

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: KARL T. KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: SEPTEMBER 5, 2014

**SUBJECT: IDAHO POWER'S APPLICATION TO EXTEND ADITC/REVENUE
SHARING MECHANISM BEYOND 2014, CASE NO. IPC-E-14-14**

In Order No. 32424, 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. 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 and until the Company has accelerated the amortization of \$45 million in ADITC or 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 then intervened in the case, and settlement discussions ensued between the intervenors, the Company, and Commission Staff.

On September 3, 2014, the Company filed a proposed Settlement Stipulation signed by all parties, and a Motion that asks the Commission to approve the settlement. *See* Motion for Approval of Stipulation. All parties, including Commission Staff, agree that the proposed settlement is fair, just and reasonable and that the Commission should accept it in the public interest. The terms of the proposed settlement are, in summary:

1. Revenue Sharing. If the Company's actual Idaho jurisdictional annual Return on Equity ("ROE") exceeds 10% during the 2015-2019 period, all amounts in excess of a 10% ROE and up to and including a 10.5% ROE would be shared between the Company's Idaho customers

and the Company on a 75% and 25% basis, respectively. The customers' share of the Company's Idaho jurisdictional earnings between a 10% ROE and up through a 10.5% ROE will be provided as a rate reduction to become effective at the time of the subsequent year's power cost adjustment. If the Company's actual earned, year-end ROE for the Idaho jurisdiction in any year between 2015-2019 exceeds 10.5%, all amounts in excess of the 10.5% ROE will be shared 50% with Idaho customers as a rate reduction to become effective at the time of the subsequent year's power cost adjustment, 25% with Idaho customers in the form of an offset to amounts in the Company's pension balancing account to reduce the amount that would otherwise need to be collected in rates, and 25% with the Company.

2. ADITC Amortization. The Company may extend its ability to amortize a total of \$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 amortization of ADITC in each of 2015-2019 so long as the total, cumulative amount of ADITC used during the five-year period does not exceed \$45 million. If the Company amortizes in 2014 a portion of the \$45 million previously authorized by Order No. 32424, the amount of ADITC available for amortization in the 2015-2019 period will be reduced by a corresponding amount. Once the Company has fully amortized the \$45 million of ADITC, revenue sharing as provided in the 2014 Stipulation will cease for the rest of the 2015-2019 period.

3. If Commission authorizes a change to the Company's allowed ROE as part of a general rate case proceeding in which the Company seeks a rate change to become effective before January 1, 2020, the ROE thresholds will automatically be adjusted proportionately on a prospective basis from the date that the newly authorized rates become effective.

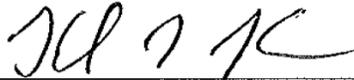
7. The Company will continue to make its year-end earnings results available for audit by the Commission Staff after the filing of the Company's and IDACORP, Inc.'s, annual report on Form 10-K with the U.S. Securities and Exchange Commission, which is required to be filed within 60 days after the end of each fiscal year. Staff will audit the Company's earnings and prepare a write-up of its findings for review by the parties during the Company's annual power cost adjustment case.

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Proposed Settlement and Notice of Modified Procedure setting a 21-day comment deadline.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Proposed Settlement and Notice of Modified Procedure setting a 21-day comment deadline?



Karl Klein
Deputy Attorney General

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