

ORDER NO. 12 191

ENTERED MAY 29 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 247

In the Matter of

IDAHO POWER COMPANY

2011 Annual Power Supply Expense
True-Up.

ORDER

**DISPOSITION: APPLICATION GRANTED; NO ADJUSTMENTS TO BE
MADE TO TRUE-UP BALANCING ACCOUNT;
STIPULATION ADOPTED**

In this order, we find that Idaho Power Company (Idaho Power or company) has correctly calculated the deviation between actual net power supply expenses and those expenses recovered through the Combined Rate of its Annual Power Cost Update pursuant to its Power Cost Adjustment Mechanism (PCAM) for 2011.

I. BACKGROUND

In docket UE 195, Order No. 08-238, the Commission adopted a stipulation by the parties and approved a PCAM and an annual power cost update (APCU) mechanism for Idaho Power applicable to rates for the company's Oregon customers.

Under the APCU, the company files an "October Update" providing 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, and is based on an April through March test period. The company then updates certain components of its forecasted power costs the following March.

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 a 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.¹

On February 28, 2012, Idaho Power filed its 2011 Annual Power Supply Expense True-Up, along with supporting testimony and exhibits.² In the filing, Idaho Power stated that the company will not add any amounts to the True-Up Balancing Account, and seeks confirmation that a null amount (\$0.00) for later inclusion in rates was calculated according to the methodology reflected in the stipulation adopted in Order No. 08-238.

On March 6, 2012, the Citizens' Utility Board of Oregon (CUB) filed a notice of intervention in this docket.³ No other parties intervened. On April 3, 2012, a prehearing conference was held and a schedule was adopted.

On April 16, 2012, the company filed supplemental direct testimony⁴ offering two modifications of its initial direct testimony. The first modification was a correction related to the deferral calculation that was based on an error found in the quantification of actual power costs collected in rates by customer class. The second modification was a revision to the calculation of the Annual Power Supply Expense True-up with the use of the 2011 Oregon Results of Operations (ROO) report to determine the deferral deadbands and the Earnings Test Components. Although the Oregon allocated net power supply expense was outside the power cost deadband, the application of the earnings test demonstrated that the earnings fell below the threshold for customer refunds. In each instance, neither of the revisions changed the null deferral amount proposed to be added to the True-Up Balancing Account.⁵

On May 22, 2012, Idaho Power, CUB, and Staff filed a joint stipulation and explanatory brief discussing and affirming the correctness of the company's calculations as set forth in the direct testimony as modified by the supplemental direct testimony. The stipulation is attached to this order as Appendix A.

II. DISCUSSION

We have reviewed Idaho Power's direct and supplemental direct testimony, and the parties' stipulation, and joint explanatory brief. Based on that review, we find that Idaho Power's calculations, as revised, are supported by good and sufficient evidence to conclude that the company is in compliance with our prior orders. Based on that finding, we conclude that the parties' stipulation results in rates that are just and reasonable rates and in the public interest. We therefore adopt the stipulation and authorize Idaho Power to make such adjustments to its Records of Account so as to be in compliance with this order.

¹ See Order 09-373 at 1-2 (Sept. 18, 2009) (Docket No. UE 195).

² Idaho Power/100-106, Waites.

³ ORS 774.180.

⁴ Idaho Power/200-203, Waites.

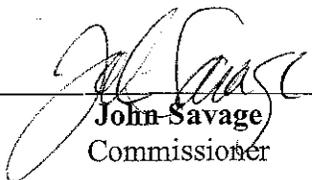
⁵ *Id.* at 1-3.

III. ORDER

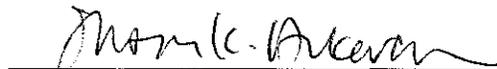
IT IS ORDERED that:

1. The stipulation between Idaho Power Company, the Citizens' Utility Board of Oregon, and Commission Staff, affixed hereto as Appendix A, is adopted.
2. The calculations to implement the power cost adjustment mechanism by Idaho Power Company are approved.
3. Idaho Power Company to make such adjustments to its Records of Account so as to be in compliance with this order.

Made, entered, and effective MAY 29 2012



John Savage
 Commissioner



Susan K. Ackerman
 Commissioner



Stephen M. Bloom
 Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 247

In The Matter of
IDAHO POWER COMPANY
2011 Annual Power Supply Expense True-Up.

STIPULATION

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") 2011 Annual Power Supply Expense True-Up ("True-Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by calculating the deviation between actual net power supply expenses ("NPSE") and those expenses recovered through the Combined Rate.

PARTIES

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power (together, the "Stipulating Parties"). No other party intervened in this docket.

BACKGROUND

2. As part of the Commission-approved PCAM, each February Idaho Power must file a True-Up that calculates the difference between the actual NPSE incurred by the Company in the relevant PCAM year (January through December) and the expenses recovered for that period through the Combined Rate.³ NPSE deviations that are eligible, as

¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008).

² *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 09-373 (Sept. 18, 2009).

³ Order No. 08-238 at 3.

1 determined by the terms of Order No. 08-238, are added to the Annual Power Supply
 2 Expense True-Up Balancing Account ("True-Up Balancing Account") at the end of each 12
 3 month period ending in December along with 50 percent of the annual interest calculated at
 4 the Company's authorized cost of capital.⁴ As relevant here, to be eligible for inclusion in the
 5 True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband⁵ and
 6 pass the earnings test described in Order No. 08-238.⁶

7 3. On February 28, 2012, Idaho Power filed its True-Up reflecting the NPSE
 8 deviation for calendar year 2011. The Company's initial filing used the most recent Oregon
 9 Results of Operations ("ROO") report available at the time of the filing—the ROO for 2010.
 10 The Company's initial filing determined that \$0.00 should be added to the True-Up Balancing
 11 Account. Although the Oregon-allocated NPSE deviation was outside the deadbands
 12 calculated using the 2010 ROO, the application of the earnings test demonstrated that the
 13 Company's earnings fell below the threshold for providing a refund to customers.

14 4. This initial filing also discussed the impact of Order No. 11-086, which addressed
 15 the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").⁷
 16 Pursuant to that order these proceeds are applied to the power cost deferral currently in
 17 amortization.

18 _____
 19 ⁴ *Id.*

20 ⁵ The NPSE deadband is based upon the Company's authorized Return on Equity ("ROE") from its last
 21 general rate case and the rate base measured on an Oregon basis from the most recent Oregon
 22 ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or
 23 negative deadbands. A positive deviation (actual NPSE greater than those recovered through the
 Combined Rate) constitutes an excess power supply expense. This expense is first reduced by a
 deadband that is the dollar equivalent of 250 basis points of ROE (Oregon basis). A negative
 deviation (actual NPSE less than those recovered through the Combined Rate) is a power supply
 expense savings. This savings is reduced by a deadband that is the dollar equivalent of 125 basis
 points of ROE (Oregon basis).

24 ⁶ *Id.* at 3. If the Company's earnings are within 100 basis points of its authorized ROE for the previous
 25 year ending December 31, then no amounts will be added to the True-Up Balancing Account even if
 the NPSE deviation falls outside the NPSE deadbands.

26 ⁷ *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269, Order No. 11-086 (Mar. 17,
 2011).

1 5. On April 3, 2010, Administrative Law Judge Allan J. Arlow held a prehearing
2 conference at which the parties to this docket agreed upon a procedural schedule.

3 6. As required by Order No. 09-373, on April 16, 2012, the Company filed
4 supplemental testimony that calculated the NPSE deadband using the Company's 2011 ROO
5 report, which was finalized subsequent to the initial February filing. The supplemental
6 testimony also corrected for an error found in the quantification of the actual power costs
7 collected in rates by customer class. The use of the 2011 ROO resulted in changes to the
8 upper and lower power supply expense deadband values. The use of the 2011 ROO also
9 changed the earnings test threshold. However, these changes did not affect the amount
10 proposed to be included in the True-Up Balancing Account because the Company's earnings
11 still fell below the earnings test threshold. Thus, after updating the analysis using the 2011
12 ROO the Company determined that \$0.00 should be added to the True-Up Balancing
13 Account.

14 7. Pursuant to that agreed upon schedule Staff, CUB, and the Company
15 participated in a settlement conference on April 26, 2011. As a result of the settlement
16 discussions, the Stipulating Parties have agreed as follows:

17 **AGREEMENT**

18 8. The Stipulating Parties agree that the Company has correctly calculated the
19 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
20 with the terms of Orders Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
21 Company will not add any amounts to the True-Up Balancing Account for 2011.

22 9. The Stipulating Parties agree to submit this Stipulation to the Commission and
23 request that the Commission approve the Stipulation as presented. The Stipulating Parties
24 agree that the adjustments and the rates resulting from the Stipulation are fair, just, and
25 reasonable.

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1 10. This Stipulation will be offered into the record of this proceeding as evidence
2 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation
3 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this
4 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
5 settlements contained herein.

6 11. If this Stipulation is challenged by any other party to this proceeding, the
7 Stipulating Parties agree that they will continue to support the Commission's adoption of the
8 terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and
9 put on such a case as they deem appropriate to respond fully to the issues presented, which
10 may include raising issues that are incorporated in the settlements embodied in this
11 Stipulation.

12 12. The Stipulating Parties have negotiated this Stipulation as an integrated
13 document. If the Commission rejects all or any material part of this Stipulation, or adds any
14 material condition to any final order that is not consistent with this Stipulation, each Stipulating
15 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument
16 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating
17 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720
18 in any manner that is consistent with the agreement embodied in this Stipulation.

19 13. By entering into this Stipulation, no Stipulating Party shall be deemed to have
20 approved, admitted, or consented to the facts, principles, methods, or theories employed by
21 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
22 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
23 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
24 other proceeding, except as specifically identified in this Stipulation.

25 14. This Stipulation may be executed in counterparts and each signed counterpart
26 shall constitute an original document.

1 This Stipulation is entered into by each Stipulating Party on the date entered below such
2 Stipulating Party's signature.

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STAFF

CITIZENS' UTILITY BOARD

By: [Signature]

By: _____

Date: May 22, 2012

Date: _____

IDAHO POWER

By: _____

Date: _____

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2 Stipulating Party's signature.

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STAFF

CITIZENS' UTILITY BOARD

By: _____

By:  _____

Date: _____

Date: 5-18-2012

IDAHO POWER

By: _____

Date: _____

1 This Stipulation is entered into by each Stipulating Party on the date entered below such
2 Stipulating Party's signature.

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5 STAFF

CITIZENS' UTILITY BOARD

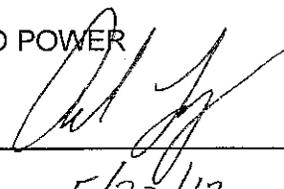
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7 By: _____

By: _____

8 Date: _____

Date: _____

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10 IDAHO POWER

11 By:  _____

12 Date: 5/22/12 _____