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December 27, 2017

**VIA EMAIL AND FEDEX**

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

**Re: Docket UM 1464 (8)**


Attention Filing Center:

Attached for filing is an electronic copy of Idaho Power Company's Application for Deferred Accounting of Net Variable Power Cost Variances. Attachment B is confidential and is being provided confidentially pursuant to OAR 860-001-0070 and Protective Order No. 12-499 previously issued in this docket.

A copy of this filing has been served on the parties to the UE 233 and UM 1464 service list as indicated on the attached Certificate of Service.

Please contact me if you have any questions.

Very truly yours,

  
Wendy McIndoo  
Office Manager

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1464(8)

In the Matter of Idaho Power Company's  
Application for Deferred Accounting of Net  
Variable Power Cost Variances

APPLICATION

**I. INTRODUCTION**

Pursuant to ORS 757.210, ORS 757.259, and OAR 860-027-0300, Idaho Power Company ("Idaho Power") hereby requests an accounting order reauthorizing Idaho Power to defer for later ratemaking treatment annual net variable power cost variances pursuant to Order No. 08-238 and Idaho Power Tariff Schedule 56. Schedule 56 is an "automatic adjustment clause" as defined in ORS 757.210. Idaho Power seeks authorization for this deferral effective as of January 1, 2018. In support of this Application, Idaho Power states:

1. Idaho Power is a public utility in the state of Oregon and its rates, services, and accounting practices are subject to the regulation of the Public Utility Commission of Oregon ("Commission").
2. This Application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize the deferral of certain items for later inclusion in rates.
3. Communications regarding this Application should be addressed to:

Adam Lowney  
McDowell Rackner Gibson PC  
419 SW 11<sup>th</sup> Ave, Suite 400  
Portland, OR 97205  
[dockets@mcd-law.com](mailto:dockets@mcd-law.com)

Lisa Nordstrom  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83707  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

1 **II. OAR 860-027-0300(3) REQUIREMENTS**

2 **A. Description**

3 With this deferral application, Idaho Power seeks authorization from the Commission  
4 to accrue, for future amortization, the difference between actual annual net variable power  
5 costs and the annual net variable power costs recovered pursuant to Tariff Schedule 55, in  
6 accordance with Order No. 08-238. This annual power cost accrual may also include any  
7 variances in the revenues received, and incremental costs incurred, associated with the  
8 Company's participation in the Energy Imbalance Market ("EIM"); these costs include the  
9 return on net rate base from capital investments, depreciation expense and ongoing  
10 operations and maintenance expenses. Idaho Power has requested to recover these  
11 expenses in Docket No. UE 333<sup>1</sup>, the Company's 2018 Annual Power Cost Update. Because  
12 these EIM costs contain capital investments, their deferral may be impacted by an upcoming  
13 policy decision regarding the Commission's authority to defer capital costs in Docket No. UM  
14 1909<sup>2</sup>.

15 In the event the Commission authorizes the Company's request to recover incremental  
16 costs of the Company's EIM participation in Docket No. UE 333 and any variances between  
17 associated revenues and incremental EIM costs are consistent with the outcome of Docket  
18 No. UM 1909, Idaho Power requests authority to defer them as part of this deferral  
19 authorization. The costs will be tracked similar to the annual net variable power costs with  
20 the annual variance determined pursuant to the terms of Schedule 56, which includes a  
21 Power Supply Expense Deadband and an Earnings Test.

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<sup>1</sup> *Re Idaho Power Company's 2018 Annual Power Cost Update – October Update, Docket*  
25 *No. UE 333.*

26 <sup>2</sup> *Re Investigation of the Scope of the Commission's Authority to Defer Capital Costs, Docket*  
*No. UM 1909.*

1           **B. Reasons for Deferral**

2           In Order No. 08-238, the Commission ordered the adoption of a power cost adjustment  
3 mechanism for Idaho Power that contains both an Annual Power Cost Update (“APCU”) and  
4 Power Cost Adjustment Mechanism (“PCAM”). Idaho Power Schedule 55 contains the terms  
5 of the APCU while Schedule 56 contains the terms of the PCAM. The PCAM provides for  
6 recognition in rates of the difference, for a given year, between the *actual* annual net variable  
7 power costs incurred by Idaho Power and the net annual variable power costs recovered  
8 pursuant to Idaho Power Schedule 55. This deferral is intended to capture the net annual  
9 variable power cost difference that will be amortized in rates and is filed pursuant to Order  
10 No. 08-238 and ORS 757.259(2)(e). In addition, this deferral will minimize the frequency of  
11 rate changes or the fluctuation of rate levels and match appropriately the costs borne by and  
12 benefits received by customers.

13           **C. Proposed Accounting**

14           Idaho Power records revenues and expenses that would be subject to the deferral  
15 order in accordance with the Code of Federal Regulations to the Federal Energy Regulatory  
16 Commission (“FERC”) Account 501 (Fuel), FERC Account 547 (Fuel), FERC Account 447  
17 (Sales for Resale), and FERC 555 (Purchased Power). Upon receiving approval of a  
18 deferral, Idaho Power proposes to record the deferred amount by debiting FERC Account  
19 182.3 (Regulatory Assets) and crediting FERC Account 557 (Other Expenses) if there is an  
20 amount to collect from customers. If there is a refund to customers, Idaho Power would  
21 record the accrued amount in FERC Account 254 (Regulatory Liabilities) and debiting FERC  
22 Account 557 (Other Expenses).

23           **D. Estimate of Amounts**

24           The deferred amount is a function of several unknown and unpredictable factors  
25 including customer usage, the wholesale market price for electricity, and the wholesale  
26 market price for natural gas. Because the deferred amount is dependent on factors that

1 cannot be precisely forecast, Idaho Power cannot provide a precise estimate of the deferred  
2 amount. Idaho Power requests that, in accordance with Order No. 05-1070, it be allowed to  
3 accrue interest on the unamortized balance at a rate equal to its authorized weighted average  
4 cost of capital most recently approved by the Commission.

5 **E. Notice**

6 A copy of the Notice of Application for Deferred Accounting of Excess Power Costs  
7 and a list of persons served with the Notice are attached to the Application as Attachment A.

8 **III. OAR 860-027-0300(4) REQUIREMENTS**

9 **A. Entries in the Deferred Account to Date**

10 Attached to the Application as Attachment B is a description and explanation of the  
11 entries in this deferred account as of the date of the Application. As can be seen in the  
12 attachment, amortization of all PCAM amounts concluded in 2017 and the balance remains  
13 zero.

14 **B. Reason for Continuation of Deferred Accounting**

15 As discussed in detail above, this deferral is intended to capture the net annual  
16 variable power cost difference that will be amortized in rates and is authorized pursuant to  
17 Order No. 08-238.

18 **IV. CONCLUSION**

19 Deferred accounting treatment is an appropriate, just, and reasonable means of  
20 implementing Order No. 08-238 and Idaho Power Schedule 56.

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1 For the reasons stated above, Idaho Power requests permission to defer annual net  
2 variable power cost variances beginning January 1, 2018, pursuant to Order No. 08-238 and  
3 Idaho Power Schedule 56.

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5 DATED: December 27, 2017

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McDOWELL RACKNER GIBSON PC

  
Adam Lowney

**IDAHO POWER COMPANY**

Lisa Nordstrom  
Idaho Power Company  
P.O. Box 70  
1221 W. Idaho Street  
Boise, Idaho 83707-0070  
E-mail: lnordstrom@idahopower.com

Attorneys for Idaho Power Company

## **Attachment A**

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BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UM 1464(8)

In the Matter of Idaho Power Company's  
Application for Deferred Accounting of Net  
Variable Power Cost Variances

**NOTICE OF APPLICATION FOR  
DEFERRED ACCOUNTING OF NET  
VARIABLE POWER COST VARIANCES**

On December 27, 2017, Idaho Power Company ("Idaho Power") filed an application with the Public Utility Commission of Oregon ("Commission") for an Order authorizing deferral of the annual net variable power cost variance pursuant to Order No. 08-238 and Idaho Power Tariff Schedule 56.

Approval of Idaho Power's Application will not authorize a change in Idaho Power's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Idaho Power's Application will be posted on the Commission website for persons who wish to obtain a copy or they may contact the following:

Adam Lowney  
McDowell Rackner Gibson PC  
419 SW 11<sup>th</sup> Ave, Suite 400  
Portland, OR 97205  
[dockets@mcd-law.com](mailto:dockets@mcd-law.com)

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1 Any person who wishes to submit written comments to the Commission on Idaho  
2 Power's Application must do so by no later than January 27, 2018.

3  
4 DATED: December 27, 2017

McDOWELL RACKNER GIBSON PC

5   
6 Adam Lowney

7 **IDAHO POWER COMPANY**

8 Lisa Nordstrom  
9 Idaho Power Company  
10 P.O. Box 70  
11 1221 W. Idaho Street  
12 Boise, Idaho 83707-0070  
13 E-mail: lnordstrom@idahopower.com

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Attorneys for Idaho Power Company

**Attachment B**  
**CONFIDENTIAL**  
**PURSUANT TO OAR 860-001-0070**  
**AND PROTECTIVE ORDER NO. 12-499**

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of Idaho Power's Application to the Parties of record in Docket UE 233 and UM 1464 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

Citizens' Utility Board of Oregon OPUC Dockets <a href="mailto:dockets@oregoncub.org">dockets@oregoncub.org</a>	Robert Jenks Citizens' Utility Board of Oregon <a href="mailto:bob@oregoncub.org">bob@oregoncub.org</a>
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DATED: December 27, 2017

  
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Office Manager