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UTILITIES COMMISSION

November 24, 2017

***VIA OVERNIGHT DELIVERY***

Diane Hanian  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702

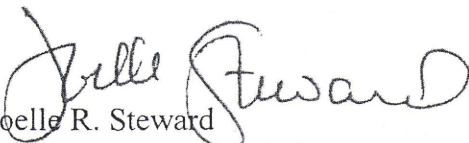
Attention: Diane Hanian  
Commission Secretary

**RE: CASE NO. PAC-E-17-06  
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER  
FOR BINDING RATEMAKING TREATMENT FOR WIND REPOWERING**

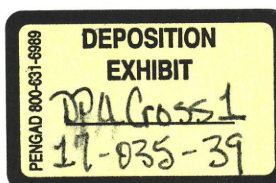
Please find enclosed for filing an original and seven (7) copies of a Stipulation in the above-referenced matter.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager, at (801) 220-2963.

Very truly yours,

  
Joelle R. Steward  
Vice President, Regulation

Enclosures



**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE</b>	)	
<b>APPLICATION PACIFICORP DBA</b>	)	<b>CASE NO. PAC-E-17-06</b>
<b>ROCKY MOUNTAIN POWER FOR</b>	)	
<b>BINDING RATEMAKING</b>	)	<b>STIPULATION</b>
<b>TREATMENT FOR WIND</b>	)	
<b>REPOWERING</b>	)	
	)	
	)	

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This stipulation ("Stipulation") is entered into by and among Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or "the Company") and all of the parties of record in Case No. PAC-E-17-06 including Staff of the Idaho Public Utilities Commission ("Staff"), the Idaho Irrigation Pumpers Association Inc. ("IIPA"), PacifiCorp Idaho Industrial Customers ("PIIC") and Monsanto Company ("Monsanto"). The Stipulation refers to the Company, Staff, IIPA, PIIC and Monsanto individually as a "Party," and collectively, as the "Parties."

**I. INTRODUCTION**

The terms and conditions of this Stipulation are set forth below. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of all issues raised in this proceeding, and that this Stipulation is in the public interest. The Parties, therefore, recommend that the Idaho Public Utilities Commission ("Commission") approve the Stipulation and all of its terms and conditions. *See* IDAPA 31.01.01.271, 272, and 274.

**II. BACKGROUND**

1. On July 3, 2017, Rocky Mountain Power filed an Application for Binding Ratemaking Treatment for Wind Repowering ("Application") with the Commission. The Application requested a Commission determination on the prudence of the Company's plan to

upgrade or “repower” most of its wind resources, and Commission approval of the Company’s proposed ratemaking treatment for new investment and continued rate recovery of and on the undepreciated balance of the replaced assets associated with the wind repowering project.

2. On July 26, 2017, the Commission issued a Notice of Application and Order setting an intervention deadline of August 8, 2017, and directing Staff to develop a procedural schedule for the processing of the matter.

3. On August 18, 2017, the Commission issued a Notice of Scheduling and Notice of Technical Hearing setting a procedural schedule that included a technical evidentiary hearing on December 7, 2017.

4. To work toward resolving the issues raised in the Application, the Parties met on October 19, 2017, under IDAPA 31.01.01.271 and .272, to engage in settlement discussions. Based upon these settlement discussions, as a compromise of the Parties’ positions in this proceeding, and for other good and valuable consideration, the Parties have reached a comprehensive settlement agreement. The Stipulation resolves all outstanding issues in this docket, and the Parties believe the Stipulation is in the public interest.

### **III. TERMS OF THE STIPULATION**

5. The Parties request that the Commission issue an order finding that the Company’s decision to repower the wind facilities identified in the Application is prudent and in the public interest, based upon the representations of the Company in this matter.

6. The Parties request that the Commission approve the Company’s proposed ratemaking treatment for recovery of the replaced assets, new investment, incremental energy production, and production tax credits (“PTC”) associated with the wind repowering project. Specifically, the Parties agree that the Commission should enter an order approving the Company’s



proposed Resource Tracking Mechanism ("RTM") as a component of the Energy Cost Adjustment Mechanism ("ECAM"). *See* Direct Testimony of Jeffrey K. Larsen at 6-16, and Exhibit 12 (describing design and operation of the RTM). The RTM, along with the ECAM, will capture the costs and benefits of the repowered wind facilities until such time as they are recovered in base rates.

7. The Parties agree that all liquidated damages received by the Company under the contractual agreements with vendors for these facilities will be passed onto customers, including, but not limited to, liquidated damages received due to the repowered equipment not meeting specified availability, performance, or installation schedule requirements.

8. The Parties agree that, under the ECAM's existing sharing bands, 90 percent of the net power cost ("NPC") benefits associated with the incremental energy production from each repowered wind facility will be credited to customers and 10 percent will be assigned to the Company. The Parties agree that the RTM will pass that 10 percent of the NPC benefits of the wind repowering project, that would otherwise be assigned to the Company through the ECAM, back to customers. Thus, customers will receive 100 percent of the benefit of the incremental energy produced by the repowered facilities. The Parties further agree that 100 percent of the full gross-up pre-tax value of all the PTCs generated by each repowered facility will be credited to customers through the existing ECAM, consistent with the current treatment of PTCs. The Parties further agree that there will be no return on any deferred tax assets that may be created as a result of the Company's inability to contemporaneously monetize PTCs to full value. The Company will begin deferring the costs and benefits associated with the wind repowering activity for each repowered wind facility in the first month following its in-service date, until those costs and



benefits are included in base rates through a general rate case. The parties agree that a 10.4 percent pretax rate of return on investment will be utilized in the RTM calculation. This equates to an after tax return on investment of 6.45 percent. Following the next general rate case or federal tax rate change case, the return on the net plant balance will be consistent with the rate of return authorized by the Commission in that case. The parties reserve all rights to challenge the rate of return in future rate cases.

9. The Parties agree that the Company will maintain a cap in the RTM until the next general rate case, and evaluate the need and use of the RTM, including the cap, in the next general rate case. In any event, continuation of a cap would not exceed the eligibility timeframe for PTCs. Additionally, Parties agree that any annual surcharge to customers from the RTM will be matched to the annual credit that results from the benefits derived from wind repowering that flow through the Company's ECAM, and that there will be no incremental surcharge through the RTM beyond any such credited amounts until the re-evaluation in the next general rate case. The evaluation of the continued need and use of the cap for the RTM in the next general rate case will consider whether the Company would recover the prudently-incurred costs of the repowering project.

10. The Parties agree that the Company will bear a) the risks related to any portion of the wind repowering project that does not qualify for PTCs due to completion delays beyond the timelines associated with the five-percent safe harbor, and (b) any unexpected loss of PTC benefits for not qualifying under the 80/20 test requirements, that are within the Company's control.

11. In each ECAM filing until base net power costs are reset either in the next general rate case or in another appropriate proceeding, the Company will report the net power cost and PTC benefits associated with the wind repowering project and Parties' support of this Stipulation

does not waive their right to contest these costs or benefits when the Company seeks recovery of such items in the Company's next ECAM or general rate case.

12. The Parties agree that, at the time the assets replaced by repowering are removed from service, the Company will record the unrecovered investment in replaced wind equipment in accumulated depreciation reserve. The Company's accounting system will be able to report the balance of these assets as they are depreciated. The Parties acknowledge that until the Company performs its next depreciation study and implements the rates from that study, no depreciation will occur on the replaced assets. The Company will track the depreciation expense associated with the new assets and compare that amount to the depreciation expense associated with the replaced assets that is currently recovered through retail rates. The net depreciation expense will be included in the RTM as described in the direct testimony of Jeffrey K. Larsen at pages 9-10 and Exhibit 11. Parties may make proposals regarding the recovery period of these replaced assets in the Company's next depreciation study, but agree not to contest the inclusion of unamortized balances as a component of rate base in the Company's next general rate case.

13. The Parties agree that the Company will file a report on the disposition of the assets replaced by repowering and the salvage value or other customer benefits realized and, if applicable, credited to the accumulated depreciation reserve, at the time of the Company's first general rate case after repowering, or its application for approval of the ECAM filed in 2021, whichever is earlier. As a component of the report, the Company will detail the adjustments recorded to accumulated depreciation reserve for each facility.

14. The Parties agree that the Company must demonstrate in its report, referenced in paragraph 13 above, that it has acted in good faith to timely dispose of the replaced assets and

maximize the salvage value or other customer benefits from the replaced assets. Failure of the Company to act in good faith may affect cost recovery and return on remaining replaced assets. The Company will include and track actual salvage value realized through the sale and disposition of repowered replaced assets in the RTM.

15. The Company will include the actual costs and benefits it incurs for repowering in the RTM, and parties will have the opportunity to verify these costs and benefits as part of the annual audit of the ECAM deferred balance. Although the Parties agree that the Commission should find that the Company's decision to repower its wind facilities is prudent and in the public interest, the Parties agree that a party may challenge the prudence of actual costs and benefits incurred in implementing the wind repowering project when the Company seeks recovery of those costs in a later proceeding. The Parties agree that the Company will include the costs and benefits that are tracked in the RTM in its quarterly ECAM filing updates beginning after the in-service date of the first facility to complete repowering.

16. If there is a material change in circumstance, such as changes to federal tax laws, change in the projected costs or benefits, or for some other reason, the Parties agree that the Company will make a filing with the Commission to allow for additional review and a determination of whether the Company should proceed with the implementation of the wind repowering project under the terms and conditions of this Stipulation.

17. The Parties agree to reconvene and to reconsider and amend the terms and conditions of this Stipulation if the Company executes and obtains approval of a settlement agreement with parties in either Utah Docket No. 17-035-39 or Wyoming Docket 20000-519-EA-17 and those settlement agreements include more favorable terms and conditions for customers,



recognizing that differences exist in current regulatory treatment or mechanisms between the states that will impact any settlement structure achieved in other states, than those set forth in this Stipulation including, without limitation, a lower overall rate of return on the new investment. If after reconvening, the overall the terms of a settlement agreement reached and approved in either Utah or Wyoming is more favorable than the agreement reached herein, the Company will file with the Commission to align the overall outcome of this Stipulation with the other states.

#### **IV. GENERAL PROVISIONS**

18. The Parties agree that this Stipulation represents a compromise of the positions of the Parties on all issues in this proceeding. Other than the above-referenced positions and any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions regarding this Stipulation, all negotiations relating to this Stipulation are not admissible as evidence in this or any other proceeding.

19. The Parties submit this Stipulation to the Commission and recommend approval in its entirety under IDAPA 31.01.01.274. The Parties will support this Stipulation before the Commission, and no Party may appeal any portion of this Stipulation or Order approving the same. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to cross-examine witnesses and present a case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

20. If the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 15 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party will be bound or prejudiced by the terms of this Stipulation, and each Party will be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to present a case as it deems appropriate.

21. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

22. No Party will be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor will this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation will not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party will be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein will be deemed to be implicit in this Stipulation.

23. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and, if judicial review is sought, upon such approval being upheld on appeal by a court of competent jurisdiction.

24. The Parties agree to waive their rights to testify at the technical hearing scheduled for December 7, 2017, and respectfully request that this Application and associated Stipulation be

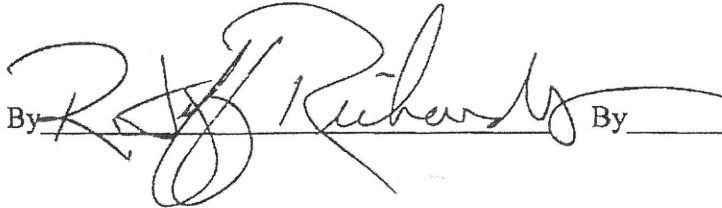
processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et. seq.* In accordance with RP 121(d). If however the Commission determines that a technical hearing is necessary the Parties stand ready to present testimony in support of this Stipulation.



Respectfully submitted this 21<sup>st</sup> day of November, 2017.

**Rocky Mountain Power**

**PacifiCorp Idaho Industrial Customers**

By  By \_\_\_\_\_

**Idaho Public Utilities Commission Staff**

**Monsanto Company**

By \_\_\_\_\_ By \_\_\_\_\_

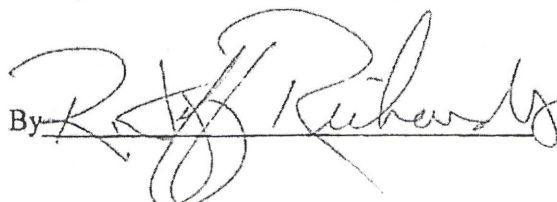
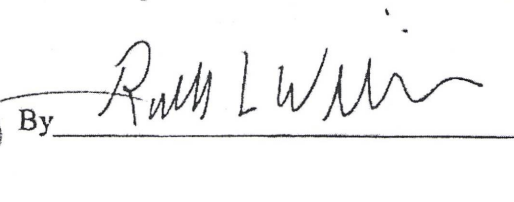
**Idaho Irrigation Pumpers Association Inc.**

By \_\_\_\_\_

Respectfully submitted this 21<sup>st</sup> day of November, 2017.

**Rocky Mountain Power**

**PacifiCorp Idaho Industrial Customers**

By  By 

**Idaho Public Utilities Commission Staff**

**Monsanto Company**

By \_\_\_\_\_ By \_\_\_\_\_

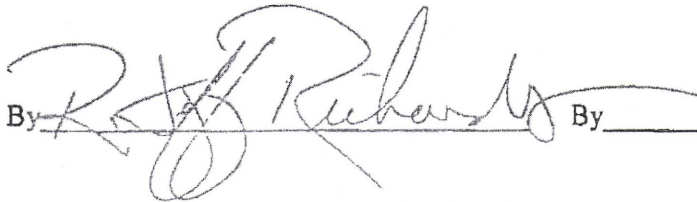
**Idaho Irrigation Pumpers Association Inc.**

By \_\_\_\_\_

Respectfully submitted this 21<sup>st</sup> day of November, 2017.

**Rocky Mountain Power**

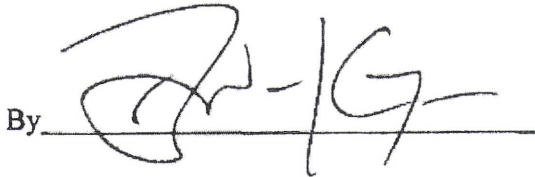
**PacifiCorp Idaho Industrial Customers**

By  \_\_\_\_\_

By \_\_\_\_\_

**Idaho Public Utilities Commission Staff**

**Monsanto Company**

By  \_\_\_\_\_

By \_\_\_\_\_

**Idaho Irrigation Pumpers Association Inc.**

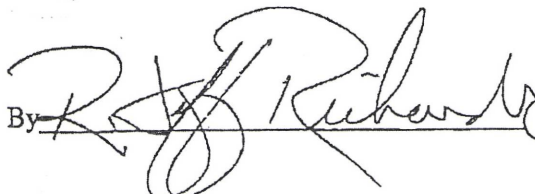
By \_\_\_\_\_



Respectfully submitted this 21<sup>st</sup> day of November, 2017.

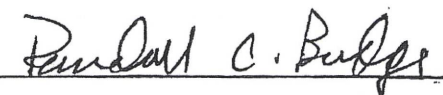
**Rocky Mountain Power**

**PacifiCorp Idaho Industrial Customers**

By  By \_\_\_\_\_

**Idaho Public Utilities Commission Staff**

**Monsanto Company**

By \_\_\_\_\_ By 

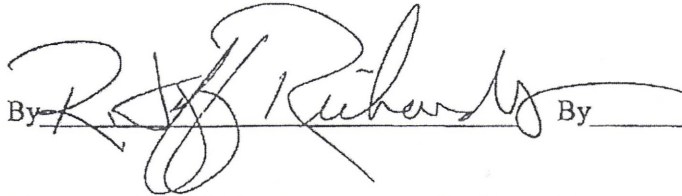
**Idaho Irrigation Pumpers Association Inc.**

By \_\_\_\_\_

Respectfully submitted this 21<sup>st</sup> day of November, 2017.

**Rocky Mountain Power**

**PacifiCorp Idaho Industrial Customers**

By 

By \_\_\_\_\_

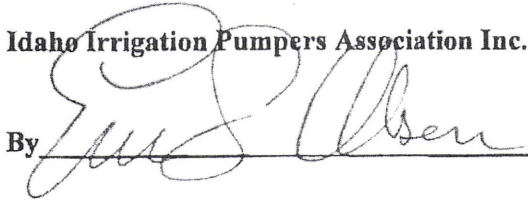
**Idaho Public Utilities Commission Staff**

**Monsanto Company**

By \_\_\_\_\_

By \_\_\_\_\_

**Idaho Irrigation Pumpers Association Inc.**

By 

## CERTIFICATE OF SERVICE

I hereby certify that on this 24<sup>th</sup> of November, 2017, I caused to be served, via e-mail a true and correct copy of Rocky Mountain Power's Stipulation in Case No. PAC-E-17-06 to the following:

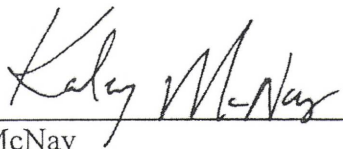
### Service List

<b>IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.</b>	
Eric L. Olsen ECHO HAWK & OLSEN, PLLC 505 Pershing Ave., Ste. 100 P.O. Box 6119 Pocatello, Idaho 83205 E-mail: <a href="mailto:elo@echohawk.com">elo@echohawk.com</a>	Anthony Yankel 12700 Lake Avenue, Unit 2505 Lakewood, Ohio 44107 E-mail: <a href="mailto:tony@yankel.net">tony@yankel.net</a>
<b>MONSANTO COMPANY</b>	
Randall C. Budge Racine, Olson, Nye & Budge, Chartered P.O. Box 1391; 201 E. Center Pocatello, Idaho 83204-1391 E-mail: <a href="mailto:rcb@racinelaw.net">rcb@racinelaw.net</a>	Brubaker & Associates 16690 Swingley Ridge Rd., #140 Chesterfield, MO 63017 E-mail: <a href="mailto:bcollins@consultbai.com">bcollins@consultbai.com</a> <a href="mailto:kiverson@consultbai.com">kiverson@consultbai.com</a>
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Kyle Williams BYU Idaho E-mail : <a href="mailto:williamsk@byui.edu">williamsk@byui.edu</a>	Val Steiner Nu-West Industries, Inc. E-mail : <a href="mailto:val.steiner@agrium.com">val.steiner@agrium.com</a>
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<b>COMISSION STAFF</b>	
Brandon Karpen Deputy Attorney General Idaho Public Utilities Commission 472 W. Washington (83702) PO Box 83720 Boise, ID 83720-0074 E-mail: <a href="mailto:brandon.karpen@puc.idaho.gov">brandon.karpen@puc.idaho.gov</a>	



<b>PACIFICORP, DBA ROCKY MOUNTAIN POWER</b>	
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<p>Data Request Response Center  PacifiCorp  825 NE Multnomah, Suite 2000  Portland, OR 97232  E-mail: <a href="mailto:datarequest@pacificorp.com">datarequest@pacificorp.com</a></p>	

Dated this 24<sup>th</sup> day of November, 2017.

  
\_\_\_\_\_  
Kaley McNay  
Senior Coordinator, Regulatory Operations

2017 WL 6765231 (Idaho P.U.C.)

Slip Copy

IN THE MATTER OF THE APPLICATION OF **ROCKY MOUNTAIN POWER**  
FOR BINDING RATEMAKING TREATMENT FOR WIND **REPOWERING**

PACE1706

33954

Idaho Public Utilities Commission

December 28, 2017

BY THE COMMISSION.

\*1 On July 3, 2017, PacifiCorp dba **Rocky Mountain Power** applied for approval of its plan to upgrade (or “repower”) its existing wind resources and approval of associated ratemaking treatment. The Company claimed that **repowering** its wind resources would increase production, reduce costs, and qualify for federal production tax credits (PTCs). The Company estimated upgrading the system would increase output by an average of 19% with no additional facilities. The Company estimated the project would cost about \$1.13 billion. Because of the large scale of the project, the Company is seeking Commission approval before starting the project.

The Commission issued a Notice of Application. Order No. 33821. The Commission granted intervention to Monsanto Company, PacifiCorp Idaho Industrial Customers (PIIC), and the Idaho Irrigation Pumpers Association, Inc. (IIPA). Order Nos. 33822, 33835, and 33846. The parties conferred and agreed upon a schedule for processing the case, which the Commission adopted. Order No. 33850. The parties then met several times to discuss settlement and ultimately settled the issues in the case. *See* Order No. 33927. Rocky Mountain Power filed the Settlement Stipulation with the Commission, and the Commission issued a Notice of Settlement and adopted a new schedule for processing the case under Modified Procedure. *See* Order No. 33939. Staff and Rocky Mountain Power timely filed comments to support the Stipulation. No other comments were received. The Commission now issues this Order approving the Stipulation, based on the record as it stands today. The Commission expects the Company to provide additional analysis as it becomes available, as discussed further below.

**THE APPLICATION**

The Company proposed to modernize most of its wind generation resources in Wyoming, Washington, and Oregon. Collectively, the facilities represent 999.1 megawatts (MW) of installed capacity (594 MW, Wyoming; 304.6 MW, Washington; and 100.5 MW, Oregon). Application at 4. Upgrades include new rotors with longer blades and new nacelles with higher-capacity generators. *Id.* The Company estimates these changes will cause an 11% to 35% increase in wind generation, for an average of 19%. *Id.* at 5.

Besides increased generation, the Company claimed repowering would allow for greater control over quality and voltage, allowing for greater reliability. *Id.* Additionally, the Company stated repowering would reduce future operating costs and extend the useful life of each plant by approximately 10 years, without the cost and complication of permitting and constructing new facilities. *Id.*

\*2 The Company explained that the cost-effectiveness of repowering is “driven in part by the fact that repowering requalifies the Company's existing wind facilities for PTCs, which are set to expire 10 years from their original commercial operation date (expiration dates range from 2016 through 2020).” *Id.* To requalify for PTCs, the repowered facilities must meet the Internal Revenue Service's (IRS) 80/20 test—the fair market value of the retained property (that is, the

tower and foundation) must be no more than 20% of the facility's total value after installation of the upgrade (the nacelle and rotor). *Id.* The Company explained it has designed the repowering project to meet this requirement.

The Company further explained its efforts to ensure the repowered facilities are eligible for all available PTCs. *Id.* at 6. The Company has agreed to buy necessary equipment from General Electric, Inc. and Vestas-American Wind Technology, Inc. *Id.* According to the Company, "these safe-harbor equipment purchases allow the repowered facilities to qualify for 100 percent of the value of available PTCs if they are commercially operational by the end of 2020." *Id.* The Company estimated that to meet installation timelines, it will need Commission approval for the project by December 29, 2017, and requested such a processing timeline. *Id.*

The Company explained that its 2017 IRP (Case No. PAC-E-17-03) identified wind repowering as a least-cost, least-risk resource. *Id.* at 6-7. In addition, the Company conducted a "comprehensive economic analysis" of the project, which demonstrated it would provide \$41 million to \$589 million in customer benefits, depending on assumptions and scenarios. *Id.* at 7.

The Company requested binding ratemaking treatment under Idaho Code § 61-541. *Id.* at 8. It proposed to track repowered wind project expenses using a Resource Tracking Mechanism as a component of the Company's Energy Cost Adjustment Mechanism (ECAM), until the costs and benefits are fully included in base rates. *Id.* at 12. The Company proposed that customers receive 100% of the benefit of incremental energy generated from the projects. *Id.* Once fully in base rates, only the incremental fluctuations associated with production and PTCs would continue to be tracked in the ECAM. *Id.* Further, the Company explained it intends to file new depreciation rates in 2019, when it will reset the 30-year depreciable life of the repowered facilities, *Id.* This effectively extends the depreciable life of the facilities by 10 to 13 years. *Id.*

\*3 Finally, the Company asked to include the remaining book value of the replaced assets in accumulated depreciation reserve and to continue to recover these costs in rates, Larsen Direct at 2. According to the Company, "[t]he remaining original investment plus new capital additions will be depreciated using current depreciation rates until the Company's next depreciation study." *Id.* at 15.

In sum, the Company asked the Commission to issue an order (1) finding that the wind repowering project is prudent and in the public interest; (2) approving the proposed binding ratemaking treatment for the repowering project; and (3) approving the continued rate recovery of and on the replaced assets associated with the repowering project as described in the testimony of Company witness Mr. Larsen. Application at 13-14.

## THE SETTLEMENT STIPULATION

The parties' Stipulation is summarized as follows:

### *1. Overview*

If approved, PacifiCorp would use its ECAM to recover the replacement of certain assets, new investment, incremental energy production, and wind repowering project PTCs through the Resource Tracking Mechanism. The Resource Tracking Mechanism and ECAM will capture the costs and benefits of the repowered wind facilities until they are recovered in base rates through a general rate case.

### *2. Resource Tracking Mechanism*



Customers will receive 100% of the benefit of the incremental energy produced by the repowered facilities. Under the ECAM's existing sharing bands, the Company credits customers with 90% of the benefits from incremental energy production and retains the remaining 10% for itself. The Resource Tracking Mechanism will return to customers the Company's 10% associated with the wind repowering project, so that customers will receive 100% of the benefit of the incremental energy produced by the repowered facilities.

The Resource Tracking Mechanism calculation will use a pre-tax return on investment rate of 10.4%, or an after-tax return on investment rate of 6.45%. The Company will begin deferring the cost and benefits for each repowered facility in the first month after its in-service date. The Company has agreed to maintain a cap in the Resource Tracking Mechanism until its next general rate case where it may ask, if appropriate, to remove the cap.

### *3. Change in Circumstances*

The parties agreed, if there is a significant change in circumstances, such as changes to the federal tax code, or a change in the projected costs or benefits to the project, that the parties may initiate a further review before the Company proceeds. The Stipulation also includes a "more favorable terms and conditions" clause allowing the parties to reconvene and amend the Stipulation, with Commission approval, if more favorable terms are reached in Utah or Wyoming.

### *4. Signing Parties*

The Company, Commission Staff, Monsanto, the IIPA, and the PIIC signed the Stipulation and represent it is in the public interest and is fair, just, and reasonable.

## THE COMMENTS

### *1. Commission Staff*

\*4 Commission Staff supported the Stipulation. Staff Comments at 2. Staff reviewed the Application and Stipulation to determine whether the repowering project is prudent and to evaluate the Resource Tracking Mechanism.

Regarding the prudence review, Staff reviewed the Company's economic analysis of the project, and believed the assumptions used in the analysis are reasonable and, in the case of natural gas price assumptions, may be conservative. *Id.* at 3, 5. Staff thus believed the Company's economic analysis is reasonable. *Id.* at 3.

Staff also analyzed potential risks to the project that could increase costs or reduce benefits, and believed the Stipulation mitigates many of these risks. *Id.* While some risk remains, Staff believed it is acceptable. *Id.* Specifically, Staff identified a risk that the project may fail to qualify for PTCs under IRS rules. Staff believes the Stipulation mitigates this risk by stating that the Company bears the risk of losing PTCs if the project does not qualify. *Id.* at 4. Staff expects that if the project does not qualify, "the Company will calculate PTC benefits to be passed through the ECAM to ratepayers as if full PTC benefits are being realized for the ten years the Company is eligible." *Id.* Staff further explained that the Company has designed the project and mitigated the risk of the project failing to qualify for PTCs. *Id.*

Staff also identified a risk that the federal corporate income tax rate may change, which could significantly reduce the revenue requirement benefit of the PTCs from the project. Staff believed the Stipulation mitigates this (and other) risks with a provision that if there is a material change in circumstances, including a change to federal tax laws or changes in projected costs or benefits, the Company will make a filing with the Commission to allow for additional review and a determination whether the Company should proceed. *Id.* at 4-5,

Staff also described provisions of the Stipulation that mitigate other risks. For example, the Stipulation requires the Company to pass on to ratepayers all liquidated damages it receives from equipment suppliers in case the repowered equipment does not meet specified availability, performance, or installation schedule requirements. *Id.* at 4. As another example, the Stipulation's Resource Tracking Mechanism caps the Company's annual actual cost by the amount of annual benefits, thereby mitigating the risk that costs will exceed estimates and reduce net benefits. *Id.* Further, parties retain the ability to challenge the prudence of actual costs and benefits incurred with the project when the Company seeks recovery of the costs in a later proceeding. *Id.* at 8. In addition, the Company will provide a report of net power cost and PTC benefits associated with the project, which Staff explained would enable parties to challenge recovery of costs and benefits associated with the project. *Id.*

\*5 Staff also described natural gas price risk. If natural gas prices are less than the Company assumes, then the project's net benefits also will be less than estimated. *Id.* at 5-6. While the impact of lower natural gas prices could be large, Staff believes the natural gas price risk is low. *Id.* Staff compared the Company's natural gas price forecasts with those of the U.S. Energy Information Administration (EIA), and found that the Company's forecasts are "consistently lower" than the EIA's. *Id.* at 5. Staff thus believed the Company's forecasts are conservative, and explained that if actual gas prices are closer to EIA's forecasts, there will be more benefits than the Company has estimated. *Id.* Staff also noted that some of the risk mitigation provisions discussed above could mitigate the natural price risk. *Id.* at 6.

Staff discussed remaining risks—such as CO<sub>2</sub> costs and changed wind capacity factors—and believed the risks are low. *Id.* at 6-7.

Further, Staff supported the cost recovery provisions of the Stipulation. Staff supported the Resource Tracking Mechanism and explained it "will ensure an equitable match of project costs with project benefits until the project can be included in base rates." *Id.* at 8-9. Staff explained that the Resource Tracking Mechanism passes 100% of net power cost benefits to customers, while the ECAM would normally only pass 90% through due to customer sharing. *Id.* at 9.

Staff explained that the Stipulation includes an option to extend the Resource Tracking Mechanism—including the cost cap—past the next general rate case and to keep recovery of the project separate from base rates. *Id.* Staff believed this option should be considered in the next rate case because it would allow customers to benefit from declining capital recovery costs. *Id.* The alternative—including the project in base rates—would hold project capital costs at test year amounts. *Id.*

Staff supported the pre-tax return on investment, 10.4%, agreed to in the Stipulation for calculating the resource tracking mechanism revenue requirement (which equates to an after-tax return on investment of 6.45%). *Id.* at 10-11. Staff also discussed its support of the Stipulation's provision to consider any future settlements reached in other jurisdictions and the provisions relating to the disposition of replaced assets. *Id.* at 11.

In sum, Staff supported the Stipulation and recommended the Commission approve it as filed. *Id.*

## 2. Rocky Mountain Power

The Company explained all parties negotiated the Stipulation in good faith. Company Comments at 4. The Company acknowledged that any project has risks, and described that the Stipulation has protections and off-ramps to protect customers and the Company from risks within the Company's control. *Id.*

\*6 The Company described the provision regarding material changes in circumstances. *Id.* The Company explained it has committed (in dockets in Utah and Wyoming) to provide an updated analysis of the project, incorporating the results of the final equipment selected, any contract terms, and the most current information regarding tax reform. *Id.* The Company committed to provide this analysis to this Commission and parties by February 7, 2018. *Id.* The Company



explained that if this analysis results in a material change to the project, the Company would make a supplemental filing per the Stipulation to allow the Commission and parties an additional formal opportunity to review. *Id.* at 4-5.

Thus, the Company asked the Commission to approve the Stipulation as filed and issue an order: (1) finding the wind repowering project prudent and in the public interest; (2) approving the Resource Tracking Mechanism as described in the Stipulation; and (3) approving the continued rate recovery of and on the replaced assets associated with the wind repowering project. *Id.*

### COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. Under Rule 276 of the Commission's Rules of Procedure, a settlement proposal is not binding, but must be reviewed and approved by the Commission as "fair, just, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." IDAPA 31.01.01.276.

After reviewing the Application, the Stipulation, and parties' comments, the Commission adopts and approves the Stipulation. We find the wind-repowering project to be prudent and in the public interest, based on the record before us today. This finding, however, is contingent on the Company's agreement, as reflected in paragraph 16 of the Stipulation and page 4 of the Company's reply comments, to continue analyzing the project's costs and benefits and report the results of its analysis to us by February 7, 2018. We expect the Company's analysis to consider the effects of new federal tax legislation and any other updated assumptions that are relevant to whether the Stipulation remains in the public interest. We reserve the right to revisit our initial prudency finding after the Company files its report. *See Idaho Code* § 61-624 (empowering Commission to, at any time, alter or amend any order or decision made by it).

We approve the ratemaking treatment described in the Stipulation, including the Resource Tracking Mechanism as a component of the ECAM, to capture the costs and benefits of the **repowered** facilities until they can be incorporated into base rates. Our approval of the Resource Tracking Mechanism does not constitute approval of binding ratemaking treatment for the project under *Idaho Code* §61-541. The Resource Tracking Mechanism is an appropriate tool for cost recovery in this case, and we have approved similar tracking mechanisms before. *See* Order No. 32910 (Case No. PAC-E-13-04, approving a similar resource adder in **Rocky Mountain Power's** ECAM to recover the Lake Side II generation facility at 100% until that facility is included in base rates); Order No. 33771 (Case No. IPC-E-16-24, approving a similar tracking mechanism for the North Valmy generation facility for Idaho Power); Order No. 32457 (Case No. IPC-E-11-18, approving a similar tracking mechanism for the Boardman generation facility for Idaho Power).

\*7 We thus find the Stipulation appropriately resolves the issues concerning the project. We further find that the Stipulation is a reasonable compromise of the contested issues and results from substantial negotiations in which all parties participated. We recognize the parties' efforts and commend their cooperation in reaching agreement on the various and complex issues. By entering into the agreement, the parties resolve the contested issues, avoiding the expense, inconvenience, and uncertainty of further litigation. Further, we find that the Stipulation's terms achieve an appropriate balance of competing interests.

We thus find that the Stipulation is just, fair and reasonable, in the public interest, and **in** accordance with the law and regulatory policy of this state, and we approve it without modification. IDAPA 31.01.01.275 and 276.

### ORDER

IT IS HEREBY ORDERED that the parties' Stipulation concerning Rocky Mountain Power's Application is approved.

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 with regard to any matter decided in 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 28<sup>th</sup> day of December 2017.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian

Commission Secretary

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