

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: OCTOBER 15, 2009

**RE: IDAHO POWER COMPANY'S REQUEST FOR AN ACCOUNTING
ORDER ON QUALIFYING REPORTING ENTITY CONTRACTS –
CASE NO. IPC-E-09-16.**

Idaho Power Company filed an Application requesting an Accounting Order associated with Qualifying Reporting Entity (QRE) services. The QRE services will be provided to renewable generation units located in the Idaho Power Balancing Authority area that are under contract with Idaho Power to certify renewable energy credits (RECs) in the Western Renewable Electricity Generation Information System (WREGIS). Idaho Power requests approval of the proposed accounting and ratemaking treatment for revenues and expenses associated with the QRE services.

Renewable Energy Credits (RECs) are tracked through WREGIS for various purposes throughout many western states. The WREGIS process requires that a party, independent of the owner of the renewable generation unit, supply WREGIS with the actual monthly MWHs (one MWH equals one REC) that a renewable generation unit has delivered. WREGIS refers to the independent party as a QRE. Idaho Power has been approved as a QRE by the WREGIS administrator. This QRE approval enables Idaho Power to use the WREGIS system to track the RECs from the Elkhorn wind farm, the Raft River geothermal generation units and any other renewable units when developed.

Other renewable generation units within the Idaho Power Balancing Authority have requested Idaho Power provide QRE services for their projects. Idaho Power is willing to provide these services under contract where the costs are fully compensated by the party

requesting the service. The Oregon Public Utility Commission (OPUC) in Docket No. UM 1394 considered several issues in addressing a similar request from parties. After several workshops and rounds of comments, the Oregon parties compromised on a Qualified Reporting Entity Agreement and entered into a Memorandum of Understanding (MOU). The OPUC Staff proposed and parties agreed that the costs and revenues associated with QRE agreements will be treated as an “above-the-line” expense for ratemaking purposes. Idaho Power ultimately agreed to the compromise position and signed the MOU. Staff notes that the MOU has a two-year review period. On or about March 15, 2011 parties in Oregon will convene a review workshop.

Idaho Power requests consistent treatment in Idaho. Idaho Power proposes that the following process and accounting be used to record expenses and revenues associated with providing voluntary QRE services:

- a. The Company's Delivery Finance group will create a yearly QRE services work order that will have the following eight tasks:
 - i. Set-up Expenses – Idaho
 - ii. Set-up Revenue – Idaho
 - iii. Monthly Reporting Expenses – Idaho
 - iv. Monthly Reporting Revenue – Idaho
 - v. Set-up Expenses – Oregon
 - vi. Set-up Revenue – Oregon
 - vii. Monthly Reporting Expenses – Oregon
 - viii. Monthly Reporting Revenue – Oregon
- b. The account 415020 REV FM MJ&CW-QRE REPORTING will be used to record the revenue.
- c. The account 416020 EXP FM MJ&CW-QRE REPORTING will be used to record the expenses.
- d. If Delivery Finance provides QRE service for one of the Company's generation resources, Delivery Finance will charge the Company's Power Supply group via an internal accounting entry that will debit the revenue account using a Power Supply cost center and will credit the revenue account using a Delivery cost center. This is required by GAAP to prevent Idaho Power from recognizing revenue from itself for external financial reporting purposes.

- e. Delivery Finance will directly bill all other project owner's, including Company affiliates, for QRE services.
- f. One of the key elements of the QRE Agreement is the pricing mechanism that enables Idaho Power to charge the actual cost to perform QRE services. All time and expenses incurred in providing QRE service to any entity will be charged to the expense tasks on the work order. All revenue billed for providing the QRE service will be credited to the revenue tasks on the work order. Annually, Delivery Finance will analyze the expenses (including overheads and profit) charged to the work order to determine if the rates it charges for its services need to be adjusted.

Staff has reviewed the Oregon process and documents in UM 1394 including the contracts and MOU. The Idaho Power estimated time requirements, costs and service charges have also been reviewed. The contracts establish charges that will be based on full cost recovery; however data associated with providing the QRE service are still estimated. For this reason and concern related to the true impact on customer rates, Staff thoroughly evaluated the above-the-line treatment. The estimates cover the expected costs and are designed to be revenue neutral. Staff believes review of actual costs, allocation of costs and revenues for Idaho Power associated with the QRE services and client contracts needs to be analyzed after the initial two-year period.

STAFF RECOMMENDATION

Staff recommends an Accounting Order be issued to approve the above accounting and ratemaking process through the two-year review process established in Oregon. Staff recommends Idaho Power be required to file a full analytical report on the QRE services covering client contracts, actual costs, allocation of costs, and revenues. The report should be filed following the Oregon workshops but no later than October 31, 2011.

COMMISSION DECISION

Does the Commission wish to issue an Accounting Order approving the above accounting and ratemaking process?

Does the Commission wish to require a full analytical report be filed with the Commission by Idaho Power following the two-year review process in Oregon but no later than October 31, 2011?

Terri Carlock
Terri Carlock

TC\ipce09.16 QREC DM10.15.09