

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UM 1147

4 In the Matter of

5 PUBLIC UTILITY COMMISSION OF
6 OREGON

7 Staff Request to Open an Investigation Related
8 to Deferred Accounting.

STAFF'S RESPONSE TO IDAHO POWER'S
PETITION FOR EXCEPTION

9 **INTRODUCTION**

10 On July 21, 2008, Idaho Power Company ("Idaho Power") filed a petition for exception
11 to the interest rate for existing amortized deferrals established in Order No. 08-263 as applied to
12 Idaho Power's deferral balances ("Petition"). Contingent on certain conditions or clarifications,
13 the Public Utility Commission of Oregon Staff ("Staff") supports Idaho Power's Petition.

14 **DISCUSSION**

15 On May 22, 2008, the Commission adopted the Modified Blended Treasury Rate to be
16 applied to deferred accounts. *See* Order No. 08-263 at 15-17. In UM 1147 Staff Comments,
17 Staff did not recommend a specific exception for Idaho Power. However, Staff proposed that a
18 utility may request a different interest rate for deferral amounts that have an amortization rate
19 that exceeds three years. In Order No. 08-263, the Commission adopted this Staff
20 recommendation regarding deferral amounts that have an amortization rate that exceeds three
21 years. *See Id.* at 17. The Commission also expanded Staff's recommendation by allowing Staff,
22 or any utility, to argue that any circumstance or evidence warrant application of a different
23 interest rate to the amortization in the deferred account. *See Id.*

24 As discussed in Staff's Opening UM 1147 Comments, Idaho Power is currently
25 amortizing deferred excess net variable power costs incurred during the western power crisis in
26 2001, which it will continue to amortize through 2010. When Idaho Power has finished

1 amortizing those costs, it will begin amortizing excess net variable power costs incurred during
2 2006. See Staff Opening Comments at 4. As a result, Idaho Power’s amortization of net variable
3 power costs will take longer than three years.

4 Because the Modified Blended Treasury Rate reflects the appropriate interest on
5 amortized deferred accounts of a short-term, fixed nature, the extended length of Idaho Power’s
6 amortization creates different risks. Nonetheless, those different risks related to the extended
7 length of Idaho Power’s amortization of excess net variable power costs only apply to the portion
8 of the amortized deferred accounts that are over three years. Therefore, if the Commission
9 grants Idaho Power’s Petition, it should apply the Modified Blended Treasury Rate to the first
10 three years of the amortization of excess net variable power costs and only apply Idaho Power’s
11 authorized rate of return approved in Docket UE 167 to its remaining deferral balances in
12 amortization.¹

13 Finally, Staff requests that the Commission clarify that any exception granted only
14 applies to excess net variable power costs now in amortized deferred accounts and not to future
15 amortized deferred accounts unless Idaho Power requests and is granted an exception for those
16 future accounts.

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25 ¹ If the Commission agrees that the Modified Blended Treasury Rate should be applied to the first three years of
26 amortized deferred accounts, it should direct Idaho Power to work with Staff on how the three year balance should
be calculated (e.g. should the Modified Blended Treasury Rate be applied to a three year rolling average of the
amortized deferred accounts).

1 CONCLUSION

2 For the foregoing reasons and contingent upon the condition and clarification discussed
3 here, Staff supports Idaho Power's Petition.

4 DATED this 5th day of August 2008.

5 Respectfully submitted,

6 HARDY MYERS
7 Attorney General

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9 s/ Jason W. Jones
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11 Assistant Attorney General
12 Of Attorneys for Public Utility Commission of
13 Oregon Staff
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1 **CERTIFICATE OF SERVICE**

2 I certify that on August 5, 2008 I served the foregoing STAFF'S RESPONSE upon the
3 parties in this proceeding by electronic mail and by sending a true, exact and full copy by regular
4 mail, postage prepaid, or by hand-delivery/shuttle, to the parties accepting paper service.

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