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April 30, 2007

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket UM _____

Enclosed for filing is Idaho Power Company's Application for an Accounting Order Regarding Excess Net Power Expenses, along with the Direct Testimony of Michael J. Youngblood.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lisa F. Rackner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lisa F. Rackner

Enclosures

cc: UE 167 Service List

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: April 30, 2007.



Lisa F. Rackner
Of Attorneys for Idaho Power Company

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM _____

In the Matter of the Application of IDAHO
POWER COMPANY for an Accounting
Order Regarding Excess Net Power
Expenses.

**APPLICATION
AND WAIVER OF PAPER SERVICE**

INTRODUCTION

Pursuant to ORS 757.259, OAR 860-027-0300 and Order No. 05-1070 Idaho Power Company ("Idaho Power" or the "Company") respectfully requests authorization to defer for future rate recovery excess net power supply expenses necessarily incurred in 2007-2008 as a result of extraordinarily low streamflow conditions. In addition, Idaho Power proposes to accrue interest on the accumulated deferred debt, using the Company's current authorized overall rate of return in Oregon.¹

This Application is based on the following:

1. Idaho Power is a public utility in the state of Oregon and is subject to the jurisdiction of the Commission with regard to its rates, services and accounting practices. Idaho Power also provides retail electricity service in the state of Idaho.
2. This Application is filed pursuant to ORS 757.259(2), which allows the Commission, upon application of a utility, to authorize deferral of certain material items for later incorporation in rates.

¹ Idaho Power recognizes that use of its authorized overall rate of return as a carrying charge rate is still under review as per Order No. 06-507.

1 3. In accordance with OAR 860-013-0070, Idaho Power hereby waives service
2 by means other than service by electronic mail. Consistent with that waiver,
3 communications regarding this Application should be addressed to all of the following:

4 John R. Gale
5 Vice President, Regulatory Affairs
6 Pricing Regulatory Services
7 Idaho Power Company
8 P.O. Box 70
9 Boise, Idaho 83707
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9 Gregory W. Said
10 Directory, Revenue Requirement
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14 Michael J. Youngblood
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16 Pricing & Regulatory Services
17 Idaho Power Company
18 P.O. Box 70
19 Boise, Idaho 83707
20 Telephone: (208) 388-2882
21 Facsimile: (208) 388-6449
22 E-mail: myoungblood@idahopower.com

20 4. Idaho Power has experienced extraordinarily low streamflow conditions in
21 recent years, and 2007 April through July runoff is forecasted to be within the lowest 25% of
22 inflow volumes in the Company's history. More than half of the Company's energy is
23 typically produced by its hydroelectric generating plants. Very low streamflow conditions
24 mean that the Company must rely upon higher-cost generating resources and wholesale
25 market purchases to meet its customers' electrical requirements. As a result, the
26

1 Company's net variable power supply expenses will be materially higher than those used in
2 setting Idaho Power's Oregon revenue requirement and the Company's Oregon retail rates.

3 5. In the state of Idaho, Idaho Power has a power cost adjustment clause
4 which permits contemporaneous recovery of extraordinarily high power supply expenses.
5 Idaho Power does not currently have a similar adjustment provision in the state of Oregon.

6 6. The excess net power costs which Idaho Power proposes to defer will be
7 calculated using a slightly modified methodology to the one used and accepted in
8 determining Oregon's share of Idaho Power's 2001 net power supply expenses (Order No.
9 01-307 issued in Docket UM 1007) and again in determining Oregon's share of Idaho
10 Power's 2005 net power supply expenses (Order No. 05-870 issued in Docket UM 1198).
11 The key features of this methodology are:

- 12 • Actual net variable power expenses are compared to base net
13 variable power expenses to quantify deferrals;
- 14 • An amount of excess net variable power expenses up to \$12,167,857
15 on a system basis, equivalent to a 150 basis point return on equity
16 dead band, is not deferred. Ninety percent of the jurisdictional
17 portions of amounts greater than \$12,167,857 above base net
18 variable power expenses will be the responsibility of Idaho Power's
19 Oregon customers;
- 20 • The calculated deferral recognizes the Oregon allocation factor to
21 determine the amount of deferral subject to amortization to Oregon
22 customers;
- 23 • Interest will accrue on the deferred amount at the Company's
24 authorized overall rate of return.

25 7. Pursuant to ORS 757.259 and the deferred accounting principles adopted by
26 the Commission in Order No. 05-1070, Idaho Power proposes to defer 2007-2008 excess
27 net power expenses commencing on May 1, 2007, for later recovery in rates.
28 ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to
29 minimize the frequency of rate changes or the fluctuation of rate levels or to match
30 appropriately the costs borne by and benefits received by customers. The expenses for

1 which Idaho Power seeks deferral meet the requirement of subsection (2)(e) because the
2 excess power supply expenses Idaho Power will incur this summer will be used to ensure
3 that its Oregon customers continue to enjoy the benefits of reliable electric service this
4 summer and because without deferred accounting, Idaho Power could be required to file for
5 a surcharge or other form of immediate rate relief.

6 8. Idaho Power proposes to record the excess net power expenses that would
7 be deferred in the following manner: Excess net power expenses, as defined by the above
8 methodology, will be credited to Account 557, thereby decreasing the recorded power
9 supply expenses, and debiting Account 182.3. Idaho Power requests that, in accordance
10 with ORS 757.259(3), subject to the additional proceedings described in Order No. 06-507,
11 it be allowed to accrue interest on the unamortized balance at a rate equal to its allowed
12 overall rate of return in Oregon. Idaho Power proposes to accrue the interest of the deferred
13 balance crediting Account 421 and debiting Account 182.3.

14 9. The Company proposes to defer, in accordance with this requested
15 authorization, the excess net power expenses incurred during the period commencing as of
16 May 1, 2007 through April 30, 2008.

17 10. It is in the public interest to allow the deferred accounting treatment
18 requested to provide the Company a reasonable opportunity to recover the material excess
19 net power supply expenses it will incur due to the extraordinarily low streamflow conditions
20 that Idaho Power will experience for the twelve months May 1, 2007 through April 30, 2008.

21 11. In support of this Application, Idaho Power has filed the direct testimony of
22 Michael J. Youngblood.

23 12. Idaho Power has provided a copy of the Notice of Application, a copy of this
24 Application and the direct testimony of Michael J. Youngblood to each of the parties in
25 Docket UE 167, Idaho Power's most recent general rate case.

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