



ALISHA TILL
Direct (503) 290-3628
alisha@mrg-law.com

December 28, 2018

VIA EMAIL AND U.S. PRIORITY MAIL

PUC Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
PO Box 1088
Salem, OR 97308-1088

Re: Docket UM 1464 (9)

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 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.

Sincerely,

A handwritten signature in blue ink that reads "Alisha Till". The signature is written in a cursive, flowing style.

Alisha Till
Paralegal

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1464(9)

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, 2019. 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:

Lisa Rackner
McDowell Rackner Gibson PC
419 SW 11th Ave, Suite 400
Portland, OR 97205
dockets@mrq-law.com

Lisa Nordstrom
Idaho Power Company
P.O. Box 70
Boise, ID 83707
lnordstrom@idahopower.com
dockets@idahopower.com

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II. OAD 860-027-0300(3) REQUIREMENTS

A. Description

With this deferral application, Idaho Power seeks authorization from the Commission to accrue, for future amortization, the difference between actual annual net variable power costs and the annual net variable power costs recovered pursuant to Tariff Schedule 55, in accordance with Order No. 08-238. This annual power cost accrual may also include any variances in the revenues received, and incremental costs incurred, associated with the Company’s participation in the Energy Imbalance Market (“EIM”); these costs include the return on net rate base from capital investments, depreciation expense and ongoing operations and maintenance expenses. Idaho Power requested to recover these costs in Docket No. UE 333¹, the Company’s 2018 Annual Power Cost Update (“APCU”) filing, ultimately agreeing in the final approved settlement stipulation to recover a forecast of both operations and maintenance costs and capital costs.² In Docket No. UE 350³, the Company’s 2019 APCU, Idaho Power requested similar treatment of EIM-related costs. Because these EIM costs contain capital investments, their deferral may be impacted by the policy decision in Order No. 18-423⁴, regarding the Commission’s authority to defer capital costs under ORS 757.259. The Company and other investor-owned utilities jointly filed a motion requesting reconsideration, rehearing, clarification, and stay of this order on December 24, 2018⁵.

¹ *Re Idaho Power Company’s 2018 Annual Power Cost Update – October Update*, Docket No. UE 333.

² *Page 8, paragraph 31, lines 24-25, Final Settlement Stipulation*, Docket No. UE 333.

³ *Re Idaho Power Company’s 2019 Annual Power Cost Update – October Update*, Docket No. UE 350.

⁴ *Re Investigation of the Scope of the Commission’s Authority to Defer Capital Costs*, Docket No. UM 1909.

⁵ *Id.*

1 In the event the Company's request to defer for later recovery any variances between
2 associated revenues and incremental EIM costs is consistent with the final outcome of
3 Docket No. UM 1909, Idaho Power requests authority to defer them under ORS 757.259 as
4 part of this deferral authorization. The costs will be tracked similar to the annual net variable
5 power costs with the annual variance determined pursuant to the terms of Schedule 56, which
6 includes a Power Supply Expense Deadband and an Earnings Test.

7 In the alternative, in the event that the Commission ultimately determines that the
8 Company's request for deferral of associated revenues and incremental EIM costs is not
9 permissible under ORS 757.259, Idaho Power requests that the Commission issue a
10 regulatory accounting order under ORS 757.125, allowing Idaho Power to record such
11 amounts to its balance sheet as a regulatory asset—which would allow the costs to be
12 tracked for later recovery.⁶

13 **B. Reasons for Deferral**

14 In Order No. 08-238, the Commission ordered the adoption of a power cost adjustment
15 mechanism for Idaho Power that contains both an Annual Power Cost Update ("APCU") and
16 Power Cost Adjustment Mechanism ("PCAM"). Idaho Power Schedule 55 contains the terms
17 of the APCU while Schedule 56 contains the terms of the PCAM. The PCAM provides for
18 recognition in rates of the difference, for a given year, between the *actual* annual net variable
19 power costs incurred by Idaho Power and the net annual variable power costs recovered
20 pursuant to Idaho Power Schedule 55. This deferral is intended to capture the net annual
21 variable power cost difference that will be amortized in rates and is filed pursuant to Order
22 No. 08-238 and ORS 757.259(2)(e). In addition, this deferral will minimize the frequency of

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24 ⁶ In making this request, Idaho Power is cognizant of the Commission's statement in Order
25 No. 18-423, that "[b]ecause the recovery of capital costs is not affected by the rule against retroactive
26 ratemaking, there is no need for a deferral." Order No. 18-423 at p.9. Idaho Power believes that this
statement may imply that, because the recovery of capital costs is not subject to the rule against
retroactive ratemaking, utilities may track such costs for later recovery outside of the requirements of
ORS 757.259.

1 rate changes or the fluctuation of rate levels and match appropriately the costs borne by and
2 benefits received by customers.

3 **C. Proposed Accounting**

4 Idaho Power records revenues and expenses associated with net annual variable
5 power costs that would be subject to the deferral order in accordance with the Code of
6 Federal Regulations (“CFR”) to the Federal Energy Regulatory Commission (“FERC”)
7 Account 501 (Fuel), FERC Account 547 (Fuel), FERC Account 447 (Sales for Resale), and
8 FERC 555 (Purchased Power). Upon receiving approval of a deferral, Idaho Power proposes
9 to record the deferred amount by debiting FERC Account 182.3 (Regulatory Assets) and
10 crediting FERC Account 557 (Other Expenses) if there is an amount to collect from
11 customers. If there is a refund to customers, Idaho Power would record the accrued amount
12 in FERC Account 254 (Regulatory Liabilities) and debiting FERC Account 557 (Other
13 Expenses).

14 If approved, incremental EIM costs that would be subject to the deferral are recorded
15 in accordance with the CFR in numerous FERC accounts as these costs include the return
16 on net rate base from capital investments, depreciation expense and ongoing operations and
17 maintenance expenses. Idaho Power proposes to record the deferred amount by debiting
18 FERC Account 182.3 (Regulatory Assets) and crediting FERC Account 407.4 (Regulatory
19 Credits) if there is an amount to collect from customers. If there is a refund to customers,
20 Idaho Power would record the accrued amount in FERC Account 254 (Regulatory Liabilities)
21 and debiting FERC Account 407.3 (Regulatory Debits).

22 **D. Estimate of Amounts**

23 The deferred amount is a function of several unknown and unpredictable factors
24 including customer usage, the wholesale market price for electricity, and the wholesale
25 market price for natural gas. Because the deferred amount is dependent on factors that
26 cannot be precisely forecast, Idaho Power cannot provide an estimate of the deferred

1 amount. Idaho Power requests that, in accordance with Order No. 05-1070, it be allowed to
2 accrue interest on the unamortized balance at a rate equal to its authorized weighted average
3 cost of capital most recently approved by the Commission.

4 **E. Notice**

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

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

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

9 Attached to the Application as Attachment B is a description and explanation of the
10 entries in this deferred account as of the date of the Application. As can be seen in the
11 attachment, 2018 PCAM amounts have remained within the deadbands so the balance
12 remains zero.

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

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

17 **IV. CONCLUSION**

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

20 For the reasons stated above, Idaho Power requests permission to defer annual net
21 variable power cost variances beginning January 1, 2019, pursuant to Order No. 08-238 and
22 Idaho Power Schedule 56.

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1 DATED: December 28, 2018

McDOWELL RACKNER GIBSON PC

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Lisa Rackner

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IDAHO POWER COMPANY

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

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Attorneys for Idaho Power Company

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Attachment A

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1464(9)

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 28, 2018, 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:

Lisa Rackner
McDowell Rackner Gibson PC
419 SW 11th Ave, Suite 400
Portland, OR 97205
dockets@mrq-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 28, 2019.

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4 DATED: December 28, 2018

McDOWELL RACKNER GIBSON PC



Lisa Rackner

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 B

CONFIDENTIAL

SUBJECT TO PROTECTIVE ORDER NO. 12-499

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
dockets@oregoncub.org

Mitch Moore
Public Utility Commission of Oregon
mitch.moore@state.or.us

Don Reading
dreading@mindspring.com

Erik Colville
Public Utility Commission of Oregon
Erik.colville@state.or.us

Peter J. Richardson
Richardson Adams
peter@richardsonadams.com
Wendy Gerlitz
NW Energy Coalition
wendy@nwenergy.org

Randy Dahlgren
Portland General Electric
pge.opuc.filings@pgn.com

Irion Sanger
Sanger Law PC
irion@sanger-law.com

Etta Lockey
Pacific Power
Etta.lockey@pacificcorp.com

Oregon Dockets
PacifiCorp
oregondockets@pacificcorp.com

Robert Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

Stephanie Andrus
Assistant Attorney General
stephanie.andrus@state.or.us
Renewable Northwest Project
dockets@renewablenw.org

John W. Stephens
Esler Stephens & Buckley Stephens
@eslerstephens.com
mec@eslerstephens.com

Gregory M. Adams
Richardson Adams
greg@richardsonadams.com

Joshua D. Johnson
Attorney at Law
jdj@racinelaw.net

Anthony J. Yankel
Utility Net.Inc.
tony@yankel.net

Douglas C. Tingey
Portland General Electric
doug.tingey@pgn.com

Sarah Link
Pacific Power
sarah.link@pacificcorp.com

Donald Schoenbeck
Regulatory & Cogeneration Services
dws@r-c-s-inc.com

DATED: December 28, 2018



Alisha Till
Paralegal