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May 16, 2018

**VIA ELECTRONIC FILING**

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

**Re: Docket No. UE 336 – Idaho Power Company's 2017 Annual Power Supply  
Expense True-Up**

Attention Filing Center:

Attached for filing in the above-captioned docket is the Joint Explanatory Brief. The Stipulation is being filed concurrently in this docket.

Please contact this office with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Alisha Till". The signature is written in a cursive, flowing style.

Alisha Till  
Legal Assistant

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 336**

In The Matter of  
IDAHO POWER COMPANY  
2017 Annual Power Supply Expense  
True-Up.

**JOINT EXPLANATORY BRIEF**

1           This brief explains and supports the Stipulation filed in this proceeding on May 16, 2018,  
2           among Idaho Power Company (“Idaho Power” or “Company”), the Oregon Citizens’ Utility Board  
3           (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the “Stipulating  
4           Parties”). The Stipulation resolves all issues raised by the Stipulating Parties related to Idaho  
5           Power’s 2017 Annual Power Supply Expense True-Up (“True-Up”). This True-Up implements  
6           the Company’s Power Cost Adjustment Mechanism (“PCAM”) by calculating the deviation  
7           between actual net power supply expenses (“NPSE”) and those expenses recovered through  
8           the Combined Rate.

**I. BACKGROUND**

**A. Idaho Power’s PCAM.**

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

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<sup>1</sup> *Re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. 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 No. UE 195, Order No. 09-373 (Sept. 18, 2009).

<sup>2</sup> 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

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

**B. The 2017 True-Up.**

7 On February 23, 2018, Idaho Power filed its True-Up reflecting the NPSE deviation for  
8 calendar year 2017.<sup>6</sup> The Company’s initial filing used the most recent Oregon Results of  
9 Operations (“ROO”) report available at the time of the filing—the ROO for 2016.<sup>7</sup> The NPSE  
10 deviation was \$8.43 million on a system-wide basis, or \$393,883.94 million (there were no SO<sub>2</sub>  
11 Allowance sales in calendar year 2017) on an Oregon allocated basis—meaning that the  
12 Company under-recovered its actual NPSE.<sup>8</sup> The upper NPSE deadband, calculated using the  
13 2016 ROO, was \$3.02 million.<sup>9</sup> This deadband applies when actual NPSE is greater than NPSE  
14 recovered in rates. The lower NPSE deadband was negative \$1.51 million and applies when

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a “March Forecast.” The October Update contains the Company’s forecasted net power supply expense reflected on a normalized and unit basis for an April through March test period. The March Forecast contains the Company’s net power supply expense based upon updated actual forecasted conditions. The rates from the October Update and March Forecast are combined into the “Combined Rate,” which is effective on June 1 of each year.

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

<sup>4</sup> *Id.* at 3-4. The NPSE deadband is based upon the Company’s capital structure and the rate base, measured on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or negative deadbands. A positive deviation (actual NPSE 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).

<sup>5</sup> *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.

<sup>6</sup> See Idaho Power/100-103.

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

<sup>8</sup> Idaho Power/100, Waites/4-5, 7.

<sup>9</sup> Idaho Power/100, Waites/6.

1 actual NPSE is less than NPSE recovered in rates.<sup>10</sup> Because the NPSE deviation indicated  
2 that the actual NPSE was greater than the NPSE recovered in rates, the upper deadband was  
3 applied. The Oregon-allocated NPSE deviation was within the NPSE deadbands calculated  
4 using the 2016 ROO, *i.e.*, the actual NPSE deviation of \$393,883.94 was less than the upper  
5 deadband of \$3.02 million.<sup>11</sup> Therefore, the Company's initial filing determined that \$0.00  
6 should be added to the True-Up Balancing Account.<sup>12</sup>

7 This initial filing also discussed the impact of Order No. 11-086, which addressed the  
8 appropriate treatment of proceeds from the sale of Renewable Energy Credits ("RECs").<sup>13</sup>  
9 Consistent with Order Nos. 11-086 and 17-185, Idaho Power proposed that these proceeds are  
10 applied as a credit to the True-Up Balancing Account<sup>14</sup>.

11 On March 7, 2018, CUB filed its Notice of Intervention. On March 22, 2018, Administrative  
12 Law Judge Patrick Power held a prehearing conference at which the parties to this docket  
13 agreed upon a limited procedural schedule, based on the likelihood that the parties would settle  
14 this matter.<sup>15</sup>

15 As required by Order No. 09-373, on April 13, 2018, the Company filed supplemental  
16 testimony that calculated the deadband using the Company's 2017 ROO report, which was  
17 finalized after the initial February filing.<sup>16</sup> The use of the 2017 ROO resulted in changes to the  
18 upper and lower power supply expense deadband values resulting in an upper deadband of  
19 \$3.12 million and a lower deadband of negative \$1.56 million.<sup>17</sup> The use of the 2017 ROO also  
20 changed the Oregon allocation factor used to determine the Oregon allocated NPSE deviation,  
21 resulting in an NPSE deviation of \$391,353.64 (there were no SO<sub>2</sub> Allowance sales in calendar

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

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

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

<sup>14</sup> Idaho Power/100, Waites/7.

<sup>15</sup> See Prehearing Conference Memorandum (Mar. 22, 2018).

<sup>16</sup> See Idaho Power/200-203.

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

1 year 2017).<sup>18</sup> Applying the new deadband values to the new NPSE deviation, however, did not  
2 change the ultimate result—the Oregon-allocated power supply deviation of \$391,353.64 was  
3 still less than the upper deadband of \$3.12 million.<sup>19</sup> The updated Oregon allocation factor did  
4 however change the Oregon allocated REC proceeds. Thus, after updating the analysis using  
5 the 2017 ROO the Company determined that a credit of \$102,552 should be added to the True-  
6 Up Balancing Account.<sup>20</sup>

7 Pursuant to the agreed upon schedule Staff, CUB, and the Company participated in a  
8 settlement conference on May 7, 2018. As a result of the settlement discussions, the Stipulating  
9 Parties have agreed to the terms of the Stipulation.

## II. DISCUSSION

### A. Terms of the Stipulation.

10 In the Stipulation, the Stipulating Parties agree that the Company has appropriately  
11 calculated the NPSE amount of the True-Up for later inclusion in rates as \$0.00 and that this  
12 calculation complies with the terms of Order Nos. 08-238 and 09-373.<sup>21</sup> Thus, the Stipulating  
13 Parties agree that the Company will not add any NPSE deviation amounts to the True-Up  
14 Balancing Account for 2017.<sup>22</sup>

15 The Stipulating Parties also agree that the 2017 net proceeds from the sale of RECs  
16 should be applied as a credit to the True-Up Balancing Account, consistent with Order No. 11-  
17 086.<sup>23</sup>

18 1. The Stipulating Parties agree that Idaho Power will update the level of amortization  
19 collection associated with intervenor funding amounts. The Company will begin amortization  
20 and collection in rates of \$61,183 in intervenor funding amounts accrued since Idaho Power's

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

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

<sup>20</sup> *Id.*

<sup>21</sup> Stipulation at ¶ 8.

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

<sup>23</sup> Stipulation at ¶ 9.

1 last request and recovered through Schedule 56, Power Cost Adjustment Mechanism  
2 (“Schedule 56”)<sup>24</sup>, consistent with Order No. 17-198 in Docket No. UE 321. All intervenor  
3 funding amounts are associated with intervenors acting on behalf of the residential customer  
4 class and will therefore be collected only from residential customers for the June 1, 2018  
5 through May 31, 2019 time period.

6 Finally, the Company has also agreed to provide workpapers, which show the calculation  
7 of all figures in the filing, with its initial and supplemental Annual Power Supply Expense True-  
8 Up filings to allow Staff and CUB a more streamlined review process.<sup>25</sup>

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

9 The Commission has adopted stipulations that are supported by competent evidence in  
10 the record, appropriately resolve the issues in a case, and result in just and reasonable rates.<sup>26</sup>  
11 When evaluating the rates, the Commission examines “the reasonableness of the overall  
12 rates.”<sup>27</sup> Here, the Stipulation satisfies these standards.

13 First, the Stipulation is supported by the record, which includes the Company’s testimony  
14 and exhibits describing exactly how it calculated the deviation between actual NPSE incurred  
15 by the Company in 2017 (January through December) and the expenses recovered for that  
16 period through the Combined Rate.<sup>28</sup> Staff and CUB conducted a thorough investigation of the  
17 Company’s testimony and exhibits and participated in the settlement conference. As a result of  
18 their investigation, Staff and CUB concluded that there were no issues in the Company’s filing

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<sup>24</sup> Stipulation at ¶ 10.

<sup>25</sup> Stipulation at ¶ 11.

<sup>26</sup> See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all primary issues in this docket.”); *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.”); *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.”).

<sup>27</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).

<sup>28</sup> Idaho Power/100-103; Idaho Power/200-203.

1 that warranted filing responsive testimony. Although Staff and CUB have not filed testimony,  
2 the Stipulating Parties agree that the record in this case is sufficient to support a finding that the  
3 Stipulation is reasonable and should be adopted.

4 Second, the Stipulating Parties agree that the Company appropriately calculated the  
5 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies  
6 with the terms of Orders Nos. 08-238 and 09-373.<sup>29</sup> The Company's filed case reflects correct  
7 calculations that conform to Commission precedent and the resulting rates are just and  
8 reasonable and fall within the "range of reasonableness" for resolution of these issues.<sup>30</sup>

**C. Treatment of REC Proceeds.**

9 The 2017 REC proceeds exceed the balance in the True-Up Balancing Account. The  
10 Stipulating Parties agree that the \$102,552 in 2017 net proceeds from the sale of RECs should  
11 be applied as a credit to the True-Up Balancing Account,<sup>31</sup> consistent with Order No. 11-086.<sup>32</sup>  
12 The amounts that exceed the True-Up Balancing Account balance will be provided to customers  
13 beginning June 1, 2018, as a credit through Schedule 56.

**D. Staff Analysis Supporting the Stipulation.**

14 Staff has reviewed the Company's filing and submitted six data requests in this docket.  
15 Staff finds that the NPSE deviation and deadbands have been correctly calculated and \$0.00 is  
16 the correct amount of NPSE deviation to add to the True-up Balancing Account. Staff agrees  
17 that the 2017 net proceeds from the sale of RECs should be applied as a credit to the True-Up

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<sup>29</sup> Stipulation ¶ 8.

<sup>30</sup> See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1996).

<sup>31</sup> The balance in the account resulted from the 2008 PCAM.

<sup>32</sup> Stipulation at ¶ 9; Order No. 11-086 at 2 ("Idaho Power will record all net proceeds from the sale of RECs in a regulatory liability account to accrue interest at the Company's authorized cost of capital. Net REC proceeds shall be applied as a credit to the Annual Power Supply Expense True-up Balancing Account as part of the Power Cost Adjustment Mechanism (PCAM) after all variances (including deadbands and earnings review), less 10 percent of proceeds which may be retained by the Company.").

1 Balancing Account and that Idaho Power should update the level of amortization collection  
2 associated with intervenor funding amounts.

**E. CUB's Analysis Supporting the Stipulation.**

3 CUB reviewed the Company's filing and participated in the settlement conference. CUB  
4 agrees that the filing demonstrates that the variation between actual power costs and forecasted  
5 power costs falls within the Annual Power Supply Expense True-Up Mechanism's deadband.  
6 Accordingly, CUB recommends the Commission approve the Stipulation.

**III. CONCLUSION**

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

DATED: May 16, 2018.

Respectfully submitted,

**MCDOWELL RACKNER GIBSON PC**



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