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May 9, 2013

VIA ELECTRONIC AND U.S. MAIL

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

Re: UE 265 –Idaho Power Company’s 2012 Annual Power Supply Expense True-Up

Attention Filing Center:

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

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 blue ink that reads "Wendy McIndoo". The signature is fluid and cursive.

Wendy McIndoo
Office Manager

Enclosures

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 265 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.

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DATED: May 10, 2013



Wendy McIndoo
Office Manager

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

3 **UE 265**

4 In The Matter of

STIPULATION

5 IDAHO POWER COMPANY

6 2012 Annual Power Supply Expense True-Up.
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8

9 This Stipulation resolves all issues between the parties related to Idaho Power
10 Company's ("Idaho Power" or "Company") 2012 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 Public Utility Commission of Oregon ("Commission") approved
21 PCAM, each February Idaho Power must file a True-Up that calculates the difference between
22 the actual NPSE incurred by the Company in the relevant PCAM year (January through
23 December) and the expenses recovered for that period through the Combined Rate.³ NPSE

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

7 3. On February 25, 2013, Idaho Power filed its True-Up reflecting the NPSE
8 deviation for calendar year 2012. 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 2011.
10 The Company’s initial filing determined that \$0.00 should be added to the True-Up Balancing
11 Account because the Oregon-allocated NPSE deviation was within the NPSE deadbands
12 calculated using the 2011 ROO.

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

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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 ROO
22 report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or negative
23 deadbands. A positive deviation (actual NPSE greater than those recovered through the Combined
24 Rate) constitutes an excess power supply expense. This expense is first reduced by a deadband that
25 is the dollar equivalent of 250 basis points of ROE (Oregon basis). A negative deviation (actual NPSE
26 less than those recovered through the Combined Rate) is a power supply expense savings. This
27 savings is reduced by a deadband that is the dollar equivalent of 125 basis points of ROE (Oregon
28 basis).

29 ⁶ *Id.* at 3. If the Company’s earnings are within 100 basis points of its authorized ROE for the previous
30 year ending December 31, then no amounts will be added to the True-Up Balancing Account even if the
31 NPSE deviation falls outside the NPSE deadbands.

32 ⁷ *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269, Order No. 11-086 (Mar. 17,
33 2011).

1 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
2 settlements contained herein.

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

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

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

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

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

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STAFF

By: Mike [Signature]

Date: 5/8/13

IDAHO POWER

By: _____

Date: _____

CITIZENS' UTILITY BOARD

By: _____

Date: _____

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STAFF

By: _____

Date: _____

CITIZENS' UTILITY BOARD

By:  _____

Date: 5-9-13

IDAHO POWER

By: _____

Date: _____

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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

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IDAHO POWER

By: *Ad Lopez*

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 265

In The Matter of

JOINT EXPLANATORY BRIEF

IDAHO POWER COMPANY

2012 Annual Power Supply Expense
True-Up.

This brief explains and supports the Stipulation filed in this proceeding on May 10, 2013, among Idaho Power Company (“Idaho Power” or “Company”), the Citizens’ Utility Board of Oregon (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the “Stipulating Parties”). The Stipulation resolves all issues raised by the Stipulating Parties related to Idaho Power’s 2012 Annual Power Supply Expense True-Up (“True-Up”). 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.

I. BACKGROUND

A. Idaho Power’s PCAM.

In Order No. 08-238, the Public Utility Commission of Oregon (“Commission”) approved Idaho Power’s PCAM.¹ As part of the 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 December) and the expenses

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). 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 recovered for that period through the Combined Rate.² NPSE deviations that are eligible, as
2 determined by the terms of Order No. 08-238, are added to the Annual Power Supply
3 Expense True-Up Balancing Account (“True-Up Balancing Account”) at the end of each 12
4 month period ending in December along with 50 percent of the annual interest calculated at
5 the Company’s authorized cost of capital.³ As relevant here, to be eligible for inclusion in the
6 True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband⁴ and
7 pass the earnings test described in Order No. 08-238.⁵

8 **B. The 2012 True-Up.**

9 On February 25, 2013, Idaho Power filed its True-Up reflecting the NPSE deviation for
10 calendar year 2012.⁶ 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 2011.⁷ The
12 Company’s initial filing determined that the Oregon-allocated NPSE deviation was within the
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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 – 104.

⁷ Idaho Power/100, Waites/2.

1 NPSE deadbands calculated using the 2011 ROO.⁸ Thus, the Company's initial filing
2 determined that \$0.00 should be added to the True-Up Balancing Account.⁹

3 This initial filing also discussed the impact of Order No. 11-086, which addressed the
4 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.¹¹

7 On March 25, 2013, Administrative Law Judge Patrick Power held a prehearing
8 conference at which the parties to this docket agreed upon a procedural schedule.

9 As required by Order No. 09-373, on April 15, 2013, the Company filed supplemental
10 testimony that calculated the deadband using the Company's 2012 ROO report, which was
11 finalized subsequent to the initial February filing.¹² The use of the 2012 ROO resulted in
12 changes to the upper and lower power supply expense deadband values¹³ resulting in
13 \$2,355,971 and negative \$1,177,985 respectively.¹⁴ Applying the new deadband values did
14 not change the ultimate result—the Oregon-allocated power supply deviation of \$600,771^{15, 16}
15 was still within the deadbands.¹⁷ Thus, after updating the analysis using the 2012 ROO the
16 Company determined that \$0.00 should be added to the True-Up Balancing Account.¹⁸

17 ⁸ Idaho Power/100, Waites/6.

18 ⁹ Idaho Power/100, Waites/6-7. Because the NPSE deviation was within the NPSE deadbands, the
19 Company did not perform the earnings test.

20 ¹⁰ Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269,
Order No. 11-086 (Mar. 17, 2011).

21 ¹¹ Idaho Power/100, Waites/7.

22 ¹² See Idaho Power/200 – 204.

23 ¹³ Idaho Power/200, Waites/1-2.

24 ¹⁴ Idaho Power/202 Waites/1, lines 8 and 9.

25 ¹⁵ Idaho Power/201 Waites/3, line "Oregon Allocated Power Cost Deviation," column "Annual".

26 ¹⁶ Idaho Power/200 Waites/2, line 21.

¹⁷ Idaho Power/200, Waites/1-2.

¹⁸ Idaho Power/200, Waites/1-3.

1 Pursuant to that agreed upon schedule Staff, CUB, and the Company participated in a
2 settlement conference on April 29, 2013. As a result of the settlement discussions, the
3 Stipulating Parties have agreed to the terms of the Stipulation.

4 II. DISCUSSION

5 A. Terms of the Stipulation.

6 In the Stipulation the Stipulating Parties agree that the Company has correctly calculated
7 the amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation
8 complies with the terms of Order Nos. 08-238 and 09-373.¹⁹ Thus, the Stipulating Parties
9 agree that the Company will not add any amounts to the True-Up Balancing Account for
10 2012.²⁰

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

12 The Commission will approve a stipulation if it is an appropriate resolution of the issues
13 in a case²¹ and results in just and reasonable rates.²² When evaluating these rates, the
14 Commission examines “the reasonableness of the overall rates.”²³ Here, the Stipulating
15 Parties agree that the Company will add nothing to the True-Up Balancing Account and
16 therefore customer rates will not be affected by the terms of the Stipulation. Because the
17 Company’s filed case reflects correct calculations that conform to Commission precedent, the
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19 ¹⁹ Stipulation at ¶ 8.

20 ²⁰ Stipulation at ¶ 8.

21 ²¹ See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-432 at 6
22 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all
23 primary issues in this docket.”); See *Re PacifiCorp Request for a General Rate Revision*, Docket UE
24 210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a stipulation, we have the statutory duty
25 to make an independent judgment as to whether any given settlement constitutes a reasonable
26 resolution of the issues.”).

24 ²² See *Re. PacifiCorp Request for a General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec. 14,
25 2010) (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and
26 reasonable.”).

26 ²³ *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).

1 resulting rates are just and reasonable and fall within the "range of reasonableness" for
2 resolution of these issues.²⁴

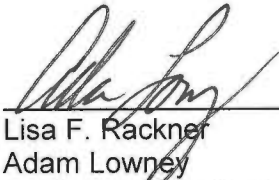
3 **III. CONCLUSION**

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

6 Respectfully submitted,

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8 DATED: May 10, 2013.

MCDOWELL RACKNER & GIBSON PC

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26 ²⁴ See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).