BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AN ACCOUNTING ORDER TO DEFER AND AMORTIZE EXTRAORDINARY COSTS OF CORPORATE REORGANIZATION AND APPROVAL TO MODIFY AMORTIZATION METHODS FOR ACCUMULATED DEFERRED INVESTMENT TAX CREDITS | )  )  )  )  )  )  )  )  ) | CASE NO. IPC-E-95-11  SETTLEMENT STIPULATION |

Pursuant to Rules 271-277 of the Commission’s Rules of Procedure (IDAPA 31.01.01), the Idaho Power Company (Idaho Power; Company), the Staff of the Idaho Public Utilities Commission and the undersigned intervenors to this proceeding (herein collectively referred to as “the parties”), by and through their respective counsel of record, hereby stipulate as follows:

I.  BACKGROUND

On August 3, 1995, Idaho Power filed an Application for an accounting Order from the Idaho Public Utilities Commission (Commission) authorizing the deferral and amortization of costs related to the corporate reorganization of the Company and for an Order approving the modification of amortization methods for accumulated deferred investment tax credits (ADITC).  In addition, the Company proposed a moratorium on general rate increases and a sharing of earnings in years in which Idaho Power’s earnings exceeded a specified level.

The Staff and each intervenor have conducted their own independent investigations of the issues raised by Idaho Power’s Application.  Based on those investigations and based on extensive negotiations, all parties hereto believe that the following settlement is in the public interest and that its implementation will result in electric rates for Idaho Power Company that are fair, just and reasonable.  Furthermore, this settlement is entered into in the spirit of compromise and with the intent that all parties hereto be bound by its terms and conditions.

II.  BASIS OF SETTLEMENT

Idaho Power proposes the following accounting and ratemaking treatment for costs related to corporate reorganization.  First, the Company proposes to defer in Account 182.3 (Regulatory Assets), reorganization costs incurred in 1995, 1996 and 1997.  Costs incurred by the Company for payments to consultants assisting the Company in developing the reorganization plan, consultants for employee counseling, lump sum compensation payments for voluntary or involuntary separation, costs incurred by the Company for benefit payments and other charges related to employee separations, will be deferred.  The Company proposes to defer only out-of-pocket expenses, consultants’ fees and severance costs; not those costs of Idaho Power employees who are administering the program.

Idaho Power proposes to amortize the reorganization costs over a period not to exceed ten years and three months commencing October 1, 1995 as follows:

Costs incurred in 1995 will be amortized over the period October 1, 1995 through December 31, 2005.

Costs incurred in 1996 will be amortized over the period January 1, 1997 through December 31, 2005.

Costs incurred in 1997 will be amortized over the period January 1, 1998 through December 31, 2005.

Idaho Power also requested an Order from the Commission that, for the years 1995 through 1998, whenever Idaho Power’s actual total system earned return on year end common equity falls below 11.5%, the Company would be permitted to modify its amortization methods (i.e, accelerate the amortization) for state and federal ADITC by debiting Account 255 (ADITC) and crediting Account 420 (Investment Tax Credits), in an amount that would result in the Company earning, on an actual basis, an 11.5% return on equity.

In the event the Company’s return on equity for any year during the period 1995 through 1998 rises above 11.5%, Idaho Power proposed that it would not utilize any accelerated amortization of state or federal ADITC.  The Company would continue to amortize ADITC to operating income as it has in the past.  (As noted below, the time period during which Idaho Power may accelerate ADITC has been extended to include the year 1999).

III.  APPROVAL RECOMMENDATION

The parties have negotiated this Settlement Stipulation as an integrated document and recommend that the Commission adopt it in its entirety.  Accordingly, this Settlement Stipulation is expressly conditioned upon its acceptance by the Commission without modification.  To the extent that the Application and its accompanying testimony and exhibits conflict with the terms of this Settlement Stipulation, the terms of the Settlement Stipulation shall prevail.

IV.  TERMS AND CONDITIONS OF SETTLEMENT AGREEMENT

A.  Deferral and amortization of corporate reorganization costs

The parties hereby agree to the deferral and amortization of corporate reorganization costs as proposed by Idaho Power and identified in Section II of this Settlement Stipulation.

B.  Limitation on Amount of Amortization of ADITC

Idaho Power is hereby limited in the amount of state and federal ADITC it may accelerate for amortization purposes to a total of $30 million for the years 1995-1999.

C.  Return on Equity and Sharing of Earnings

For purposes of this Agreement, the term “earnings” shall be calculated based on the Company’s actual year end results of operations which include the results of the Federal Energy Regulatory Commission (FERC) jurisdiction wholesale operations.  The results of the FERC wholesale operations will be spread to the Company’s retail jurisdictions.  Earnings do not include the results of operations from the Company’s Nevada or Oregon jurisdictions with their associated FERC allocations.  The Oregon and Nevada exclusion will be accomplished by (1) seperating actual financial results using a Jurisdictional Seperations Study based on the same allocation methodology as ordered by the Commission in Idaho Power’s last general rate case (Case No. IPC-E-94-5) and (2) computing either the ADITC or the shared earnings on an Idaho-seperated basis.

For the years 1995 through 1999, Idaho Power will make a formal filing, for review by all parties, of its calculations of earnings, along with supporting workpapers, with the Commission by the 1st day of April of the following year.  Copies of this filing shall be sent to all signatory parties to this Settlement Stipulation.  In the event the Company's actual earnings for a preceding year exceed 11.75% return on year end common equity, the Company shall refund 50% of the excess commencing on May 15th of each year, in conjunction with its PCA rate adjustment.  Said refund shall be made on a uniform percentage basis to each customer class.  Furthermore, with the exception of FMC Corporation, said refund shall be allocated within each rate schedule that has a separate demand and energy charge, solely on the energy component.  FMC may, in its discretion, elect to have the refund allocated to either demand or energy or both and shall notify the Company accordingly.

D.  Rate Moratorium

Idaho Power’s base rates will not be changed prior to January 1, 2000 (the “moratorium”).  This moratorium is not intended to affect the Company’s Power Cost Adjustment (PCA) mechanism nor prohibit any party from instituting a tracker proceeding in the event of significant changes in local, state and federal taxes or franchise fees.   Furthermore, the moratorium does not apply to the following three exceptions: (1) a legislatively imposed surcharge for hydro relicensing, (2) application by Idaho Power, or any other party, requesting changes in the manner in which Demand Side Management charges are recovered and, (3) the recovery by Idaho Power of costs related to catastrophic events which are outside the control of the Company.

E.  Impact on Service Quality

Idaho Power agrees that its quality of service will not diminish either as a result of the corporate reorganization at issue in this proceeding or as a result of this Settlement Stipulation.  The Company will work with the Commission Staff and other interested parties to develop formal, objective and customer-focused criteria by which to measure and evaluate performance with respect to service quality and customer relations.  Within one year from the date of this Settlement Stipulation, Idaho Power will develop and implement a system for collecting, resolving and analyzing, in a timely and efficient manner, informal complaints filed by customers directly with the Company or through the Commission.

Furthermore, Idaho Power agrees to notify affected customers and the Commission of any decision to close or reduce the hours of operation at any Idaho Power office that is open to the public at least 30 days prior to the effective date of its action.

F.  Revenue Neutral Proceedings

This Settlement Stipulation shall not prevent any party hereto, including Idaho Power, from initiating and pursuing before the Commission any proceeding that is revenue neutral to the Company as a whole.  Any changes to revenue allocation among customer classes shall be supported by cost of service principles.  In addition, this Settlement Stipulation shall not relieve Idaho Power from its obligation to conduct a cost-of-service study as directed by the Commission in Order No. 25880 (see p. 35), issued in Case No. IPC-E-94-5.

G.  Stipulation Binding on Successors

This Settlement Stipulation shall be binding on the parties, their assigns and/or successors in interest.

V.  EFFECT OF SETTLEMENT/CONDITIONS

The parties understand that this Settlement is not binding on the Commission in ruling on Idaho Power’s Application in this case.  This Stipulation is also conditioned upon acceptance by the Internal Revenue Service and the Idaho State Tax Commission of the Company’s proposed modification of amortizaton methods for ADITC.

VI.  EXECUTION OF STIPULATION

This Settlement Stipulation may be executed in counterparts.

DATED at Boise, Idaho thisday of September 1995.

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