

**LISA D. NORDSTROM**  
Lead Counsel  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

February 28, 2017

**VIA ELECTRONIC AND U.S. MAIL**

Public Utility Commission of Oregon  
Filing Center  
201 High Street SE, Suite 100  
P.O. Box 1088  
Salem, Oregon 97301

Re: Docket No. UE \_\_\_\_  
In the Matter of the Application of IDAHO POWER COMPANY for Amortization in Rates of Certain Deferred Expenses

Attention Filing Center:

Enclosed for filing in the above-referenced matter are an original and five copies of Idaho Power Company's Application for Amortization in Rates of Certain Deferred Expenses and Direct Testimony of Courtney Waites (Idaho Power/100-105). Please direct all communications in this matter to:

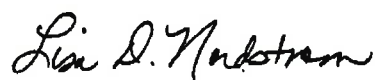
Lisa D. Nordstrom  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83707  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

Matt Larkin  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83707  
[mlarkin@idahopower.com](mailto:mlarkin@idahopower.com)

Regulatory Dockets  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83707  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

A copy of this filing has been served on all parties to Idaho Power Company's last general rate case (Docket No. UE 233). Please contact me at (208) 388-5825 or Senior Regulatory Analyst Courtney Waites at (208) 388-5612 with any questions regarding this filing.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt

Enclosures

cc: UE 233 Service List

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**CERTIFICATE OF SERVICE**

**UE \_\_\_\_**

I hereby certify that on February 28, 2017, I served a true and correct copy of Idaho Power Company's Application for Amortization in Rates of Certain Deferred Expenses on the parties in Docket No. UE 233 by e-mail to said person(s) as indicated below.

OPUC Dockets  
Citizens' Utility Board of Oregon  
[dockets@oregoncub.org](mailto:dockets@oregoncub.org)

Robert Jenks  
Citizens' Utility Board of Oregon  
[bob@oregoncub.org](mailto:bob@oregoncub.org)

Lisa F. Rackner  
McDowell Rackner & Gibson PC  
[dockets@mrq-law.com](mailto:dockets@mrq-law.com)

Stephanie S. Andrus  
Department of Justice  
Business Activities Section  
[stephanie.andrus@state.or.us](mailto:stephanie.andrus@state.or.us)

Dr. Don Reading  
[dreading@mindspring.com](mailto:dreading@mindspring.com)

Judy Johnson  
Public Utility Commission of Oregon  
[judy.johnson@state.or.us](mailto:judy.johnson@state.or.us)

Erik Colville  
Public Utility Commission of Oregon  
[erik.colville@state.or.us](mailto:erik.colville@state.or.us)

Gregory M. Adams  
Richardson Adams, PLLC  
[greg@richardsonadams.com](mailto:greg@richardsonadams.com)

Peter J. Richardson  
Richardson Adams, PLLC  
[peter@richardsonadams.com](mailto:peter@richardsonadams.com)

Joshua D. Johnson  
Attorney at Law  
[jdj@racinelaw.net](mailto:jdj@racinelaw.net)

Eric L. Olsen  
Attorney at Law  
[elo@racinelaw.com](mailto:elo@racinelaw.com)

Anthony J. Yankel  
Utility Net, Inc.  
[tony@yankel.net](mailto:tony@yankel.net)

Randy Dahlgren  
Portland General Electric Company  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

Douglas C. Tingey  
Portland General Electric Company  
[doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

Irion A. Sanger  
Davison Van Cleve, PC  
[irion@sanger-law.com](mailto:irion@sanger-law.com)

Wendy Gerlitz  
NW Energy Coalition  
[wendy@nwenergy.org](mailto:wendy@nwenergy.org)

R. Bryce Dalley  
Pacific Power  
[bryce.dalley@pacificcorp.com](mailto:bryce.dalley@pacificcorp.com)

Sarah Kamman  
Pacific Power  
[sarah.wallace@pacificcorp.com](mailto:sarah.wallace@pacificcorp.com)

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Oregon Dockets  
PacifiCorp, d/b/a Pacific Power  
[oregondockets@pacificcorp.com](mailto:oregondockets@pacificcorp.com)

John W. Stephens  
Esler Stephens & Buckley  
[stephens@eslerstephens.com](mailto:stephens@eslerstephens.com)  
[mec@eslerstephens.com](mailto:mec@eslerstephens.com)

DATED: February 28, 2017

Donald W. Schoenbeck  
Regulatory & Cogeneration Services, Inc.  
[dws@r-c-s-inc.com](mailto:dws@r-c-s-inc.com)

Renewable Northwest Project  
[dockets@renewablenw.org](mailto:dockets@renewablenw.org)

  
\_\_\_\_\_  
Kimberly Towell, Executive Assistant

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

3 **UE \_\_\_\_\_**

4 In the Matter of

5 **IDAHO POWER COMPANY**

6 Application for Amortization in Rates of  
7 Certain Deferred Expenses.

**APPLICATION  
FOR AMORTIZATION**

8 **I. INTRODUCTION**

9 Pursuant to ORS 757.259 and OAR 860-027-0300, Idaho Power Company ("Idaho  
10 Power" or the "Company") requests that the Public Utility Commission of Oregon  
11 ("Commission") issue an order approving amortization of deferred variances between  
12 revenues from rates that include the Langley Gulch Power Plant ("Langley") revenue  
13 requirement and revenues from rates without the inclusion of the Langley revenue  
14 requirement incurred between July 1, 2012, and September 30, 2012, and approved by  
15 the Commission for deferral on June 19, 2012.<sup>1</sup> In addition, the Company requests  
16 authorization to amortize intervenor funding amounts deferred since the Company's last  
17 request to amortize intervenor funding amounts commenced on January 1, 2016. Idaho  
18 Power requests approval to amortize approximately \$1.1 million associated with the  
19 deferred Langley revenue requirement variance effective April 1, 2017, and approximately  
20 \$112,000 in intervenor funding amounts effective June 1, 2017. The Company is  
21 proposing to maintain the current level of amortization in customer rates until June 1,  
22 2017, in order to allow for just a single rate change, at which time the level of amortization  
23 will decrease.

24 \_\_\_\_\_  
25 <sup>1</sup> *Re. Idaho Power Co. Application for Deferred Accounting of Revenue Requirement*  
26 *Variances Associated with the Langley Gulch Power Plant*, Docket No. UM 1597, Order No. 12-226  
(June 19, 2012) [hereinafter "Order No. 12-226"]

1 In support of this Application for amortization (“Application”), the Company states  
2 as follows:

### 3 II. COMMUNICATIONS

4 Idaho Power wishes to waive paper service in this docket. Communications  
5 regarding this Application should be addressed to all of the following:

6 Lisa D. Nordstrom  
7 Idaho Power Company  
8 P.O. Box 70  
9 Boise, ID 83707  
10 [lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

11 Matt Larkin  
12 Idaho Power Company  
13 P.O. Box 70  
14 Boise, ID 83707  
15 [mlarkin@idahopower.com](mailto:mlarkin@idahopower.com)

16 Regulatory Dockets  
17 Idaho Power Company  
18 P.O. Box 70  
19 Boise, ID 83707  
20 [dockets@idahopower.com](mailto:dockets@idahopower.com)

### 21 III. BACKGROUND

#### 22 A. Current Deferrals in Amortization

23 Idaho Power is currently amortizing the deferral of costs related to the 2008 Power  
24 Cost Adjustment Mechanism (“PCAM”) and anticipates this deferral will be fully amortized  
25 in April 2017. In addition, the Company’s current level of amortization for residential  
26 service customers is higher because it includes amortization associated with the collection  
of intervenor funding deferrals approved in Order No. 15-399,<sup>2</sup> beginning January 1, 2016,  
through May 31, 2017. The Company is requesting to begin amortization of the Langley  
revenue requirement variance deferral immediately following the completion of  
amortization of the 2008 PCAM, or April 2017, and begin amortization of new intervenor

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<sup>2</sup> *Re. Idaho Power Co. Request for Amortization of Deferred Costs Associated with Intervenor Funding Grants*, Docket No. UE 303, Order No. 15-399 (December 15, 2015) [hereinafter “Order No. 15-399”]

1 funding amounts immediately following the completion of amortization of existing  
2 intervenor funding amounts, or June 2017.

3 **B. The Langley Revenue Requirement Variance Deferral**

4 On March 9, 2012, Idaho Power filed an application requesting authority to  
5 increase rates due to the inclusion of the Langley investment in rate base (Docket No. UE  
6 248) along with Advice No. 12-06 which included tariff sheets that reflected the inclusion in  
7 rate base of Langley effective July 1, 2012, when the plant was expected to begin  
8 commercial operation. On March 26, 2012, the Commission suspended Idaho Power's  
9 Advice No. 12-06 for a period not to exceed nine months from the Company's proposed  
10 effective date. At the time, the parties to the case in Docket No. UE 248 agreed to a  
11 schedule that anticipated a Commission decision in early 2013. To address the mismatch  
12 of revenues and costs associated with Langley due to the suspension of Idaho Power's  
13 tariff sheets, the Company filed an application requesting authorization of the deferral of  
14 revenue requirement variances associated with Langley (Docket No. UM 1597). The  
15 Commission approved Idaho Power's request in Order No. 12-226.

16 Because of the Company's relatively low revenues in Oregon, coupled with the  
17 amortization cap included in ORS 757.259, Idaho Power could not begin amortizing the  
18 Langley revenue requirement variance deferral at the time Idaho Power filed its  
19 Application. At that time, the cap required by ORS 757.259 only provided for the  
20 amortization of the 2008 PCAM that was authorized for deferral in Order No. 10-016.<sup>3</sup>

21 **C. The Intervenor Funding Deferrals**

22 In Docket No. UM 1621, Idaho Power annually requests reauthorization to defer  
23 intervenor funding costs associated with the Idaho Power and Citizens' Utility Board of

24 \_\_\_\_\_  
25 <sup>3</sup> *Re. Idaho Power Co. Application for Authority to Implement a Power Cost Adjustment*  
26 *Mechanism for Electric Service to Customers in the State of Oregon*, Docket No. UE 195, Order No.  
10-016 (January 15, 2010).

1 Oregon ("CUB") Intervenor Funding Agreement ("Agreement"). The first agreement  
2 commenced in 2010 and terminated December 31, 2015, and was immediately followed  
3 by the current Agreement, which terminates in 2020. On December 15, 2015, the  
4 Commission issued Order No. 15-399 approving the amortization and collection in rates of  
5 \$272,716 in deferred intervenor funding amounts for the 17-month period beginning  
6 January 1, 2016, through May 31, 2017. Since the Company's last request to begin  
7 amortization of intervenor funding amounts, Idaho Power has recorded \$112,004 in  
8 additional deferrals associated with payments made to intervenors.

9 **D. The Level of Amortization in Customer Rates**

10 Idaho Power's current level of amortization is a rate of 0.3507 cents per kilowatt-  
11 hour ("kWh") for all customer classes, except residential service customers whose rate is  
12 0.4519 cents per kWh because it includes amortization associated with the collection of  
13 intervenor funding deferrals approved in Order No. 15-399. Because full amortization of  
14 the current intervenor funding amounts will occur May 31, 2017, Idaho Power is proposing  
15 to begin amortization of intervenor funding amounts accrued since the Company's last  
16 request, beginning June 1, 2017.

17 Idaho Power is proposing to maintain the current level of amortization in customer  
18 rates until June 1, 2017, at which time the Company is proposing to change the level of  
19 amortization to reflect the remaining balance of the Langley revenue requirement variance  
20 deferral and the new intervenor funding amount. A change in the level of amortization  
21 effective June 1, 2017, will allow for just a single rate change for all customers rather than  
22 two changes within a two month-period, and will result in the same overall level of total  
23 collection by May 31, 2018. Using the forecasted June 1, 2017, to May 31, 2018,  
24 normalized Oregon jurisdictional sales, the resulting rate associated with the Langley  
25 revenue requirement variance deferral is 0.1248 cents per kWh for all customer classes  
26 and a rate associated with the intervenor funding deferrals of 0.0584 applicable only to

1 residential service customers, resulting in a total rate of 0.1832 cents per kWh. Idaho  
2 Power is proposing to collect amortization associated with the Langley revenue  
3 requirement variance deferral and the new intervenor funding deferrals through Schedule  
4 56 and is filing Advice No. 17-03 concurrently with this request.

5 **E. Interest Rate in Amortization**

6 In Docket No. UM 1147, the Commission adopted a new rate to be applied to  
7 deferred accounts during amortization—a blended one-, three-, and five-year Treasury  
8 rate plus 100 basis points (“Modified Blended Treasury Rate”).<sup>4</sup> In addition, the  
9 Commission granted Idaho Power an exception from application of the Modified Blended  
10 Treasury Rate and concluded the Company use the Modified Blended Exception Rate,  
11 which balances the lower risk of rate recovery for deferred accounts in amortization with  
12 the longer-term nature of certain Idaho Power deferred accounts in amortization. The  
13 utility’s authorized rate of return remains the applicable interest rate for unamortized  
14 amounts in deferred accounts.<sup>5</sup> Because Idaho Power is proposing an amortization  
15 collection that would be complete in one year for both the Langley revenue requirement  
16 variance, the Company will use the Modified Blended Treasury Rate in effect at the time  
17 amortization begins.

18 **IV. DISCUSSION**

19 Idaho Power requests authority for amortization in rates of the \$1.1 million in  
20 deferred expenses and accrued interest associated with the Langley revenue requirement  
21 variance deferral approved by the Commission in Order No. 12-226, as well as \$112,004  
22 in deferred intervenor funding expenses and accrued interest. Idaho Power is currently  
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24 <sup>4</sup> *Re. Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
25 *Deferred Accounting*, Docket No. UM 1147, Order No. 08-263 at 15 (May 22, 2008).

26 <sup>5</sup> *Id.* at 14.



1 amortizing the 2008 PCAM, as authorized by the Commission in Order No. 13-439,<sup>6</sup> as  
2 well as intervenor funding amounts authorized by the Commission in Order No. 15-399.  
3 The 2008 PCAM is expected to be fully amortized in April 2017, while the current  
4 intervenor funding deferral will be fully amortized May 31, 2017. Idaho Power requests  
5 that the Commission allow the Company to begin amortizing the amounts that are the  
6 subject of this Application immediately following amortization of the 2008 PCAM and the  
7 intervenor funding amounts, or April 2017 and June 2017, respectively.

8           Once in amortization, the interest rate that should apply to both deferrals is the  
9 Modified Blended Treasury Rate in effect at the time of amortization. The Modified  
10 Blended Treasury Rate is updated in January of each year; the 2017 Modified Blended  
11 Treasury Rate is 2.38 percent.<sup>7</sup> Idaho Power's amortizations are limited to six percent of  
12 its gross revenues for the preceding calendar year under ORS 757.259(8). As shown in  
13 Exhibit 104, because of this cap, Idaho Power is eligible to amortize up to \$3,259,206 per  
14 year. With this filing, the Company is proposing to maintain the current level of  
15 amortization until June 1, 2017, or approximately \$2.5 million on an annual basis and  
16 below the \$3.2 million cap, at which time Idaho Power will decrease the level of  
17 amortization.

18           Approval of these amortizations is appropriate because Idaho Power prudently  
19 incurred the expenses associated with both the Langley revenue requirement variance  
20 deferral and intervenor funding deferrals. In addition, Idaho Power's earnings during the  
21 deferral period did not exceed the level authorized by the Commission. As a result, the  
22 Company could not have absorbed the deferred expenses and maintained an adequate

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23           <sup>6</sup> *Re. Idaho Power Co. Application for Authority for Amortization in Rates of Certain Deferred*  
24 *Excess Net Power Supply Expenses*, Docket No. UE 277, Order No. 13-439 (November 26, 2013).

25           <sup>7</sup> *Re. Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
26 *Deferred Accounting*, Docket No. UM 1147, Public Utility Commission of Oregon Interoffice  
Correspondence (January 18, 2017).

1 rate of return. Amortization of the deferred expenses is therefore consistent with Oregon  
2 law and Commission policy on earnings reviews.

3 **A. The Expenses Incurred Were Prudent**

4 The Commission previously found in Order No. 12-226 that a mismatch of  
5 revenues and costs associated with Langley due to the suspension of Idaho Power's tariff  
6 sheet existed and the deferral of revenue requirement variances was allowed. The  
7 Langley revenue requirement filed in Docket No. UE 248 would have resulted in an  
8 increase in revenue requirement amounts of \$3.05 million if approved as filed, or a  
9 variance of approximately \$254,000 per month from the time Langley was in commercial  
10 operation until the time customer rates were adjusted to include Langley revenue  
11 requirement amounts. Idaho Power received authorization to accrue the variance  
12 between revenues from rates that include the Langley revenue requirement and revenues  
13 from rates without the inclusion of the Langley revenue requirement.

14 In addition, Order No. 16-028 approved the Agreement between Idaho Power and  
15 CUB, setting forth the amount of funding available to CUB, procedures for budget  
16 submittals and funding requests by CUB, Commission approval of budget submittals and  
17 funding requests, and payment of the grants by Idaho Power.<sup>8</sup> The Agreement provides  
18 that the Commission shall allow Idaho Power to recover all amounts paid under the  
19 Agreement, provides for annual amortization of amounts deferred under the Agreement,  
20 and provides that intervenor funding amounts be included in rates concurrently with the  
21 Company's annual power cost adjustment, which occurs June 1 of each year.<sup>9</sup> As the  
22 Commission's factual findings show, Idaho Power reasonably incurred expenses

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24 <sup>8</sup> *Re. Idaho Power Co and Citizens' Utility Board of Oregon Application in the Matter of the*  
25 *2016-2020 Intervenor Funding Agreement*, Docket No. UM 1757, Order No. 16-028 (January  
26 26,2016) [hereinafter "Order No. 16-028"].

<sup>9</sup> *Id.*

1 associated with the Langley revenue requirement variances and intervenor funding. The  
2 testimony of Courtney Waites filed herewith describes the deferrals in additional detail.

3 **B. A Review of Idaho Power's Earnings Shows that Idaho Power Could Not**  
4 **Absorb the Deferral and Maintain a Reasonable Rate of Return**

5 When the Commission evaluated Idaho Power's application to defer the Langley  
6 revenue requirement variances, Commission Staff agreed that a mismatch of costs and  
7 benefits associated with Langley and the suspension of the Company's tariff would occur if  
8 the revenue requirement variances were not deferred. Under ORS 757.259(5), however,  
9 the Commission is required to review a utility's earnings when the utility requests  
10 amortization of a deferral.<sup>10</sup> The utility must provide the Commission with its financial  
11 results for a 12-month period or for multiple 12-month periods.<sup>11</sup> The period the  
12 Commission uses for the earnings review will include all or part of the period during which  
13 the deferral occurred, or must be reasonably representative of the deferral period.<sup>12</sup>

14 The earnings review is "designed to ensure that utilities do not receive the  
15 extraordinary relief of retroactive rate making for added costs when earnings exceed a  
16 reasonable rate of return."<sup>13</sup> The Commission will review the utility's earnings and rate of  
17 return to decide whether the utility could have absorbed some or all of the deferral.<sup>14</sup> If the  
18 utility cannot absorb the deferral and maintain a reasonable rate of return, the Commission  
19 will allow amortization of the deferral.<sup>15</sup>

20 <sup>10</sup> Deferrals authorized as an Automatic Adjustment Clause or pursuant to the Agreement are  
not subject to an earnings review. ORS 757.259(5) and Order No. 16-028.

21 <sup>11</sup> OAR 860-027-0300(9).

22 <sup>12</sup> *Id.*

23 <sup>13</sup> *Re. Portland Gen. Elec. Co.*, Docket No. UE 82, Order No. 93-257, 1993 WL 221236 \*6  
(Feb. 22, 1993).

24 <sup>14</sup> *Id.*

25 <sup>15</sup> *Re Pac. Power & Light Co.*, Docket Nos. UE 121 and UM 995, Order No. 02-410, 2002 WL  
1773021 \*6 (June 20, 2002).

26

1 Idaho Power provides the Commission with its earnings reviews from the 2012  
2 Results of Operations attached as Exhibit 105. The deferral period at issue is for the 12-  
3 month period beginning July 1, 2012. Using 2012 Results of Operations to conduct the  
4 earnings review meets the requirement of OAR 860-027-0300(9), because Idaho Power  
5 has provided the Commission with the information to review earnings during the period in  
6 which amounts were deferred.

7 The 2012 Results of Operations show that Idaho Power could not have absorbed  
8 the deferral and maintained a reasonable rate of return. Idaho Power's rate of return was  
9 under the Company's authorized rate of return for 2012 of 7.83 percent. In 2012, the  
10 Company's adjusted rate of return in Oregon was 6.948 percent. Idaho Power/105.  
11 Clearly, Idaho Power could not absorb this deferral and maintain an adequate rate of  
12 return. Even if Idaho Power had recovered the Langley revenue requirement variance  
13 deferred amounts during the deferral period, it would not have earned its authorized rate  
14 of return.

## 15 V. CONCLUSION

16 For the foregoing reasons, Idaho Power respectfully requests that the Commission  
17 approve amortization of the Langley revenue requirement variance deferral and intervenor  
18 funding deferrals beginning April 2017 and June 2017, respectively, and allow for a  
19 change in the level of amortization included in customer rates beginning June 1, 2017.

20 Respectfully submitted this 28<sup>th</sup> day of February, 2017.

21 

22 Lisa D. Nordstrom  
23 Lead Counsel  
24 P.O. Box 70  
Boise, Idaho 83707

25 Attorney for Idaho Power Company

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