# PUBLIC UTILITY COMMISSION OF OREGON STAFF REPORT PUBLIC MEETING DATE: April 18, 2023

REGULAR	CONSENT X EFFECTIVE DATE N	/ <b>A</b>
DATE:	March 27, 2023	
то:	Public Utility Commission	
FROM:	Kathy Zarate	
THROUGH:	Bryan Conway, Marc Hellman, and Matt Muldoon SIGNED	
SUBJECT:	IDAHO POWER COMPANY:	

## STAFF RECOMMENDATION:

(Docket No. UM 1464 (13))

Staff recommends the Commission approve Idaho Power Company's (Idaho Power, IPC, or Company) request to defer variances in its collection of net variable power costs (NVPC) for the period of January 1, 2023, through December 31, 2023.

Requests reauthorization to defer Net Variable Power Cost Variances.

#### **DISCUSSION:**

### <u>Issue</u>

Whether Idaho Power should be allowed to continue to defer costs for variances in the annual NVPC 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

Docket No. UM 1464 (13) March 27, 2023 Page 2

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 and the estimated amount of the deferral. The Commission most recently approved the Company's deferral request for 2021 in Order No. 21-031.

### Analysis

## Background

Idaho Power seeks reauthorization from the Commission to accrue, for future amortization, the difference between actual annual NVPC and the annual NVPC recovered pursuant to Tariff Schedule 55, 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 Dead-band and Earnings Test. This annual power cost accrual may also include any variances in the revenues received, and incremental operations and maintenance costs incurred associated with the Company's participation in the Energy Imbalance Market (EIM).

The operations and maintenance costs will be tracked similar to the annual net variable power costs with the annual variance determined pursuant to the terms of Schedule 56, which includes a Power Supply Expense Dead-band and an earnings test.

#### Reason for Deferral

This deferral is intended to capture the net annual variable power cost difference that will be amortized in rates and is filed pursuant to Order No. 08-238 and ORS 757.259(2)(e). This deferral will match appropriately the costs borne by and benefits received by customers.

#### Proposed Accounting

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

Docket No. UM 1464 (13) March 27, 2023 Page 3

accrued amount in FERC Account 254 (Regulatory Liabilities) and debiting FERC Account 557 (Other Expenses).

In addition, incremental EIM costs that would be subject to the deferral are recorded in accordance with the CFR in numerous FERC accounts as these costs include ongoing operations and maintenance expenses. Idaho Power proposes to record the deferred amount by debiting FERC Account 182.3 (Regulatory Assets) and crediting FERC Account 407.4 (Regulatory Credits) if there is an amount to collect from customers. If there is a refund to customers, Idaho Power would record the accrued amount in FERC Account 254 (Regulatory Liabilities) and debit FERC Account 407.3 (Regulatory Debits).

### Estimated Deferral in Authorization Period

The deferred amount 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 deferred amount is dependent on factors that cannot be precisely forecast, Idaho Power cannot provide an estimate of the deferred amount. 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.

#### 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.

Docket No. UM 1464 (13) March 27, 2023 Page 4

## Conclusion

The Company's application be approved since the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300 and is consistent with operation of Idaho Power's Power Cost Adjustment Mechanism authorized in Order No. 08-238.

The Company has reviewed this memo and agrees with its contents.

## PROPOSED COMMISSION MOTION:

Approve Idaho Power's request to defer variances in its collection of net variable power costs for the period of January 1, 2023 through December 31, 2023.

IPC UM 1464(13) NVPC Deferral