

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: NOVEMBER 3, 2011

**SUBJECT: IDAHO POWER COMPANY'S APPLICATION TO EXTEND AND
MODIFY ACCOUNTING ORDER TO AMORTIZE ADDITIONAL
ACCUMULATED DEFERRED INCOME TAX CREDITS (ADITC), CASE
NO. IPC-E-11-22**

On November 2, 2011, Idaho Power Company filed an Application requesting an Order “(1) authorizing the Company to extend its ability to amortize additional accumulated deferred investment tax credits (ADITC) through December 31, 2013, and (2) approving a one-time adjustment applied in 2011 to a sharing provision of the stipulation approved in Order No. 30978 to allow one-half of the Company’s share of the Idaho jurisdictional return on equity (ROE) in excess of 10.5 percent to be provided as a customer benefit in the form of a reduction in rates or an offset to amounts that would otherwise be collected from rates.” Application, p. 1. ADITC are income tax benefits the Company receives based on the level of plant investment in previous years. ADITC is normally amortized over the book life of the associated plant investment and is used to reduce customer income tax expense during the amortized period.

Order No. 30978 was issued January 13, 2010 in Case No. IPC-E-09-30 approving a stipulation that specifies Company use of ADITC during 2009, 2010 and 2011, including a potential for revenue sharing in those years. The stipulation approved by the Commission in Order No. 30978 had three provisions regarding the use of ADITC: (1) if the Company’s Idaho annual ROE is less than 9.5%, Idaho Power is allowed to amortize additional ADITC up to \$45 million during 2009 through 2011 to achieve an actual ROE up to 9.5%. Any unused ADITC could be carried forward for use in a subsequent year during the three-year period provided the

amount of additional ADITC used in a single year did not exceed \$25 million; (2) if the Idaho jurisdictional ROE exceeded 10.5%, amounts in excess of 10.5% are shared equally between the Company and its customers; and (3) the Company could not file a general rate case for rates to become effective prior to January 1, 2012. In 2009 and 2010, the Company's Idaho jurisdictional ROE was between 9.5% and 10.5%, resulting in no additional amortization of ADITC or revenue sharing. Idaho Power does not expect to use any of the \$45 million of eligible ADITC, and expects its 2011 ROE to exceed 10.5% resulting in revenue sharing for customers. Idaho Power expects the customer share of the return in excess of 10.5% to be approximately \$20 million.

Idaho Power asserts the current ADITC/revenue sharing mechanism has proven to benefit both customers and the Company, and the Company proposes in its Application to extend the ADITC mechanism to remain effective through December 31, 2013, under the following terms:

1. If the Idaho jurisdictional ROE is less than 9.5%, the Company proposes to amortize additional ADITC in an amount up to \$45 million over the period of 2012-2013 to achieve an actual ROE up to a maximum of 9.5%. The Company would be allowed to use a maximum level of \$25 million in additional ADITC amortization during 2012.
2. If the Company's actual ROE for any year during the period 2012-2013 is above 9.5%, the Company would not use any additional ADITC amortization. Unused ADITC would be carried forward for use in 2013 up to the total eligible ADITC amount of \$45 million.
3. A one-time adjustment to the sharing portion of the mechanism would be applied in 2011 to allow one-half of the Company's share of the Idaho jurisdictional return in excess of 10.5% to be provided as a customer benefit in the form of a reduction in rates or an offset to amounts that would otherwise be collected from rates. The Company expects this sharing amount to be approximately \$10 million, in addition to the estimated \$20 million the Company forecasts will be customers' share under the existing ADITC sharing provision. For the period 2012-2013, if the ROE exceeds 10%, amounts in excess of a 10% return would be shared equally between the Company and its customers.

Idaho Power's Application states that it will be necessary to have a signed settlement agreement regarding its proposal on or before December 31, 2011, in order to facilitate the timely recording of the Company's 2011 earnings for financial reporting purposes. The

Company also asserts its proposal in this case is contingent upon the Commission's approval of the stipulation in its rate case, Case No. IPC-E-11-08. The Company requests that its Application be processed by Modified Procedure, and also proposes that a workshop be convened at the offices of the Commission on November 30, 2011, so that interested parties may discuss the Company's proposal.

Staff recommends the Commission issue a Notice of Application, Notice of Intervention Deadline, and Notice of Public Workshop to process the Company's Application. Following the workshop on November 30, 2011, the parties can inform the Commission of a recommended procedure to complete the process on the Company's Application.

COMMISSION DECISION

Should the Commission issue a Notice of Application, Notice of Intervention Deadline and Notice of Public Workshop to process the Company's Application?



Weldon B. Stutzman
Deputy Attorney General

bls/M:IPC-E-11-22_ws