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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1147**

In the Matter of  
**PUBLIC UTILITY COMMISSION OF  
OREGON**  
Staff Request to Open an Investigation  
Related to Deferred Accounting.

**PETITION  
FOR EXCEPTION**

**I. INTRODUCTION**

Pursuant to OAR 860-013-0020 and Order No. 08-263, Idaho Power Company ("Idaho Power" or the "Company") petitions the Public Utility Commission of Oregon ("Commission") for an exception to the interest rate for existing amortized deferrals established in Order No. 08-263 as applied to Idaho Power's deferral balances. Idaho Power requests that the Commission continue to apply the Company's authorized rate of return ("AROR") approved in Docket UE 167 to the Company's deferral balances in amortization.

In support of this Petition for Exception ("Petition"), the Company states as follows:

**II. COMMUNICATIONS**

In accordance with OAR 860-013-0070, Idaho Power hereby waives service by means other than service by electronic mail. Consistent with that waiver, communications regarding this Petition should be addressed to all of the following:

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Pricing & Regulatory Services  
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3 Lisa F. Rackner  
4 Wendy McIndoo  
5 McDowell & Rackner PC  
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7 Portland, OR 97204  
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11 wendy@mcd-law.com

### 12 III. BACKGROUND

13 Historically, the interest rate applied to a utility's deferred accounts, both amortized  
14 and unamortized balances, was the AROR that was approved in the utility's most recent  
15 rate case.<sup>1</sup> On May 22, 2008, the Commission issued Order No. 08-263 in which it  
16 adopted a new rate to be applied to deferred accounts during amortization—a blended  
17 one-, three-, and five-year Treasury rate plus 100 basis points ("Modified Blended  
18 Treasury Rate").<sup>2</sup> The utility's authorized rate of return remains the applicable interest rate  
19 for unamortized amounts in deferred accounts.<sup>3</sup> The Commission ordered that as of 60  
20 calendar days after May 22, 2008, utilities must apply the Modified Blended Treasury Rate  
21 to all deferred accounts in amortization as of the date of the order or in the future,  
22 including balances in existing deferred accounts already in amortization.<sup>4</sup>

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23 <sup>1</sup> *Re. Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
24 *Deferred Accounting*, Docket UM 1147, Order No. 08-263 at 7 (May 22, 2008) [hereinafter "Order  
25 No. 08-263"].

26 <sup>2</sup> *Id.* at 15.

<sup>3</sup> *Id.* at 14.

<sup>4</sup> *Id.* at 17.

1 In Order No. 08-263, the Commission addressed whether it should apply an  
2 exception from the interest rate for amortized deferred amounts for Idaho Power.<sup>5</sup> Idaho  
3 Power argued in comments filed in this docket, and as discussed below, that Idaho Power  
4 must recover deferred amounts over an unusually extended period as compared with  
5 other utilities.<sup>6</sup> Staff did not recommend a specific exception for Idaho Power, but  
6 recommended that a utility be permitted to request a different rate for deferrals that will be  
7 amortized over three years.<sup>7</sup> The Commission adopted this recommendation and  
8 expanded on it, ordering that Staff or any utility may request a different interest rate by  
9 arguing that the circumstances or evidence warrant the application of that rate.<sup>8</sup> The  
10 Commission ordered that for existing amortized deferrals, Staff or any party may  
11 immediately apply for an exception to the application of the Modified Blended Treasury  
12 Rate.<sup>9</sup> It is on this basis that Idaho Power files this Petition.

#### 13 IV. DISCUSSION

##### 14 A. Idaho Power Will Recover Deferred Amounts Over an Unusually Long Period 15 of Time.

16 In comments in this docket, Idaho Power has pointed out that its situation with  
17 respect to its deferral balances is unique among Oregon utilities. *First*, the Company is  
18 uniquely reliant on hydro generation, which subjects the Company's power supply  
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20 <sup>5</sup> *Id.* at 7.

21 <sup>6</sup> *Re. Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
22 *Deferred Accounting*, Docket UM 1147, Reply Comments of Idaho Power and Pacific Power at 4  
23 *(Oct. 3, 2007); Re. Public Utility Commission of Oregon Staff Request to Open an Investigation*  
*Related to Deferred Accounting*, Docket UM 1147, Idaho Power Company's Initial Comments—  
Phase 2 at 2 (Mar. 16, 2006).

24 <sup>7</sup> Order No. 08-263 at 7.

25 <sup>8</sup> *Id.* at 16.

26 <sup>9</sup> *Id.*

1 expenses to extreme variability.<sup>10</sup> The impact of this variability is asymmetric, causing the  
2 Company to incur excess power supply expense more frequently than it benefits from  
3 lower costs. As a result of these factors, recurring drought conditions over multiple years  
4 have resulted in power supply expense significantly in excess of those included in rates  
5 and have forced the Company to file for and receive multiple excess power supply  
6 expense deferrals. In 2001, Idaho Power was allowed to defer over four million dollars in  
7 excess power costs in its Oregon jurisdiction incurred in 2001.<sup>11</sup> Idaho Power began  
8 deferring those costs in May of 2001, and anticipates that these amounts will finally be  
9 fully amortized in 2009. Since that time, the Commission has approved the Company's  
10 request to defer excess power costs for water years 2005-06,<sup>12</sup> 2006-07,<sup>13</sup> and the  
11 Company has filed for permission to defer excess power expenses for 2007-08.<sup>14</sup>

12 *Second*, Idaho Power has approximately 18,000 customers in Oregon, and in 2007  
13 its normalized revenue in Oregon was approximately 27.4 million dollars. These relatively  
14 low Oregon revenues, coupled with the amortization cap included in ORS 757.259,<sup>15</sup>  
15 substantially limit Idaho Power's ability to recover deferred costs in customer rates over a  
16 reasonable amount of time. As a result, Idaho Power does not expect to recover excess  
17 power costs incurred since 2001 for many years to come. For this reason, applying a  
18 short-term interest rate such as the Modified Blended Treasury Rate to Idaho Power's  
19 deferred accounts would be unreasonable. The Company's AROR is the more

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<sup>10</sup> Order No. 05-871, at 7.

22 <sup>11</sup> Order No. 01-307 issued in UM 1007.

23 <sup>12</sup> Order No. 07-119 issued in UM 1198.

24 <sup>13</sup> Order No. 07-555 issued in UM 1261.

25 <sup>14</sup> See UM 1331.

26 <sup>15</sup> ORS 757.259(8) limits electric utilities' amortization amounts for deferrals to six percent of the electric utility's gross revenues for the preceding calendar year.

1 reasonable rate to apply to balances that will be recovered over many years—and in some  
2 instances almost a decade.

3 **B. The Policy Reasons Behind Applying a Different Interest Rate to Amortized**  
4 **Deferred Accounts Do Not Apply to Idaho Power.**

5 The Commission's goal in Order No. 08-263 was to "determine what rate of  
6 interest on amortized deferred accounts would best reflect the *short-term*, fixed nature of  
7 amortized deferred accounts."<sup>16</sup> In a previous order outlining the policy foundation for  
8 Order No. 08-263, the Commission noted that the recovery time for a deferred account  
9 "may be as short as one year."<sup>17</sup> The Commission explained that because the amortized  
10 portion of a deferred account is a fixed and short term investment, a utility need only be  
11 kept whole on such investments.<sup>18</sup>

12 There is no question that Idaho Power's deferred accounts will be recovered over a  
13 period of many years. Once the 2001 deferral is fully amortized in 2009, Idaho Power's  
14 annual amortization amount, currently at 10 percent of the previous year's revenue  
15 pursuant to ORS 757.259(10), will revert to 6 percent of the previous year's revenue  
16 pursuant to ORS 757.259(8).<sup>19</sup> With an unamortized balance of \$2.4 million for the 2006  
17 deferral and an approximate balance of \$6.7 million of excess net power supply costs for  
18 the 2007 deferral, it is very likely that Idaho Power's deferred accounts will not be fully

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20 <sup>16</sup> Order No. 08-263 at 14 (emphasis added).

21 <sup>17</sup> *Re. Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
*Deferred Accounting*, Docket UM 1147, Order No. 06-507 at 5 (Sept. 6, 2006).

22 <sup>18</sup> *Id.* at 6.

23 <sup>19</sup> ORS 757.259(10) allowed the Commission to authorize an electric utility amortize a  
24 deferral in an amount greater than 6 percent for certain power supply expenses related to the 2001  
25 energy crisis. In Idaho Power's case, the Commission authorized amortization of an amount up to 10  
26 percent of the Company's previous year's gross revenues. In *Re Idaho Power Co. Application to*  
*Change the Amortization of Excess Variable Net Power Supply Costs from 6 to 10 Percent*, Docket  
UE 159, Order No. 04-202 (Apr. 6, 2004). Idaho Power's power supply expense deferrals other than  
those from 2001 are subject to the 6 percent cap in ORS 757.259(8).

1 amortized until the year 2017. This unusually long-term recovery means that the accounts  
2 do not conform to the Commission's concept of a short-term account that it anticipated  
3 when it established the Modified Blended Treasury Rate. The policy reasons supporting  
4 the application of a different rate to amortized deferrals therefore does not apply to Idaho  
5 Power.

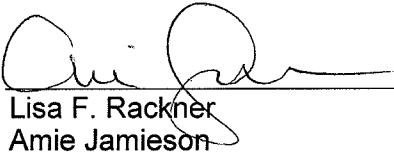
6 **III. CONCLUSION**

7 For the foregoing reasons, Idaho Power respectfully requests that the Commission  
8 grant an exception from the interest rate requirements set forth in Order No. 08-263 and  
9 allow the Company to apply its AROR to its existing deferred accounts in amortization.

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DATED: July 21, 2008.

MCDOWELL & RACKNER PC

  
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July 21, 2008

## VIA ELECTRONIC FILING

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

**Re: Docket No. UM 1147**

Enclosed for filing in the above-referenced docket are an original and one copy of Idaho Power Company's Petition for Exception and a Request for Change to Service List.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy L. McIndoo".

Wendy L. McIndoo

cc: Service List

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in  
3 Docket UM 1147 on the following named person(s) on the date indicated below by email  
4 and first-class mail addressed to said person(s) at his or her last-known address(es)  
5 indicated below.

6

7 <b>Portland General Electric Co. Rates &amp; Regulatory Affairs</b> Portland General Electric Company 121 Sw Salmon St 1wtc0702 Portland Or 97204 <a href="mailto:Pge.Opuc.Filings@Pgn.Com">Pge.Opuc.Filings@Pgn.Com</a>	<b>Cable Huston Benedict Haagensen &amp; Lloyd Llp</b> Edward A Finklea 1001 Sw 5th - Ste 2000 Portland Or 97204 <a href="mailto:Efinklea@Chbh.Com">Efinklea@Chbh.Com</a>
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<b>McDowell &amp; Rackner</b> Katherine McDowell <u>Katherine@mcd-law.com</u>	

DATED: July 21, 2008

  
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Wendy L. McDowell

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BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UM 1147

In the Matter of  
PUBLIC UTILITY COMMISSION OF  
OREGON  
Staff Request to Open an Investigation  
Related to Deferred Accounting.

IDAHO POWER COMPANY'S REQUEST  
FOR CHANGE TO SERVICE LIST

Idaho Power Company requests that the Oregon Public Utility Commission ("OPUC")  
change the parties on the official service list in this proceeding as follows:

Remove: Sandra D. Holmes  
  
Add: Christa Beary  
Idaho Power  
PO BOX 70  
BOISE ID OR 83707  
[cbearry@idahopower.com](mailto:cbearry@idahopower.com)

DATED: July 21, 2008.

MCDOWELL & RACKNER PC

\_\_\_\_\_  
Lisa F. Rackner  
Amie Jamieson

Of Attorneys for Idaho Power Company