

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 295

In the Matter of

IDAHO POWER COMPANY,

2014 Annual Power Supply Expense
True-Up.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On February 20, 2015, Idaho Power Company (Idaho Power) filed its application to true-up the difference between its actual net power supply expenses (NPSE) with the expenses recovered through its Combined Rate set in the company's Annual Power Cost Update (APCU).¹

On March 17, 2015, the Commission held a prehearing conference in this docket. Parties to this proceeding are Idaho Power, the Commission Staff, and the Citizens Utility Board of Oregon (CUB).

In its initial filing, Idaho Power reported that the NPSE deviation was \$9.2 million on a system-wide basis, or \$403,000 on an Oregon-allocated basis, meaning that the company under-recovered its actual NPSE. To be eligible for inclusion in the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband and pass an earnings test.²

¹ The Combined Rate has two elements – 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 Results of Operations Report (ROO). 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 return on equity (ROE). A negative deviation (actual NPSE less than those recovered through the Combined Rate) is a power supply expenses savings. This savings is reduced by a deadband that is the dollar equivalent of 125 basis points of ROE.

Because the NPSE deviation indicated that the actual NPSE was greater than the NPSE recovered in rates, the upper deadband was applied. That upper deadband, calculated using the 2013 Results of Operations (ROO) was \$2.7 million. Because the actual NPSE deviation [\$403,000] was less than the upper deadband [\$2.7 million] in its initial filing Idaho Power indicated that \$0 should be added to the True-Up Balancing Account.

On April 15, 2015, Idaho Power filed supplemental testimony in which the witness calculated the deadband using the company's 2014 ROO. The use of the 2014 ROO resulted in an increase in the upper power supply expenses deadband to \$2.8 million. The use of 2014 ROO also changed the Oregon allocation factor used to determine the Oregon-allocated NPSE deviation, resulting in an NPSE deviation of \$406,000, well within the upper deadband. Thus, based on the updated analysis, Idaho Power again determined that \$0 should be added to the True-Up Balancing Account.

After their settlement conference on April 28, 2015, the parties notified the Commission that they had reached a settlement in this case and the procedural schedule was suspended by the Administrative Law Judge. On May 14, 2015, the parties filed a stipulation and a joint explanatory brief. Also on May 14, 2015, Idaho Power filed motions to admit its pre-filed testimony and the parties' stipulation into evidence. The motions are granted. The stipulation is attached as Appendix A to this order.

II. THE STIPULATION

In their stipulation, the parties agree that Idaho Power has correctly calculated the amount of the True-Up for later inclusion in rates as \$0. Thus, the parties agree that the company will not add any amount to the True-Up Balancing Account for 2014.

In their joint explanatory brief, the parties state that their stipulation is supported by the record, which includes Idaho Power's testimony and exhibits. Staff and CUB indicate that they each conducted a thorough examination of Idaho Power's testimony and exhibits and participated in the settlement conference. As a result of their investigation, Staff and CUB each concluded that there were no issues raised in the company's filing or their review that warranted filing responsive testimony. Although Staff and CUB have not filed testimony, they agree with Idaho Power that the record in this case is sufficient to support a finding that the stipulation is reasonable and should be adopted.

III. DISCUSSION

Staff and CUB each performed a thorough review of Idaho Power's filings and found that the power cost variance is (well) within the deadband. In such circumstances only a substantial adjustment would be material, and neither Staff nor CUB determined that any such adjustment should be proposed (or adopted). We adopt the stipulation of the parties and find that there should be no increase in the True-Up Balancing Account for 2014. The resulting rates are just and reasonable.

IV. ORDER

IT IS ORDERED that the stipulation between Idaho Power Company, the Staff of the Public Utility Commission of Oregon, and the Citizens Utility Board of Oregon is adopted.

Made, entered, and effective MAY 28 2015.

Susan Ackerman
Susan K. Ackerman *JH*
Chair

John Savage
John Savage
Commissioner



Stephen M. Bloom
Stephen M. 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.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 295

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In The Matter of
IDAHO POWER COMPANY
2014 Annual Power Supply Expense True-Up.

STIPULATION

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") 2014 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

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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).

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
 7 and pass the earnings test described in Order No. 08-238.⁶

8 3. On February 20, 2015, Idaho Power filed its True-Up reflecting the NPSE
 9 deviation for calendar year 2014. The Company's initial filing used the most recent Oregon
 10 Results of Operations ("ROO") report available at the time of the filing—the ROO for 2013.
 11 The NPSE deviation was \$9.2 million on a system-wide basis, or \$403,000 (after offset for
 12 SO₂ Allowance sales) on an Oregon allocated basis—meaning that the Company under-
 13 recovered its actual NPSE.⁷ The NPSE deadbands, calculated using the 2013 ROO, were
 14 \$2.7 million (upper) and negative \$1.3 million (lower).⁸ The Oregon-allocated NPSE deviation
 15 was within the NPSE deadbands calculated using the 2013 ROO, *i.e.*, the actual NPSE
 16 deviation of \$403,000 was less than the upper deadband of \$2.7 million. Therefore, the
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18 ³ Order No. 08-238 at 3.

19 ⁴ *Id.*

20 ⁵ *Id.* The NPSE deadband is based upon the Company's capital structure and the rate base, measured
 21 on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost
 22 Deviation is compared to the positive and/or negative deadbands. A positive deviation (actual NPSE
 23 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).

24 ⁶ *Id.* If the Company's earnings are within 100 basis points of its authorized ROE for the previous year
 25 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.

26 ⁷ Idaho Power/100, Waites/4-5, 7.

⁸ Idaho Power/100, Waites/6.

1 Company's initial filing determined that \$0.00 should be added to the True-Up Balancing
2 Account.⁹

3 4. This initial filing also discussed the impact of Order No. 11-086, which addressed
4 the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").¹⁰
5 Pursuant to that order these proceeds are applied to the power cost deferral currently in
6 amortization.

7 5. On March 10, 2015, CUB filed its Notice of Intervention. On March 17, 2015,
8 Administrative Law Judge Patrick Power held a prehearing conference at which the parties to
9 this docket agreed upon a limited procedural schedule, based on the likelihood that the parties
10 would settle this matter.¹¹

11 6. As required by Order No. 09-373, on April 15, 2015, the Company filed
12 supplemental testimony that calculated the NPSE deadband using the Company's 2014 ROO
13 report, which was finalized subsequent to the initial February filing. The use of the 2014 ROO
14 resulted in changes to the upper and lower power supply expense deadband values. The
15 upper deadband changed to \$2.8 million and the lower deadband changed to negative \$1.4
16 million.¹² The use of the 2014 ROO also changed the Oregon allocation percentage used to
17 calculate Oregon's share of the NPSE deviation, which resulted in an NPSE deviation of
18 \$406,000 (after offset for SO₂ Allowance sales).¹³ However, these changes did not affect the
19 amount proposed to be included in the True-Up Balancing Account because the Oregon-
20 allocated NPSE deviation was still within the NPSE deadbands calculated using the 2014

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⁹ Idaho Power/100, Waites/6-7.

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¹⁰ *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269, Order No. 11-086 (Mar. 17, 2011).

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¹¹ See Prehearing Conference Memorandum (Mar. 17, 2015).

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¹² Idaho Power/200, Waites/2.

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¹³ Idaho Power/200, Waites/2.

1 ROO.¹⁴ Thus, after updating the analysis using the 2014 ROO the Company 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, 2015. As a result of the settlement discussions, the
5 Stipulating Parties have agreed as follows:

6 **AGREEMENT**

7 8. The Stipulating Parties agree that the Company has correctly calculated the
8 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
9 with the terms of Orders Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
10 Company will not add any amounts to the True-Up Balancing Account for 2014.

11 9. The Stipulating Parties agree to submit this Stipulation to the Commission and
12 request that the Commission approve the Stipulation as presented. The Stipulating Parties
13 agree that the adjustments and the rates resulting from the Stipulation are fair, just, and
14 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
21 Stipulating Parties agree that they will continue to support the Commission's adoption of the
22 terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and
23 put on such a case as they deem appropriate to respond fully to the issues presented, which
24 may include raising issues that are incorporated in the settlements embodied in this
25 Stipulation.

26 ¹⁴ Idaho Power/200, Waites/2.

1 12. The Stipulating Parties have negotiated this Stipulation as an integrated
 2 document. If the Commission rejects all or any material part of this Stipulation, or adds any
 3 material condition to any final order that is not consistent with this Stipulation, each Stipulating
 4 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument
 5 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating
 6 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720
 7 in any manner 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
 10 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
 11 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
 12 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
 13 other proceeding, 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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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: *[Signature]*

Date: 5/13/75

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STAFF

CITIZENS' UTILITY BOARD

By: Mike

By: _____

Date: 5/13/15

Date: _____

IDAHO POWER

By: _____

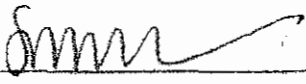
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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: 

Date: _____

Date: 5/13/15

IDAHO POWER

By: _____

Date: _____