

McDowell & Rackner PC



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August 24, 2009

AUG 27 2009

Public Utility Commission of Oregon
Administrative Hearing Division

VIA ELECTRONIC FILING

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

Re: Docket No. UE 195

Enclosed for filing in the above-referenced docket are an original and one copy of Joint Motion to Amend Order Approving Stipulation and Adopting Power Cost Adjustment Mechanism (Order No. 08-238).

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,


Wendy L. McIndoo

cc: Service List

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

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AUG 27 2009

UE 195

Public Utility Commission of Oregon
Administrative Hearing Division

In the Matter of

IDAHO POWER COMPANY

Application for Authority to Implement a Power
Cost Adjustment Mechanism for Electric
Service to Customers in the State of Oregon.

JOINT MOTION TO AMEND ORDER
APPROVING STIPULATION AND ADOPTING
POWER COST ADJUSTMENT MECHANISM
(ORDER NO. 08-238)

Staff of the Public Utility Commission (staff), Idaho Power Company (Idaho Power), and the Citizens' Utility Board ("CUB"), (hereinafter the "Joint Parties"), ask the Commission to amend Order No. 08-238 to modify the manner in which the Commission calculates the deadband for Idaho Power's Power Cost Adjustment Mechanism ("PCAM").

BACKGROUND

Staff, Idaho Power, and CUB executed a Stipulation in March 2008 in which they agreed to an Annual Power Cost Update ("APCU") and PCAM for Idaho Power. The Commission adopted the Stipulation in Order No. 08-238. Under the APCU, Idaho Power files an "October Update" that provides calculations for the Company's net power supply expense on a normalized and unit basis. The filing has an effective date of June 1 of the following year and is based on an April through March test period. Idaho Power then updates certain components of its forecasted power costs the following March, approximately five months after its October filing.

Under the PCAM, Idaho Power makes a filing in February showing the variance between its actual power costs for the previous calendar year and those effective under the APCU. Idaho Power is allowed to defer 90 percent of that variance, after application of a deadband, for later amortization into rates. Amortization of deferred costs may occur only after an earnings test. If Idaho Power's earnings during the year that Idaho Power incurred the excess net

1 variable power costs are within +/- 100 basis points of its Oregon authorized return on equity, it
2 may not amortize the deferred costs. If Idaho Power's earnings fall outside that deadband,
3 Idaho Power may amortize the deferred costs that fall outside the deadband, meaning; may
4 amortize costs to the extent their inclusion in Idaho Power's earnings do not bring Idaho
5 Power's earnings during the deferral period within the deadband. As with the APCU, any rate
6 change associated with the PCAM is effective June 1 of each year.

7 Currently, the deadband for determining the amount of net variable power costs that may
8 be deferred under the PCAM and the earnings band used to determine which costs may be
9 amortized are based on Results of Operations (ROO) for different years. The deadband used to
10 determine the power cost expense that may be deferred under the PCAM is based on the
11 ratebase reported for the year preceding the deferral period. The earnings band used to
12 determine what costs may be amortized is based on earnings reported for the deferral period.
13 For example, under the stipulation and Order No. 08-238, the deadband used to determine the
14 amounts that may be deferred during 2008 are based on the ratebase reported for 2007, and
15 the earnings band used to determine what costs deferred in 2008 can be amortized is based on
16 the earnings reported for 2008.

17 **PROPOSED MODIFICATION**

18 The parties ask the Commission to modify Order No. 08-238 so that the ROO used for
19 the deferral component of the PCAM are the same ROO used for the earnings test component.
20 Specifically, the parties ask the Commission to change the methodology so that the ratebase
21 reported in the ROO for the PCAM deferral period is used to calculate the deferral deadband.

22 At the time the parties entered into the Stipulation, Idaho Power believed that it was
23 necessary for certain accounting purposes to have a known, or actual, deferral deadband at the
24 time of its February filing, as opposed to an estimate of the deferral deadband. To determine an
25 "actual" deadband as opposed to an estimated deadband for the February PCAM filing, Idaho
26 Power would have to use the ROO Report filed the previous spring. Neither staff nor CUB

1 objected at the time of the Stipulation to Idaho Power's proposal regarding the vintage of the
2 ratebase for determining the deferral deadband.

3 Staff and CUB have, however, now concluded, as a result of their review of Idaho
4 Power's February 2009 PCAM filing, that the PCAM's use of two different ROO's will likely
5 understate the deadband given that ratebase tends to increase each year. In other words,
6 using the ratebase from the year preceding the deferral period to determine the deferral
7 deadband would in most years result in a deadband that is smaller than it would be had the
8 deferral period ratebase been used. CUB and staff have approached Idaho Power regarding
9 their concerns and Idaho Power has agreed to subordinate its concern regarding the finality of
10 the deadband to the concern noted by staff and CUB. Idaho Power joins Staff and CUB in
11 support of this motion to modify the PCAM methodology.

12 As part of their agreement to file this motion, the parties agreed that it is their continued
13 intent that any rate change associated with the PCAM be effective June 1 of each year. Idaho
14 Power is currently amortizing deferrals accrued in previous years at the maximum rate and will
15 not amortize any costs deferred under the PCAM for several years. However, the parties agree
16 that when Idaho Power is allowed to amortize amounts deferred under PCAM the year after
17 they are deferred, Idaho Power should be allowed to begin amortizing such amounts on June 1.

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1 **CONCLUSION**

2 The Joint Parties ask the Commission to modify the PCAM adopted in Order No. 08-238
3 by specifying that the ratebase used to determine the deferral deadband is the ratebase
4 reported in the ROO for the deferral period.

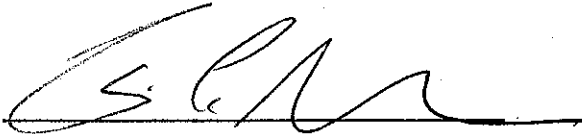
5 STAFF

IDAHO POWER COMPANY

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7 By: _____

By: _____

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10 CITIZENS' UTILITY BOARD

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12 By:  _____

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15 Dated: August 14, 2009

1 **CONCLUSION**

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5 STAFF

IDAHO POWER COMPANY

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7 By:  _____

By: _____

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12 By: _____

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14 Dated: ²⁴ ~~August 14~~, 2009 _____


1 **CONCLUSION**

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IDAHO POWER COMPANY

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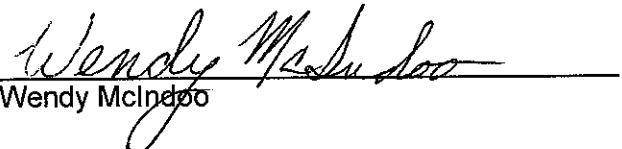
CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 195 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.

Stephanie S. Andrus
Department of Justice
Regulated Utility & Business Section
1162 Court St NE
Salem, OR 97301-4096
stephanie.andrus@state.or.us

Bob Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

DATED: August 24, 2009.


Wendy McIndoo
Legal Assistant