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May 13, 2020

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UE 376 – In the Matter of Idaho Power Company’s 2019 Annual Power Supply Expense True-Up

Attention Filing Center:

Attached for filing in the above-captioned docket is the Joint Explanatory Brief in support of the Stipulation.

Please contact this office with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cheyenne Aguilera", is written over a large, stylized blue scribble.

Cheyenne Aguilera
Office Manager

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 376

In the Matter of

IDAHO POWER COMPANY

2019 Annual Power Supply Expense
True-Up.

JOINT EXPLANATORY BRIEF

1 This brief explains and supports the Stipulation filed in this proceeding on May 13, 2020,
2 among Idaho Power Company (“Idaho Power” or “Company”), the Oregon Citizens’ Utility Board
3 (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the “Stipulating
4 Parties”). The Stipulation resolves all issues related to Idaho Power’s 2019 Annual Power
5 Supply Expense True-Up (“True-Up”). This True-Up implements the Company’s Power Cost
6 Adjustment Mechanism (“PCAM”) by calculating the deviation between actual net power supply
7 expenses (“NPSE”) and those expenses recovered through the Combined Rate.

I. BACKGROUND

A. Idaho Power’s PCAM.

8 In Order No. 08-238, the Public Utility Commission of Oregon (“Commission”) approved
9 Idaho Power’s PCAM.¹ As part of the Commission-approved PCAM, Idaho Power must file a
10 True-Up each February that calculates the difference between the actual NPSE incurred by the
11 Company in the relevant PCAM year (January through December) and the expenses recovered
12 for that period through the Combined Rate.² NPSE deviations that are eligible, as determined

¹ *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). The PCAM was amended by Order No. 09-373. *Re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. UE 195, Order No. 09-373 (Sept. 18, 2009).

² Order No. 08-238 at 2-3. The “Combined Rate” is determined annually in the Company’s Annual Power Cost Update (“APCU”) proceeding. The Combined Rate has two components—an “October Update” and a “March 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

1 by the terms of Order No. 08-238, are added to the Annual Power Supply Expense True-Up
2 Balancing Account (“True-Up Balancing Account”) at the end of each 12-month period ending
3 in December along with 50 percent of the annual interest calculated at the Company’s
4 authorized cost of capital.³ To be eligible for inclusion in the True-Up Balancing Account, the
5 NPSE deviation must fall outside the NPSE deadband⁴ and pass the earnings test described in
6 Order No. 08-238.⁵

B. The 2019 True-Up.

7 On February 25, 2020, Idaho Power filed its True-Up reflecting the NPSE deviation for
8 calendar year 2019.⁶ The Company’s initial filing used the most recent Oregon Results of
9 Operations (“ROO”) report available at the time of the filing—the ROO for 2018.⁷ The NPSE
10 deviation was negative \$15,225,136.12 on a system-wide basis, or negative \$704,923.80 on an
11 Oregon-allocated basis.⁸ Using the 2018 ROO produced an upper NPSE deadband of
12 \$2,584,287 and lower NPSE deadband of negative \$1,292,143.⁹ The upper deadband applies
13 when actual NPSE is greater than NPSE recovered in rates and the lower deadband applies
14 when actual NPSE is less than NPSE recovered in rates. Here, the lower deadband applies
15 because the actual NPSE was less than the NPSE recovered in rates. Because the Oregon-

contains the Company’s net power supply expense based upon updated actual forecasted conditions. The rates from the October Update and March Forecast are combined into the “Combined Rate,” which is effective on June 1 of each year.

³ *Id.*

⁴ *Id.* at 3-4. The NPSE deadband is based upon the Company’s capital structure and the rate base, measured on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or negative deadbands. A positive deviation (actual NPSE greater than those recovered through the Combined Rate) constitutes an excess power supply expense. This expense is first reduced by a deadband that is the dollar equivalent of 250 basis points of ROE (Oregon basis). A negative deviation (actual NPSE less than those recovered through the Combined Rate) is a power supply expense savings. This savings is reduced by a deadband that is the dollar equivalent of 125 basis points of ROE (Oregon basis).

⁵ *Id.* If the Company’s earnings are within 100 basis points of its authorized ROE for the previous year ending December 31, then no amounts will be added to the True-Up Balancing Account even if the NPSE deviation falls outside the NPSE deadbands.

⁶ See Idaho Power/100-109.

⁷ Idaho Power/100, Waites/3.

⁸ Idaho Power/100, Waites/4–5.

⁹ Idaho Power/100, Waites/6.

1 allocated NPSE deviation of negative \$704,923.80 was greater than the lower deadband of
2 negative \$1,292,143, the Company's initial filing determined that nothing should be added to
3 the True-Up Balancing Account.¹⁰

4 The Company's initial filing also addressed the difference between the actual operations
5 and maintenance ("O&M") costs incurred because of the Company's participation in the
6 Western Energy Imbalance Market ("EIM") and the EIM expenses included in rates.¹¹ This
7 initial filing also discussed the impact of Order No. 11-086, which addressed the appropriate
8 treatment of proceeds from the sale of Renewable Energy Credits ("REC").¹² Consistent with
9 Order Nos. 11-086 and 17-185, Idaho Power proposed that these proceeds be applied as a
10 credit to the True-Up Balancing Account.¹³ The Company also proposed to update the level of
11 amortization collection associated with intervenor funding.¹⁴

12 On March 24, 2020, CUB filed its Notice of Intervention. On April 1, 2020, Administrative
13 Law Judge Christopher J. Allwein held a prehearing conference at which the parties to this
14 docket agreed upon a limited procedural schedule.¹⁵

15 On April 15, 2020, in accordance with Order No. 09-373, the Company filed supplemental
16 testimony that calculated the NPSE deadbands and Oregon-allocation factor using the
17 Company's 2019 ROO report. The 2019 ROO produced an upper deadband of \$2,672,533 and
18 a lower deadband of negative \$1,336,267.¹⁶ Applying the Oregon allocation percentage from
19 the 2019 ROO produced an NPSE deviation of negative \$689,698.67.¹⁷ This amount remained

¹⁰ Idaho Power/100, Waites/7.

¹¹ Idaho Power/100, Waites/8.

¹² Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket No. UP 269, Order No. 11-086 (Mar. 15, 2011).

¹³ Idaho Power/100, Waites/7.

¹⁴ Idaho Power/100, Waites/8–9.

¹⁵ See Prehearing Conference Memorandum (Apr. 1, 2020).

¹⁶ Idaho Power/200, Waites/2.

¹⁷ Idaho Power/200, Waites/2.

1 greater than the lower deadband of negative \$1,336,267.¹⁸ Therefore, the use of the 2019 ROO
2 did not alter the determination that nothing should be added to the True-Up Balancing Account.

3 Pursuant to the agreed upon schedule, Staff, CUB, and the Company participated in a
4 settlement conference on April 28, 2020. As a result of the settlement discussions, the
5 Stipulating Parties have agreed to the terms of the Stipulation.

II. DISCUSSION

A. Terms of the Stipulation.

6 In the Stipulation, the Stipulating Parties agree that the Company has appropriately
7 calculated the NPSE amount of the True-Up for later inclusion in rates as \$0.00 and that this
8 calculation complies with the terms of Order Nos. 08-238 and 09-373.¹⁹ Thus, the Stipulating
9 Parties agree that the Company will not add any NPSE deviation amounts to the True-Up
10 Balancing Account for 2019.²⁰

11 The Stipulating Parties also agree that the 2019 net proceeds from the sale of RECs
12 should be applied as a credit to the True-Up Balancing Account, consistent with Order No. 11-
13 086,²¹ and that Idaho Power will update the level of amortization collection associated with
14 intervenor funding amounts as well as include amortization of deferred O&M start-up expenses
15 associated with the Company's participation in the EIM. Idaho Power will begin amortization
16 and collection in rates through Schedule 56 of \$37,383 in intervenor funding amounts and
17 \$23,842 in deferred EIM O&M start-up expenses.
18

¹⁸ Idaho Power/200, Waites/2.

¹⁹ Stipulation at ¶ 8.

²⁰ Stipulation at ¶ 8.

²¹ Stipulation at ¶ 9.

B. The Stipulation Will Result in Just and Reasonable Rates.

1 The Commission has adopted stipulations that are supported by competent evidence in
2 the record, appropriately resolve the issues in a case, and result in just and reasonable rates.²²
3 When evaluating the rates, the Commission examines “the reasonableness of the overall
4 rates.”²³ Here, the Stipulation satisfies these standards.

5 First, the Stipulation is supported by the record, which includes the Company’s testimony
6 and exhibits describing exactly how it calculated the deviation between actual NPSE incurred
7 by the Company in 2019 (January through December) and the expenses recovered for that
8 period through the Combined Rate.²⁴ Staff and CUB conducted a thorough investigation of the
9 Company’s testimony and exhibits and participated in the settlement conference. As a result of
10 their investigation, Staff and CUB concluded that there were no issues in the Company’s filing
11 that warranted filing responsive testimony. Although Staff and CUB have not filed testimony,
12 the Stipulating Parties agree that the record in this case is sufficient to support a finding that the
13 Stipulation is reasonable and should be adopted.

14 Second, the Stipulating Parties agree that the Company appropriately calculated the
15 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
16 with the terms of Orders Nos. 08-238 and 09-373.²⁵ The Company’s filed case reflects correct
17 calculations that conform to Commission precedent and the resulting rates are just and
18 reasonable and fall within the “range of reasonableness” for resolution of these issues.²⁶

²² See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all primary issues in this docket.”); *Re PacifiCorp Request for a General Rate Revision*, Docket No. UE 210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a stipulation, we have the statutory duty to make an independent judgment as to whether any given settlement constitutes a reasonable resolution of the issues.”); *Re PacifiCorp Request for a General Rate*, Docket No. UE 217, Order No. 10-473 at 7 (Dec. 14, 2010) (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and reasonable.”).

²³ *Re Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*, Docket No. DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

²⁴ Idaho Power/100-109; Idaho Power/200-204.

²⁵ Stipulation at ¶ 8.

²⁶ See *Re US West*, Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1996).

C. Treatment of REC Proceeds.

1 The Stipulating Parties agree that the \$234,708.83 in 2019 net proceeds from the sale of
2 RECs should be applied as a credit to the True-Up Balancing Account, consistent with
3 Order No. 11-086.²⁷

D. Staff Analysis Supporting the Stipulation.

4 In reviewing the filing, Staff investigated the Company's calculation of the net power supply
5 expense, the proceeds of REC sales, EIM start-up costs, and of intervenor funding.

6 This was informed by the Company's responses to Staff's 12 data requests, which focused
7 on the Company's REC management plan and internal procedures for selling RECs, the
8 sources and quantities of RECs generated by the Company, the sharing of revenues and costs
9 related to REC sales, and EIM start-up costs incurred by the Company.

10 Staff found that the filing complied with all previous Commission orders. In its investigation,
11 Staff found no issues that would warrant an adjustment to the resulting numbers. Because of
12 this, Staff believes the Stipulation results in fair, just, and reasonable rates.

E. CUB's Analysis Supporting the Stipulation.

13 CUB believes the Stipulation will result in rates that are fair, just, and reasonable. In its
14 review of the filing, CUB found no issues with the Company's calculation of NPSE, and finds
15 that the Company has complied with all relevant orders in this proceeding. CUB supports the
16 Stipulation as a reasonable resolution of the issues in this case.

III. CONCLUSION

17 For all the above reasons, the Stipulating Parties request that the Commission approve
18 the Stipulation and the resulting rates.

²⁷ Idaho Power/203; Stipulation at ¶ 9; Order No. 11-086 at 2 ("Idaho Power will record all net proceeds from the sale of RECs in a regulatory liability account to accrue interest at the Company's authorized cost of capital. Net REC proceeds shall be applied as a credit to the Annual Power Supply Expense True-up Balancing Account as part of the Power Cost Adjustment Mechanism (PCAM) after all variances (including deadbands and earnings review), less 10 percent of proceeds which may be retained by the Company.").

Respectfully submitted,

MCDOWELL RACKNER GIBSON PC

DATED: May 13, 2020.



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