

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1198

In the Matter of	)	
	)	
IDAHO POWER COMPANY	)	ORDER
	)	
Authorization to defer for future rate recovery	)	
certain excess net power supply expenses.	)	

**DISPOSITION: STIPULATION APPROVED**

On July 1, 2005, Idaho Power Company, Commission Staff (Staff), and the Citizens' Utility Board of Oregon (CUB) submitted a stipulation and supporting testimony, pursuant to OAR 860-014-0085, to enact the company's deferral application. The Stipulation is attached hereto as Appendix A.

On March 2, 2005, Idaho Power filed its application for a deferral of excess net power expenses incurred between March 2, 2005, and February 28, 2006. The Company filed testimony in support of its application on March 2 and April 20. CUB filed its notice of intervention on March 29, and a prehearing conference was held on April 4. All of the parties to this docket, the Company, Staff, and CUB, signed on to the stipulation and joint testimony submitted on July 1.

According to the Stipulation, Idaho Power is experiencing near-record low hydro conditions, outside the range of normal conditions. *See Idaho Power/Staff/Citizens' Utility Board/100, Galbraith/Youngblood/Brown/3-4.* The extreme conditions will have a substantial financial impact on the Company and should be mitigated through a deferred account. *See id.* at 4-5.

The parties agreed that the amount should be deferred pursuant to the process set out in Order No. 01-307, which allows the company to recover the difference between its actual costs and the base, set in its last rate case.<sup>1</sup> On a system-wide basis, the deferral will not apply to the first \$31.38 million that is deferred, but the amount

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<sup>1</sup> For purposes of this proposed deferral, base net variable power costs will be the level set in Idaho Power's UE 167 general rate case.

between \$31.38 and \$50.21 million that is deferred will be shared 50-50 between customers and shareholders, and any deferred amount over \$50.21 million will be shared 80-20 between customers and shareholders. Of that amount, 4.8 percent will be allocated to the company's Oregon customers. *See* Stipulation at 3. The amount to be deferred will be subject to a prudence review and earnings test before being amortized in customer rates. *See* ORS 757.259.

As discussed in UM 1071, our review of a deferral application begins with whether the application may be approved under ORS 757.259(2)(e). *See* Order No. 04-108 at 8. If the statute allows the deferral, we then use our discretion as to whether to grant the application, considering the type of event that caused the request for deferral and the magnitude of that event on the utility. *See id.*

In UM 1071, we rejected an application by the Portland General Electric Company (PGE) for deferral of power costs related to a 1 in 4.5 hydro year. *See id.* at 9. In this case, Idaho Power is facing the second-lowest annual inflow volume in the company's history. *See* Idaho Power/Staff/Citizens' Utility Board/100, Galbraith/Youngblood/Brown/4. In addition, in UM 1071 we rejected PGE's application because it only had an impact of 172 basis points of return on equity. *See* Order No. 04-108 at 9. In contrast, in this case, Idaho Power estimates that if its base power supply expense is adopted in the rate case, the excess power supply expense will have a financial impact of 966 basis points of return on equity; if Staff's base power supply expense is adopted in the rate case, the excess power supply expense will have a financial impact of 1,468 basis points of return on equity. *See* Idaho Power/Staff/Citizens' Utility Board/100, Galbraith/Youngblood/Brown/4. We find that, in this case, the event is extraordinary enough and the magnitude of impact on the utility is substantial enough to warrant deferral of related power costs.

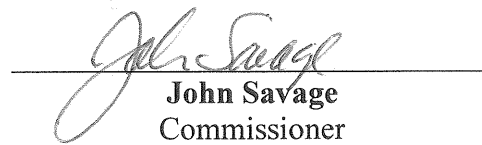
Based on a review of the application and supporting testimony, the Commission finds the Stipulation for the deferred application satisfies the relevant statutes and administrative rules, and should be adopted.

**ORDER**

IT IS ORDERED that the Stipulation regarding Idaho Power Company's application for an accounting order regarding authorization of deferred accounting for excess net power costs, as attached as Appendix A, is approved. This approval is for accounting purposes only.

Made, entered, and effective JUL 28 2005

  
\_\_\_\_\_  
**Lee Beyer**  
Chairman

  
\_\_\_\_\_  
**John Savage**  
Commissioner

  
\_\_\_\_\_  
**Ray Baum**  
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

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8 certain excess net power supply expenses.  
9

10 **STIPULATION**

11 **INTRODUCTION**

12 1. The parties to this Stipulation are Idaho Power Company ("Idaho Power" or  
13 "Company"), Staff of the Public Utility Commission of Oregon ("Staff") and the Citizens'  
14 Utility Board ("CUB"), collectively referred to as "the Parties." The Parties are the only parties  
15 to the above-captioned docket.

16 2. By entering into this Stipulation, the Parties intend to resolve all issues arising  
17 from and relating to Idaho Power's Application for an Accounting Order Regarding Excess Net  
18 Power Expenses incurred for the twelve-month period commencing March 2, 2005, and ending  
19 February 28, 2006 (hereinafter referred to as "the Application").

20 **BACKGROUND**

21 3. Idaho Power filed its Application on March 2, 2005, supported by the testimony  
22 of Idaho Power witness Michael J. Youngblood. Idaho Power filed supplemental direct  
23 testimony of Mr. Youngblood on April 20, 2005.

24 4. CUB filed its notice of intervention on March 29, 2005.

25 5. On April 4, 2005, Administrative Law Judge Christina Smith presided over a pre-  
26 hearing conference at which the Parties agreed to a procedural schedule.

6. The Parties met for settlement discussions on May 13, 2005. As a result of those  
settlement negotiations, the Parties enter into this Stipulation.

STIPULATION

7. The Parties agree on the following, which underlie the Stipulation:

- a. Idaho Power has experienced low streamflow conditions in recent years, and the current year is forecasted to be extraordinarily low as well;
- b. Under normal streamflow conditions more than half of Idaho Power's energy is produced by its hydroelectric generating plants;
- c. Extraordinarily low streamflow conditions result in the Company making fewer wholesale market sales and greater wholesale market purchases than under normal conditions;
- d. As a result, Idaho Power's net variable power supply expenses are expected to be significantly higher than those used in setting Idaho Power's Oregon revenue requirement and Idaho Power's retail rates; and
- e. Any deferral amount the Commission authorizes in this case will be amortized over a multi-year period.

8. The Parties agree that Idaho Power should be allowed to defer excess net power costs incurred from March 2, 2005, to February 28, 2006, using the same methodology approved in OPUC Order No. 01-307. OPUC Order No. 01-307 authorized deferral of certain of Idaho Power's net power supply expenses resulting from the 2001 energy crisis. The key features of this methodology are as follows:

- Actual net variable power expenses are compared to base net variable power expenses to quantify those eligible for deferral;
- Excess net variable power expenses in an amount equivalent to \$31.38 million on a system basis will not be deferred (\$31.38 million is representative of 250 basis points as in accordance with Order No. 95-1240 issued in Docket UE 92);

- 1           • Any excess net variable power expenses between amounts \$31.38 million  
2           and \$50.21 million on a system basis will be shared 50-50 between  
3           customers and shareholders (\$31.38 million to \$50.21 million is  
4           representative of the 250 to 400 basis point band in accordance with Order  
5           No. 95-1240 issued in Docket UE 92);
- 6           • Any excess net variable power expenses exceeding \$50.21 million on a  
7           system basis will be shared with customers 80-20 (customers –  
8           shareholders) (\$50.21 million is representative of 400 basis points in  
9           accordance with Order No. 95-1240 issued in Docket UE 92);
- 10          • Amounts that are eligible for deferral under the mechanism will be  
11          multiplied by Idaho Power's Oregon allocation factor, approximately 4.8  
12          percent, to determine the amount of the deferral balance in Oregon; and
- 13          • The company may defer amounts allocated to Oregon on a monthly basis.  
14          However, because the deferral mechanism is applied to annual amounts,  
15          the monthly entries will be subject to a year-end true-up.

16          9. The Parties agree that the same sharing percentages and dollar values as shown  
17 above will be used to calculate the amount of net variable power cost ("NVPC") that will be  
18 deferred.

19          10. The Parties agree that the amount of the base net variable power costs will be the  
20 net variable power cost level set by the Public Utility Commission of Oregon ("OPUC") in Idaho  
21 Power's pending Oregon rate case, Docket No. UE 167.

22          11. Actual NVPC will be calculated as Fuel (FERC Account 501), plus Purchased  
23 Power (FERC Account 555, less Cogen & SPP), minus Sales for Resale (FERC Account 447).  
24 Actual NPVC will be adjusted to exclude the costs and benefits of FASB 133 mark-to-market  
25 activity and merchant trading activity.

26

1           12.     The Parties agree that the interest rate that will apply to the deferral balance will  
2 be the Company's authorized rate of return, or any interest rate that the OPUC decides should  
3 apply to deferred account balances in the pending investigation docket, UM 1147. Beginning at  
4 the end of the deferral period, interest will accrue monthly on the unamortized portion of the  
5 deferred account. In addition, at the end of the deferral period, an amount of interest will be  
6 added to the account that equals the product of multiplying one-half the deferred account balance  
7 at the end of the deferral period by the authorized interest rate.

8           13.     The Parties agree that amounts in the deferred account will be subject to a  
9 prudence review and earnings test as required by ORS 757.259 prior to being amortized in  
10 customer rates.

11           14.     The Parties agree that the deferral period is March 2, 2005, to February 28, 2006.

12           15.     The Parties agree that the Stipulation represents a compromise in the position of  
13 the Parties.

14           16.     The Stipulation will be offered into the record of the above-captioned docket  
15 pursuant to OAR 860-014-0085. The Parties agree to support the Stipulation throughout this  
16 proceeding and any appeal, provide witnesses to sponsor the Stipulation at any hearing held in  
17 the above-captioned docket, and recommend that the Commission issue an order adopting the  
18 settlement contained herein.

19           17.     The Parties have negotiated the Stipulation as an integrated document. If the  
20 Commission rejects all or any material portion of the Stipulation, or conditions its approval upon  
21 the imposition of additional material conditions, any party disadvantaged by such action shall  
22 have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration of  
23 the Commission's order.

24           18.     By entering into this Stipulation, no party shall be deemed to have approved,  
25 admitted, or consented to the facts, principles, methods, or theories employed by any other party  
26

ORDER NO. 05-870

1 in arriving at the terms of the Stipulation. No party shall be deemed to have agreed that any part  
2 of the Stipulation is appropriate for resolving issues arising in any other proceeding.

3 19. The Stipulation may be executed in counterparts and each signed counterpart shall  
4 constitute an original document.

5 This Stipulation is entered into by each Party on the date entered below.

6 Dated this 1<sup>st</sup> day of July, 2005.

7 IDAHO POWER COMPANY

8  
9 BY: Sarah K. Wallace

10 Lisa F. Rackner  
11 Sarah K. Wallace  
12 Barton L. Kline

13  
14 STAFF OF THE OREGON PUBLIC UTILITY COMMISSION

15 BY: \_\_\_\_\_

16 Stephanie Andrus  
17 Department of Justice

18  
19 CITIZEN'S UTILITY BOARD

20 BY: \_\_\_\_\_

21 Bob Jenks  
22 Lowrey Brown  
23 Jason Eisdorfer  
24  
25  
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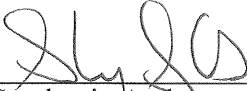
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11 Sarah K. Wallace  
Barton L. Kline

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Department of Justice

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