

ORDER NO. 24-050

ENTERED Feb 22 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2272

In the Matter of

IDAHO POWER COMPANY,

Application for Approval to Defer Costs
Associated with Engaging the Services of
an Independent Evaluator for a Request for
Proposal.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 20, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Nolan Moser

Chief Administrative Law Judge



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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 20, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: January 29, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: IDAHO POWER:
(Docket No. UM 2272)
Deferral of Costs Associated with Engaging the Services of an
Independent Evaluator for a Request for Proposal.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (Idaho Power or Company) request to defer costs associated with engaging the Services of an Independent Evaluator for a Request for Proposal beginning January 20, 2023, and ending January 19, 2024.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's request for authorization to defer costs accounting for costs related to Engaging the Services of an Independent Evaluator for a Request for Proposal.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as reason for the deferral, estimated amount of the deferral, etc.

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Analysis

Background

On January 20, 2023, Idaho Power submitted its application in Docket No. UM 2272 for authorization of deferred accounting related to Engaging the Services of an Independent Evaluator for a Request for Proposal (RFP). The RFP is in accordance with Idaho Power's 2021 Integrated Resource Plan ("IRP") (Docket No. LC 78) action plan, which was acknowledged, with additional conditions and directives, through Order No. 23-004.¹ Idaho Power is issuing a 2026 All-Source RFP for both renewable and non-emitting dispatchable capacity resources to fill Idaho Power's identified 2026 capacity need.

The rules for engaging an IE within a competitive resource procurement process are prescribed within OAR 860-089-0200, which states in part: "The electric company may request recovery of fees and expenses associated with engaging an IE in customer rates."

Additionally, pursuant to OAR 860-089-0400(5)(a), Idaho Power is required to: "use a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist before modeling the effects of such resources."

Estimated 2023 Costs.

At the time of its application, the Company estimated the amount subject to the deferral will be approximately \$300,000, on a total Company basis, for the IE for Idaho Power's 2026 All-Source RFP.

Reason for Deferral

The Company will incur incremental costs to pay for the IE that were not included in the costs used to set rates in Idaho Power's most recent general rate case (Docket No. UE 233). The costs are recoverable under OAR Chapter 869, Division 089. However, Idaho Power must defer the costs in order to collect them from ratepayers. Allowing the deferral will match appropriately the costs borne by, and benefits received by customers.

¹ In re Idaho Power Company, 2021 Integrated Resource Plan, Docket No. LC 78, Order No. 23-004 (January 13, 2023).

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Proposed Accounting

The Company will record Deferred Amounts at Federal Energy Regulatory Commission (FERC) Account 182.3, Other Regulatory Assets, with a credit to FERC Account 407.4, Regulatory Credits.

Information Related to Future Amortization

- Earnings review – (ORS 757.259(5)) – A review of the utility’s earnings is required before the amortization of this deferral. However, Staff does not recommend the Commission apply an earnings test during this review to disallow costs. OAR 860-089-0200(1), which requires utilities to engage the services of an IE to oversee the competitive bidding process and OAR 860-089-0400(5)(a), requires utilities to engage the services of a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist. Staff believes it is appropriate to allow recovery of these costs notwithstanding Idaho Power’s earnings.
- Prudence Review – Should be performed by Staff after Idaho Power files for amortization but should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – No sharing is recommended between Idaho Power and its customers for this deferral.
- Rate Spread/Design – Costs recovered through this deferral will be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule.
- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred IE costs will be subject to the three percent test in accordance with ORS 757.259(6), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

Conclusion

Staff reviewed the Company’s application and believes that the Company satisfied the requirements of ORS 757.259 and OAR 860-027-0300. The Commission should authorize the Company to defer expenses associated with engaging the services of an IE as described previously for the 12-month period beginning January 20, 2023, and ending January 19, 2024.

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The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's request to defer costs associated with engaging the Services of an Independent Evaluator for a Request for Proposal beginning January 20, 2023, and ending January 19, 2024.

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