

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 336

In the Matter of

IDAHO POWER COMPANY,

2017 Annual Power Supply Expense
True-Up and Application to Amortize
Intervenor Funding Amounts.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On February 23, 2018, Idaho Power Company filed this application to “true-up” (True-Up) its net power costs for the calendar year 2018. In its filing, the company also proposed to apply the proceeds from its sale of Renewable Energy Credits (RECs) as a credit to its Annual Power Supply True-Up Balancing Account (True-Up Balancing Account). Also, as a separate matter not related to its True-Up Balancing Account, Idaho Power proposed to update the level of amortization associated with the collection of intervenor funding deferrals approved in Order No. 17-198.

On March 7, 2018, the Oregon Citizens’ Utility Board (CUB) filed its Notice of Intervention. A prehearing conference was held on March 22, 2018, at which the parties agreed to an abbreviated procedural schedule reflecting the likelihood that this matter would settle.

On April 13, 2018, Idaho Power filed supplemental direct testimony that calculated its net power costs using its 2017 Oregon Results of Operations report (ROO), which was finalized after the initial February filing. Although the use of the report changed each of the values used to calculate net power costs, the resulting net power cost deviation was still within the deadband so that no change in rates was proposed.

On May 7, 2018, Idaho Power, the Commission Staff, and CUB participated in a settlement conference. As a result, on May 16, 2018, the parties filed a stipulation that settles all issues, together with a joint explanatory brief in support of the stipulation. The stipulation is attached to this order as Appendix A.

II. BACKGROUND

In Order No. 08-238, we approved Idaho Power's Power Cost Adjustment Mechanism (PCAM) to allow the company the opportunity to determine, for possible recovery, the deviation between the company's actual power costs and those costs collected in rates. As part of the PCAM, each February the company files a True-Up that calculates the difference between its actual net power supply expenses (NPSE) in the PCAM year (January through December) and the expenses recovered for that period through the Combined Rate.¹ Eligible NPSE deviations (as determined by Order No. 08-238) are added to the True-Up Balancing Account at the end of each 12 month period ending in December, along with 50 percent of the annual interest calculated at the company's authorized cost of capital. To be eligible for inclusion in the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband² and pass the earnings test described in Order No. 08-038.³

For its February 23, 2018, filing Idaho Power used its most recent Oregon ROO report available at the time of the filing – the ROO for 2016. The NPSE deviation was \$8.43 million on a system-wide basis, or \$393,884 on an Oregon allocated basis – meaning that the company under-recovered its actual NPSE. The upper NPSE deadband, calculated using the 2016 ROO, was \$3.02 million. This deadband applies when actual NPSE is greater than the NPSE recovered rates. Because the Oregon-allocated NPSE deviation

¹ The "Combined Rate" is determined annually in the company's annual power cost 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 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 on 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.

² The NPSE deadband is based on the Company's capital structure and 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 first is reduced by a deadband that is the dollar equivalent of 250 basis points of return on equity (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).

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.

was within the deadband, Idaho Power determined that there should be no change to the True-Up Balancing Account rate.

In addition, Idaho Power also discussed the impact of Order No. 11-086, which addressed the appropriate treatment of proceeds from the sale of RECs. Consistent with the company's approach in each true-up since that order, Idaho Power proposed that those proceeds be applied to the True-Up Balancing Account.

In the same filing, Idaho Power also requests authorization to amortize approximately \$61,000 intervenor funding amounts deferred since the company's last request to amortize these amounts began on June 1, 2017.

In its filing on April 13, 2018, Idaho Power calculated the deadband using its 2017 ROO report. The use of the 2017 report resulted in changes to the upper and lower power supply expense deadband values, resulting in an upper deadband of \$3.12 million and a lower deadband of negative \$1.56 million. The use of the 2017 report also changed the Oregon allocated NPSE deviation, resulting in an NPSE deviation of \$391,354. Applying the new deadband values to the new NPSE deviation did not change the result – the Oregon allocated deviation of \$391,354 was still less than the upper deadband of \$3.12 million. The updated Oregon allocation factor did however change the Oregon allocated REC proceeds. Thus, after updating the analysis using the 2017 ROO the company determined that a credit of \$102,552 should be added to the True-Up Balancing Account.

III. STIPULATION AND SUPPORTING BRIEF

In their stipulation, the parties agree that Idaho Power has correctly calculated the amount of the True-Up for later inclusion in rates as \$0.00. Thus, the parties agree that the company will not add any NPSE deviation amounts to the True-Up Balancing Account for 2017. The parties also agree that the 2017 net proceeds from the sale of RECs should be applied as a credit to the True-Up Balancing Account consistent with Order No. 11-086.

The parties also agree that Idaho Power will update the level of amortization collection associated with intervenor funding amounts. The company will begin amortization and collection in rates of \$61,183 in intervenor funding amounts accrued since Idaho Power's last request to be recovered through Schedule 56. All intervenor funding amounts are associated with intervenors acting on behalf of the residential customer class and will therefore be collected only from residential customers for the June 1, 2018 through May 31, 2019 time period.

The parties also memorialize a commitment by Idaho Power to provide work papers which show the calculation of all figures in the filing at the time of its initial Annual Power Supply Expense True-Up filing and is supplemental filing relying on its most recent ROO report.

The parties state that stipulation is fully supported by the record, which includes Idaho Power's testimony and exhibits. Staff and CUB thoroughly reviewed the testimony and exhibits and determined that there were no issues that warranted the filing of responsive testimony. They agree that Idaho Power appropriately calculated the amount of the True-Up for later inclusion in rates (\$0.00), resulting in rates that are just and reasonable.

Regarding the application of the REC sale proceeds as a credit to the True-Up Balancing Account, the parties report that the 2017 REC proceeds exceed the balance in that account, so that the amounts that exceed that balance will flow back to customers beginning June 1, 2018, as part of the PCAM.

IV. ORDER

We adopt the stipulation. As we noted in Idaho Power's power cost update proceeding last year, "mechanisms like the PCAM are in place to protect both the utilities and their customers from volatile energy markets with the potential for significant under and over collection of energy costs. In the current relatively stable energy market conditions we are not surprised to be presented a stipulation that prescribes no rate change."⁴ We appreciate the effort by all parties that goes into confirming that result through diligent review and analysis.

IT IS ORDERED that:

1. The stipulation between Idaho Power Company, the Staff of the Public Utility Commission of Oregon, and the Oregon Citizens' Utility Board, attached as Appendix A, is adopted.

⁴ *In the Matter of Idaho Power Company 2016 Annual Power Supply Expense True-Up*, Docket No. UE 320, Order No. 17-185 at 3 (May 25, 2017).

2. Idaho Power Company must file revised rate schedules consistent with this order to be effective no earlier than June 1, 2018.

Made, entered, and effective MAY 23 2018.

Lisa D. Hardie

Lisa D. Hardie
Chair



Stephen M. Bloom

Stephen M. Bloom
Commissioner

Megan W. Decker

Megan W. Decker
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 336

In The Matter of

IDAHO POWER COMPANY

2017 Annual Power Supply Expense True-Up.

STIPULATION

1 This Stipulation resolves all issues between the parties related to Idaho Power
2 Company's ("Idaho Power" or "Company") 2017 Annual Power Supply Expense True-Up
3 ("True-Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This
4 True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by
5 calculating the deviation between actual net power supply expenses ("NPSE") and those
6 expenses recovered through the Combined Rate.

PARTIES

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

BACKGROUND

10 2. As part of the PCAM approved by the Public Utility Commission of Oregon
11 ("Commission"), each February, Idaho Power must file a True-Up that calculates the
12 difference between the actual NPSE incurred by the Company in the relevant PCAM year
13 (January through December) and the expenses recovered for that period through the

¹ *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).

² *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).

1 Combined Rate.³ NPSE deviations that are eligible, as determined by the terms of Order No.
 2 08-238, are added to the Annual Power Supply Expense True-Up Balancing Account ("True-
 3 Up Balancing Account") at the end of each 12 month period ending in December, along with
 4 50 percent of the annual interest calculated at the Company's authorized cost of capital.⁴ To
 5 be eligible for inclusion in the True-Up Balancing Account, the NPSE deviation must fall
 6 outside the NPSE deadband⁵ and pass the earnings test described in Order No. 08-238.⁶

7 3. On February 23, 2018, Idaho Power filed its True-Up reflecting the NPSE
 8 deviation for calendar year 2017. The Company's initial filing used the most recent Oregon
 9 Results of Operations ("ROO") report available at the time of the filing—the ROO for 2016.⁷
 10 The NPSE deviation was \$8.43 million on a system-wide basis, or \$393,883.94 (there were no
 11 SO₂ Allowance sales in calendar year 2017) on an Oregon-allocated basis—meaning that the
 12 Company under-recovered its actual NPSE.⁸ The NPSE deadbands, calculated using the
 13 2016 ROO, were \$3.02 million (upper) and negative \$1.51 million (lower).⁹ The Oregon-
 14 allocated NPSE deviation was within the NPSE deadbands calculated using the 2016 ROO,
 15 *i.e.*, the actual NPSE deviation of \$393,883.94 was less than the upper deadband of \$3.02

³ Order No. 08-238 at 2-3.

⁴ *Id.*

⁵ *Id.* 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).

⁶ *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.

⁷ Idaho Power/100, Waites/2.

⁸ Idaho Power/100, Waites/4-5, 7.

⁹ Idaho Power/100, Waites/6.

1 million.¹⁰ Therefore, the Company's initial filing determined that \$0.00 should be added to the
2 True-Up Balancing Account.¹¹

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").¹²
5 Consistent with Order No. 11-086 and 17-185, Idaho Power proposed that these proceeds are
6 applied as a credit to the True-Up Balancing Account¹³.

7 5. On March 7, 2018, CUB filed its Notice of Intervention. On March 22, 2018,
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.¹⁴

11 6. As required by Order No. 09-373, on April 13, 2018, the Company filed
12 supplemental testimony that calculated the NPSE deadband using the Company's 2017 ROO
13 report, which was finalized after the initial February filing. The use of the 2017 ROO resulted
14 in changes to the upper and lower power supply expense deadband values. The upper
15 deadband changed to \$3.12 million and the lower deadband changed to negative \$1.56
16 million.¹⁵ The use of the 2017 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
18 \$391,353.64 (there were no SO₂ Allowance sales in calendar year 2017).¹⁶ However, these
19 changes did not affect the amount of proposed NPSE to be included in the True-Up Balancing
20 Account because the Oregon-allocated NPSE deviation was still within the NPSE deadbands
21 calculated using the 2017 ROO.¹⁷ The updated Oregon allocation percentage from the 2017

¹⁰ *Id.*

¹¹ Idaho Power/100, Waites/6.

¹² Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269, Order No. 11-086 (Mar. 15, 2011).

¹³ Idaho Power/100, Waites/8.

¹⁴ See Prehearing Conference Memorandum (Mar. 22, 2018).

¹⁵ Idaho Power/200, Waites/2.

¹⁶ *Id.*

¹⁷ *Id.*

1 ROO also changed the Oregon allocated REC proceeds. Thus, after updating the analysis
2 using the 2017 ROO the Company determined that a credit of \$102,552 should be added to
3 the True-Up Balancing Account.¹⁸

4 7. Pursuant to the agreed upon schedule, Staff, CUB, and the Company
5 participated in a settlement conference on May 7, 2018. As a result of the settlement
6 discussions, the Stipulating Parties have agreed as follows:

AGREEMENT

7 8. The Stipulating Parties agree that the Company has correctly calculated the
8 NPSE amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation
9 complies with the terms of Order Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree
10 that the Company will not add any NPSE deviation amounts to the True-Up Balancing
11 Account for 2017.

12 9. The Stipulating Parties agree that the 2017 net proceeds from the sale of RECs
13 should be applied as a credit to the True-Up Balancing Account, consistent with Order No. 11-
14 086.¹⁹

15 10. The Stipulating Parties agree that Idaho Power will update the level of
16 amortization collection associated with intervenor funding amounts. The Company will begin
17 amortization and collection in rates of \$61,183 in intervenor funding amounts accrued since
18 Idaho Power's last request and recovered through Schedule 56. All intervenor funding
19 amounts are associated with intervenors acting on behalf of the residential customer class
20 and will therefore be collected only from residential customers for the June 1, 2018 through
21 May 31, 2019 time period.

¹⁸ Idaho Power/200, Waites/2.

¹⁹ 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.").

11. Idaho Power agrees to provide workpapers which show the calculation of all figures in the filing at the time of its initial Annual Power Supply Expense True-Up filing and its supplemental filing relying on the most recent ROO report.

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

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

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

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

16. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by

1 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
2 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
3 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
4 other proceeding, except as specifically identified in this Stipulation.

5 17. This Stipulation may be executed in counterparts and each signed counterpart
6 shall constitute an original document.

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

STAFF

By: Kaylee Klein

Date: 5/16/18

OREGON CITIZENS' UTILITY BOARD

By: Bob Quits

Date: 5/16/18

IDAHO POWER

By: _____

Date: _____

any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as specifically identified in this Stipulation.

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

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

STAFF

OREGON CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: 

Date: 5-16-18