

ENTERED: MAY 24 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 305

In the Matter of

IDAHO POWER COMPANY,

2015 Annual Power Supply Expense True-Up.

ORDER

DISPOSITION: STIPULATION ADOPTED; NO ADDITIONS MADE
TO TRUE-UP BALANCING ACCOUNT

I. SUMMARY

In this order, we adopt a stipulation of Idaho Power Company, the Citizens' Utility Board (CUB), and the Commission Staff and find that no additional amounts should be included in Idaho Power's True-Up Balancing Account for 2015.

II. INTRODUCTION

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

Pursuant to the APCU, Idaho Power files an "October Update" providing calculations for the company's net power supply expense (NPSE) 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, Idaho Power 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 return on equity, no amortization is permitted. If Idaho Power's earnings fall outside the deadband, the costs may be deferred and amortized to the extent that their inclusion in the company's earnings do not bring the 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

III PROCEDURAL HISTORY

On February 19, 2016, Idaho Power filed its True-Up reflecting the NPSE deviation for calendar year 2015. The company based the filing on the most recent Oregon Results of Operations (ROO) report then available—calendar year 2014. The Oregon-allocated NPSE deviation was \$2.29 million.²

Idaho Power determined that the 2014 ROO NPSE of \$2.29 million fell within the deadbands and that, consequently, no adjustments should be made to the True-Up Balancing Account.³ The upper NPSE deadband, calculated using the 2014 ROO, was \$2.77 million. The lower NPSE deadband, which applies when the actual NPSE is greater than the NPSE recovered in rates, was minus \$1.38 million.⁴

Idaho Power also discussed in the initial filing the impact of Order No. 11-086, which addressed the appropriate treatment of proceeds from the sale of Renewable Energy Credits (RECs) and the application of their proceeds to the power cost deferral currently in amortization.⁵

On April 15, 2016, Idaho Power filed supplemental testimony calculating the deadband using the company's 2015 ROO Report which had been finalized after its initial filing.⁶ The use of the 2015 ROO changed the NPSE and deadbands slightly, but not the ultimate result. The 2015 ROO Oregon-allocated power supply deviation of \$2.36 million still fell between the revised deadbands with an upper value of \$2.79 million and a lower value of minus \$1.39 million.⁷ Idaho Power therefore determined that no funds should be added to the True-Up Balancing Account.⁸

III. THE STIPULATION

Following review of and discovery on Idaho Power's filings by both CUB and Staff, the parties joined in the filing of a stipulation intended to resolve all issues in this proceeding. The stipulation, which is attached as Appendix A, is supported by joint brief of the parties.

The parties agree that the Idaho Power has correctly calculated the amount of the True-Up, and properly seeks no funds for later inclusion in rates. The parties also agree that

¹ See Order No. 09-373, docket UE 195 at 1-2 (Sept 18, 2009) and Staff/Idaho Power/CUB/100, Durrenberger/Waites/Jenks/2-3 (docket UE 195) (Mar 14, 2008).

² Idaho Power/100, Waites/2, 4-5, 7. (docket UE 305).

³ *Id.* at 6-7.

⁴ *Id.* at 6.

⁵ *Id.* at 7; *Re Application of Idaho Power Company to Sell RECs*, Docket No. UP 269, Order No. 11-086 (Mar 17, 2011).

⁶ Idaho Power/200-203.

⁷ Idaho Power/200, Waites/2; Idaho Power/202, Waites/1.

⁸ Idaho Power/200, Waites/1-3.

this calculation complies with the terms of Order Nos. 08-238 and 09-373, and thus no amounts will be added to the company's True-Up Balancing Account for 2015.⁹

IV. DISCUSSION

We have reviewed Idaho Power's supplemental direct testimony, the stipulation, and the joint brief in support of the stipulation. We find the terms of the stipulation are supported by good and sufficient evidence, are in compliance with our prior orders, reasonable, and in the public interest. We conclude that the stipulation should be adopted.

V. ORDER

IT IS ORDERED that:

1. The stipulation filed by Idaho Power Company, the Citizens' Utility Board of Oregon, and the Public Utility of Oregon Commission Staff, attached as Appendix A, is adopted.
2. Idaho Power Company shall make no adjustments to its Records of Account so as to be in compliance with this order.

MAY 24 2016
Made, entered and effective _____.



John Savage
Commissioner



Stephen 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.

⁹ Stipulation at ¶8.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 305

STIPULATION

In The Matter of
IDAHO POWER COMPANY
2015 Annual Power Supply Expense True-Up.

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") 2015 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 Public Utility Commission of Oregon ("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

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).

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

3. On February 19, 2016, Idaho Power filed its True-Up reflecting the NPSE deviation for calendar year 2015. The Company's initial filing used the most recent Oregon Results of Operations ("ROO") report available at the time of the filing—the ROO for 2014. The NPSE deviation was \$51.65 million on a system-wide basis, or \$2.29 million (there were no SO₂ Allowance sales in calendar year 2015) on an Oregon allocated basis—meaning that the Company under-recovered its actual NPSE.⁷ The NPSE deadbands, calculated using the 2014 ROO, were \$2.77 million (upper) and negative \$1.38 million (lower).⁸ The Oregon-allocated NPSE deviation was within the NPSE deadbands calculated using the 2014 ROO, *i.e.*, the

³ Order No. 08-238 at 2-3.

⁴ *Id.*

⁵ *Id.* The NPSE deadband is based upon the Company's capital structure and the rate base, measured on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or 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).

⁶ *Id.* If the Company's earnings are within 100 basis points of its authorized ROE for the previous 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.

⁷ Idaho Power/100, Waites/4-5, 7.

⁸ Idaho Power/100, Waites/6.

1 actual NPSE deviation of \$2.29 million was less than the upper deadband of \$2.77 million.⁹
 2 Therefore, the Company's initial filing determined that \$0.00 should be added to the True-Up
 3 Balancing Account.¹⁰

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

8 5. On March 11, 2016, CUB filed its Notice of Intervention. On March 16, 2016,
 9 Administrative Law Judge Allan J. Arlow held a prehearing conference at which the parties to
 10 this docket agreed upon a limited procedural schedule, based on the likelihood that the parties
 11 would settle this matter.¹²

12 6. As required by Order No. 09-373, on April 15, 2016, the Company filed
 13 supplemental testimony that calculated the NPSE deadband using the Company's 2015 ROO
 14 report, which was finalized after the initial February filing. The use of the 2015 ROO resulted in
 15 changes to the upper and lower power supply expense deadband values. The upper deadband
 16 changed to \$2.79 million and the lower deadband changed to negative \$1.39 million.¹³ The use
 17 of the 2015 ROO also changed the Oregon allocation percentage used to calculate Oregon's
 18 share of the NPSE deviation, which resulted in an NPSE deviation of \$2.36 million (there were
 19 no SO₂ Allowance sales in calendar year 2015).¹⁴ However, these changes did not affect the
 20 amount proposed to be included in the True-Up Balancing Account because the Oregon-

21 _____
 22 ⁹ *Id.*

23 ¹⁰ Idaho Power/100, Waites/6-7.

24 ¹¹ Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269,
 25 Order No. 11-086 (Mar. 15, 2011).

26 ¹² See Prehearing Conference Memorandum (Mar. 16, 2016).

¹³ Idaho Power/200, Waites/2.

¹⁴ Idaho Power/200, Waites/2.

1 allocated NPSE deviation was still within the NPSE deadbands calculated using the 2015
2 ROO.¹⁵ Thus, after updating the analysis using the 2015 ROO the Company determined that
3 \$0.00 should be added to the True-Up Balancing Account.

4 7. Pursuant to the agreed upon schedule Staff, CUB, and the Company participated
5 in a settlement conference on April 28, 2016. As a result of the settlement discussions, the
6 Stipulating Parties have agreed as follows:

7 **AGREEMENT**

8 8. The Stipulating Parties agree that the Company has correctly calculated the
9 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
10 with the terms of Order Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
11 Company will not add any amounts to the True-Up Balancing Account for 2015.

12 9. The Stipulating Parties agree to submit this Stipulation to the Commission and
13 request that the Commission approve the Stipulation as presented. The Stipulating Parties
14 agree that the rates resulting from the Stipulation are fair, just, and reasonable.

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

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

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26 ¹⁵ Idaho Power/200, Waites/2.

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

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

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

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

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3 STAFF

CITIZENS' UTILITY BOARD

4 By: *[Signature]*

By: _____

5 Date: 5/12/16

Date: _____

6
7 IDAHO POWER

8 By: _____

9 Date: _____

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STAFF

CITIZENS' UTILITY BOARD

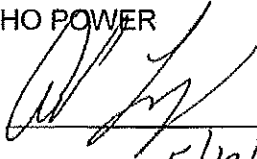
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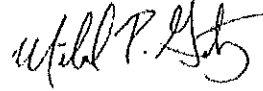
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STAFF

CITIZENS' UTILITY BOARD

By: _____



Date: _____

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Date: 5/12/2016

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