

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 206

In the Matter of

IDAHO POWER COMPANY

2008 Annual Power Supply Expense True-Up.

ORDER

DISPOSITION: STIPULATION ADOPTED; DEFERRAL BALANCE
AMOUNT AND PROCEDURES ESTABLISHED

I. SUMMARY

In this Order, we adopt a Stipulation of all of the Parties¹ and authorize Idaho Power Company (Idaho Power or Company) to include \$5,082,059 in its Annual Power Supply Expense True-Up Balancing Account (True-Up Balancing Account) pursuant to its Power Cost Adjustment Mechanism (PCAM) for 2008. We also authorize the Company to delay amortization of the 2008 True-Up Balancing Account until it completes amortization of previously authorized deferrals.

II. DISCUSSION

In docket UE 195, Order No. 08-238, the Public Utility Commission of Oregon (Commission) adopted a Stipulation by the Parties and approved a PCAM and an annual power cost update (APCU) mechanism for Idaho Power applicable to rates for the Company's Oregon customers.

Pursuant to the APCU, the Company files an "October Update" providing calculations for the Company's net power supply expense on a normalized and unit basis. The filing has an effective date of June 1 of the following year and is based on an April through March test period. The Company then updates certain components of its forecasted power costs the following March.

¹ Idaho Power Company, the Citizens' Utility Board, and the Commission Staff. The Stipulation is supported by Joint Testimony identified herein as Staff/Idaho Power/CUB/100, Durrenberger/Waites/Jenks.

Under the PCAM, the Company makes a filing in February showing the variance between its actual calendar year power costs and the APCU calculations; the Company may defer 90 percent of the variance—after application of a deadband—for later amortization into rates. The amortization may occur only after an earnings test. If earnings during the year that Idaho Power incurred the excess net variable power costs are within +/-100 basis points of its authorized return on equity, no amortization is permitted. If the Company's earnings fall outside the deadband, the costs may be deferred and amortized to the extent their inclusion in the Company's earnings do not bring Idaho Power's earnings during the deferral period within the deadband. As with the APCU, any rate change associated with the PCAM is effective June 1 of each year.²

On February 27, 2009, Idaho Power filed its 2008 Annual Power Supply Expense True-Up along with supporting testimony and exhibits, requesting authorization to add the power cost adjustment (PCA) amount of \$4,961,135.15 to the True-Up Balancing Account and delay amortization of the 2008 True-Up Balancing Account until the Company completed amortization of previously authorized deferrals. The PCA amount was calculated according to the methodology reflected in the stipulation adopted in Order No. 08-238.³

On October 14, 2009, the Company filed Supplemental Direct Testimony⁴ containing two corrections to the calculation of the Annual Power Supply Expense True-Up that change the deferral amount proposed to be added to the True-Up Balancing Account. The first correction involved Public Utility Regulatory Policies Act (PURPA) Qualifying Facility Expenses included in the Actual Net Power Supply Expenses (NPSE). That correction increases the Actual NPSE by \$9,359,442 or \$0.65/MWh.

The second correction arose after settlement discussions among the Parties arising out of Order No. 09-373, in which we modified the PCAM methodology so that a single year's results of operations would be used to calculate the rate base and the deadband.⁵ The Company's October 14, 2009, filing, in conforming to the method approved in Order No. 09-373, calculated the 2008 deferral balance to be \$5,011,903. The amount reflected the additional PURPA expenses and the use of the Company's 2008 Results of Operations to perform the earnings test and to calculate the deadband for determining the amount of net variable power costs that may be deferred. However, the Company is proposing to add to that amount by including 50 percent of the annual interest calculated at the Company's authorized cost of capital (\$196,216). It also proposes an offset of the deferral amount by the sale of SO2 Allowances made during the calendar year 2008 (\$126,060). The Company therefore proposes that a \$5,082,059 balance be added to the Annual Power Supply Expense True-Up Balancing Account. Staff and CUB reviewed both the original and updated Idaho Power filings, conducted discovery, participated in settlement conferences, and analyzed the Company's calculations.⁶

² See Order No. 09-373, docket UE 195 at 1-2 and Staff/Idaho Power/CUB/100, Durrenberger/Waites/Jenks/2-3.

³ Staff/Idaho Power/CUB/100, Durrenberger/Waites/Jenks/3.

⁴ This filing is unrelated to the APCU October Update.

⁵ Staff/Idaho Power/CUB/100, Durrenberger/Waites/Jenks/4-5. See also Order No. 09-373, Discussion at 2-3.

⁶ *Id.* at 5-6.

III. THE STIPULATION

On December 18, 2009, all of the Parties joined in the filing of the Stipulation, affixed to this Order as Appendix A. The Stipulation, which is adopted as part of this Order, was supported by the unanimous Joint Testimony of the Parties cited above.

The parties agree that the full \$5,082,059 requested in the October 14, 2009, filing should be added to the True-Up Balancing Account. They further agree that the calculations submitted in the Company's Supplemental Direct Testimony were correct and in conformance with the methodology established by the prior Commission Orders. Finally, the Parties agree that Idaho Power must delay amortization of the 2008 True-Up Balancing Account until it completes amortization of previously authorized deferrals.⁷

IV. DISCUSSION

We have reviewed the Idaho Power Supplemental Direct Testimony, the Stipulation, and the Joint Testimony in Support of the Stipulation. We find the terms of the Stipulation are supported by good and sufficient evidence to conclude that the terms and conditions contained in the Stipulation are in compliance with our prior orders, reasonable, and in the public interest. The Commission should therefore adopt the Stipulation and order Idaho Power Company to make such adjustments to its Records of Account so as to be in compliance with this Order.

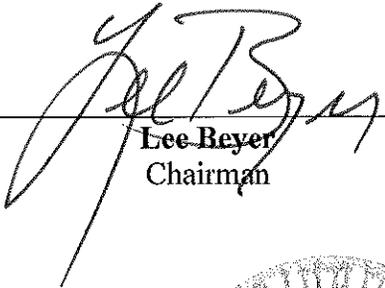
⁷ Stipulation at 4.

V. ORDER

IT IS ORDERED that:

- 1. The Stipulation filed by Idaho Power Company, the Citizens' Utility Board, and the Staff of the Public Utility Commission, is adopted.
- 2. Idaho Power Company shall make such adjustments to its Records of Account so as to be in compliance with this Order.

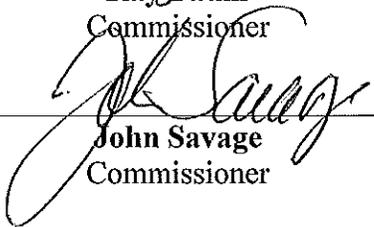
Made, entered and effective JAN 15 2010.



Lee Beyer
 Chairman



Ray Baum
 Commissioner



John Savage
 Commissioner



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

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UE 206

In the Matter of Application of
IDAHO POWER COMPANY
2008 Annual Power Supply Expense True-
Up

STIPULATION

8 This Stipulation resolves all issues among the parties to this Stipulation related
9 to the 2008 Annual Power Supply Expense True-Up implementing Idaho Power
10 Company's ("Idaho Power" or the "Company") power cost adjustment mechanism
11 ("PCAM").

PARTIES

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13 1. The parties to this Stipulation are Idaho Power, Staff of the Public Utility
14 Commission of Oregon ("Staff"), and the Citizens' Utility Board of Oregon ("CUB")
15 (together, the "Parties").

BACKGROUND

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17 2. In Order No. 08-238, the Public Utility Commission of Oregon
18 ("Commission") adopted a Stipulation between Staff, CUB, and Idaho Power where
19 they agreed to an Annual Power Cost Update ("APCU") and PCAM for Idaho Power.
20 Under the APCU, Idaho Power files an "October Update" that provides calculations
21 for the Company's net power supply expense on a normalized and unit basis. The
22 filing has an effective date of June 1 of the following year and is based on an April
23 through March test period. Idaho Power then updates certain components of its
24 forecasted power costs the following March.

25 3. Under the PCAM, Idaho Power makes a "true-up" filing in February.
26 The amount of any true-up is calculated by first determining the difference between

1 the actual net power supply expense unit cost, calculated as the total system-wide
2 actual net power supply costs incurred divided by the total actual sales and the
3 Combined Rate unit cost in effect during the year. The difference is multiplied by the
4 actual system sales to obtain the system power cost deviation and then multiplied by
5 the Oregon Allocation factor to provide an Oregon allocated power cost deviation
6 ("Deviation"). The Deviation is then subject to a dead band. If the Deviation is
7 positive, where actual net power supply costs incurred are greater than net power
8 supply costs recovered through the Combined Rate, as was the case in this filing, the
9 Deviation amount is reduced by the dollar equivalent of 250 basis points of Return on
10 Equity ("ROE"). Ninety percent (90%) of any remaining Deviation, plus interest, is
11 called the Annual Power Cost Adjustment ("PCA"). The PCA, subject to an earnings
12 test, is approved for inclusion in the Annual Power Supply Expense True-Up
13 Balancing Account ("True-Up Balancing Account") for subsequent recovery or refund
14 in rates. The earnings test is based on the Results of Operation for the year of the
15 PCA. If the Company earnings, excluding amounts that would be added to the True-
16 Up Balancing Account as determined above, are within plus or minus 100 basis
17 points of the Company's ROE, no PCA amounts will be added to the True-Up
18 Balancing Account for that year. If the Company earnings are more than 100 basis
19 points below its authorized ROE, the Company will be allowed to add the PCA
20 amount to the True-Up Balancing Account, up to an earnings level that is 100 basis
21 points less than its authorized ROE. If the Company earnings are more than 100
22 basis points above its authorized ROE, the Company will be required to include the
23 PCA amount in the True-Up Balancing Account as a credit, down to the authorized
24 ROE plus 100 basis points threshold.

25 4. On February 27, 2009, Idaho Power made its true-up filing for calendar
26 year 2008. In that filing, the Company requested that the Commission confirm that

1 the Company correctly calculated the amount of the PCA for later inclusion in rates,
2 authorize the Company to add the that amount to the True-Up Balancing Account,
3 and authorize the Company to delay amortization of the True-Up Balancing Account
4 until amortization of previously authorized excess power cost deferrals is complete.

5 5. Administrative Law Judge ("ALJ") Allan J. Arlow held a prehearing
6 conference on April 27, 2009, and on May 4, 2009, issued a Prehearing Conference
7 Report. Thereafter, on May 28, 2009, ALJ Arlow issued a Ruling suspending the
8 schedule to allow the parties to pursue settlement.

9 6. During the course of settlement discussions, the Parties agreed to ask
10 the Commission to modify the PCAM methodology reflected in Order No. 08-238. On
11 August 24, 2009, in Docket No. UE 195, Idaho Power, Staff, and CUB filed a Joint
12 Motion To Amend Order Approving Stipulation and Adopting Power Cost Adjustment
13 Mechanism (Order No. 08-238). Under Order No. 08-238, the deadband used to
14 determine the amounts that may be deferred under the PCAM and the deadband
15 used to determine the earnings band used to determine which costs may be
16 amortized, were originally based on the Company's Results of Operations ("ROO")
17 for different years. The Parties therefore requested that the Commission modify
18 Order No. 08-238 to change the methodology so that the ratebase reported in the
19 ROO for the PCAM deferral period is used to calculate the deferral deadband.

20 7. On September 18, 2009, in Order No. 09-373, the Commission granted
21 the motion and amended Order No. 08-238 to require Idaho Power to use the ROO
22 reported for the deferral period for both its deferral and earnings components under
23 the PCAM.

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1 necessary) to sponsor this Stipulation at the hearing, and recommend that the
2 Commission issue an Order adopting the settlement contained herein.

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

9 14. The Parties have negotiated this Stipulation as an integrated document.
10 If the Commission rejects all or any material portion of this Stipulation or imposes
11 material additional conditions in approving this Stipulation, any Party disadvantaged
12 by such action shall have the rights provided in OAR 860-014-0085 and shall be
13 entitled to seek reconsideration or appeal of the Commission's Order.

14 15. By entering into this Stipulation, no Party shall be deemed to have
15 approved, admitted, or consented to the facts, principles, methods, or theories
16 employed by any other Party in arriving at the terms of this Stipulation, other than
17 those specifically identified in this Stipulation, including attachments. No Party shall
18 be deemed to have agreed that any provision of this Stipulation is appropriate for
19 resolving issues in any other proceeding, except as specifically identified in this
20 Stipulation.

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

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

SIGNATURE PAGE FOLLOWS

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STAFF

IDAHO POWER

By: [Signature]
Date: Dec 17, 2009

By: _____
Date: _____

CUB

By: _____
Date: _____

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STAFF

IDAHO POWER

By: _____

By: *[Signature]*

Date: _____

Date: 12-18-09

CUB

By: *[Signature]*

Date: 12-17-09