

McDowell Rackner & Gibson PC



WENDY MCINDOO
Direct (503) 595.3922
wendy@mcd-law.com

May 22, 2012

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

**Re: UE 247 – In the Matter of Idaho Power Company 2011 Annual Power Supply
Expense True-Up**

Attention Filing Center:

Enclosed in the above-referenced docket are an original and five copies of the Stipulation of the parties and the Joint Explanatory Brief.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Please contact me with any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy McIndoo".

Wendy McIndoo
Office Manager

Enclosures

cc: Service List

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing documents n
Docket UE 247 on the following named person(s) on the date indicated below by email
addressed to said person(s) at his or her last-known address(es) indicated below:

Stephanie Andrus, Assistant AG
Department of Justice
1162 Court Street NE
Salem, OR 97301-4096
stephanie.andrus@state.or.us


Steve Schue
Public Utility Commission of Oregon
P.O. Box 2148
Salem, OR 97308-2148
steve.schue@state.or.us

OPUC Dockets
Citizens' Utility Board of Oregon
dockets@oregoncub.org

Robert Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

Catriona McCracken
Citizens' Utility Board of Oregon
catriona@oregoncub.org

DATED: May 22, 2012



Wendy McIndoo
Office Manager

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE 247**

4 In The Matter of

STIPULATION

5 IDAHO POWER COMPANY

6 2011 Annual Power Supply Expense True-Up.
7
8

9 This Stipulation resolves all issues between the parties related to Idaho Power
10 Company's ("Idaho Power" or "Company") 2011 Annual Power Supply Expense True-Up
11 ("True-Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This
12 True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by
13 calculating the deviation between actual net power supply expenses ("NPSE") and those
14 expenses recovered through the Combined Rate.

15 **PARTIES**

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

19 **BACKGROUND**

20 2. As part of the Commission-approved PCAM, each February Idaho Power must
21 file a True-Up that calculates the difference between the actual NPSE incurred by the
22 Company in the relevant PCAM year (January through December) and the expenses
23 recovered for that period through the Combined Rate.³ NPSE deviations that are eligible, as

24 ¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment*
25 *Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008).

26 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).

³ Order No. 08-238 at 3.

1 determined by the terms of Order No. 08-238, are added to the Annual Power Supply
2 Expense True-Up Balancing Account ("True-Up Balancing Account") at the end of each 12
3 month period ending in December along with 50 percent of the annual interest calculated at
4 the Company's authorized cost of capital.⁴ As relevant here, to be eligible for inclusion in the
5 True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband⁵ and
6 pass the earnings test described in Order No. 08-238.⁶

7 3. On February 28, 2012, Idaho Power filed its True-Up reflecting the NPSE
8 deviation for calendar year 2011. The Company's initial filing used the most recent Oregon
9 Results of Operations ("ROO") report available at the time of the filing—the ROO for 2010.
10 The Company's initial filing determined that \$0.00 should be added to the True-Up Balancing
11 Account. Although the Oregon-allocated NPSE deviation was outside the deadbands
12 calculated using the 2010 ROO, the application of the earnings test demonstrated that the
13 Company's earnings fell below the threshold for providing a refund to customers.

14 4. This initial filing also discussed the impact of Order No. 11-086, which addressed
15 the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").⁷
16 Pursuant to that order these proceeds are applied to the power cost deferral currently in
17 amortization.

18
19 ⁴ *Id.*

20 ⁵ The NPSE deadband is based upon the Company's authorized Return on Equity ("ROE") from its last
21 general rate case and the rate base measured on an Oregon basis from the most recent Oregon
22 ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or
23 negative deadbands. A positive deviation (actual NPSE greater than those recovered through the
24 Combined Rate) constitutes an excess power supply expense. This expense is first reduced by a
25 deadband that is the dollar equivalent of 250 basis points of ROE (Oregon basis). A negative
26 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.* at 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.

⁷ *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269, Order No. 11-086 (Mar. 17,
2011).

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

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

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

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

25 14. This Stipulation may be executed in counterparts and each signed counterpart
26 shall constitute an original document.

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

3

4

5

6 STAFF

CITIZENS' UTILITY BOARD

7 By: 

By: _____

8 Date: May 22, 2012

Date: _____

9

10 IDAHO POWER

11 By: _____

12 Date: _____

13

14

15

16

17

18

19

20

21

22

23

24

25

26

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

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

STAFF

CITIZENS' UTILITY BOARD

By: _____

By:  _____

Date: _____

Date: 5-18-2012 _____

IDAHO POWER

By: _____

Date: _____

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

3
4
5 STAFF

CITIZENS' UTILITY BOARD

6
7 By: _____

By: _____

8 Date: _____

Date: _____

9
10 IDAHO POWER

11 By:  _____

12 Date: 5/22/12 _____

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE 247**

4 In The Matter of

JOINT EXPLANATORY BRIEF

5 IDAHO POWER COMPANY

6
7 2011 Annual Power Supply Expense
8 True-Up.

9 This brief explains and supports the Stipulation filed in this proceeding on May 22, 2012,
10 among Idaho Power Company ("Idaho Power" or "Company"), the Citizens' Utility Board of
11 Oregon ("CUB"), and Staff of the Public Utility Commission of Oregon ("Staff") (together, the
12 "Stipulating Parties"). The Stipulation resolves all issues raised by the Stipulating Parties
13 related to Idaho Power's 2011 Annual Power Supply Expense True-Up ("True-Up"). This
14 True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by
15 calculating the deviation between actual net power supply expenses ("NPSE") and those
16 expenses recovered through the Combined Rate.

17 **I. BACKGROUND**

18 **A. Idaho Power's PCAM.**

19 In Order No. 08-238, the Commission approved Idaho Power's PCAM.¹ As part of the
20 Commission-approved PCAM, each February Idaho Power must file a True-Up that calculates
21 the difference between the actual NPSE incurred by the Company in the relevant PCAM year
22 (January through December) and the expenses recovered for that period through the
23

24 _____
25 ¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment*
26 *Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008). The PCAM was amended by Order
No. 09-373. *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 Combined Rate.² NPSE deviations that are eligible, as determined by the terms of Order No.
2 08-238, are added to the Annual Power Supply Expense True-Up Balancing Account (“True-
3 Up Balancing Account”) at the end of each 12 month period ending in December along with 50
4 percent of the annual interest calculated at the Company’s authorized cost of capital.³ As
5 relevant here, to be eligible for inclusion in the True-Up Balancing Account, the NPSE
6 deviation must fall outside the NPSE deadband⁴ and pass the earnings test described in
7 Order No. 08-238.⁵

8 **B. The 2011 True-Up.**

9 On February 28, 2012, Idaho Power filed its True-Up reflecting the NPSE deviation for
10 calendar year 2011.⁶ The Company’s initial filing used the most recent Oregon Results of
11 Operations (“ROO”) report available at the time of the filing—the ROO for 2010.⁷ The
12 Company’s initial filing determined that the Oregon-allocated NPSE deviation was outside the
13 deadbands calculated using the 2010 ROO. However, because, the application of the

14 ² Order No. 08-238 at 3. The “Combined Rate” is determined annually in the Company’s Annual Power
15 Cost Update (“APCU”) proceeding. The Combined Rate has two components—an “October Update”
16 and a “March Forecast.” The October Update contains the Company’s forecasted net power supply
17 expense reflected on a normalized and unit basis for an April through March test period. The March
18 Forecast contains the Company’s net power supply expense based upon updated actual forecasted
19 conditions. The rates from the October Update and March Forecast are combined into the “Combined
20 Rate,” which is effective on June 1 of each year.

18 ³ *Id.*

19 ⁴ *Id.* at 3. The NPSE deadband is based upon the Company’s authorized Return on Equity (“ROE”)
20 from its last general rate case and the rate base measured on an Oregon basis from the most recent
21 Oregon ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or
22 negative deadbands. A positive deviation (actual NPSE greater than those recovered through the
23 Combined Rate) constitutes an excess power supply expense. This expense is first reduced by a
24 deadband that is the dollar equivalent of 250 basis points of ROE (Oregon basis). A negative deviation
25 (actual NPSE less than those recovered through the Combined Rate) is a power supply expense
26 savings. This savings is reduced by a deadband that is the dollar equivalent of 125 basis points of
ROE (Oregon basis).

⁵ *Id.* at 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.

⁶ See Idaho Power/100 – 106.

⁷ Idaho Power/100, Waites/2.

1 earnings test demonstrated that the Company's earnings fell below the earnings test
2 threshold for providing a refund to customers, the Company's initial filing determined that
3 \$0.00 should be added to the True-Up Balancing Account.⁸

4 This initial filing also discussed the impact of Order No. 11-086, which addressed the
5 appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").⁹
6 Pursuant to that order these proceeds are applied to the power cost deferral currently in
7 amortization.¹⁰

8 On April 3, 2010, Administrative Law Judge Allan J. Arlow held a prehearing conference
9 at which the parties to this docket agreed upon a procedural schedule.

10 As required by Order No. 09-373, on April 16, 2012, the Company filed supplemental
11 testimony that calculated the deadband using the Company's 2011 ROO report, which was
12 finalized subsequent to the initial February filing.¹¹ This filing also corrected for an error
13 found in the quantification of the actual power costs collected in rates by customer class.¹²
14 The use of the 2011 ROO resulted in changes to the upper and lower power supply expense
15 deadband values.¹³ Applying the new deadband values resulted in a negative power cost
16 deviation that fell below the lower NPSE deadband.¹⁴

17 However, the use of the 2011 ROO also changed the earnings test threshold.¹⁵ Using
18 this updated threshold, the Company's earnings were determined to be below the threshold
19 and therefore changes resulting from the use of the 2011 ROO did not affect the amount

20 ⁸ Idaho Power/100, Waites/6-7.

21 ⁹ Idaho Power/100, Waites/8; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269,
22 Order No. 11-086 (Mar. 17, 2011).

23 ¹⁰ Idaho Power/100, Waites/8.

24 ¹¹ See Idaho Power/200 – 203.

25 ¹² Idaho Power/200, Waites/1-2.

26 ¹³ Idaho Power/200, Waites/2-3.

¹⁴ Idaho Power/200, Waites/3.

¹⁵ Idaho Power/200, Waites/3.

1 proposed to be included in the True-Up Balancing Account.¹⁶ Thus, after updating the
2 analysis using the 2011 ROO the Company determined that \$0.00 should be added to the
3 True-Up Balancing Account.¹⁷

4 Pursuant to that agreed upon schedule Staff, CUB, and the Company participated in a
5 settlement conference on April 26, 2011. As a result of the settlement discussions, the
6 Stipulating Parties have agreed to the terms of the Stipulation.

7 II. DISCUSSION

8 A. Terms of the Stipulation.

9 In the Stipulation the Stipulating Parties agree that the Company has correctly calculated
10 the amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation
11 complies with the terms of Order Nos. 08-238 and 09-373.¹⁸ Thus, the Stipulating Parties
12 agree that the Company will not add any amounts to the True-Up Balancing Account for
13 2011.¹⁹

14 B. The Stipulation Will Result in Just and Reasonable Rates.

15 The Commission will approve a stipulation if it is an appropriate resolution of the issues
16 in a case²⁰ and results in just and reasonable rates.²¹ When evaluating these rates, the
17
18

19 ¹⁶ Idaho Power/200, Waites/3.

20 ¹⁷ Idaho Power/200, Waites/3.

21 ¹⁸ Stipulation at ¶ 8.

22 ¹⁹ Stipulation at ¶ 8.

23 ²⁰ See *Re PacifiCorp's 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-432 at 6
24 (Oct. 30, 2009) ("The Commission concludes that the Stipulation is an appropriate resolution of all
25 primary issues in this docket."); See *Re PacifiCorp Request for a General Rate Revision*, Docket UE
26 210, Order No. 10-022 at 6 (Jan. 26, 2010) ("When considering a stipulation, we have the statutory duty
to make an independent judgment as to whether any given settlement constitutes a reasonable
resolution of the issues.").

²¹ See *Re. PacifiCorp Request for a General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec. 14,
2010) ("We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and
reasonable.").

1 Commission examines “the reasonableness of the overall rates.”²² Here, the Stipulating
2 Parties agree that the Company will add nothing to the True-Up Balancing Account and
3 therefore customer rates will not be affected by the terms of the Stipulation. Because the
4 Company’s filed case reflects correct calculations that conform to Commission precedent, the
5 resulting rates are just and reasonable and fall within the “range of reasonableness” for
6 resolution of these issues.²³

7 **III. CONCLUSION**

8 For all of the above reasons, the Stipulating Parties request that the Commission
9 approve the Stipulation and the resulting rates.

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25 ²² *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement,*
Docket DR 10 *et al.*, Order No. 08-487 at 7-8 (Sept. 30, 2008).

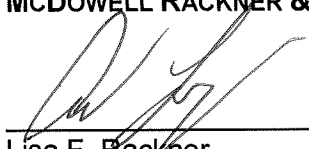
26 ²³ *See Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

DATED: May 22, 2012.

Respectfully submitted,

McDOWELL RACKNER & GIBSON PC



Lisa F. Rackner
Adam Lowney
Of Attorneys for Idaho Power

IDAHO POWER COMPANY
Lisa Nordstrom
Lead Counsel
PO Box 70
Boise, ID 83707

PUBLIC UTILITY COMMISSION STAFF
Stephanie S. Andrus
Attorney for Staff
Oregon Department of Justice
1162 Court Street NE
Salem, OR 97301-4096

CITIZENS' UTILITY BOARD OF OREGON
Catriona McCracken
General Counsel
Citizens' Utility Board of Oregon
610 SW Broadway, Ste. 400
Portland, OR 97205