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May 12, 2016

VIA ELECTRONIC MAIL

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

Re: UE 305 – Idaho Power Company’s 2015 Annual Power Supply Expense True-Up

Attention Filing Center:

Enclosed in the above-referenced docket is an electronic copy of the Stipulation and the Joint Explanatory Brief.

Please contact me with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Attachment

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

3 **UE 305**

4 In The Matter of

STIPULATION

5 IDAHO POWER COMPANY

6 2015 Annual Power Supply Expense True-Up.

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9 This Stipulation resolves all issues between the parties related to Idaho Power
10 Company's ("Idaho Power" or "Company") 2015 Annual Power Supply Expense True-Up ("True-
11 Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This True-Up
12 implements the Company's Power Cost Adjustment Mechanism ("PCAM") by calculating the
13 deviation between actual net power supply expenses ("NPSE") and those expenses recovered
14 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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25 ¹ *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 ² *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.³ 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.⁴ To be eligible for inclusion in
6 the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband⁵ and
7 pass the earnings test described in Order No. 08-238.⁶

8 3. On February 19, 2016, Idaho Power filed its True-Up reflecting the NPSE deviation
9 for calendar year 2015. The Company’s initial filing used the most recent Oregon Results of
10 Operations (“ROO”) report available at the time of the filing—the ROO for 2014. The NPSE
11 deviation was \$51.65 million on a system-wide basis, or \$2.29 million (there were no SO₂
12 Allowance sales in calendar year 2015) on an Oregon allocated basis—meaning that the
13 Company under-recovered its actual NPSE.⁷ The NPSE deadbands, calculated using the 2014
14 ROO, were \$2.77 million (upper) and negative \$1.38 million (lower).⁸ The Oregon-allocated
15 NPSE deviation was within the NPSE deadbands calculated using the 2014 ROO, *i.e.*, the

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18 ³ Order No. 08-238 at 2-3.

19 ⁴ *Id.*

20 ⁵ *Id.* The NPSE deadband is based upon the Company’s capital structure and the rate base, measured
21 on 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 ⁶ *Id.* If the Company’s earnings are within 100 basis points of its authorized ROE for the previous year
25 ending December 31, then no amounts will be added to the True-Up Balancing Account even if the NPSE
26 deviation falls outside the NPSE deadbands.

⁷ Idaho Power/100, Waites/4-5, 7.

⁸ Idaho Power/100, Waites/6.

1 actual NPSE deviation of \$2.29 million was less than the upper deadband of \$2.77 million.⁹
2 Therefore, the Company's initial filing determined that \$0.00 should be added to the True-Up
3 Balancing Account.¹⁰

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

8 5. On March 11, 2016, CUB filed its Notice of Intervention. On March 16, 2016,
9 Administrative Law Judge Allan J. Arlow held a prehearing conference at which the parties to
10 this docket agreed upon a limited procedural schedule, based on the likelihood that the parties
11 would settle this matter.¹²

12 6. As required by Order No. 09-373, on April 15, 2016, the Company filed
13 supplemental testimony that calculated the NPSE deadband using the Company's 2015 ROO
14 report, which was finalized after the initial February filing. The use of the 2015 ROO resulted in
15 changes to the upper and lower power supply expense deadband values. The upper deadband
16 changed to \$2.79 million and the lower deadband changed to negative \$1.39 million.¹³ The use
17 of the 2015 ROO also changed the Oregon allocation percentage used to calculate Oregon's
18 share of the NPSE deviation, which resulted in an NPSE deviation of \$2.36 million (there were
19 no SO₂ Allowance sales in calendar year 2015).¹⁴ However, these changes did not affect the
20 amount proposed to be included in the True-Up Balancing Account because the Oregon-

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22 ⁹ *Id.*

¹⁰ Idaho Power/100, Waites/6-7.

23 ¹¹ Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269,
24 Order No. 11-086 (Mar. 15, 2011).

25 ¹² See Prehearing Conference Memorandum (Mar. 16, 2016).

¹³ Idaho Power/200, Waites/2.

26 ¹⁴ Idaho Power/200, Waites/2.

1 allocated NPSE deviation was still within the NPSE deadbands calculated using the 2015
2 ROO.¹⁵ Thus, after updating the analysis using the 2015 ROO the Company determined that
3 \$0.00 should be added to the True-Up Balancing Account.

4 7. Pursuant to the agreed upon schedule Staff, CUB, and the Company participated
5 in a settlement conference on April 28, 2016. As a result of the settlement discussions, the
6 Stipulating Parties have agreed as follows:

7 **AGREEMENT**

8 8. The Stipulating Parties agree that the Company has correctly calculated the
9 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
10 with the terms of Order Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
11 Company will not add any amounts to the True-Up Balancing Account for 2015.

12 9. The Stipulating Parties agree to submit this Stipulation to the Commission and
13 request that the Commission approve the Stipulation as presented. The Stipulating Parties
14 agree that the rates resulting from the Stipulation are fair, just, and 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 Stipulating
21 Parties agree that they will continue to support the Commission's adoption of the terms of this
22 Stipulation. The Stipulating Parties agree to cooperate in cross-examination and put on such a
23 case as they deem appropriate to respond fully to the issues presented, which may include
24 raising issues that are incorporated in the settlements embodied in this Stipulation.

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¹⁵ Idaho Power/200, Waites/2.

1 12. The Stipulating Parties have negotiated this Stipulation as an integrated document.
2 If the Commission rejects all or any material part of this Stipulation, or adds any material
3 condition to any final order that is not consistent with this Stipulation, each Stipulating Party
4 reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument on the
5 record in support of the Stipulation or to withdraw from the Stipulation. Stipulating Parties shall
6 be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720 in any manner
7 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 any
10 other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically
11 identified in the body of this Stipulation. No Stipulating Party shall be deemed to have agreed
12 that any provision of this Stipulation is appropriate for resolving issues in any other proceeding,
13 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

CITIZENS' UTILITY BOARD

By: 

By: _____

Date: 5/12/16

Date: _____

IDAHO POWER

By: _____

Date: _____

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CITIZENS' UTILITY BOARD

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Date: _____

CITIZENS' UTILITY BOARD



By: _____

Date: 5/12/2016

IDAHO POWER

By: _____

Date: _____

1 **12BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE 305**

4 In The Matter of
5 IDAHO POWER COMPANY
6 2015 Annual Power Supply Expense
7 True-Up.

JOINT EXPLANATORY BRIEF

8 This brief explains and supports the Stipulation filed in this proceeding on May 12, 2016,
9 among Idaho Power Company (“Idaho Power” or “Company”), the Citizens’ Utility Board of
10 Oregon (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the
11 “Stipulating Parties”). The Stipulation resolves all issues raised by the Stipulating Parties
12 related to Idaho Power’s 2015 Annual Power Supply Expense True-Up (“True-Up”). This True-
13 Up implements the Company’s Power Cost Adjustment Mechanism (“PCAM”) by calculating the
14 deviation between actual net power supply expenses (“NPSE”) and those expenses recovered
15 through the Combined Rate.

16 **I. BACKGROUND**

17 **A. Idaho Power’s PCAM.**

18 In Order No. 08-238, the Public Utility Commission of Oregon (“Commission”) approved
19 Idaho Power’s PCAM.¹ As part of the Commission-approved PCAM, each February Idaho
20 Power must file a True-Up that calculates the difference between the actual NPSE incurred by
21 the Company in the relevant PCAM year (January through December) and the expenses
22 recovered for that period through the Combined Rate.² NPSE deviations that are eligible, as

23 ¹ *Re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment*
24 *Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008). The PCAM was amended by Order No.
25 *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).

26 ² Order No. 08-238 at 2-3. The “Combined Rate” is determined annually in the Company’s Annual Power
Cost Update (“APCU”) proceeding. The Combined Rate has two components—an “October Update” and
a “March Forecast.” The October Update contains the Company’s forecasted net power supply expense

1 determined by the terms of Order No. 08-238, are added to the Annual Power Supply Expense
2 True-Up Balancing Account (“True-Up Balancing Account”) at the end of each 12 month period
3 ending in December along with 50 percent of the annual interest calculated at the Company’s
4 authorized cost of capital.³ To be eligible for inclusion in the True-Up Balancing Account, the
5 NPSE deviation must fall outside the NPSE deadband⁴ and pass the earnings test described in
6 Order No. 08-238.⁵

7 **B. The 2015 True-Up.**

8 On February 19, 2016, Idaho Power filed its True-Up reflecting the NPSE deviation for
9 calendar year 2015.⁶ The Company’s initial filing used the most recent Oregon Results of
10 Operations (“ROO”) report available at the time of the filing—the ROO for 2014.⁷ The NPSE
11 deviation was \$51.65 million on a system-wide basis, or \$2.29 million (there were no SO₂
12 Allowance sales in calendar year 2015) on an Oregon allocated basis—meaning that the
13 Company under-recovered its actual NPSE.⁸ The upper NPSE deadband, calculated using the
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16 reflected on a normalized and unit basis for an April through March test period. The March Forecast
17 contains the Company’s net power supply expense based upon updated actual forecasted conditions.
18 The rates from the October Update and March Forecast are combined into the “Combined Rate,” which
19 is effective on June 1 of each year.

20 ³ *Id.*

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

⁵ *Id.* 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.

⁶ See Idaho Power/100-103.

⁷ Idaho Power/100, Waites/2.

⁸ Idaho Power/100, Waites/4-5, 7.

1 2014 ROO, was \$2.77 million.⁹ This deadband applies when actual NPSE is greater than NPSE
2 recovered in rates. The lower NPSE deadband was negative \$1.38 million and applies when
3 actual NPSE is less than NPSE recovered in rates.¹⁰ Because the NPSE deviation indicated
4 that the actual NPSE was greater than the NPSE recovered in rates, the upper deadband was
5 applied. The Oregon-allocated NPSE deviation was within the NPSE deadbands calculated
6 using the 2014 ROO, *i.e.*, the actual NPSE deviation of \$2.29 million was less than the upper
7 deadband of \$2.77 million.¹¹ Therefore, the Company's initial filing determined that \$0.00
8 should be added to the True-Up Balancing Account.¹²

9 This initial filing also discussed the impact of Order No. 11-086, which addressed the
10 appropriate treatment of proceeds from the sale of Renewable Energy Credits ("RECs").¹³
11 Pursuant to that order these proceeds are applied to the power cost deferral currently in
12 amortization.¹⁴

13 On March 11, 2016, CUB filed its Notice of Intervention. On March 16, 2016,
14 Administrative Law Judge Allan J. Arlow held a prehearing conference at which the parties to
15 this docket agreed upon a limited procedural schedule, based on the likelihood that the parties
16 would settle this matter.¹⁵

17 As required by Order No. 09-373, on April 15, 2016, the Company filed supplemental
18 testimony that calculated the deadband using the Company's 2015 ROO report, which was
19 finalized after the initial February filing.¹⁶ The use of the 2015 ROO resulted in changes to the

20 ⁹ Idaho Power/100, Waites/6.

21 ¹⁰ *Id.*

22 ¹¹ *Id.*

23 ¹² Idaho Power/100, Waites/6-7.

24 ¹³ Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269,
Order No. 11-086 (Mar. 15, 2011).

25 ¹⁴ Idaho Power/100, Waites/7.

26 ¹⁵ See Prehearing Conference Memorandum (Mar. 17, 2016).

¹⁶ See Idaho Power/200-203.

1 upper and lower power supply expense deadband values resulting in an upper deadband of
2 \$2.79 million and a lower deadband of negative \$1.39 million.¹⁷ The use of the 2015 ROO also
3 changed the Oregon allocation factor used to determine the Oregon allocated NPSE deviation,
4 resulting in an NPSE deviation of \$2.36 million (there were no SO₂ Allowance sales in calendar
5 year 2015).¹⁸ Applying the new deadband values to the new NPSE deviation, however, did not
6 change the ultimate result—the Oregon-allocated power supply deviation of \$2.36 million was
7 still less than the upper deadband of \$2.79 million.¹⁹ Thus, after updating the analysis using
8 the 2015 ROO the Company determined that \$0.00 should be added to the True-Up Balancing
9 Account.²⁰

10 Pursuant to the agreed upon schedule Staff, CUB, and the Company participated in a
11 settlement conference on April 28, 2016. As a result of the settlement discussions, the
12 Stipulating Parties have agreed to the terms of the Stipulation.

13 II. DISCUSSION

14 A. Terms of the Stipulation.

15 In the Stipulation the Stipulating Parties agree that the Company has correctly calculated
16 the amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
17 with the terms of Order Nos. 08-238 and 09-373.²¹ Thus, the Stipulating Parties agree that the
18 Company will not add any amounts to the True-Up Balancing Account for 2015.²²

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22 ¹⁷ Idaho Power/200, Waites/2.

23 ¹⁸ *Id.*

24 ¹⁹ *Id.*

25 ²⁰ Idaho Power/200, Waites/1-3.

26 ²¹ Stipulation at ¶ 8.

²² *Id.*

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

2 The Commission will adopt a stipulation if it is supported by competent evidence in the
3 record, appropriately resolves the issues in a case, and results in just and reasonable rates.²³
4 When evaluating the rates, the Commission examines “the reasonableness of the overall
5 rates.”²⁴ Here, the Stipulation satisfies these standards.

6 First, the Stipulation is supported by the record, which includes the Company’s testimony
7 and exhibits describing exactly how it calculated the deviation between actual NPSE incurred
8 by the Company in 2015 (January through December) and the expenses recovered for that
9 period through the Combined Rate.²⁵ Staff and CUB conducted a thorough investigation of the
10 Company’s testimony and exhibits and participated in the settlement conference. As a result of
11 their investigation, Staff and CUB concluded that there were no issues in the Company’s filing
12 that warranted filing responsive testimony. Although Staff and CUB have not filed testimony,
13 the Stipulating Parties agree that the record in this case is sufficient to support a finding that the
14 Stipulation is reasonable and should be adopted.

15 Second, the Stipulating Parties agree that the Company correctly calculated the amount
16 of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies with the
17 terms of Orders Nos. 08-238 and 09-373.²⁶ Because the Company’s filed case reflects correct
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20 ²³ 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 primary
22 issues in this docket.”); *Re PacifiCorp Request for a General Rate Revision*, Docket UE 210, Order No. 10-
23 022 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.”); *Re PacifiCorp Request for a General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec. 14, 2010)
 (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and reasonable.”).

24 ²⁴ *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).

25 ²⁵ Idaho Power/100-103; Idaho Power/200-203.

26 ²⁶ Stipulation ¶ 8.

1 calculations that conform to Commission precedent, the resulting rates are just and reasonable
2 and fall within the “range of reasonableness” for resolution of these issues.²⁷

3 Staff and CUB’s analyses and bases for support are further detailed below.

4 **C. Staff Analysis Supporting the Stipulation.**

5 Staff conducted a thorough review of the Company’s inputs, and also verified the
6 calculations in the initial True-Up filing. Staff verified the changes in rate base and the Oregon
7 allocation percentage, and the resulting deadbands, contained in the April supplemental filing,
8 with the 2015 ROO. Staff concludes that the 2015 True-up is correctly calculated based on the
9 requirements set forth in Orders Nos. 08-238 and 09-373.

10 **D. CUB’s Analysis Supporting the Stipulation.**

11 CUB thoroughly examined the filing and participated in the settlement conference on April
12 28, 2016. Based on its examination of the filing and its participation in the settlement
13 conference, CUB believes that the power cost variance is clearly within the deadband and that
14 there are no adjustments that could reasonably be applied that would result in a variance that
15 is outside of the deadband. The Company’s calculations are consistent with the PCAM
16 requirements, and CUB therefore concludes that there should be no adjustment to rates.

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26 ²⁷ See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1996).


1 **III. CONCLUSION**

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

4 Respectfully submitted,

5 **MCDOWELL RACKNER & GIBSON PC**

6 DATED: May 12, 2016.

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8 _____
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