Office of the Secretary
Service Date
October 9, 2014

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION TO EXTEND ITS ACCUMULATED DEFERRED INVESTMENT TAX CREDITS/REVENUE SHARING MECHANISM BEYOND 2014	CASE NO. IPC-E-14-14 ORDER NO. 33149

In Order No. 32424, the Idaho Public Utilities Commission approved a settlement stipulation (2011 Stipulation) that authorized Idaho Power Company to: (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.

On May 30, 2014, the Company initiated this case by applying to the Commission for an Order authorizing the Company to extend the 2011 Stipulation's terms beyond 2014 and until: (1) the Company fully amortizes the total $45 million in ADITC; or (2) the Commission otherwise modifies or terminates the 2011 Stipulation's terms.

On June 12, 2014, the Commission issued a Notice of Application and set a 14-day intervention deadline. *See* Order No. 33057. The Idaho Irrigation Pumpers Association and Industrial Customers of Idaho Power intervened in the case, and settlement discussions ensued between them, the Company, and Commission Staff. 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.

On September 9, 2014, the Commission notified the public that a proposed settlement had been filed in this case, and directed interested persons to file any written comments by September 29, 2014. *See* Order No. 33123. Commission Staff and the Company filed timely comments supporting the 2014 Stipulation. No other comments were received, and no one opposed the 2014 Stipulation.

Having fully reviewed the record, we find that the 2014 Stipulation is fair, just and reasonable and we enter this Order accepting it in the public interest.

THE PROPOSED SETTLEMENT

In the 2014 Stipulation, the Commission Staff, the Company, and the intervenors agree that the proposed settlement is fair, just and reasonable and that the Commission should accept it in the public interest. The proposed settlement's terms are, in summary:

1. Revenue Sharing. The 2014 Stipulation modifies the 2011 Stipulation's revenue sharing provisions in two ways. First, if the Company's actual annual return on equity ("ROE") for Idaho exceeds 10% at any time between 2015-2019, the Company will reduce customer rates in the next power cost adjustment ("PCA") by 75% of the amount from the 10% - 10.5% ROE. In contrast, the 2011 Stipulation entitles customers to only 50% of the amounts within this first-tier revenue band. Second, if the Company's annual Idaho ROE exceeds 10.5% in 2014-2019, the Company will: (a) reduce customer rates in the next PCA by 50% of all amounts above the 10.5% ROE; and (b) use 25% of the amount above the 10.5% ROE to offset amounts in the Company's pension balancing account that customers would otherwise pay through rates. In contrast, under the 2011 Stipulation, the Company uses the customers' entire 75% share of amounts above the second revenue tier to offset amounts in the pension balancing account.

2. ADITC Amortization. The Company may extend its ability to amortize up to an additional $45 million of ADITC for five years, through December 31, 2019, to allow the Company to achieve up to an actual Idaho ROE of 9.5%. Each year, the Company may amortize up to an additional $25 million of ADITC from 2015-2019 so long as the total cumulative amortized ADITC amount in this five-year period does not exceed $45 million. If the Company amortizes part of the $45 million previously authorized by Order No. 32424, the ADITC that can be amortized from 2015-2019 will decrease by a corresponding amount. When the Company fully amortizes the $45 million of ADITC revenue sharing will cease for the rest of 2015-2019.

3. Change in ROE. If the Commission authorizes the Company to change its allowed ROE as part of a general rate case in which new rates are to take effect before January 1, 2020, the Company's ROE thresholds will proportionately adjust on the date on which the new rates take effect.

4. Staff Audit. The Company will continue to facilitate Staff's audit of the Company's year-end earnings results after the Company files its and IDACORP, Inc.'s annual Form 10-K report with the U.S. Securities and Exchange Commission. Staff will write-up its findings and let the parties review them in the Company's annual PCA case.

THE COMMENTS

The Company and Commission Staff submitted the only comments in the case and urged the Commission to approve the 2014 Stipulation. The comments are collectively summarized below.

The comments note that the ADITC/revenue sharing mechanism has, to date, provided customers with more than $93 million in benefits as either a direct offset to rates or as an offset to amounts that the Company would otherwise collect in future rates. It thus makes sense to continue the ADITC/revenue sharing concept into the future.

Additionally, the 2014 Stipulation modifies the 2011 Stipulation and appropriately balances customer and shareholder interests in several ways.

First, the 2014 Stipulation changes the revenue sharing provisions to benefit customers more with respect to the percentage of revenue shared and increase the dollar amounts returned to customers during the PCA. The 2014 Stipulation thus responds to customer concerns about their ability to pay and their desire to lower bills.

Second, while the Company initially applied to extend the ADITC/revenue sharing mechanism until the $45 million in ADITC was fully amortized, the 2014 Stipulation extends the mechanism for five years, or until the $45 million is fully amortized. By limiting the extension to five years the Commission will be able to review the mechanism's effectiveness if some of the $45 million in ADITC remains unamortized in five years. The Company otherwise may amortize ADITC as expressed in the 2011 Stipulation: the maximum ROE in a year when ADITC is used remains at 9.5%; the maximum ADITC usage remains at $25 million in any year, with a total maximum ADITC usage of $45 million. That said, the 2014 Stipulation changes the relationship between ADITC use and revenue sharing. In the 2011 Stipulation, revenue sharing continued for the 2011 Stipulation's full three-year term even if ADITC happened to be fully amortized before the term expired. In the 2014 Stipulation, if the ADITC is fully amortized before the new five-year term expires revenue sharing stops. The potential for revenue sharing to end before the five-year term expires reduces potential benefits for customers. But this change is an acceptable trade-off for the higher sharing ratio that increases the likelihood that the Company will reduce rates in years when it shares revenues with customers.

Third, under the 2014 Stipulation, if the Commission changes the Company's authorized ROE as part of a general rate case in which the Company wants its new base rates to take effect before January 1, 2020, then the ROE thresholds will automatically adjust in proportion to the ROE change when the new base rates take effect. The new ADITC threshold would be 95% of the new ROE, and the sharing thresholds would be set at the new ROE for the first revenue sharing band and at 105% for the second revenue sharing band.

Fourth, while Staff historically has audited the Company's earnings, the 2014 Stipulation now requires Staff to provide a copy of its audit report to other parties during the PCA. Providing the audit report to other parties will enable those parties to better assess whether the revenue sharing mechanism is working as intended.

Taken as a whole, the 2014 Stipulation will extend customers' opportunity to realize future benefits from the ADITC/revenue sharing mechanism. It also will allow the qualitative benefits recognized by the Company to continue, and will provide the Company with an opportunity to achieve earnings near its authorized rate of return in years when revenue from rates alone would not provide that same opportunity.

Staff and the Company thus recommended the Commission approve the 2014 Stipulation.

DISCUSSION

A. Standard of Review

The Commission reviews proposed settlements under Procedural Rules 271-277. IDAPA 31.01.01.271-277. The Commission is not bound by a proposed settlement. Rather, the Commission must independently "consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." IDAPA 31.01.01.274 and 276. The Commission can consider the settlement using a range of procedures. *Id.* In this case, the Commission opted to review the proposed settlement under the Commission's Rules of Modified Procedure; that is, through the written testimony and comments discussed above rather than through an evidentiary hearing. The proposed settlement's proponents must establish that it is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275.

B. Commission Findings

Based upon what we have been provided, including the 2014 Stipulation, the comments, and the other pleadings, we find that the record in this case is comprehensive and further proceedings are not necessary. We note that all parties expressly support the 2014

Stipulation, and that no one opposes it. After reviewing the record, we find the settlement proposed in the 2014 Stipulation is fair, just and reasonable, and we accept the 2014 Stipulation and settlement is in the public interest. IDAPA 31.01.01.274-276. We believe it is important for the Company to continue its ADITC/revenue sharing mechanism so customers will have an opportunity for future rate relief and the potential for rate stability is increased.

ORDER

IT IS HEREBY ORDERED that the Company's Motion for Approval of Stipulation is granted. The Commission accepts the 2014 Stipulation and settlement.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of October 2014.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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