

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 354

In the Matter of

IDAHO POWER COMPANY,

2018 Annual Power Supply Expense
True-Up.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On February 22, 2019, Idaho Power Company filed this application to true-up its net power costs for the calendar year 2019. In its filing, the company also proposed to apply the proceeds from its sale of Renewable Energy Credits (RECs) as a credit to its Annual Power Supply True-Up Balancing Account (True-Up Balancing Account). Also, as a separate matter not related to its True-Up Balancing Account, Idaho Power initially requested to amortize approximately \$52,000 in intervenor funding amounts effective June 1, 2019.

On February 26, 2019, the Oregon Citizens' Utility Board (CUB) filed its notice of intervention. A prehearing conference was held on March 19, 2019, at which the parties agreed to an abbreviated procedural schedule reflecting the likelihood that this matter would settle.

On April 15, 2019, Idaho Power filed supplemental direct testimony that calculated its net power costs using its 2018 Oregon Results of Operations report (ROO), which was finalized after the initial February filing. Although the use of the report changed each of the values used to calculate net power costs, the resulting net power cost deviation was still within the upper and lower deadbands, so that no change in rates was proposed.

On April 30, 2019, Idaho Power, Commission Staff, and CUB participated in settlement discussions. As a result, on May 17, 2019, the parties filed a stipulation that settles all issues, together with a joint explanatory brief in support of the stipulation. The stipulation is attached as Appendix A.

II. BACKGROUND

In Order No. 08-238, we approved Idaho Power's Power Cost Adjustment Mechanism (PCAM) to allow the company the opportunity to determine, for possible recovery, the deviation between the company's actual power costs and those costs collected in rates. As part of the PCAM, each February the company files a true-up that calculates the difference between its actual net power supply expenses (NPSE) in the PCAM year (January through December) and the expenses recovered for that period through the Combined Rate.¹ Eligible NPSE deviations (as determined by Order No. 08-238) are added to the 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. To be eligible for inclusion in the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband² and pass the earnings test described in Order No. 08-038.³

For its February 22, 2019 filing, Idaho Power used its most recent Oregon ROO report available at the time of the filing—the ROO for 2017. The NPSE deviation was just over a negative \$8 million on a system-wide basis, or negative \$374,037 on an Oregon-allocated basis—meaning that the amount of the Oregon-allocated power supply costs recovered in rates was more than the actual Oregon-allocated power supply costs. The lower NPSE deadband, calculated using the 2017 ROO, was negative \$1.6 million. This deadband applies when actual NPSE is less than the NPSE recovered rates. Because the Oregon-allocated NPSE deviation was within the deadband, Idaho Power determined that there should be no change to the True-Up Balancing Account rate.

In addition, Idaho Power also discussed the impact of Order No. 11-086, which addressed the appropriate treatment of proceeds from the sale of RECs. Consistent with the

¹ The "Combined Rate" is determined annually in the company's annual power cost proceeding. The combined rate has two components—an "October Update" and a "March Forecast". The October Update contains the company's forecasted net power supply expense reflected on a normalized and unit basis for an April through March test period. The March Forecast contains the company's net power supply expense based on updated actual forecasted conditions. The rates from the October Update and March Forecast are combined into the Combined Rate, which is effective on June 1 of each year.

² The NPSE deadband is based on the company's capital structure and 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 first is reduced by a deadband that is the dollar equivalent of 250 basis points of return on equity (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).

³ 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.

company's approach in each true-up since that order, Idaho Power proposed that the net proceeds be applied to the True-Up Balancing Account.

In the same filing, Idaho Power also requested authorization to amortize approximately \$52,540 intervenor funding amounts deferred since the company's last request to amortize these amounts for the period which began on June 1, 2018.

In its filing on April 15, 2019, Idaho Power calculated the deadband using its 2018 ROO report. The use of the 2018 report resulted in changes to the upper and lower power supply expense deadband values, resulting in an upper deadband of \$2.6 million and a lower deadband of negative \$1.3 million. The use of the 2018 report also changed the Oregon-allocated NPSE deviation, resulting in an NPSE deviation of negative \$373,231. Applying the new deadband values to the new NPSE deviation did not change the result—the Oregon-allocated deviation of negative \$373,231 was still greater than the lower deadband of negative \$1.3 million. The updated Oregon allocation factor slightly decreased the Oregon-allocated REC proceeds. Thus, after updating the analysis using the 2018 ROO, the company determined that a credit of \$128,831 should be added to the True-Up Balancing Account.

III. STIPULATION AND SUPPORTING BRIEF

In the submitted stipulation, the parties agree that Idaho Power has correctly calculated the amount of the true-up for later inclusion in rates as \$0.00. Thus, the parties agree that the company will not add any NPSE deviation amounts to the True-Up Balancing Account for 2018. The parties also agree that the 2018 net proceeds from the sale of RECs should be applied as a credit to the True-Up Balancing Account consistent with Order No. 11-086.

The parties state that stipulation is fully supported by the record, which includes Idaho Power's testimony and exhibits. Staff and CUB thoroughly reviewed the testimony and exhibits and determined that there were no issues that warranted the filing of responsive testimony. They agree that Idaho Power appropriately calculated the amount of the true-up for later inclusion in rates (\$0.00), resulting in rates that are just and reasonable.

Neither the stipulation terms nor the accompanying joint explanatory brief mentioned updating the level of amortization collection associated with intervenor funding.

IV. ORDER

We adopt the stipulation. We have examined the stipulation, the stipulating party testimony, and the pertinent record in the docket. We find that the stipulation is

supported by the record. We therefore conclude that the resulting rates are just and reasonable for resolution of the issues in this docket. The stipulation should be adopted in its entirety. As we noted in Idaho Power’s power cost update proceeding in previous years, “mechanisms like the PCAM are in place to protect both the utilities and their customers from volatile energy markets with the potential for significant under and over collection of energy costs. In the current relatively stable energy market conditions we are not surprised to be presented a stipulation that prescribes no rate change.”⁴ We appreciate the effort by all parties that goes into confirming that result through diligent review and analysis.

IT IS ORDERED that:

1. The stipulation between Idaho Power Company, Staff of the Public Utility Commission of Oregon, and the Oregon Citizens’ Utility Board, attached as Appendix A, is adopted.
2. Idaho Power Company must file revised rate schedules consistent with this order to be effective no earlier than June 1, 2019.

Made, entered, and effective May 30 2019.



Megan W. Decker
Chair



Stephen M. Bloom
Commissioner



Letha Tawney
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.

⁴ *In the Matter of Idaho Power Company, 2016 Annual Power Supply Expense True-Up*, Docket No. UE 320, Order No. 17-185 at 3 (May 25, 2017).

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 354

In the Matter of
IDAHO POWER COMPANY
2018 Annual Power Supply Expense True-Up.

STIPULATION

1 This Stipulation resolves all issues between the parties related to Idaho Power
2 Company's ("Idaho Power" or "Company") 2018 Annual Power Supply Expense True-Up ("True-
3 Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This True-Up
4 implements the Company's Power Cost Adjustment Mechanism ("PCAM") by calculating the
5 deviation between actual net power supply expenses ("NPSE") and those expenses recovered
6 through the Combined Rate.

PARTIES

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

BACKGROUND

10 2. As part of the PCAM approved by the Public Utility Commission of Oregon
11 ("Commission"), each February, Idaho Power must file a True-Up that calculates the difference
12 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 No. 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 No. UE 195, Order No. 09-373 (Sept. 18, 2009).

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

8 3. On February 22, 2019, Idaho Power filed its True-Up reflecting the NPSE deviation
 9 for calendar year 2018. The Company’s initial filing used the 2017 Oregon Results of
 10 Operations (“ROO”) report, which was the most recent ROO available at the time of the filing.⁷
 11 The NPSE deviation was negative \$8,061,146.91 on a system-wide basis, or negative
 12 \$374,037.22 on an Oregon-allocated basis.⁸ The NPSE deadbands, calculated using the 2017
 13 ROO, were \$3,118,896 (upper) and negative \$1,559,448 (lower).⁹ The Oregon-allocated NPSE
 14 deviation was within the NPSE deadbands calculated using the 2017 ROO, *i.e.*, the amount of
 15 the NPSE deviation, negative \$374,037.22, was greater than the lower deadband of negative

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/2.

⁸ Idaho Power/100, Waites/6.

⁹ Idaho Power/100, Waites/7.

1 \$1,559,448.¹⁰ Therefore, the Company's initial filing determined that \$0.00 should be added to
2 the True-Up Balancing Account and no earnings test was needed.¹¹

3 4. The Company's initial filing also addressed the difference between the actual
4 operations and maintenance ("O&M") expense incurred because of the Company's participation
5 in the Western Energy Imbalance Market ("EIM") and the EIM expenses included in rates¹² and
6 the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").¹³
7 Consistent with Order Nos. 11-086 and 17-185, the REC proceeds are applied as a credit to
8 the True-Up Balancing Account.¹⁴ The Company also proposed to update the level of
9 amortization collection associated with intervenor funding.¹⁵

10 5. On February 26, 2019, CUB filed its Notice of Intervention. On March 19, 2019,
11 Chief Administrative Law Judge Nolan Moser held a prehearing conference at which the parties
12 to this docket agreed upon a limited procedural schedule, based on the likelihood that the
13 parties would settle this matter.¹⁶

14 6. As required by Order No. 09-373, on April 15, 2019, the Company filed
15 supplemental testimony that calculated the NPSE deadband using the Company's 2018 ROO
16 report, which was finalized after the initial February filing. The use of the 2018 ROO resulted in
17 changes to the upper and lower power supply expense deadband values. The upper deadband
18 changed to \$2,584,287 and the lower deadband changed to negative \$1,292,143.¹⁷ The
19 Company also used the 2018 ROO to update the Oregon allocation percentage used to
20 calculate Oregon's share of the NPSE deviation. The Oregon-allocated NPSE deviation based
21 on 2018 ROO was negative \$373,231.10, which is greater than the lower deadband of negative

¹⁰ Idaho Power/100, Waites/8.

¹¹ Idaho Power/100, Waites/8.

¹² Idaho Power/100, Waites/8.

¹³ Idaho Power/100, Waites/10; *Re Application of Idaho Power Company to Sell RECs*, Docket No. UP 269, Order No. 11-086 (Mar. 15, 2011).

¹⁴ Idaho Power/100, Waites/10.

¹⁵ Idaho Power/100, Waites/10-12.

¹⁶ See Prehearing Conference Memorandum (Mar. 25, 2019).

¹⁷ Idaho Power/200, Waites/2.

1 \$1,292,143.¹⁸ Therefore, the Company's filing based on the 2018 ROO also determined that
2 \$0.00 should be added to the True-Up Balancing Account.

3 7. Pursuant to the agreed upon schedule, Staff, CUB, and the Company participated
4 in a settlement conference on April 30, 2019. As a result of the settlement discussions, the
5 Stipulating Parties have agreed as follows:

AGREEMENT

6 8. The Stipulating Parties agree that the Company has correctly calculated the NPSE
7 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
8 with the terms of Order Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
9 Company will not add any NPSE deviation amounts to the True-Up Balancing Account for 2018.

10 9. The Stipulating Parties agree that the 2018 net proceeds from the sale of RECs
11 should be applied as a credit to the True-Up Balancing Account, consistent with Order No. 11-
12 086.¹⁹

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

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

¹⁸ *Id.*

¹⁹ Order No. 11-086 at 2 ("Idaho Power will record all net proceeds from the sale of RECs in a regulatory liability account to accrue interest at the Company's authorized cost of capital. Net REC proceeds shall be applied as a credit to the Annual Power Supply Expense True-up Balancing Account as part of the Power Cost Adjustment Mechanism (PCAM) after all variances (including deadbands and earnings review), less 10 percent of proceeds which may be retained by the Company.").

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

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

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

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

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

STAFF

OREGON CITIZENS' UTILITY BOARD

By: 

By: _____

Date: May 16, 2019

Date: _____

IDAHO POWER

By: _____

Date: _____

STAFF

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____ *W. P. St* _____

Date: May 16, 2019

IDAHO POWER

By: _____

Date: _____

STAFF

OREGON CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: *Alto Romay*

Date: 5/17/19