

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 376

In the Matter of

IDAHO POWER COMPANY,

2019 Annual Power Supply Expense
True-Up.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On February 25, 2020, Idaho Power Company filed this application to calculate its Annual Power Supply Expense True-Up (True-Up) for the calendar year 2019. In the 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 intervenor funding amounts and expenses incurred due to Idaho Power's participation in the Western Energy Imbalance Market (EIM). The amortization of these expenses would be effective June 1, 2020.

On March 24, 2020, the Oregon Citizens' Utility Board (CUB) filed its notice of intervention. A prehearing conference was held on April 1, 2020, at which the parties agreed to an abbreviated procedural schedule reflecting the likelihood that this matter would settle.

On April 15, 2020, Idaho Power filed supplemental direct testimony from Courtney Waites that calculated its net power costs, using its 2019 Oregon Results of Operations report (ROO), which was finalized after the initial February filing. Although the use of the 2019 ROO changed each of the values used to calculate net power costs, the resulting negative net power cost deviation was still greater than the lower deadband, so that no change in rates was proposed.

On April 28, 2020, Idaho Power, CUB, and Commission Staff participated in settlement discussions. As a result, on May 13, 2020, 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 deviation between its actual net power supply expenses (NPSE) in the previous 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 applicable NPSE deadband² and pass the earnings test described in Order No. 08-038.³

For its February 25, 2020 filing, Idaho Power used its most recent Oregon ROO report available at the time of the filing—the ROO for 2018. The NPSE deviation was a negative \$15,225,136 on a system-wide basis, or negative \$704,924 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 2018 ROO, was negative \$1,292,143. 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

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.

there should be no change to the True-Up Balancing Account rate for the annual power supply expense.

Idaho Power also requested authorization to amortize approximately \$37,383 in intervenor funding amounts deferred since the company's last request to amortize these amounts for the period which began on June 1, 2019. Finally, the company requested approval to amortize \$23,842 in EIM start-up expenses.

In its filing on April 15, 2020, Idaho Power calculated the deadband using its 2019 ROO report. The use of the 2019 report resulted in changes to the upper and lower power supply expense deadband values, resulting in an upper deadband of \$2,672,533 and a lower deadband of negative \$1,336,267. The use of the 2019 report also changed the Oregon-allocated NPSE deviation, resulting in an NPSE deviation of negative \$689,699. Applying the new deadband values to the new NPSE deviation did not change the result—the Oregon-allocated deviation was still greater than the lower deadband.

Idaho Power noted its compliance with Order No. 11-086, which addressed the appropriate treatment of proceeds from the company's sale of RECs. Idaho Power stated that the net proceeds of \$234,709 for REC sales were applied as a credit 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 2019. The parties also agree that the 2019 net proceeds from the sale of RECs will 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.

The parties also agree that the amortization collection level will be updated to include the intervenor funding amounts and the start-up expenses incurred for EIM participation.

IV. ORDER

We adopt the stipulation. We have examined the admitted stipulation and admitted testimony and exhibits of Courtney Waites. 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 is 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 to confirm the calculations and results through diligent review and analysis.

IT IS ORDERED that:

1. The stipulation between Idaho Power Company, Staff, 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, 2020.

May 29 2020

Made, entered, and effective _____.



Megan W. Decker
Chair




Letha Tawney
Commissioner



Mark R. Thompson
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 376

In the Matter of

IDAHO POWER COMPANY

2019 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") 2019 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).

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 25, 2020, Idaho Power filed its True-Up reflecting the NPSE deviation for calendar year 2019. The Company's initial filing used the 2018 Oregon Results of Operations ("ROO") report, which was the most recent ROO available at the time of the filing.⁷ The NPSE deviation was negative \$15,225,136.12 on a system-wide basis, or negative \$704,923.80 on an Oregon-allocated basis.⁸ The NPSE deadbands, calculated using the 2018 ROO, were \$2,584,287 (upper) and negative \$1,292,143 (lower).⁹ The Oregon-allocated NPSE deviation was within the NPSE deadbands calculated using the 2018 ROO, *i.e.*, the amount of the NPSE deviation, negative \$704,923.80, 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/3.

⁸ Idaho Power/100, Waites/4-5.

⁹ Idaho Power/100, Waites/7.

1 \$1,292,143.¹⁰ 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

9 5. On March 24, 2020, CUB filed its Notice of Intervention. On April 1, 2020,
10 Administrative Law Judge Christopher J. Allwein held a prehearing conference at which the
11 parties to this docket agreed upon a limited procedural schedule, based on the likelihood that
12 the parties would settle this matter.¹⁵

13 6. As required by Order No. 09-373, on April 15, 2020, the Company filed
14 supplemental testimony that calculated the NPSE deadband using the Company's 2019 ROO
15 report, which was finalized after the initial February filing. The use of the 2019 ROO resulted in
16 changes to the upper and lower power supply expense deadband values. The upper deadband
17 changed to \$2,672,533 and the lower deadband changed to negative \$1,336,267.¹⁶ The
18 Company also used the 2019 ROO to update the Oregon allocation percentage used to
19 calculate Oregon's share of the NPSE deviation. The Oregon-allocated NPSE deviation based
20 on 2019 ROO was negative \$689,698.67, which is greater than the lower deadband of negative

¹⁰ Idaho Power/100, Waites/7.

¹¹ Idaho Power/100, Waites/7.

¹² Idaho Power/100, Waites/8.

¹³ Idaho Power/100, Waites/7; *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/7.

¹⁵ See Prehearing Conference Memorandum (Apr. 1, 2020).

¹⁶ Idaho Power/200, Waites/2.

1 \$1,336,267.¹⁷ Therefore, the Company's filing based on the 2019 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 28, 2020. 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 2019.

10 9. The Stipulating Parties agree that the 2019 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-
 12 086.¹⁸

13 10. The Stipulating Parties agree that Idaho Power will update the level of amortization
 14 collection associated with intervenor funding amounts as well as include amortization of
 15 deferred O&M start-up expenses associated with the Company's participation in the EIM. Idaho
 16 Power will begin amortization and collection in rates through Schedule 56 of \$37,383 in
 17 intervenor funding amounts and \$23,842 in deferred EIM O&M start-up expenses. All intervenor
 18 funding amounts are associated with intervenors acting on behalf of the residential customer
 19 class and will therefore be collected only from residential customers while the deferred EIM
 20 O&M start-up expenses will be collected from all customers classes for the June 1, 2020,
 21 through May 31, 2021, time period.

¹⁷ *Id.*

¹⁸ 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 11. The Stipulating Parties agree to submit this Stipulation to the Commission and
2 request that the Commission approve the Stipulation as presented. The Stipulating Parties
3 agree that the rates resulting from the Stipulation are fair, just, and reasonable.

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

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

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

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

1 16. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

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

STAFF

By: Stephanie Andrus

Date: May 12, 2020

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

IDAHO POWER

By: _____

Date: _____

1 16. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

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

STAFF

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By:  _____

Date: May 12, 2020 _____

IDAHO POWER

By: _____

Date: _____

1 16. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

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4 Stipulating Party's signature.

STAFF

OREGON CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: _____  _____

Date: May 13, 2020