

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 26, 2021**

REGULAR  CONSENT  EFFECTIVE DATE January 1, 2021

**DATE:** January 15, 2021

**TO:** Public Utility Commission

**FROM:** Mitchell Moore

**THROUGH:** Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

**SUBJECT:** IDAHO POWER COMPANY:  
(Docket No. UM 1464(11))  
Requests reauthorization to defer Net Power Cost Variances.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Idaho Power Company's (Idaho Power, IPC, or Company) request to defer variances in its collection of net power costs for the period of January 1, 2021 through December 31, 2021.

**DISCUSSION:**

Issue

Whether Idaho Power should be allowed to continue to defer costs for variances in the annual net power costs pursuant to Commission Order No. 08-238 and Idaho Power Tariff Schedule 56.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities and requires the utility to provide certain information in an application to defer, such as the reason for the deferral, estimated amount of the deferral, etc.

Order No. 20-198 was most recent Commission approval of this deferral.

### Analysis

#### *Description of Expense*

In Order No. 08-238, the Commission approved an annual Power Cost Adjustment Mechanism (PCAM) for Idaho Power. 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 forecasted pursuant to Tariff Schedule 56, in accordance with Order No. 08-238. The annual variance will be determined pursuant to the terms of Schedule 56, which includes a Power Supply Expense Deadband and an Earnings Test.

Also included in this deferral are incremental operations and maintenance expense associated with the Company's participation in the EIM.

The Company made this filing on December 29, 2020.

#### *Reason for Deferral*

The net variable power cost deferral will minimize the frequency of rate changes and more appropriately match the costs borne by and the benefits received by ratepayers pursuant to ORS 757.259(2)(e).

#### *Proposed Accounting*

Idaho Power proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets) and credit FERC Account 557 (Other Expenses) if there is an amount to collect from customers. If there is a refund due to customers, the Company will record the deferred amount in FERC 254 (Regulatory Liabilities); debiting FERC 557 (Other Expenses). In the absence of deferred accounting approval, Idaho Power will record costs associated with the net variable power cost deferral to FERC 501 (Fuel), FERC 547 (Fuel), FERC 447 (Sales for Resale), and FERC 555 (Purchased Power).

*Estimate of Amounts*

In its filing, the Company states that the amount actually deferred is a function of several unknown and unpredictable factors including customer usage, the wholesale market price for electricity, and the wholesale market price for natural gas. Because the amount of the deferral is dependent on factors that cannot be precisely forecast, Idaho Power cannot provide a precise estimate. Idaho Power requests that, in accordance with Order No. 05-1070, it be allowed to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital most recently approved by the Commission.

Idaho Power has also provided work papers detailing prior period activity pursuant to OAR 860-027-0300(4). Staff has reviewed the work papers associated with the 2020 period and agrees that the Company's accounting methodology appears to be sufficient. Any necessary amortization would be accomplished in a change to Schedule 56 during a subsequent proceeding.

*Information Related to Future Amortization*

- Earnings review – Schedule 56 requires an earnings review.
- Prudence Review – A prudence review is a required component of an earnings review, and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Sharing is subject to the terms of Schedule 56.
- Rate Spread/Design – The net variable power cost deferral amortization amount will be spread on an equal cents per kWh basis, as specified in Schedule 56.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because Idaho Power is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Conclusion

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. Idaho Power also requested that, in accordance with Order No. 05-1070, it be allowed to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital most recently approved by the Commission. This is the interest treatment that has been historically approved by the Commission. Staff recommends the Company's application be approved.

**PROPOSED COMMISSION MOTION:**

Approve Idaho Power's request to defer variances in its collection of net power costs for the period of January 1, 2021 through December 31, 2021.