

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1198

In the Matter of)
)
IDAHO POWER COMPANY)
)
Authorization to Defer for Future Rate)
Recovery Certain Excess Net Power)
Supply Expenses.)

ORDER

DISPOSITION: STIPULATION ADOPTED

On March 2, 2005, Idaho Power Company (Idaho Power) filed an application for authorization to defer for future rate recovery certain excess net power supply expenses incurred from March 2, 2005, through February 28, 2006 (2005 deferral). That application was docketed as UM 1198. Idaho Power, Commission Staff (Staff), and the Citizens' Utility Board of Oregon (CUB) reached a settlement, which was approved in Order No. 05-870. The Commission's approval was for accounting purposes only.

On April 19, 2006, Idaho Power petitioned the Commission to begin amortizing the deferred amount of power costs in 2009. The company sought the delayed date because it is already amortizing the maximum amount allowed under ORS 757.259, as a result of deferred power costs that arose during the 2001 energy crisis.

On March 5, 2007, Idaho Power, Staff, and CUB submitted a stipulation, attached as Appendix A.¹ In that stipulation, the parties agreed that, due to other offsets, the 2005 deferral balance should be eliminated and the Commission need not decide whether to authorize a delay in the amortization period.

Specifically, the parties agreed that Idaho Power incurred approximately \$105 million in net excess power supply expenses, which were prudently incurred. *See Amended Stipulation, 2 (Mar 5, 2007)*. As of December 31, 2006, the Oregon share of the 2005 deferral amount was \$2,889,117, including interest. *See id.* at 2.

¹ An initial stipulation was submitted on January 31, 2007, but it did not advise the Commission as to whether the costs were prudently incurred. The Commission is required to make a prudence finding in its final determination of the amount of deferral allowable in the rates. *See ORS 757.259(5)*. After an interrogatory, the parties submitted this amended stipulation on March 5, 2007.

Idaho Power also received funds from the sale of SO₂ emission allowances in 2005 and 2006. That amount will be shared, 90 percent to ratepayers. The allocation to Oregon ratepayers from the sale of SO₂ emission allowances through December 2006, is \$2,327,666, which will be applied as an offset to the 2005 deferral. *See Amended Stipulation, 3.* The parties also considered a benefit for the income taxes already paid on the sale of the SO₂ emission allowances, which will be realized July 1, 2007. That amount also will be shared, 90 percent to ratepayers, and will result in an allocation to Oregon ratepayers of \$1,378,534. *See id.* Idaho Power will apply the benefit to the remaining 2005 deferral balance and the remainder to the 2001 deferral balance. *See id.*

The parties also agree that Idaho Power should be authorized to accrue interest on the 2005 deferral amount in accordance with the Commission's final order in docket UM 1147. *See id.* If this stipulation were not approved, Idaho Power could not begin to amortize the 2005 deferral amount until 2009, when the 2001 deferral was exhausted. *See id.* Customers will benefit by the offset because they will not have to pay for the interest accrued while Idaho Power waits to begin amortizing the amount of the deferral. *See Amended Joint Brief, 4.*

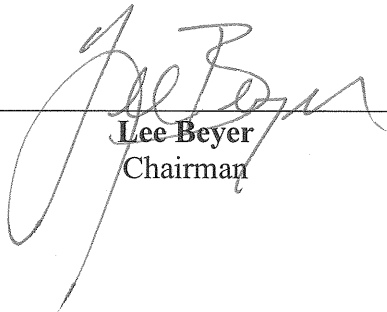
CONCLUSION

Based on the evidence submitted, the Commission finds that the amount to be amortized, or in this case offset, was prudently incurred. Further, the Commission finds that the stipulation is fair and reasonable and that the stipulation should be approved. A copy of the stipulation is attached to this order as Appendix A.

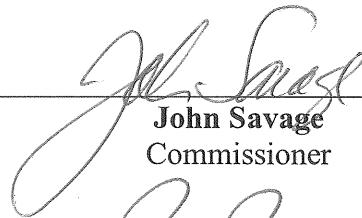
ORDER

IT IS ORDERED that the stipulation filed on March 5, 2007, and attached as Appendix A, is adopted.


Made, entered, and effective APR 02 2007.



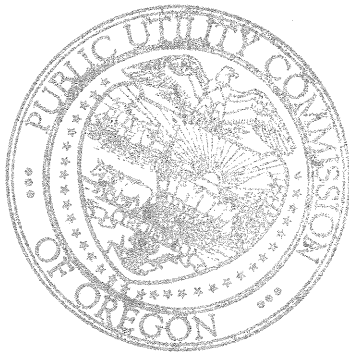
Lee Beyer
Chairman



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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1198

In the Matter of

IDAHO POWER COMPANY

Authorization to Defer for Future Rate
Recovery Certain Excess Net Power Supply
Expenses.

AMENDED STIPULATION

INTRODUCTION

1. The parties to this Stipulation are Idaho Power Company (“Idaho Power” or “Company”), staff of the Public Utility Commission of Oregon (“Staff”), and the Citizens’ Utility Board (“CUB”), collectively referred to as “the Parties.” The Parties are the only parties to the above-captioned docket.
2. By entering into this Stipulation, the Parties intend to resolve all issues arising from and relating to Idaho Power’s Petition for an Order Addressing Excess Net Power Supply Expenses Deferred in Accordance with Order No. 05-870 (hereinafter referred to as “the Petition”).

BACKGROUND

3. In Order No. 01-307, the Commission authorized Idaho Power to defer and amortize net power supply expenses resulting from the 2001 energy crisis (“the 2001 deferral”). Idaho Power is currently amortizing the amount in the 2001 deferral account at the maximum level allowed under ORS 757.259(10).
4. On March 2, 2005, Idaho Power filed an application for authorization to defer for future rate recovery certain excess net power supply expenses incurred from March 2, 2005 through February 28, 2006 (“the 2005 deferral”). The Commission docketed Idaho Power’s application as Docket No. UM 1198.

1 5. On July 1, 2005, the Parties submitted a Settlement Stipulation and supporting
2 testimony pursuant to OAR 860-014-0085 in which the Parties agreed that the
3 Company's Application to defer certain excess net power supply expenses incurred
4 during the March 2, 2005 through February 28, 2006 deferral period should be
5 accepted by the Commission in accordance with the terms and conditions in the
6 Settlement Stipulation.

7 6. In Order No. 05-870, the Commission approved the Parties' Settlement Stipulation
8 and Idaho Power's Application for an accounting order requesting authorization of
9 deferred accounting. The Commission's approval was for accounting purposes only.

10 7. Because current amortization of the 2001 deferral balance is at the maximum allowed
11 under Oregon law, Idaho Power anticipates that at current revenue levels, it will not
12 be able to begin amortizing the 2005 deferral amount until approximately 2009.

13 8. On April 19, 2006, Idaho Power filed the Petition at issue in this docket.

14 9. The Parties met for settlement discussions on June 14, 2006. As a result of those
15 discussions, the Parties enter into this Stipulation.

16 **STIPULATION**

17 10. During the 2005 deferral period, on a system-wide basis, Idaho Power accrued
18 approximately \$105,000,000 in net excess power supply expenses. The Parties agree
19 that these expenses were prudently incurred. As of February 28, 2006, Oregon's
20 share after application of the deadband and sharing methodology approved in Order
21 No. 05-870 was approximately \$2,718,000, which included interest in the amount of
22 \$102,000. As of December 31, 2006, the 2005 deferral amount was \$2,889,117,
23 including \$284,789 of interest.

24 11. The \$2,718,000 was properly deferred in accordance with Order No. 05-870.

25 12. Idaho Power's overall earnings from March 5, 2005 to February 28, 2006, did not
26 exceed authorized levels.

1 13. Idaho Power received a total of \$81,623,000, net of transaction fees of \$24,500, from
 2 the sale of SO₂ emission allowances in 2005 and 2006. The *after-tax* amount of
 3 proceeds allocated to the State of Oregon (approximately 39.1% Federal Tax rate and
 4 jurisdictional allocation of 4.8%) is \$2,386,199. The Parties agree that the 2005
 5 deferral amount should be offset by applying the SO₂ proceeds consistent with the
 6 Idaho Public Utilities Commission's order allocating 90% to ratepayers and 10% to
 7 shareholders. This allocation results in a \$2,327,666¹ offset to Idaho Power's 2005
 8 excess power costs, leaving a 2005 deferral amount of \$561,451, as of December 31,
 9 2006.

10 14. Idaho Power will receive a benefit for the income taxes already paid on the sale of the
 11 SO₂ emission allowances, and will apply 90% of Oregon's jurisdictional share when
 12 the benefit is realized by the Company, approximately July 1, 2007. The amount of
 13 the benefit will be approximately \$1,378,534 and will be applied to the remaining
 14 2005 deferral balance. Any excess benefit amount will then be applied against the
 15 2001 deferral balance.

16 15. Idaho Power should be authorized to accrue interest on the 2005 deferral amount in
 17 accordance with the Commission's final order in Docket No. UM 1147.

18 16. Absent this stipulation Idaho Power would not be able to begin amortizing the 2005
 19 deferral amount until 2009. The Commission could, pursuant to OAR 860-027-
 20 0300(9), authorize Idaho Power to amortize the 2005 deferral amount when Idaho
 21 Power has completed amortization of the 2001 deferral. However, when the offsets
 22 of the SO₂ proceeds and tax benefit are applied to the 2005 deferral balance as
 23 described above, the 2005 deferral balance will be eliminated, and therefore the need
 24

25
 26 ¹ \$2,327,666 includes interest through December 2006 of \$180,086 (90% of interest through
 December 31, 2006 of \$200,096).

1 for the Commission to authorize a delay in the amortization of the 2005 deferral
2 amount, pursuant to OAR 860-027-0300(9) can be eliminated.

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

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

13 19. By entering into this Stipulation, no party shall be deemed to have approved, admitted
14 or consented to the facts, principles, methods or theories employed by any other party
15 in arriving at the terms of the Stipulation. No party shall be deemed to have agreed
16 that any part of the Stipulation is appropriate for resolving issues arising in any other
17 proceeding.

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

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

CITIZENS' UTILITY BOARD

IDAHO POWER

Dated: 02-27-07

Dated: _____

By: 
Lowrey Brown

By: _____
Lisa Rackner

PUBLIC UTILITY COMMISSION STAFF

Dated: _____

By: _____
Stephanie Andrus

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

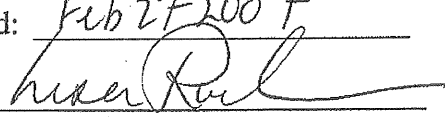
CITIZENS' UTILITY BOARD

IDAHO POWER

Dated: _____

Dated: Feb 27 2007

By: _____

By: 

Lowrey Brown

Lisa Rackner

PUBLIC UTILITY COMMISSION STAFF

Dated: _____

By: _____

Stephanie Andrus

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2 constitute an original document.

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4
5 CITIZENS' UTILITY BOARD

IDAHO POWER

6 Dated: _____

Dated: _____

7 By: _____

By: _____

8 Lowrey Brown

Lisa Rackner

9
10 PUBLIC UTILITY COMMISSION STAFF

11 Dated: 3/5/07

12 By: [Signature]

Stephanie Andrus