; estimate from the 2015 Integrated Resource Plan). *See id.*

YOU ARE FURTHER NOTIFIED that the Company provides an overview of the relicensing process. *Id.* In brief, the Company's expenditures for the pre-filing stage of the

relicensing process, which occurred from 1997 to July 2003, were approximately \$51.08 million. *Id.* at 5 (table 1). Its expenditures for the post-filing stage, which the Company defines as occurring from August 2003 through 2015, were approximately \$169.65 million. *Id.*

YOU ARE FURTHER NOTIFIED that the Company also describes its review of the transaction data. *Id.* at 9-10. The Company reviewed the transaction data for HCC relicensing costs to test the appropriateness of the documentation supporting the costs and the reasonableness of the charges themselves. *Id.* at 9. Based on its review, the Company concluded that its documentation and record keeping was thorough and within reasonable expectations. *Id.* at 9-10.

YOU ARE FURTHER NOTIFIED that the Company also reviewed in greater detail certain transactional or cost categories. *Id.* at 10. Based on accounting method changes that occurred during the course of the relicensing project, the Company reviewed HCC relicensing costs from the 1991-1996 time period and also considered an AFUDC computational method change that occurred in 1996. *Id.* In addition, the Company reviewed capitalized employee incentive amounts within the HCC relicensing CWIP balance and reviewed AFUDC amounts that were inadvertently not accrued in 1997 and 1998. The Application describes the Company's review of these categories and its determinations, including that certain adjustments were appropriate. *Id.* at 9-12.

YOU ARE FURTHER NOTIFIED that as a result of its reviews, the Company concludes that the HCC relicensing costs in the CWIP balance, after identified adjustments, appear reasonable. *Id.* at 11. The Company thus requests an Order designating its expenditures through December 31, 2015, after adjustments, of \$220,845,830 in HCC relicensing costs as prudently incurred. *Id.* at 13.

YOU ARE FURTHER NOTIFIED that the Application and its exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. These documents are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Electric Cases" and click on the case numbers as shown on the front of this document.

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. 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.*

#### **NOTICE OF INTERVENTION DEADLINE**

YOU ARE FURTHER NOTIFIED that persons who wish to intervene in this matter to obtain the rights of party (e.g., to file formal discovery, or present evidence or cross-examine witnesses at a hearing) must file a Petition to Intervene with the Commission pursuant to the Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and .073. **Persons who wish to intervene as a party must file a Petition to Intervene no later than 21 days from the service date of this Order.** Such persons shall also provide the Commission Secretary with their electronic mail address to facilitate further communications in this matter. After the intervention deadline runs, the Commission Secretary shall issue a Notice of Parties that identifies the parties and assigns exhibit numbers to each party in this proceeding. Once the Notice of Parties has issued, Commission Staff shall informally confer with the Company and any intervening parties about how to further process this case, and shall then report back to the Commission on a proposed case schedule.

YOU ARE FURTHER NOTIFIED that persons who would like to present their views without parties' rights of participation and cross-examination are not required to intervene but may present their views by submitting written comments to the Commission.

YOU ARE FURTHER NOTIFIED that the following persons are designated as the Company's representatives in this matter:

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#### **ORDER**

IT IS HEREBY ORDERED that persons desiring to intervene in this matter shall file a Petition to Intervene no later than 21 days from the service date of this Order. Once the deadline for intervention has passed, the Commission Secretary shall prepare and issue a Notice of Parties.

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IT IS FURTHER ORDERED that, after the Notice of Parties has issued, Commission Staff shall confer with the parties regarding a procedural schedule for this matter.

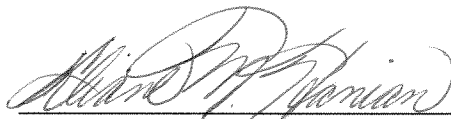
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4<sup>th</sup> day of January 2017.

  
PAUL KJELLANDER, PRESIDENT

  
KRISTINE RAPER, COMMISSIONER

  
ERIC ANDERSON, COMMISSIONER

ATTEST:

  
Diane M. Hanian  
Commission Secretary

O:IPC-E-16-32\_cc