

ORDER NO. 24-312

ENTERED Sep 23 2024

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1464(14)

In the Matter of

IDAHO POWER COMPANY,

Application for Reauthorization to Defer  
Net Variable Power Cost Variances.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on September 19, 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:



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**Alison Lackey**  
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. CA4

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 19, 2024**

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: September 9, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: IDAHO POWER:  
(Docket No. UM 1464(14))  
Requests reauthorization to defer Net Variable Power Cost Variances

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Idaho Power Company's (Idaho Power, IPC, or Company) request to defer variances in its collection of net variable power costs (NVPC) for the period of January 1, 2024.

**DISCUSSION:**

Issue

Whether Idaho Power should be allowed to continue to defer costs for variances in the annual NVPC pursuant to Commission Order No. 08-238 and Idaho Power Tariff Schedule 56.

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. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

Docket No. UM 1464(14)  
September 9, 2024  
Page 2

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities and requires the utility to provide certain information in an application to defer, such as the reason for the deferral and the estimated amount of the deferral.

The Commission most recently approved the Company's deferral request for NVPC in UM 1464(13) in Order No. 23-141.

### Analysis

#### *Background*

The Company seeks reauthorization from the Commission to accrue, for future amortization, the difference between actual annual net variable power costs and the annual net variable power costs recovered pursuant to Tariff Schedule 55, in accordance with Order No. 08-238.

The annual variance will be determined pursuant to the terms of Schedule 56, which includes a Power Supply Expense Deadband and Earnings Test. This annual power cost accrual may also include any variances in the revenues received, and incremental operations and maintenance costs incurred associated with the Company's participation in the Energy Imbalance Market ("EIM").

Also, the EIM operations and maintenance costs will be tracked similarly to the annual net variable power costs with the annual variance determined pursuant to the terms of Schedule 56, which includes a Power Supply Expense Deadband and an Earnings Test.

#### *Reason for Deferral*

In Order No. 08-238, the Commission ordered the adoption of a power cost adjustment mechanism for Idaho Power that contains both an Annual Power Cost Update ("APCU") and Power Cost Adjustment Mechanism ("PCAM").

Schedule 55 contains the terms of the APCU while Schedule 56 contains the terms of the PCAM. The PCAM provides recovery of the difference, between the actual annual net variable power costs incurred by Idaho Power and the net annual variable power costs recovered pursuant to Idaho Power Schedule 55.

Docket No. UM 1464(14)  
September 9, 2024  
Page 3

This deferral is intended to capture the net annual variable power cost difference that will be amortized in rates and is filed pursuant to Order No. 08-238 and ORS 757.259(2)(e) to match appropriately the costs borne by and benefits received by customers.

#### *Proposed Accounting*

The Company records revenues and expenses associated with net annual variable power costs that would be subject to the deferral order in accordance with the Code of Federal Regulations (“CFR”) to the Federal Energy Regulatory Commission (“FERC”) Account 501 (Fuel), FERC Account 547 (Fuel), FERC Account 447 (Sales for Resale), and FERC Account 555 (Purchased Power).

The Company proposes to record the deferred amount by debiting FERC Account 182.3 (Regulatory Assets) and crediting FERC Account 557 (Other Expenses) if there is an amount to collect from customers. If there is a refund to customers, the Company would record the accrued amount in FERC Account 254 (Regulatory Liabilities) and debit FERC Account 557 (Other Expenses).

Incremental EIM costs that would be subject to the deferral are recorded in accordance with the CFR in numerous FERC accounts as these costs include ongoing operations and maintenance expenses. The Company proposes to record the any incremental EIM deferred amounts by debiting FERC Account 182.3 (Regulatory Assets) and crediting FERC Account 407.4 (Regulatory Credits) if there is an amount to collect from customers. If there is a refund to customers, the Company would record the accrued amount in FERC Account 254 (Regulatory Liabilities) and debit FERC Account 407.3 (Regulatory Debits).

#### *Estimate of Amounts*

The deferred amount is a function of several unknown and unpredictable factors including customer usage, the wholesale market price for electricity, and the wholesale market price for natural gas.

Thus, The Company cannot provide an estimate of the deferred amount this time.

#### *Information Related to Future Amortization*

- Earnings Review – Schedule 56 requires an earnings review.
- Prudence Review – A prudence review is a required component of an earnings review and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Sharing is subject to the terms of Schedule 56.

Docket No. UM 1464(14)  
September 9, 2024  
Page 4

- Rate Spread/Design – The net variable power cost deferral amortization amount will be spread on an equal cents per kWh basis, as specified in Schedule 56.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year. Because Idaho Power is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

### Conclusion

The Company’s application should be approved since the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300 and is consistent with operation of Idaho Power’s Power Cost Adjustment Mechanism authorized in Order No. 08-238.

The Company has reviewed this memo and agrees with its contents.

### **PROPOSED COMMISSION MOTION:**

Approve Idaho Power’s request to defer variances in its collection of net variable power costs for the 12-month period starting January 1, 2024.

IPC UM 1464(14) NVPC Deferral