

# McDowell & Rackner PC



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December 29, 2008

## VIA ELECTRONIC FILING AND FIRST CLASS MAIL

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

**Re: Docket UM \_\_\_\_ – Application for Deferred Accounting of Net Variable Power  
Cost Variances**

Attached for filing are the original and one copy of Idaho Power Company's Application for Deferred Accounting of Variances Regarding Revised Depreciation Rates. A copy of this filing has been served on the parties to the UE 167 and UE 195 service lists as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy McIndoo".

Wendy McIndoo

Enclosure

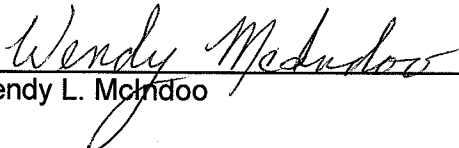
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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of **Idaho Power Company's Application for Deferred Accounting of Net Variable Power Cost Variances** 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 <a href="mailto:stephanie.andrus@state.or.us">stephanie.andrus@state.or.us</a>	Robert Jenks Citizens' Utility Board of Oregon Suite 308 610 SW Broadway Portland, OR 97205 <a href="mailto:bob@oregoncub.org">bob@oregoncub.org</a>
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DATED: December 29, 2008.

  
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Wendy L. McIndoo

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**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**  
**UM \_\_\_\_\_**

In the Matter of Idaho Power Company's  
Application for Deferred Accounting of Net  
Variable Power Cost Variances

**APPLICATION**

**I. INTRODUCTION**

Pursuant to ORS 757.210, ORS 757.259 and OAR 860-027-0300, Idaho Power Company ("Idaho Power") hereby requests an accounting order authorizing Idaho Power to defer for later ratemaking treatment annual net variable power cost variances pursuant to Order No. 08-238 and Idaho Power Tariff Schedule 56. Schedule 56 is an "automatic adjustment clause" as defined in ORS 757.210. Idaho Power seeks authorization for this deferral effective as of the effective date of Schedule 56. In support of this Application, Idaho Power states:

1. Idaho Power is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Oregon Public Utility Commission ("Commission").
2. This Application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later inclusion in rates.
3. Communications regarding this Application should be addressed to

1 Lisa Rackner  
2 McDowell & Rackner PC  
3 520 SW Sixth Avenue, Suite 830  
4 Portland, Oregon 97204  
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Idaho Power Company  
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[myoungblood@idahopower.com](mailto:myoungblood@idahopower.com)

## 11 II. OAR 860-027-0300 Requirements

12 The following is provided pursuant to OAR 860-027-0300(3):

### 13 A. Description

14 With this deferral application, Idaho Power seeks authorization from the Commission  
15 to accrue, for future amortization, the difference between actual annual net variable power  
16 costs and the annual net variable power costs forecasted pursuant to Tariff Schedule 55, in  
17 accordance with Order No. 08-238. The annual variance will be determined pursuant to the  
18 terms of Schedule 56, which includes a Power Supply Expense Deadband and an Earnings  
19 Test.

### 20 B. Reasons for Deferral

21 In Order 08-238, the Commission ordered the adoption of a power cost adjustment  
22 mechanism for Idaho Power which contains both an Annual Power Cost Update ("APCU")  
23 and Power Cost Adjustment Mechanism ("PCAM"). Idaho Power Schedule 55 contains the  
24 terms of the APCU while Schedule 56 contains the terms of the PCAM. The PCAM provides  
25 for recognition in rates of the difference, for a given year, between the *actual* annual net  
26 variable power costs incurred by Idaho Power and the net annual variable power costs  
27 forecasted pursuant to Idaho Power Schedule 55. This deferral is intended to capture the  
28 net annual variable power cost difference that will be amortized in rates.

1 This deferral is filed pursuant to Order 08-238 and ORS §757.259(2)(e). This  
2 deferral will minimize the frequency of rate changes or the fluctuation of rate levels or match  
3 appropriately the costs borne by and benefits received by customers.

4 C. Proposed Accounting

5 Idaho Power proposes to record the Deferred Amount in FERC Account 182.3  
6 (Regulatory Assets); crediting FERC Account 557(Other Expenses) if there is an amount to  
7 collect from customers. Idaho Power would record the Accrued Amount in FERC 254  
8 (Regulatory Liabilities); debiting FERC Account 557(Other Expenses) if there is a refund to  
9 customers. In the absence of a deferred accounting order from the Commission, Idaho  
10 Power would record costs associated with the Deferred Amount to FERC 501 (Fuel), FERC  
11 547 (Fuel), FERC 447 (Sales for Resale), FERC 565 (Transmission by Others) and FERC  
12 555 (Purchased Power).

13 D. Estimate of Amounts

14 The Deferred Amount is a function of several unknown and unpredictable factors  
15 including customer usage, the wholesale market price for electricity, and the wholesale  
16 market price for natural gas. Since the Deferred Amount is dependent on factors that  
17 cannot be precisely forecast, Idaho Power cannot provide a precise estimate of the Deferred  
18 Amount. Idaho Power requests that, in accordance with Order No. 05-1070, it be allowed to  
19 accrue interest on the unamortized balance at a rate equal to its authorized weighted  
20 average cost of capital (set at 7.83% in Order 05-871).

21 E. Notice

22 A copy of the Notice of Application for Deferred Accounting of Excess Power Costs  
23 and a list of persons served with the Notice are attached to the Application as Attachment A.

24 **II. Conclusion**

25 Deferred accounting treatment is an appropriate, just and reasonable means of  
26 implementing Order 08-238 and Idaho Power Schedule 56.

1 For the reasons stated above, Idaho Power requests permission to defer annual net  
2 variable power cost variances pursuant to Order No. 08-238 and Idaho Power Schedule 56.


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4 DATED: December 29, 2008.

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**MCDOWELL & RACKNER PC**

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Lisa F. Rackner

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**IDAHO POWER COMPANY**

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Bart Kline  
Senior Counsel  
P.O. Box 70  
Boise, Idaho 83707

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Of Attorneys for Idaho Power Company

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**Attachment A**

**Notice of Application for  
Deferred Accounting of Net Variable Power Cost Variances**





1 Any person who wishes to submit written comments to the Commission on Idaho  
2 Power's application must do so no later than January 28, 2009.

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4 DATED: December 29, 2008.

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**MCDOWELL & RACKNER PC**

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Lisa F. Rackner

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**IDAHO POWER COMPANY**

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Legal Counsel

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Of Attorneys for Idaho Power Company

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