

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 218

In the Matter of

IDAHO POWER COMPANY

2009 Annual Power Supply Expense True-Up

ORDER

DISPOSITION: STIPULATION ADOPTED

I. BACKGROUND

In Order No. 08-238,¹ as amended by Order No. 09-373,² the Public Utility Commission of Oregon (Commission) adopted a Power Cost Adjustment Mechanism (PCAM) for Idaho Power Company (Idaho Power). The PCAM procedure requires Idaho Power to make an Annual Power Supply Expense True-Up (True-Up) filing every February to calculate the deviation between actual net power supply expenses (NPSE) and the expenses collected by the Company's Combined Rate³ for a twelve-month period (the preceding January through December). Under the PCAM, the deviation is evaluated to determine eligibility for transfer to the Company's Annual Power Supply Expense True-Up Balancing Account (True-Up Balancing Account).⁴

Under the PCAM, the deviation is considered with regard to an asymmetrical dead band around the Idaho Power's Return on Equity (ROE), as authorized in the Company's last general rate case. A positive deviation (actual expenses exceed the expenses

¹ *In 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 Docket UE 195, Order No. 09-373 (Sept 18, 2009).

³ Under Order No. 08-238, Idaho Power annually updates its NPSE included in its Oregon rates through an automatic adjustment clause, referred to as the annual power cost update (APCU). The APCU and the True-Up are both components of the PCAM. The APCU is comprised of two primary components: an October power cost update and a March power cost 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 Idaho Power's net power supply expense based upon updated actual forecasted conditions. The rates from the October Update and March Forecast are combined, and that combined rate (Combined Rates) is then included in rates effective on June 1 of each year.

⁴ The True-Up Balancing Account tracks the Company's Power Cost Adjustment (PCA), as quantified at the end of each 12-month period ending December, together with 50 percent of the annual interest calculated at the Company's authorized cost of capital.

recovered in rates) is reduced by the dollar equivalent of 250 basis points of the Company's ROE. A negative deviation (actual expenses are less than those recovered in rates) is reduced by the dollar equivalent of 125 basis points of ROE before it would be shared with customers—subject to other terms of the PCAM. If a positive deviation is smaller than the upper dead band, or a negative deviation is less than the lower dead band, no amount will be accounted for in the True-Up Balancing Account for that year.

On February 26, 2010, Idaho Power filed the Company's 2009 calendar year True-Up. The True-Up used the Company's 2008 Results of Operations (ROO) report to calculate a system-wide positive NPSE deviation of \$41.6 million, with \$1.9 million allocated on an Oregon basis. Idaho Power calculated that the Oregon-based NPSE deviation was within the dead bands calculated using the 2008 ROO. Accordingly, Idaho Power asked the Commission to enter an order confirming that the Company correctly calculated, pursuant to Order Nos. 08-238 and 09-373, the amount of the True-Up for later inclusion in rates as \$0.00, and that no amount should be added to the Company's True-Up Balancing Account for 2009.

A prehearing conference was held on April 7, 2010. On April 30, 2010, Idaho Power filed supplemental testimony that calculated the dead band using the Company's 2009 ROO report. Although the upper and lower dead band values changed when the updated ROO report was used, the Company's conclusions did not.

On May 6, 2010, Staff and Idaho Power participated in a settlement conference. On May 13, 2010, a Stipulation between Staff and Idaho Power (Stipulating Parties) was filed with the Commission, along with supporting joint testimony.

II. THE STIPULATION

The Stipulating Parties agree that Idaho Power correctly calculated, under Order Nos. 08-238 and 09-373, the amount of the True-Up as \$0.00 for later inclusion in rates. Staff attests that the True-Up results in fair, just and reasonable rates for the Company's customers in Oregon. The Stipulating Parties also agree that Idaho Power will not add any amount to the Company's True-Up Balancing Account for 2009. For these reasons, the Stipulating Parties recommend that the Commission adopt the Stipulation, entering an order with its terms and conditions.

III. DISCUSSION

The Commission encourages parties to a proceeding to voluntarily resolve issues to the extent that settlement is in the public interest. The only parties to this docket are Commission Staff (Staff) and Idaho Power. They have entered into a Stipulation that resolves all outstanding issues. No party has filed an objection to the Stipulation.

The Commission examined the Stipulation, the supporting testimony and the pertinent record in the case. The Commission concludes that the Stipulation is an appropriate

resolution of all the pending issues in this docket. The Commission should adopt the Stipulation in its entirety without modification.

IV. ORDER

IT IS ORDERED that:

- 1. The Stipulation, dated May 13, 2010, and executed by and between Idaho Power Company and the Staff of the Public Utility Commission of Oregon is adopted in its entirety, without modification. The Stipulation is attached to this Order as Appendix A.
- 2. Consistent with the Stipulation, Idaho Power Company will not add any amount to Idaho Power Company’s True-Up Balancing Account for 2009; \$0.00 will be included in Idaho Power Company’s rates.

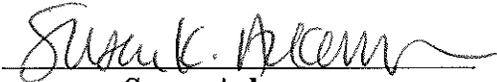
Made, entered, and effective JUL 23 2010.



Ray Baum
 Chairman



John Savage
 Commissioner



Susan Ackerman
 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 to a court pursuant to applicable law.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

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UE 218

In The Matter of the Application of IDAHO
POWER COMPANY for Authority to
Implement a Power Cost Adjustment
Mechanism for Electric Service to Customers
in the State of Oregon.

2009 ANNUAL POWER SUPPLY EXPENSE
TRUE-UP.

STIPULATION

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") 2009 Annual Power Supply Expense True-Up ("True-Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by calculating the deviation between actual net power supply expenses ("NPSE") and those expenses recovered through the Combined Rate.

PARTIES

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff") and Idaho Power Company (together, the "Stipulating Parties"). No other party intervened in this docket.

BACKGROUND

2. As part of the Commission-approved PCAM, each February Idaho Power must file a True-Up that calculates the difference between the actual NPSE incurred by the Company in the relevant PCAM year (January through December) and the expenses

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) [hereinafter "Order No. 08-238"].

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) [hereinafter "Order No. 09-373"].

1 recovered for that period through the Combined Rate.³ NPSE deviations that are eligible, as
2 determined by the terms of Order No. 08-238, are added to the Annual Power Supply
3 Expense True-Up Balancing Account ("True-Up Balancing Account") at the end of each 12
4 month period ending in December along with 50 percent of the annual interest calculated at
5 the Company's authorized cost of capital.⁴ As relevant here, to be eligible for inclusion in the
6 True-Up Balancing Account, the NPSE deviation must fall outside the dead band described in
7 Order No. 08-238.⁵

8 3. On February 26, 2010, Idaho Power filed its True-Up reflecting the NPSE
9 deviation for calendar year 2009. The Company's initial filing used the most recent Oregon
10 Results of Operations ("ROO") report available at the time of the filing—the ROO for 2008.
11 The Company's initial filing determined that \$0.00 should be added to the True-Up Balancing
12 Account because the Oregon-allocated NPSE deviation was within the dead bands calculated
13 using the 2008 ROO.

14 4. As required by Order No. 09-373, on April 30, 2010, the Company filed
15 supplemental testimony that calculated the dead band using the Company's 2009 ROO
16 report, which was finalized subsequent to the initial February filing. Although the upper and
17 lower dead band values changed when the updated ROO was used, the change did not affect
18 the amount proposed to be included in the True-Up Balancing Account because the NPSE
19 deviation was still within the dead band. Thus, after updating the analysis using the 2009
20 ROO the Company determined that \$0.00 should be added to the True-Up Balancing
21 Account.

22 5. On April 7, 2010, Administrative Law Judge Traci Kirkpatrick held a prehearing
23 conference at which the parties to this docket agreed upon a procedural schedule. Pursuant

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³ Order No. 08-238 at 3.

25 ⁴ *Id.*

26 ⁵ Order No. 08-238 at 3. The NPSE deviation is also subject to an earnings test and other adjustments as described in detail in the Stipulation attached as Exhibit A to Order No. 08-238. Here, the earnings test was not used because the NPSE deviation never fell outside the dead band.

1 to that agreed upon schedule, on May 6, 2010, Staff and the Company participated in a
2 settlement conference. As a result of the settlement discussions, the Stipulating Parties have
3 agreed as follows:

4 **AGREEMENT**

5 6. The Stipulating Parties agree that the Company has correctly calculated the
6 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
7 with the terms of Order Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
8 Company will not add any amounts to the True-Up Balancing Account for 2009.

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

13 8. This Stipulation will be offered into the record of this proceeding as evidence
14 pursuant to OAR 860-014-0085. The Stipulating Parties agree to support this Stipulation
15 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this
16 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
17 settlements contained herein.

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

24 10. The Stipulating Parties have negotiated this Stipulation as an integrated
25 document. If the Commission rejects all or any material portion of this Stipulation or imposes
26 additional material conditions in approving this Stipulation, any Stipulating Party

1 disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall
2 be entitled to seek reconsideration or appeal of the Commission's Order.

3 11. By entering into this Stipulation, no Stipulating Party shall be deemed to have
4 approved, admitted, or consented to the facts, principles, methods, or theories employed by
5 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
6 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
7 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
8 other proceeding, except as specifically identified in this Stipulation.

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

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

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STAFF

IDAHO POWER

By: _____

By: *Lisa Ruckner*

Date: _____

Date: *May 13, 2010*

1 disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall
2 be entitled to seek reconsideration or appeal of the Commission's Order.

3 11. By entering into this Stipulation, no Stipulating Party shall be deemed to have
4 approved, admitted, or consented to the facts, principles, methods, or theories employed by
5 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
6 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
7 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
8 other proceeding, except as specifically identified in this Stipulation.

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10 shall constitute an original document.

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

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14 STAFF

15 By: Mike [Signature]
16 Date: 5/14/10
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IDAHO POWER

15 By: Lisa [Signature]
16 Date: May 13, 2010
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