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May 9, 2014

## VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 1088  
Salem, OR 97308-1088

**Re: UE 285 – Idaho Power Company's 2013 Annual Power Supply Expense True-Up**

Attention Filing Center:

Enclosed for filing in the above-referenced matter is an original and five copies of the Stipulation and Joint Explanatory Brief.

A copy of this filing has been served on all parties to this proceeding. Please contact this office with any questions.

Very truly yours,

A handwritten signature in blue ink that reads "Wendy McIndoo". The signature is written in a cursive style.

Wendy McIndoo  
Office Manager

Enclosures

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 285 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: May 9, 2014

  
\_\_\_\_\_  
Wendy McIndoo  
Office Manager

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **UE 285**

4 In The Matter of  
5 IDAHO POWER COMPANY  
6 2013 Annual Power Supply Expense True-Up.  
7

**STIPULATION**

8  
9 This Stipulation resolves all issues between the parties related to Idaho Power  
10 Company's ("Idaho Power" or "Company") 2013 Annual Power Supply Expense True-Up  
11 ("True-Up") filed pursuant to Order No. 08-238,<sup>1</sup> as amended by Order No. 09-373.<sup>2</sup> This  
12 True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by  
13 calculating the deviation between actual net power supply expenses ("NPSE") and those  
14 expenses recovered through the Combined Rate.

15 **PARTIES**

16 1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon  
17 ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power (together, the  
18 "Stipulating Parties"). No other party intervened in this docket.

19 **BACKGROUND**

20 2. As part of the Public Utility Commission of Oregon ("Commission") approved  
21 PCAM, each February Idaho Power must file a True-Up that calculates the difference between  
22 the actual NPSE incurred by the Company in the relevant PCAM year (January through  
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24 \_\_\_\_\_  
25 <sup>1</sup> *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008).

26 <sup>2</sup> *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 09-373 (Sept. 18, 2009).

1 December) and the expenses recovered for that period through the Combined Rate.<sup>3</sup> NPSE  
2 deviations that are eligible, as determined by the terms of Order No. 08-238, are added to the  
3 Annual Power Supply Expense True-Up Balancing Account (“True-Up Balancing Account”) at  
4 the end of each 12 month period ending in December along with 50 percent of the annual  
5 interest calculated at the Company’s authorized cost of capital.<sup>4</sup> To be eligible for inclusion in  
6 the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband<sup>5</sup>  
7 and pass the earnings test described in Order No. 08-238.<sup>6</sup>

8 3. On February 21, 2014, Idaho Power filed its True-Up reflecting the NPSE  
9 deviation for calendar year 2013. The Company’s initial filing used the most recent Oregon  
10 Results of Operations (“ROO”) report available at the time of the filing—the ROO for 2012.  
11 The NPSE deviation was \$40.8 million on a system-wide basis, or \$1.8 million on an Oregon  
12 allocated basis—meaning that the Company under-recovered its actual NPSE.<sup>7</sup> The NPSE  
13 deadbands, calculated using the 2012 ROO, were \$2.4 million (upper) and negative \$1.2  
14 million (lower).<sup>8</sup> The Oregon-allocated NPSE deviation was within the NPSE deadbands  
15 calculated using the 2012 ROO, *i.e.*, the actual NPSE deviation of \$1.8 million was less than  
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17 \_\_\_\_\_  
18 <sup>3</sup> Order No. 08-238 at 3.

19 <sup>4</sup> *Id.*

20 <sup>5</sup> The NPSE deadband is based upon the Company’s capital structure and the rate base, measured on  
21 an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost  
22 Deviation is compared to the positive and/or negative deadbands. A positive deviation (actual NPSE  
23 greater than those recovered through the Combined Rate) constitutes an excess power supply  
expense. This expense is first reduced by a deadband that is the dollar equivalent of 250 basis points  
of ROE (Oregon basis). A negative deviation (actual NPSE less than those recovered through the  
Combined Rate) is a power supply expense savings. This savings is reduced by a deadband that is the  
dollar equivalent of 125 basis points of ROE (Oregon basis).

24 <sup>6</sup> *Id.* at 3. If the Company’s earnings are within 100 basis points of its authorized ROE for the previous  
year ending December 31, then no amounts will be added to the True-Up Balancing Account even if the  
NPSE deviation falls outside the NPSE deadbands.

25 <sup>7</sup> Idaho Power/100, Waites/4.

26 <sup>8</sup> Idaho Power/100, Waites/5.

1 the upper deadband of \$2.4 million. Therefore, the Company's initial filing determined that  
2 \$0.00 should be added to the True-Up Balancing Account.<sup>9</sup>

3 4. This initial filing also discussed the impact of Order No. 11-086, which addressed  
4 the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").<sup>10</sup>  
5 Pursuant to that order these proceeds are applied to the power cost deferral currently in  
6 amortization.

7 5. On March 6, 2014, CUB filed its Notice of Intervention. On April 10, 2014,  
8 Administrative Law Judge Patrick Power held a prehearing conference at which the parties to  
9 this docket agreed upon a limited procedural schedule, based on the likelihood that the parties  
10 would settle this matter.<sup>11</sup>

11 6. As required by Order No. 09-373, on April 15, 2014, the Company filed  
12 supplemental testimony that calculated the NPSE deadband using the Company's 2013 ROO  
13 report, which was finalized subsequent to the initial February filing. The use of the 2013 ROO  
14 resulted in changes to the upper and lower power supply expense deadband values. The  
15 upper deadband changed to \$2.7 million and the lower deadband changed to negative \$1.3  
16 million.<sup>12</sup> The use of the 2013 ROO also changed the Oregon allocation percentage used to  
17 calculate Oregon's share of the NPSE deviation, which resulted in an NPSE deviation of \$1.8  
18 million.<sup>13</sup> However, these changes did not affect the amount proposed to be included in the  
19 True-Up Balancing Account because the Oregon-allocated NPSE deviation was still within the  
20 NPSE deadbands calculated using the 2013 ROO.<sup>14</sup> Thus, after updating the analysis using

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22 <sup>9</sup> Idaho Power/100, Waites/5.

23 <sup>10</sup> *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269, Order No. 11-086 (Mar. 17, 2011).

24 <sup>11</sup> See Prehearing Conference Memorandum (Apr. 10, 2014).

25 <sup>12</sup> Idaho Power/200, Waites/2.

26 <sup>13</sup> Idaho Power/200, Waites/2.

<sup>14</sup> Idaho Power/200, Waites/2.

1 the 2013 ROO the Company determined that \$0.00 should be added to the True-Up  
2 Balancing Account.

3 7. Pursuant to the agreed upon schedule Staff, CUB, and the Company participated  
4 in a settlement conference on April 30, 2014. As a result of the settlement discussions, the  
5 Stipulating Parties have agreed as follows:

6 **AGREEMENT**

7 8. The Stipulating Parties agree that the Company has correctly calculated the  
8 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies  
9 with the terms of Orders Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the  
10 Company will not add any amounts to the True-Up Balancing Account for 2013.

11 9. The Stipulating Parties agree to submit this Stipulation to the Commission and  
12 request that the Commission approve the Stipulation as presented. The Stipulating Parties  
13 agree that the adjustments and the rates resulting from the Stipulation are fair, just, and  
14 reasonable.

15 10. This Stipulation will be offered into the record of this proceeding as evidence  
16 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation  
17 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this  
18 Stipulation at the hearing, and recommend that the Commission issue an order adopting the  
19 settlements contained herein.

20 11. If this Stipulation is challenged by any other party to this proceeding, the  
21 Stipulating Parties agree that they will continue to support the Commission's adoption of the  
22 terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and  
23 put on such a case as they deem appropriate to respond fully to the issues presented, which  
24 may include raising issues that are incorporated in the settlements embodied in this  
25 Stipulation.

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1           12. The Stipulating Parties have negotiated this Stipulation as an integrated  
2 document. If the Commission rejects all or any material part of this Stipulation, or adds any  
3 material condition to any final order that is not consistent with this Stipulation, each Stipulating  
4 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument  
5 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating  
6 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720  
7 in any manner that is consistent with the agreement embodied in this Stipulation.

8           13. By entering into this Stipulation, no Stipulating Party shall be deemed to have  
9 approved, admitted, or consented to the facts, principles, methods, or theories employed by  
10 any other Stipulating Party in arriving at the terms of this Stipulation, other than those  
11 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to  
12 have agreed that any provision of this Stipulation is appropriate for resolving issues in any  
13 other proceeding, except as specifically identified in this Stipulation.

14           14. This Stipulation may be executed in counterparts and each signed counterpart  
15 shall constitute an original document.

16           This Stipulation is entered into by each Stipulating Party on the date entered below such  
17 Stipulating Party's signature.

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STAFF

By: Mike [Signature]  
Date: 5/7/14

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_  
Date: \_\_\_\_\_

IDAHO POWER

By: \_\_\_\_\_  
Date: \_\_\_\_\_



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STAFF

By: \_\_\_\_\_

Date: \_\_\_\_\_

CITIZENS' UTILITY BOARD

By:  \_\_\_\_\_

Date: 5-9-2014

IDAHO POWER

By: \_\_\_\_\_

Date: \_\_\_\_\_

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STAFF

CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

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Date: \_\_\_\_\_

IDAHO POWER

By: *Paul J. Long*

Date: 5/9/14

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 285**

In The Matter of  
IDAHO POWER COMPANY  
  
2013 Annual Power Supply Expense  
True-Up.

**JOINT EXPLANATORY BRIEF**

This brief explains and supports the Stipulation filed in this proceeding on May 9, 2014, among Idaho Power Company (“Idaho Power” or “Company”), the Citizens’ Utility Board of Oregon (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the “Stipulating Parties”). The Stipulation resolves all issues raised by the Stipulating Parties related to Idaho Power’s 2013 Annual Power Supply Expense True-Up (“True-Up”). This True-Up implements the Company’s Power Cost Adjustment Mechanism (“PCAM”) by calculating the deviation between actual net power supply expenses (“NPSE”) and those expenses recovered through the Combined Rate.

**I. BACKGROUND**

**A. Idaho Power’s PCAM.**

In Order No. 08-238, the Public Utility Commission of Oregon (“Commission”) approved Idaho Power’s PCAM.<sup>1</sup> As part of the Commission-approved PCAM, each February Idaho Power must file a True-Up that calculates the difference between the actual NPSE incurred by the Company in the relevant PCAM year (January through December) and the expenses

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<sup>1</sup> *Re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008). The PCAM was amended by Order No. 09-373. *Re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 09-373 (Sept. 18, 2009).

1 recovered for that period through the Combined Rate.<sup>2</sup> NPSE deviations that are eligible, as  
2 determined by the terms of Order No. 08-238, are added to the Annual Power Supply  
3 Expense True-Up Balancing Account (“True-Up Balancing Account”) at the end of each 12  
4 month period ending in December along with 50 percent of the annual interest calculated at  
5 the Company’s authorized cost of capital.<sup>3</sup> To be eligible for inclusion in the True-Up  
6 Balancing Account, the NPSE deviation must fall outside the NPSE deadband<sup>4</sup> and pass the  
7 earnings test described in Order No. 08-238.<sup>5</sup>

8 **B. The 2013 True-Up.**

9 On February 21, 2014, Idaho Power filed its True-Up reflecting the NPSE deviation for  
10 calendar year 2013.<sup>6</sup> The Company’s initial filing used the most recent Oregon Results of  
11 Operations (“ROO”) report available at the time of the filing—the ROO for 2012.<sup>7</sup> The NPSE  
12 deviation was \$40.8 million on a system-wide basis, or \$1.8 million on an Oregon allocated  
13 basis—meaning that the Company under-recovered its actual NPSE.<sup>8</sup> The upper NPSE

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14 <sup>2</sup> Order No. 08-238 at 3. The “Combined Rate” is determined annually in the Company’s Annual Power  
15 Cost Update (“APCU”) proceeding. The Combined Rate has two components—an “October Update”  
16 and a “March Forecast.” The October Update contains the Company’s forecasted net power supply  
17 expense reflected on a normalized and unit basis for an April through March test period. The March  
18 Forecast contains the Company’s net power supply expense based upon updated actual forecasted  
19 conditions. The rates from the October Update and March Forecast are combined into the “Combined  
20 Rate,” which is effective on June 1 of each year.

18 <sup>3</sup> *Id.*

19 <sup>4</sup> *Id.* at 3. The NPSE deadband is based upon the Company’s capital structure and the rate base,  
20 measured on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated  
21 Power Cost Deviation is compared to the positive and/or negative deadbands. A positive deviation  
22 (actual NPSE greater than those recovered through the Combined Rate) constitutes an excess power  
23 supply expense. This expense is first reduced by a deadband that is the dollar equivalent of 250 basis  
24 points of ROE (Oregon basis). A negative deviation (actual NPSE less than those recovered through  
25 the Combined Rate) is a power supply expense savings. This savings is reduced by a deadband that is  
26 the dollar equivalent of 125 basis points of ROE (Oregon basis).

23 <sup>5</sup> *Id.* at 3. If the Company’s earnings are within 100 basis points of its authorized ROE for the previous  
24 year ending December 31, then no amounts will be added to the True-Up Balancing Account even if the  
25 NPSE deviation falls outside the NPSE deadbands.

25 <sup>6</sup> See Idaho Power/100 – 104.

26 <sup>7</sup> Idaho Power/100, Waites/2.

<sup>8</sup> Idaho Power/100, Waites/4.

1 deadband, calculated using the 2012 ROO, was \$2.4 million.<sup>9</sup> This deadband applies when  
2 actual NPSE is greater than NPSE recovered in rates. The lower NPSE deadband was  
3 negative \$1.2 million and applies when actual NPSE is less than NPSE recovered in rates.<sup>10</sup>  
4 Because the NPSE deviation indicated that the actual NPSE was greater than the NPSE  
5 recovered in rates, the upper deadband was applied. The Oregon-allocated NPSE deviation  
6 was within the NPSE deadbands calculated using the 2012 ROO, *i.e.*, the actual NPSE  
7 deviation of \$1.8 million was less than the upper deadband of \$2.4 million. Therefore, the  
8 Company's initial filing determined that \$0.00 should be added to the True-Up Balancing  
9 Account.<sup>11</sup>

10 This initial filing also discussed the impact of Order No. 11-086, which addressed the  
11 appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").<sup>12</sup>  
12 Pursuant to that order these proceeds are applied to the power cost deferral currently in  
13 amortization.<sup>13</sup>

14 On March 6, 2014, CUB filed its Notice of Intervention. On April 10, 2014, Administrative  
15 Law Judge Patrick Power held a prehearing conference at which the parties to this docket  
16 agreed upon a limited procedural schedule, based on the likelihood that the parties would  
17 settle this matter.<sup>14</sup>

18 As required by Order No. 09-373, on April 15, 2014, the Company filed supplemental  
19 testimony that calculated the deadband using the Company's 2013 ROO report, which was  
20 finalized subsequent to the initial February filing.<sup>15</sup> The use of the 2013 ROO resulted in

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21 <sup>9</sup> Idaho Power/100, Waites/5.

22 <sup>10</sup> Idaho Power/100, Waites/5.

23 <sup>11</sup> Idaho Power/100, Waites/5.

24 <sup>12</sup> Idaho Power/100, Waites/6-7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP  
269, Order No. 11-086 (Mar. 17, 2011).

25 <sup>13</sup> Idaho Power/100, Waites/6-7.

26 <sup>14</sup> See Prehearing Conference Memorandum (Apr. 10, 2014).

<sup>15</sup> See Idaho Power/200 – 204.

1 changes to the upper and lower power supply expense deadband values resulting in an upper  
2 deadband of \$2.7 million and a lower deadband of negative \$1.3 million.<sup>16</sup> The use of the  
3 2013 ROO also changed the Oregon allocation factor used to determine the Oregon allocated  
4 NPSE deviation, resulting in an NPSE deviation of \$1.8 million.<sup>17</sup> Applying the new deadband  
5 values to the new NPSE deviation, however, did not change the ultimate result—the Oregon-  
6 allocated power supply deviation of \$1.8 million was still less than the upper deadband of \$2.7  
7 million.<sup>18</sup> Thus, after updating the analysis using the 2013 ROO the Company determined that  
8 \$0.00 should be added to the True-Up Balancing Account.<sup>19</sup>

9 Pursuant to the agreed upon schedule Staff, CUB, and the Company participated in a  
10 settlement conference on April 30, 2014. As a result of the settlement discussions, the  
11 Stipulating Parties have agreed to the terms of the Stipulation.

## 12 II. DISCUSSION

### 13 A. Terms of the Stipulation.

14 In the Stipulation the Stipulating Parties agree that the Company has correctly calculated  
15 the amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation  
16 complies with the terms of Order Nos. 08-238 and 09-373.<sup>20</sup> Thus, the Stipulating Parties  
17 agree that the Company will not add any amounts to the True-Up Balancing Account for  
18 2012.<sup>21</sup>

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22 <sup>16</sup> Idaho Power/200, Waites/2.

23 <sup>17</sup> Idaho Power/200, Waites/2.

24 <sup>18</sup> Idaho Power/200, Waites/2.

25 <sup>19</sup> Idaho Power/200, Waites/1-3.

26 <sup>20</sup> Stipulation at ¶ 8.

<sup>21</sup> Stipulation at ¶ 8.

1 **B. The Stipulation Will Result in Just and Reasonable Rates.**

2 The Commission will approve a stipulation if it is an appropriate resolution of the issues  
3 in a case<sup>22</sup> and results in just and reasonable rates.<sup>23</sup> When evaluating these rates, the  
4 Commission examines “the reasonableness of the overall rates.”<sup>24</sup> Here, the Stipulating  
5 Parties agree that the Company will add nothing to the True-Up Balancing Account and  
6 therefore customer rates will not be affected by the terms of the Stipulation. Because the  
7 Company’s filed case reflects correct calculations that conform to Commission precedent, the  
8 resulting rates are just and reasonable and fall within the “range of reasonableness” for  
9 resolution of these issues.<sup>25</sup>

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20 <sup>22</sup> See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-432 at 6  
21 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all  
22 primary issues in this docket.”); See *Re PacifiCorp Request for a General Rate Revision*, Docket UE  
210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a stipulation, we have the statutory duty  
to make an independent judgment as to whether any given settlement constitutes a reasonable  
resolution of the issues.”).

23 <sup>23</sup> See *Re. PacifiCorp Request for a General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec. 14,  
24 2010) (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and  
reasonable.”).

25 <sup>24</sup> *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*,  
Docket DR 10 *et al.*, Order No. 08-487 at 7-8 (Sept. 30, 2008).

26 <sup>25</sup> See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

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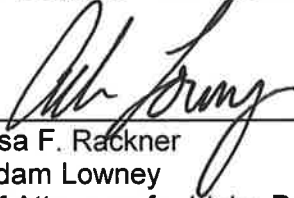
**III. CONCLUSION**

For all of the above reasons, the Stipulating Parties request that the Commission approve the Stipulation and the resulting rates.

Respectfully submitted,

DATED: 5/9/14

**MCDOWELL RACKNER & GIBSON PC**

  
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