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VIA E-MAIL TO

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

Re: Docket UE 437 – In the Matter the Application of Idaho Power Company, For Amortization in Rates of the Power Cost Adjustment Mechanism, Intervenor Funding Amounts, Annual Regulatory Fees, Oregon Corporate Activity Tax Expenses, and Community Solar Program Costs.

Attached for filing in the above-referenced docket, please find the Joint Explanatory Brief filed on behalf of Idaho Power Company, Oregon Citizens' Utility Board ("CUB"), and Staff of the Public Utility Commission of Oregon ("Staff").

Please contact this office with any questions.

Sincerely,

Lauren Richards

Lauren Richards
Legal Assistant
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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 437

In The Matter of the Application of IDAHO POWER COMPANY For Amortization in Rates of the Power Cost Adjustment Mechanism, Intervenor Funding Amounts, Annual Regulatory Fees, Oregon Corporate Activity Tax Expenses, and Community Solar Program Costs.	**JOINT EXPLANATORY BRIEF**

This brief explains and supports the Stipulation filed in this proceeding on May 13, 2024, among Idaho Power Company ("Idaho Power" or "Company"), the Oregon Citizens' Utility Board ("CUB"), and Staff of the Public Utility Commission of Oregon ("Staff") (together, the "Stipulating Parties"). The Stipulation resolves all issues related to Idaho Power's 2023 Annual Power Supply Expense True-Up ("True-Up"). 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.

I. BACKGROUND

A. Idaho Power's PCAM.

In Order No. 08-238, the Public Utility Commission of Oregon ("Commission") approved Idaho Power's PCAM.[1] As part of the Commission-approved PCAM, Idaho Power must file a True-Up each February that calculates the difference between the

[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).

actual NPSE incurred by the Company in the relevant PCAM year (January through December) and the expenses recovered for that period through the Combined Rate.[2] NPSE deviations that are eligible, as determined by the terms of Order No. 08-238, are added to the Annual Power Supply Expense True-Up Balancing Account ("True-Up Balancing Account") at the end of each 12-month period ending in December along with 50 percent of the annual interest calculated at the Company's authorized cost of capital.[3] To be eligible for inclusion in the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband[4] and pass the earnings test described in Order No. 08-238.[5]

B. The 2023 True-Up.

On February 29, 2024, Idaho Power filed its True-Up reflecting the NPSE deviation for calendar year 2023.[6] The Company's initial filing used the most recent Oregon Results of Operations ("ROO") report available at the time of the filing—the ROO for 2022.[7] The NPSE deviation was negative $56,782,578 on a system-wide

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[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 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 Results of Operations 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 return on equity (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, Brady/5.

basis, or negative $2,487,077 on an Oregon-allocated basis.[8] Using the 2022 ROO produced an upper NPSE deadband of $3,123,431 and lower NPSE deadband of negative $1,561,716.[9] The upper deadband applies when actual NPSE is greater than NPSE recovered in rates and the lower deadband applies when actual NPSE is less than NPSE recovered in rates. Here, the lower deadband applies because the actual NPSE was less than the NPSE recovered in rates. The amount of the Oregon Allocated Power Cost Deviation, negative $2,478,231, is less than the Lower Deadband of negative $1,561,716, resulting in a True-Up of negative $916,515. The Company's initial filing also detailed the Sharing Amount to calculate the portion of the True-Up Allowed and subsequently applied an Earnings Test.[10] The Sharing Amount is 90 percent of the amount that the Oregon-allocated NPSE deviation is above or below the deadband, i.*e.*, negative $916,515 x 90 percent plus accrued interest for a total deferral of negative $856,856.[11]

The Company's initial filing also addressed the difference between the actual operations and maintenance ("O&M") costs incurred because of the Company's participation in the Western Energy Imbalance Market ("EIM") and the EIM expenses included in rates.[12] The initial filing also discussed the impact of Orders Nos. 11-086 and 17-185, which addressed the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").[13] Consistent with Orders Nos. 11-086 and 17-185, Idaho Power proposed that these proceeds be applied as a credit to the True-Up Balancing Account.[14]

[8] Idaho Power/100, Brady/5.
[9] Idaho Power/100, Brady/7.
[10] Idaho Power/100, Brady/7.
[11] Idaho Power/100, Brady/7.
[12] Idaho Power/100, Brady/6.
[13] Idaho Power/100, Brady/8; *Re Application of Idaho Power Company to Sell RECs*, Docket No. UP 269, Order No. 11-086 (Mar. 15, 2011).
[14] Idaho Power/100, Brady/8.

As part of Idaho Power's initial filing, the Company also proposed a number of changes to amortization levels currently being recovered through Schedule 56. The Company proposed: (1) an update to intervenor funding amounts approved in Order No. 23-185, (2) continued collection of deferred Langley Gulch Power Plant ("Langley") revenues approved with Order No. 20-374 in Docket No. UE 382, (3) an update to the annual regulatory fee expenses approved for recovery with Order No. 23-185, (4) an update to the level of Oregon Corporate Activity Tax ("OCAT") expense collection approved with Order No. 23-185, (5) inclusion of Oregon Community Solar costs approved with Order No. 23-310, and (6) removal of COVID-19 Arrearage Management Program costs approved in Docket No. UM 2067 with Order No. 20-377.[15]

On March 7, 2024, Administrative Law Judge John Mellgren issued a memorandum directing the Company and all interested parties to collaborate on a jointly proposed schedule.[16] On March 19, 2024, Idaho Power filed a proposed procedural schedule that would allow for a Commission decision by June 1, 2024, if a settlement was reached and a Stipulation was filed by May 13, 2024.[17] Judge Mellgren adopted the jointly proposed procedural schedule on March 20, 2024.[18] On April 1, 2024, CUB filed its Notice of Intervention.

On April 12, 2024, in accordance with Order No. 09-373, the Company filed supplemental testimony that calculated the NPSE deadbands and Oregon-allocation factor using the Company's 2023 ROO report. The 2023 ROO produced an upper deadband of $2,993,991 and a lower deadband of negative $1,496,996.[19] Applying the Oregon allocation percentage from the 2023 ROO produced an NPSE deviation of

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[15] Idaho Power/100, Brady/8-9.
[16] *See* Memorandum (Mar. 7, 2024).
[17] *See* Memorandum (Mar. 20, 2024).
[18] *Id.*
[19] Idaho Power/200, Brady/2.

negative $2,369,695, which was then offset by the EIM-related O&M expense variance of $8,846.[20] This amount remained lower than the lower deadband of negative $1,496,996, resulting in a True-Up of $863,853.[21] After applying the 90 percent Sharing Amount, the True-Up was negative $807,622.[22] Applying the total customer benefit of REC sales of $567,291 decreased the amount the Company proposed to be added to the True-Up Balancing Account to negative $1,374,913.[23]

The Company applied the Earnings Test using the 2023 ROO and determined the Company's earnings during the January 1, 2023, through December 31, 2023, time period were below the threshold of plus or minus 100 basis points of its 2023 authorized ROE. As a result, $807,622 of the total deferral amount of negative $1,374,913 is not eligible to be included in the True-Up Balancing Account. However, the total customer benefit of REC sales in the amount of $567,291 are included in the True-Up Balancing Account, as these amounts are not subject to an earnings test. [24]

Staff, CUB, and the Company participated in a settlement conference on May 6, 2024. As a result of the settlement discussions, the Stipulating Parties have agreed to the terms of the Stipulation.

II. DISCUSSION

A. Terms of the Stipulation.

The Stipulating Parties agree that the Company has correctly calculated the NPSE deviation amounts to the True-Up Balancing Account for 2023 for later inclusion in rates as $0 and that this calculation complies with the terms of Orders Nos. 08-238 and 09-373.[25]

[20] Idaho Power/200, Brady/2–3.
[21] Idaho Power/200, Brady/3.
[22] Idaho Power/200, Brady/3.
[23] Idaho Power/200, Brady/3.
[24] Idaho Power/200, Brady/4.
[25] Stipulation at ¶ 19.

The Stipulating Parties also agree that the 2023 net proceeds from the sale of RECs in the amount of $567,291 should be applied as a credit to the True-Up Balancing Account, consistent with Orders Nos. 11-086 and 17-185.[26]

The Stipulating Parties also agree that the amortization levels currently being recovered in Schedule 56 should be changed to address (1) the update to intervenor funding amounts approved in Order No. 23-185,[27] (2) the continued collection of deferred Langley revenues approved with Order No. 20-374 in Docket No. UE 382,[28] (3) the amortization of annual regulatory fee expenses,[29] (4) inclusion of deferred OCAT expenses approved in Docket No. UM 2045 with Order No. 23-185,[30] and (5) the amortization of Oregon Community Solar expenses.[31]

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

The Commission has adopted stipulations that are supported by competent evidence in the record, appropriately resolve the issues in a case, and result in just and reasonable rates.[32] When evaluating the rates, the Commission examines "the reasonableness of the overall rates."[33] Here, the Stipulation satisfies these standards.

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[26] Stipulation at ¶ 20.
[27] Stipulation at ¶ 21.
[28] Stipulation at ¶ 22.
[29] Stipulation at ¶ 23. As explained in the Stipulation, Staff identified an overpayment in the calculation of the Company's regulatory fee expense. The overpayment amount was refunded on May 8, 2024. The Company will include the refund in the regulatory fee expense in next year's PCAM docket.
[30] Stipulation at ¶ 24.
[31] Stipulation at ¶ 25.
[32] *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.").
[33] *Re Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*, Docket DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

First, the Stipulation is supported by the record, which includes the Company's testimony and exhibits describing exactly how it calculated the deviation between actual NPSE incurred by the Company in 2023 (January through December) and the expenses recovered for that period through the Combined Rate.[34] Staff and CUB conducted a thorough investigation of the Company's testimony and exhibits and participated in the settlement conference. As a result of their investigation, Staff and CUB concluded that there were no issues in the Company's filing that warranted filing responsive testimony. Although Staff and CUB have not filed testimony, the Stipulating Parties agree that the record in this case is sufficient to support a finding that the Stipulation is reasonable and should be adopted.

Second, the Stipulating Parties agree that the Company appropriately calculated the amount of the True-Up for later inclusion in rates as $0 and that this calculation complies with the terms of Orders Nos. 08-238 and 09-373.[35] The Company's filed case reflects correct calculations that conform to Commission precedent and the resulting rates are just and reasonable and fall within the "range of reasonableness" for resolution of these issues.[36]

C. Treatment of REC Proceeds.

The Stipulating Parties agree that the $567,291 in 2023 net proceeds from the sale of RECs should be applied as a credit to the True-Up Balancing Account, consistent with Orders Nos. 11-086 and 17-185.[37]

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[34] Idaho Power/100-108; Idaho Power/200-205.
[35] Stipulation at ¶ 19.
[36] *See Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1996).
[37] Idaho Power/203; Stipulation at ¶ 20; 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.").

D. Changes to Amortization Levels.

The amortization levels currently being recovered through Schedule 56 should be updated to address the various deferrals that the Commission approved in Orders Nos. 20-374, 23-185, and 23-310. Idaho Power accurately calculated the deferred amounts to be amortized and collected beginning June 1, 2024. The updated amortization amounts, combined with the REC sale proceeds, result in a 1.40 percent decrease to customer rates.

E. Staff Analysis Supporting the Stipulation.

Staff has reviewed the Company's testimony and supporting exhibits. Staff supports the findings of the Stipulation with respect to the calculations made by Idaho Power on power costs and other tariff items. Staff initially had two concerns, whether the Commission assessment rate being used was correct and whether the actual sales of power for the month of July should be updated in Exhibit 201, that were resolved through settlement discussions. As the Commission assessment rate is included in the annual regulatory fees calculations, the key concern was related to whether the value should be updated to reflect the actual assessment rate for 2023 or the amount that was paid by the Company. Staff agreed that because the Company overpaid for 2023 and is in the process of receiving a refund for the difference in the two assessment rate values (what it should have paid versus what it paid), Staff agreed that the difference would be reflected in the 2024 PCAM. The updating of the actual sales for the month of July was not needed because it did not cause any issues as the deferral is not included in this year's true-up balancing account due to Idaho Power's earnings being below the threshold. Therefore, updating this value with a minor change would have no impact on the calculated rates in this filing. With the above stated, Staff supports the Stipulation and views the rates resulting from that as fair and reasonable.

III. CONCLUSION

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

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