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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
P.O. Box 1088
201 High Street SE, Suite 100
Salem, Oregon 97301

Re: Docket No. UE 354 – In the Matter of Idaho Power Company’s 2018 Annual Power Supply Expense True-Up

Attention Filing Center:

Attached for filing in the above-captioned docket is the Joint Explanatory Brief in support of the Stipulation.

Please contact this office with any questions.

Sincerely,

Wendy McIndoo
Office Manager

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 354

In the Matter of
IDAHO POWER COMPANY
2018 Annual Power Supply Expense
True-Up.

JOINT EXPLANATORY BRIEF

1 This brief explains and supports the Stipulation filed in this proceeding on May 17, 2019,
2 among Idaho Power Company (“Idaho Power” or “Company”), the Oregon Citizens’ Utility Board
3 (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the “Stipulating
4 Parties”). The Stipulation resolves all issues related to Idaho Power’s 2018 Annual Power
5 Supply Expense True-Up (“True-Up”). This True-Up implements the Company’s Power Cost
6 Adjustment Mechanism (“PCAM”) by calculating the deviation between actual net power supply
7 expenses (“NPSE”) and those expenses recovered through the Combined Rate.

I. BACKGROUND

A. Idaho Power’s PCAM.

8 In Order No. 08-238, the Public Utility Commission of Oregon (“Commission”) approved
9 Idaho Power’s PCAM.¹ As part of the Commission-approved PCAM, Idaho Power must file a
10 True-Up each February that calculates the difference between the actual NPSE incurred by the
11 Company in the relevant PCAM year (January through December) and the expenses recovered

¹ *Re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. 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 No. UE 195, Order No. 09-373 (Sept. 18, 2009).

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

B. The 2018 True-Up.

8 On February 22, 2019, Idaho Power filed its True-Up reflecting the NPSE deviation for
9 calendar year 2018.⁶ The Company’s initial filing used the most recent Oregon Results of
10 Operations (“ROO”) report available at the time of the filing—the ROO for 2017.⁷ The NPSE
11 deviation was negative \$8,061,146.91 on a system-wide basis, or negative \$374,037.22 on an
12 Oregon-allocated basis.⁸ Using the 2017 ROO produced an upper NPSE deadband of
13 \$3,118,896 and lower NPSE deadband of \$1,559,448.⁹ The upper deadband applies when

² Order No. 08-238 at 2-3. The “Combined Rate” is determined annually in the Company’s Annual Power Cost Update (“APCU”) proceeding. The Combined Rate has two components—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 upon 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.

³ *Id.*

⁴ *Id.* at 3-4. The NPSE deadband is based upon the Company’s capital structure and the rate base, measured on an Oregon basis, from the most recent Oregon ROO report. 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 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).

⁵ *Id.* 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/100-105.

⁷ Idaho Power/100, Waites/2.

⁸ Idaho Power/100, Waites/6.

⁹ Idaho Power/100, Waites/7.

1 actual NPSE is greater than NPSE recovered in rates and the lower deadband applies when
2 actual NPSE is less than NPSE recovered in rates. Here, the lower deadband applies because
3 the actual NPSE was less than the NPSE recovered in rates. Because the Oregon-allocated
4 NPSE deviation (negative \$374,037.22) was greater than the lower deadband (negative
5 \$1,559,448), the Company's initial filing determined that nothing should be added to the True-
6 Up Balancing Account.¹⁰

7 The Company's initial filing also addressed the difference between the actual operations
8 and maintenance ("O&M") costs incurred because of the Company's participation in the
9 Western Energy Imbalance Market ("EIM") and the EIM expenses included in rates.¹¹ This
10 initial filing also discussed the impact of Order No. 11-086, which addressed the appropriate
11 treatment of proceeds from the sale of Renewable Energy Credits ("REC").¹² Consistent with
12 Order No. 11-086 and 17-185, Idaho Power proposed that these proceeds are applied as a
13 credit to the True-Up Balancing Account.¹³ The Company also proposed to update the level of
14 amortization collection associated with intervenor funding.¹⁴

15 On February 26, 2019, CUB filed its Notice of Intervention. On March 19, 2019, Chief
16 Administrative Law Judge Nolan Moser held a prehearing conference at which the parties to
17 this docket agreed upon a limited procedural schedule.¹⁵

18 On April 15, 2019, in accordance with Order No. 09-373, the Company filed supplemental
19 testimony that calculated the NPSE deadbands and Oregon-allocation factor using the
20 Company's 2018 ROO report. The 2018 ROO produced an upper deadband of \$2,584,287 and
21 a lower deadband of negative \$1,292,143.¹⁶ Applying the Oregon allocation percentage from

¹⁰ Idaho Power/100, Waites/8.

¹¹ Idaho Power/100, Waites/8.

¹² Idaho Power/100, Waites/10; *Re Application of Idaho Power Company to Sell RECs*, Docket No. UP 269, Order No. 11-086 (Mar. 15, 2011).

¹³ Idaho Power/100, Waites/10.

¹⁴ Idaho Power/100, Waites/10-12.

¹⁵ See Prehearing Conference Memorandum (Mar. 25, 2019).

¹⁶ Idaho Power/200, Waites/2.

1 the 2018 ROO produced an NPSE deviation of negative \$373,231.10.¹⁷ This amount remained
2 greater than the lower deadband of negative \$1,292,143.¹⁸ Therefore, the use of the 2018 ROO
3 did not alter the determination that nothing should be added to the True-Up Balancing Account.

4 Pursuant to the agreed upon schedule Staff, CUB, and the Company participated in a
5 settlement conference on April 30, 2019. As a result of the settlement discussions, the
6 Stipulating Parties have agreed to the terms of the Stipulation.

II. DISCUSSION

A. Terms of the Stipulation.

7 In the Stipulation, the Stipulating Parties agree that the Company has appropriately
8 calculated the NPSE amount of the True-Up for later inclusion in rates as \$0.00 and that this
9 calculation complies with the terms of Order Nos. 08-238 and 09-373.¹⁹ Thus, the Stipulating
10 Parties agree that the Company will not add any NPSE deviation amounts to the True-Up
11 Balancing Account for 2018.²⁰

12 The Stipulating Parties also agree that the 2018 net proceeds from the sale of RECs
13 should be applied as a credit to the True-Up Balancing Account, consistent with Order No. 11-
14 086.²¹

¹⁷ Idaho Power/200, Waites/2.

¹⁸ Idaho Power/200, Waites/2.

¹⁹ Stipulation at ¶ 8.

²⁰ Stipulation at ¶ 8.

²¹ Stipulation at ¶ 9.

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

1 The Commission has adopted stipulations that are supported by competent evidence in
2 the record, appropriately resolve the issues in a case, and result in just and reasonable rates.²²
3 When evaluating the rates, the Commission examines “the reasonableness of the overall
4 rates.”²³ Here, the Stipulation satisfies these standards.

5 First, the Stipulation is supported by the record, which includes the Company’s testimony
6 and exhibits describing exactly how it calculated the deviation between actual NPSE incurred
7 by the Company in 2018 (January through December) and the expenses recovered for that
8 period through the Combined Rate.²⁴ Staff and CUB conducted a thorough investigation of the
9 Company’s testimony and exhibits and participated in the settlement conference. As a result of
10 their investigation, Staff and CUB concluded that there were no issues in the Company’s filing
11 that warranted filing responsive testimony. Although Staff and CUB have not filed testimony,
12 the Stipulating Parties agree that the record in this case is sufficient to support a finding that the
13 Stipulation is reasonable and should be adopted.

14 Second, the Stipulating Parties agree that the Company appropriately calculated the
15 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
16 with the terms of Orders Nos. 08-238 and 09-373.²⁵ The Company’s filed case reflects correct
17 calculations that conform to Commission precedent and the resulting rates are just and
18 reasonable and fall within the “range of reasonableness” for resolution of these issues.²⁶

²² See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all primary issues in this docket.”); *Re PacifiCorp Request for a General Rate Revision*, Docket No. UE 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.”); *Re PacifiCorp Request for a General Rate*, Docket No. 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.”).

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).

²⁴ Idaho Power/100-103; Idaho Power/200-203.

²⁵ Stipulation at ¶ 8.

²⁶ See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1996).

C. Treatment of REC Proceeds.

1 The 2018 REC proceeds exceed the balance in the True-Up Balancing Account. The
2 Stipulating Parties agree that the \$128,831.04 in 2018 net proceeds from the sale of RECs
3 should be applied as a credit to the True-Up Balancing Account, consistent with Order No. 11-
4 086.²⁷

D. Staff Analysis Supporting the Stipulation.

5 In reviewing the filing, Staff found no issues in the calculation of net power supply expense,
6 RECs, or intervenor funding. Further, Staff found that the filing complied with all previous
7 Commission orders. In its investigation, Staff found no issues that would warrant an adjustment
8 to the resulting numbers. Because of this, Staff believes the Stipulation results in fair, just, and
9 reasonable rates.

E. CUB's Analysis Supporting the Stipulation.

10 CUB believes the Stipulation will result in rates that are fair, just, and reasonable. CUB
11 believes the Company's calculation of NPSE is sound, and finds that the Company has
12 complied with all relevant orders in this proceeding. CUB supports the Stipulation as a
13 reasonable resolution of the issues in this case.

III. CONCLUSION

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

²⁷ Idaho Power/203; Stipulation at ¶ 9; Order No. 11-086 at 2 ("Idaho Power will record all net proceeds from the sale of RECs in a regulatory liability account to accrue interest at the Company's authorized cost of capital. Net REC proceeds shall be applied as a credit to the Annual Power Supply Expense True-up Balancing Account as part of the Power Cost Adjustment Mechanism (PCAM) after all variances (including deadbands and earnings review), less 10 percent of proceeds which may be retained by the Company.").

DATED: May 21, 2019.

Respectfully submitted,

MCDOWELL RACKNER GIBSON PC



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