

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 195

In the Matter of

IDAHO POWER COMPANY

Application for Authority to Implement a
Power Cost Adjustment Mechanism for
Electric Service to Customers in the State
of Oregon.

ORDER

**DISPOSITION: JOINT MOTION TO AMEND ORDER NO. 08-238
GRANTED**

On August 24, 2009, Idaho Power Company (Idaho Power or Company), the Citizens' Utility Board (CUB), and Public Utility Commission of Oregon staff (Staff), (collectively, the Parties) filed a Joint Motion to Amend Order Approving Stipulation and Adopting Power Cost Adjustment Mechanism (Motion).

In this Order we grant the Motion and direct Idaho Power to modify its Power Cost Adjustment Mechanism (PCAM) methodology so that the PCAM uses a single year's Results of Operations (ROO) to calculate the rate base and the deadband.

I. INTRODUCTION

By Order No. 08-238, entered April 28, 2008, the Commission authorized the manner in which the deadband for Idaho Power Company's PCAM is calculated. As noted in the Motion,¹ the PCAM set forth in the Stipulation approved pursuant to Order No. 08-238 currently works as follows:

1. Utilizing an Annual Power cost Update (APCU), Idaho Power files an October Update that provides calculations for the Company's net power supply expense on a normalized and unit basis. (The filing has an effective date of June 1 of the following year, based on an April through March, 12-month test period). Certain components of the forecasted power costs are updated the following March.

¹ Motion at 1-2.

2. Under the PCAM, the Company makes a filing in February showing the variance between its actual calendar year power costs and the APCU calculations; the Company may defer 90 percent of the variance—after application of the deadband—for later amortization into rates. The amortization may occur only after an earnings test. If earnings during the year that Idaho Power incurred the excess net variable power costs are within +/- 100 basis points of its authorized rate of return, no amortization is permitted. If the Company's earnings fall outside the deadband, the costs may be deferred and amortized to the extent their inclusion in the Company's earnings do not bring Idaho Power's earnings during the deferral period within the deadband. As with the APCU, any rate change associated with the PCAM is effective June 1 of each year.

3. The deadband for determining the amount of net variable power costs that may be deferred under the PCAM and the earnings band used to determine which costs may be amortized are based on the ROO for *different* years; the deadband used to determine the power cost expense that may be deferred under the PCAM is based on the rate base reported for the year *preceding* the deferral period; while the earnings band used to determine what costs may be amortized is based on earnings reported for the deferral period itself.

II. DISCUSSION

For the reasons set forth below, the Parties have asked the Commission to modify Order No. 08-238 so that the ROO used for the deferral component of the PCAM are the same ROO used for the earnings test component. Specifically, they seek to change the methodology so that the rate base reported in the ROO for the PCAM deferral period is used to calculate the deferral deadband.

In negotiating the original Stipulation on the PCAM's calculation adopted in Order No. 08-238, the Company believed that it was necessary for accounting purposes to have a known, actual deferral deadband at the time of its February filing. To get such an actual deadband—as opposed to an estimate—for the February PCAM filing, Idaho Power would have to use the ROO Report filed the previous spring. Neither CUB nor Staff objected to that provision in the Stipulation adopting Idaho Power's proposal regarding the vintage of the rate base for determining the deferral deadband.²

Upon reviewing the Company's February 2009 PCAM filing, however, Staff and CUB conclude that the PCAM's use of two different ROOs will likely understate the deadband, given that the rate base tends to increase each year. As a consequence, using the rate base from the year preceding the deferral period to determine the deferral deadband would, in most years, result in a deadband that is smaller than it would be had the deferral period rate base been used. Idaho Power agrees to subordinate its concern regarding the finality of the deadband and agrees to stipulate to the change.

² *Id.* at 2-3.

As part of the agreement, the Parties propose that any rate change associated with the PCAM continue to be effective June 1 of each year. The Parties note that Idaho Power is currently amortizing deferrals accrued in previous years at the maximum rate and will not amortize any costs deferred under the PCAM for several years. However, the parties agree that when Idaho Power is allowed to amortize amounts deferred under the PCAM the year after they are deferred, the Company should be allowed to begin amortizing such amounts on June 1.³

III. RESOLUTION

The Commission has reviewed the assertions and proposals in the Motion and concurs with the Stipulation's reasoning for the proposed changes to Order No. 08-238. The method to calculate the deadband for determining the amount of net variable power costs that may be deferred under the PCAM and the earnings band used to determine which costs may be amortized shall be based on the ROO for the same year.

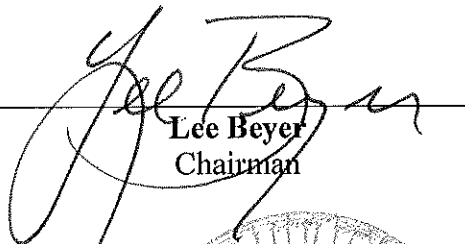
IV. ORDER

IT IS ORDERED that:

1. The Joint Motion to Amend Order Approving Stipulation and Adopting Power Cost Adjustment Mechanism, filed by Idaho Power Company, the Citizens' Utility Board, and the Staff of the Public Utility Commission, is granted.
2. Order No. 08-238 is amended to require Idaho Power Company to use the Results of Operations reported for the deferral period for both its deferral and earnings components under the power cost adjustment mechanism. The remainder of the order is unchanged.

Made, entered and effective

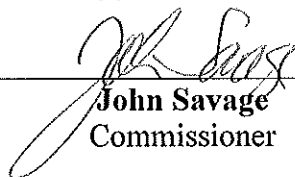
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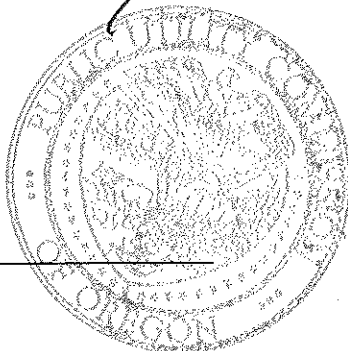
Lee Beyer
Chairman



Ray Baum
Commissioner



John Savage
Commissioner



³ *Id.* at 3.