

KARL T. KLEIN
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
IDAHO BAR NO. 5156

RECEIVED
2014 SEP 29 PM 3:07
IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION TO EXTEND)	CASE NO. IPC-E-14-14
ITS ACCUMULATED DEFERRED)	
INVESTMENT TAX CREDITS/REVENUE)	COMMENTS OF THE
SHARING MECHANISM BEYOND 2014.)	COMMISSION STAFF
)	

The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application to extend its Accumulated Deferred Investment Credits/Revenue Sharing Mechanism beyond 2014.

BACKGROUND

On May 30, 2014, Idaho Power Company applied to the Idaho Public Utilities Commission for an Order authorizing the Company to extend its Accumulated Deferred Investment Credits/Revenue Sharing Mechanism beyond 2014. The Commission issued a notice of Proposed Settlement and a Notice of Modified Procedure in Order No. 33123. The Commission Staff files these comments consistent with Order No. 33123.

In Order No. 32424 dated December 27, 2011, the Commission approved a settlement stipulation (2011 Stipulation) under which Idaho Power Company is authorized to either: (1) amortize additional Accumulated Deferred Investment Tax Credits ("ADITC"), or (2) share a portion of its revenues with its Idaho customers. The 2011 Stipulation is set to expire at the end of 2014. *See* Order No. 32424.

STAFF ANALYSIS

On May 30, 2014, the Company applied to the Commission for an Order authorizing the Company to extend the terms of the 2011 Stipulation beyond 2014. The extension requested in this case would allow the 2011 Stipulation's terms to remain in effect until the Company fully amortizes the total \$45 million in ADITC or the Commission otherwise modifies or terminates terms in the 2011 Stipulation.

On September 3, 2014, the Company filed a Settlement Stipulation (2014 Stipulation) signed by all parties, and a Motion that asks the Commission to approve the proposed settlement. Staff believes the proposed settlement is fair, just and reasonable and recommends that the Commission accept it as being in the public interest. In these comments, Staff only discusses the 2014 Stipulation's terms that differ from the 2011 Stipulation's terms.

1. Revenue Sharing. If the Company's actual annual Return on Equity ("ROE") for Idaho exceeds 10% during the 2015-2019 period, all amounts above a 10% ROE through a 10.5% ROE would be shared 75% and 25% between the customers and the Company. The customers' share of the Company's Idaho earnings between a 10% ROE through a 10.5% ROE will be applied to reduce customer rates during the next year's power cost adjustment (PCA). If the Company's actual earned, year-end ROE for Idaho in any year between 2015-2019 exceeds 10.5%, all amounts above the 10.5% ROE will be shared 50% with Idaho customers by reducing their rates during the next year's PCA, 25% with Idaho customers as an offset to the Company's pension balancing account that will reduce the amount that customers would otherwise pay through rates, and 25% with the Company.

The revenue sharing provisions in the 2014 Stipulation provide greater benefits to customers with respect to the percentage of revenue shared. When actual Idaho jurisdictional ROE is in the 10% through 10.5% band, the proposal increases customer sharing from 50% under the 2011 Stipulation to 75%. The Company would return these dollars to customers during the annual PCA. Returning these sharing dollars during the PCA is consistent with the 2011 Stipulation for this ROE band.

When the ROE is above 10.5% as proposed in the 2014 Stipulation, the Company will share 50% of the excess revenue with customers as a rate reduction during the PCA, 25% of the excess revenue with customers by reducing the pension balancing account and 25% of the excess revenue will remain with the Company. In the 2011 Stipulation, revenue sharing dollars above

10.5% ROE were shared at 75% with the full amount applied to reduce the pension balancing account.

The proposed changes in revenue-sharing percentages increase the dollar amounts returned to customers at the time of the PCA. Using 2013 actual Idaho jurisdictional ROE as an example, customers would have received \$3,801,021 more in revenue-sharing dollars in the first sharing block, and \$11,008,568 of the second sharing block would have reduced rates and not the pension balancing account. This provides a greater benefit to customers. It also responds to customer concerns about their ability to pay and their desire for lower bills.

2. ADITC Amortization. The Company may extend its ability to amortize \$45 million of additional ADITC through December 31, 2019, to allow the Company to achieve a maximum actual ROE of 9.5% for the Idaho jurisdiction. The Company may use up to \$25 million of additional ADITC amortization in each year from 2015-2019 so long as the total cumulative ADITC amount used during the five-year period does not exceed \$45 million. If the Company amortizes some of the \$45 million in 2014 as previously authorized by Order No. 32424, the amount of ADITC available for amortization in the 2015-2019 periods will be reduced by a corresponding amount. Once the Company has fully amortized the \$45 million of ADITC, revenue sharing as provided in the proposed settlement will end.

The ability to use ADITC remains consistent with the 2011 Stipulation and accelerating the ADITC amortization will not violate IRS normalization rules. The maximum ROE percentage in a year when ADITC is used remains at 9.5%. The maximum ADITC usage remains at \$25 million in any one year with a total maximum of \$45 million.

The 2014 Stipulation also differs from the 2011 Stipulation in how it treats the relationship between revenue sharing and ADITC use. In the 2014 Stipulation, when the full \$45 million of ADITC is accelerated and amortized, the revenue-sharing provisions will end. Stopping revenue sharing before the end of 2019 if the ADITC is fully amortized reduces the potential benefit to customers. In the 2011 Stipulation, revenue sharing continued for the full three-year term even if the ADITC happened to be fully amortized. Staff accepts this difference because the parties negotiated the higher sharing ratio to increase the likelihood of rate reductions in years when revenues are shared.

3. Change in ROE. If the Commission authorizes a change to the Company's allowed ROE as part of a general rate case in which the Company seeks a rate change before January 1, 2020, the ROE sharing thresholds will automatically adjust in proportion to the ROE change


from the date on which the newly authorized base rates become effective. This provision is consistent with the 2011 Stipulation, with only the termination date changing. The new ADITC threshold would be 95% of the newly established ROE, and the sharing thresholds would be set at the new ROE for the first sharing band and at 105% of the new ROE for the second sharing band.

4. Staff Audit. The Company will continue to make its year-end earnings results available for audit by the Commission Staff after the filing of the Company's and IDACORP, Inc.'s annual report on Form 10-K with the U.S. Securities and Exchange Commission, which is required to be filed within 60 days after the end of each fiscal year. Staff will audit the Company's earnings and write-up its findings for review by parties during the Company's annual PCA case. Providing an audit report to parties is a new provision in the 2014 Stipulation. Staff believes the audit report will reassure the parties that the revenue sharing mechanism works as intended.

STAFF RECOMMENDATION

Staff recommends approval of the Stipulation as filed.

Respectfully submitted this 29th day of September 2014.



Karl T. Klein
Deputy Attorney General

Technical Staff: Terri Carlock

i:\umisc\comments\ipce14.14kktcs\w comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29th DAY OF SEPTEMBER 2014, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** , IN CASE NO. IPC-E-14-14, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA D NORDSTROM
REGULATORY DOCKETS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

TIMOTHY E TATUM
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

PETER J RICHARDSON
RICHARDSON ADAMS PLLC
515 N 27TH STREET
BOISE ID 83702

DR DON READING
6070 HILL ROAD
BOISE ID 83703

ERIC L OLSEN
RACINE OLSON NYE BUDGE
& BAILEY
PO BOX 1391
POCATELLO ID 83204-1391

ANTHONY YANKEL
29814 LAKE ROAD
BAY VILLAGE OH 44104



SECRETARY