

DAPHNE HUANG  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0318  
IDAHO BAR NO. 8370

RECEIVED  
2016 JUN -9 PM 3: 29  
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 COMPLIANCE-FILING )** **CASE NO. IPC-E-16-06**  
**REQUEST FOLLOWING THE COMMISSION'S )**  
**PRIOR APPROVAL FOR THE COMPANY TO )** **COMMENTS OF THE**  
**EXCHANGE CERTAIN TRANSMISSION )** **COMMISSION STAFF**  
**ASSETS WITH PACIFICORP. )**

**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Daphne Huang, Deputy Attorney General, and responds to the Notice of Application and Notice of Modified Procedure issued on April 13, 2016. The Staff submits the following Comments in this case.

**BACKGROUND**

On February 19, 2016, Idaho Power Company (Company) filed a request for approval or verification of its regulatory accounting as required under Commission Order No. 33313. Order No. 33313, issued in June 2015, authorized the Company to exchange certain transmission assets with PacifiCorp dba Rocky Mountain Power and Pacific Power (collectively PacifiCorp). Case Nos. IPC-E-14-41 and PAC-E-14-11. As part of Order No. 33313, the Commission imposed conditions so that the Company's anticipated financial benefits would be flowed back to Idaho

Power and PacifiCorp customers. The Commission directed Idaho Power and PacifiCorp (Utilities) to establish regulatory deferral accounts for transmission revenues resulting from the transaction and the resulting changes in the Utilities' federal Open Access Transmission Tariff (OATT) rates.

Although the Utilities anticipated the transaction would result in an increase in Idaho Power's OATT rate (i.e., and associated revenues), the Federal Energy Regulatory Commission (FERC) denied Idaho Power's petition for a one-time adjustment to its transmission formula rate, effective October 2015. FERC Docket ER15-2292; Application at 5-7, *citing* "OATT Rate Order," 153 FERC § 61,212 (2015). According to Idaho Power, the effect of FERC's Order "will delay the full realization of increased OATT-related revenues resulting from termination of the Legacy Agreements until October 1, 2017." Application at 7. The Company anticipates its total cumulative transmission revenue will decrease over the next three years before turning positive in 2019. *Id.* at 10.

The Commission accepted the Company's request as an Application, under the new Case No. IPC-E-16-06.

## STAFF ANALYSIS

In response to the Company's Application, Staff Comments address the:

- (1) approval of the assets transfer during Case No. IPC-E-14-41;
- (2) transmission revenues;
- (3) accounting option discussion; and
- (4) Staff's preferred accounting option.

### Approval Of Assets Transfer

The Commission granted the Utilities' Application to exchange certain transmission assets based on satisfaction of *Idaho Code* § 61-328(3) requirements<sup>1</sup> and anticipated financial benefits resulting from the exchange. Order No. 33313 at 13. The Commission's approval only discussed the financial benefits and the treatment of the anticipated financial benefits during future general

---

<sup>1</sup> *Idaho Code* § 61-328 establishes that state-regulated utilities must obtain approval from the Commission before the sale or transfer of ownership in any generation, transmission, or distribution plant. Section 61-328 provides the Commission authority to authorize the sale or transfer of ownership upon the finding that: (a) the transaction is consistent with the public interest; (b) the cost of and rates for supplying service will not be increased by reason of such transaction; and (c) the applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service.

rate cases and, eventually, a revised Power Cost Adjustment (PCA) methodology. Symmetrical tracking of transmission revenue increases or decreases was not requested by the Company in the Application for transmission asset transfer approval, addressed in Staff analysis, nor allowed by the Commission as part of Order No. 33313.

### **Transmission Revenues**

The Company states that transmission revenues will decline for reasons other than an OATT rate change and total cumulative transmission revenue will be negative over the next three years before turning positive in 2019. Application at 10. The Company asserts that the financial impact from the decrease in the first few years is significant. *Id.* at 15. Yet the Company made no recommendation in its original application to defer these losses for recovery from retail customers. Only now does the Company seek to track these losses in a deferral account for later recovery.

The Company has already sought and received deferral and amortization through customer rates of transmission revenue losses resulting from the last FERC OATT rate proceeding. Amortization of that deferral balance is still embedded in retail rates even though the deferral balance was fully recovered in 2015. In this case, the reduction of transmission revenue is not a result of a FERC change in the OATT rate, but the result of the Company-proposed transmission asset exchange.

In the 2014 case, Staff believed that the asset exchange could have resulted in an OATT rate increase and an associated increase in transmission revenue. It was this potential revenue increase that Staff proposed to track in a deferral balance for the benefit of customers. However, FERC denied the Company's request for the rate increase because the Company originally proposed, and FERC approved, an OATT rate formula that uses a backward-looking methodology rather than a forward-looking methodology that would have allowed the OATT rate increase and the increased transmission revenue.

While Staff recognizes that FERC denied the Company's proposed OATT rate increase, and that the additional transmission revenue that would have been deferred for the benefit of retail customers is delayed, that does not mean Staff supports deferral of lost transmission revenues from the asset exchange.

## Deferral Accounting Discussion

Staff reviewed the underlying workpapers and supporting spreadsheets for the calculations of the estimated changes in transmission revenue and accepts the Company's calculations. The actual amounts reported in the filing seem correct and the calculation of the forecasted revenues seem reasonable. At issue is whether the deferral account should include the negative cumulative differences in total transmission revenue that the Company is now experiencing as a result of the asset exchange. Staff believes that this was not the intent of the deferral account in Order No. 33313.

In Staff Comments in Case No. IPC-E-14-41, Staff recommended that Idaho Power pass the reduction in revenue requirement as a result of the asset transfer and subsequent change in the OATT rates to retail customers when it occurs. Staff proposed that the amount be flowed through the PCA mechanism, or in the alternative, that the revenue amounts be deferred in a regulatory account and flowed back to customers in the next general rate case. The Commission, in Order No. 33313, agreed with Staff and found it appropriate to "direct Idaho Power to establish a regulatory deferral account for transmission revenues resulting specifically from the transaction and its resulting change in the OATT rates." Order No. 33313 at 13.

The Commission did not accept Idaho Power's proposal from Reply Comments in Case No. IPC-E-14-41, where the Company stated, "If the Commission wishes to track differences in transmission revenues from some base amount as proposed by Staff, it should allow for a symmetrical tracking of **any** increases or decreases." Reply Comments at 5 (emphasis added). Staff believes the Commission should further clarify that deferral treatment as specified in Order No. 33313 reflects only changes in the OATT rate.

It is Staff's understanding that the asset exchange with PacifiCorp was intended to alleviate the need for any further deferral of unrecovered transmission expenses. Had Staff been aware that the asset exchange, in the short term, could in fact harm retail customers, Staff may not have recommended approval of the asset exchange. Other than in Reply Comments, the Company did not bring forward the possibility of FERC denying a one-time change to its OATT formula rate

when it sought the Commission's approval for the transmission asset transfer. The Company also did not provide estimates of potential financial consequences in the event of a FERC denial, when seeking approval during the transmission asset transfer case.

If the Commission decides to approve the Company's filing and include the decrease in transmission revenues in the deferral account, then the accounting information provided by the Company is a reasonable starting point. However, under those circumstances, Staff would recommend that the Company be required to recognize, as a credit to the deferral account, the annual amortization amount approved in Case No. IPC-E-12-06, Order No. 32540. In Order No. 32540, the Commission allowed the Company to increase rates to amortize transmission costs in the deferral account over a 3-year period beginning June 1, 2012 (\$688,156 annually). The 3-year amortization would have ended June 1, 2015. Reflecting the amount that is already in rates would recognize that retail customers are currently paying for unrecovered wholesale transmission costs. Based on Idaho Power's forecast of the change in transmission revenues resulting from the asset exchange, the deferral balance would turn positive in 2018, rather than 2019, from the inclusion of these revenues in the deferral account.

### **Staff Recommended Accounting**

Staff recommends that the Company follow the deferral accounting treatment as laid out in Order No. 33313, i.e. that only the differences caused by a new OATT rate be captured in the deferral account. The Commission had the opportunity to allow for a symmetrical tracking of any increases and decreases as proposed in the Company's Reply Comments, but did not do so.

### **SUMMARY**

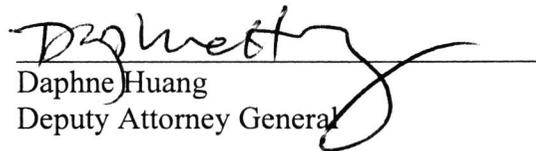
Staff does not believe Commission Order No. 33313 intended the Company to defer unrecovered transmission related revenue, nor does Staff believe these losses should be borne by retail customers. The Company did not originally request deferral of transmission revenue losses and Staff believes any such loss was factored in to the overall benefit of the asset exchange. Staff further believes the Company had the option to revise the current OATT rate formula such that it reduces the Company's unrecovered revenues. Finally, while the current request by the Company is significantly different than the 2009 request to establish a deferral account for unrecovered transmission revenues, unrecovered transmission revenues previously approved by the

Commission are still being collected by the Company and shall continue to be collected until the next general rate case.

**RECOMMENDATION**

- Staff recommends that the deferral account capture only differences caused by a new OATT rate.
- Staff further recommends that the Commission clarify what it intended the deferral account to capture, in Order No. 33313.

Respectfully submitted this *9th* day of June 2016.

  
Daphne Huang  
Deputy Attorney General

Technical Staff: Kathy Stockton  
Johanna Bell

i:\misc:comments\ipce16.6djhklsjb comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9<sup>th</sup> DAY OF JUNE 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF** IN CASE NO. IPC-E-16-06, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

JULIA A. HILTON  
REGULATORY DOCKETS  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070  
E-mail: [jhilton@idahopower.com](mailto:jhilton@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

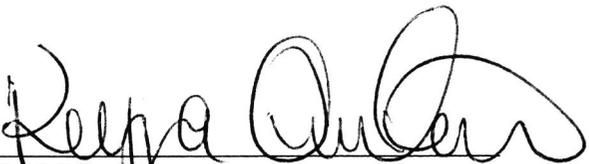
TIM TATUM  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070  
E-mail: [ttatum@idahopower.com](mailto:ttatum@idahopower.com)

DANIEL E SOLANDER  
ROCKY MOUNTAIN POWER  
1407 WN TEMPLE STE 320  
SALT LAKE CITY UT 84116  
E-MAIL: [Daniel.solander@pacificorp.com](mailto:Daniel.solander@pacificorp.com)

YVONNE HOGLE  
ROCKY MOUNTAIN POWER  
1407 WEST NORTH TEMPLE STE 320  
SALT LAKE CITY UT 84116  
E-MAIL: [yvonne.hogel@pacificorp.com](mailto:yvonne.hogel@pacificorp.com)

PETER J RICHARDSON  
RICHARDSON ADAMS PLLC  
PO BOX 7218  
BOISE ID 83702  
E-mail: [peter@richardsonadams.com](mailto:peter@richardsonadams.com)

DR DON READING  
6070 HILL ROAD  
BOISE ID 83703  
E-mail: [dreading@mindspring.com](mailto:dreading@mindspring.com)

  
SECRETARY