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April 8, 2009

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1313

Enclosed for filing are the original and five copies of the Stipulation and the Parties' Brief in Support of Stipulation for PUC Staff, Citizens' Utilities' Board of Oregon, and Idaho Power Company submitted by Lisa Rackner.

A copy of this filing has been served on the parties indicated on the attached certificate of service.

Very truly yours,


Wendy L. McIndoo

cc: Service List

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UM 1313 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: April 8, 2009



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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1313

In the Matter of IDAHO POWER COMPANY
Application for Authorization to Defer for
Future Rate Recovery Certain Excess Net
Power Supply Expense.

STIPULATION

INTRODUCTION

The parties to this Stipulation are Idaho Power Company ("Idaho Power" or the "Company"), Staff of the Public Utility Commission ("Staff") and the Citizens' Utility Board of Oregon ("CUB"), (collectively, the "Parties"). The Parties are the only parties to the above-captioned docket.

By entering into this Stipulation the Parties intend to resolve all issues arising from and relating to Idaho Power's Application for Authorization for Future Rate Recovery of Certain Excess Net Power Expenses incurred for the twelve month period commencing May 1, 2007 and ending April 30, 2008 (hereinafter the "Application").

BACKGROUND

Idaho Power filed its Application on April 30, 2007, supported by the testimony of witness Michael J. Youngblood.

CUB filed its Notice of Intervention on May 4, 2007.

On January 29, 2009, Administrative Law Judge Traci A.G. Kirkpatrick presided over a prehearing conference at which the Parties agreed to a procedural schedule.

The Parties met for settlement discussions on February 17, 2009. As a result of these settlement negotiations, the Parties enter into this Stipulation.

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STIPULATION

A. The Parties agree on the following:

1. Parties agree to support deferred accounting authority for the period from May 1, 2007, through March 23, 2008, the beginning date of deferral authority granted in UE 195 Order No. 08-491 entered October 6, 2008. The deferral period shall be segregated into two time periods and the calculation of the excess net power supply expense ("NPSE") to be deferred shall use two different methods:
 - Period One is from May 1, 2007 through December 31, 2007,
 - Period Two is from January 1, 2008 through March 23, 2008;
2. The deferral calculation in UM 1313 is limited to the 8-month Period One. Excess NPSE from Period Two will be deferred pursuant to the PCAM agreement established in UE 195 Order No. 08-238 entered April 28, 2008 as part of the Power Cost Variance filing for 2008 and calculated according to the terms of Schedule 56, Power Cost Adjustment Mechanism;
3. In UE 167 the Commission set Idaho Power's total annual NPSE included in rates at \$44.6 million on a system-wide basis, resulting in a Unit Cost per MWH of \$3.47;
4. Idaho Power's actual NPSE incurred during the Period One deferral period significantly exceeded the amount set in UE 167. Specifically, Idaho Power's actual NPSE during the Period One deferral period were \$232,332,940 on a system wide basis. This exceeded the amount recovered in rates for that same time period by \$196,708,813 on a system-wide basis;
5. The excess net variable power supply expenses were the result of extraordinarily low streamflow conditions. Idaho Power typically generates more than half of its power through hydro generation at seventeen hydroelectric plants in the Snake River Basin. When streamflow conditions are low, the Company must rely on other, higher cost sources of power. In this case, annual inflows into Brownlee during the 2007 water year averaged approximately 13,900 cubic feet per second which is *thirty-two percent lower than normal*. As a result, the Company was forced to generate more power through its five thermal generating plants with resulting higher fuel costs, and forcing the Company to purchase more power on the open market
6. Absent a deferral, these excess power costs would impose a significant financial impact on the Company;
7. Idaho Power's 2007 Oregon jurisdictional earnings were 3.129%, which is well below the Company's authorized return of 7.83%. Thus the Company could not absorb the excess power costs and earn a reasonable return for the deferral period.

1 8. Any deferral amount authorized by the Commission in this case will not be
2 amortized until after deferrals authorized in Order 01-307 (UM 1007) and
3 Order 07-555 (UM 1261) – and any other amounts approved for amortization
4 prior to Commission approval in this docket-- have been fully amortized. The
5 Company will file a request for an order allowing amortization of any deferral
amount authorized by the Commission in this docket prior to the date on
which all deferral amounts amortized before approval in this docket have
been fully amortized.

6 B. The Parties agree that Idaho Power should be allowed to defer excess NPSE
7 incurred from May 1, 2007 to December 31, 2007,¹ for the Oregon jurisdiction in an
8 amount that is the result of compromise by all Parties and that was arrived at using
9 the following methodology:

- 10 1. Actual NPSE is the actual expenses recorded in FERC Accounts 501, 547,
11 447, and 555 accumulated by month on a system wide basis beginning May
1, 2007 and ending December 31, 2007;
- 12 2. Actual Sales is the amount of energy required to meet customer demand;
- 13 3. The Actual Power Cost per Unit is the Actual NPSE divided by the Actual
14 Sales. For the Period One deferral, the Actual Power Cost per Unit was
\$22.63 per MWh;
- 15 4. The Base NPSE collected in rates is \$3.47 per MWh, established in the
16 Company's last general rate case, UE 167;
- 17 5. The Excess NPSE for Period One is determined by multiplying the Actual
18 Sales by the difference between the Actual Power Cost per Unit and the Base
NPSE collected in rates. The Excess NPSE on a system basis is
\$196,708,813;
- 19 6. The Excess NPSE is multiplied by the Oregon Allocation Factor (4.77% from
20 the 2007 RoO) to determine the Oregon allocated excess NPSE for this
21 period. Deadbands and sharing values are hence forth determined on an
Oregon allocated basis using the rate base and cap structure from the 2007
RoO;
- 22 7. The amount of Oregon Excess NPSE equal to the value of two thirds of 250
23 Basis Points ("BP") of return on equity ("ROE") will be the zero adjustment

24 _____
25 ¹ The Parties have agreed to the May 1, 2007 to December 31, 2007 period because excess
26 power costs incurred after December 31, 2007 will be recovered through the Company's Power Cost
Adjustment Mechanism adopted in UE195.

1 dead band. This amount will not be subject to recovery and may not be
2 deferred;

3 8. The amount of Oregon Excess NPSE greater than the value of two thirds of
4 250 BP of ROE but less than or equal to two thirds of 400 BP of ROE is
5 subject to a 50/50 cost sharing, and as such 50% of this amount is subject to
6 deferral; this is the first sharing band.

7 9. Any Oregon Excess NPSE greater than the value of two thirds of 400 BP of
8 ROE is subject to a 80/20 customer/company cost sharing so 80% of the
9 remaining Oregon Excess NPSE is subject to deferral; this is the second
10 sharing band.

11 10. The first and second sharing bands are totaled to determine the Oregon
12 Excess NPSE deferral amount of \$6,357,821, including interest on the
13 Oregon deferral amount calculated at the Company's authorized rate of
14 return through December 31, 2007;

15 11. An adjustment of \$857,513, including interest calculated at the Company's
16 authorized rate of return through December 31, 2007, to credit customers for
17 90% of the Oregon allocated after tax benefits of sales of SO2 emission
18 allowances for the period May 1, 2007- December 31, 2007 is made to the
19 Oregon deferral amount.

20 The calculations performed to arrive at the deferral amount are shown on Exhibit A to
21 this Stipulation.

22 C. The Parties agree that the net deferral amount calculated as set forth above, of
23 **\$5,500,307** represents a fair and reasonable compromise and satisfies the Parties'
24 respective concerns.

25 D. Beginning from the end of the deferral period (December 31, 2007) interest should
26 accrue monthly on the unamortized portion of the deferred account at the Company's
authorized rate of return. Upon issuance of a Commission order authorizing
amortization, the interest rate that should be applied is the rate determined by the
methodology adopted by the Commission in the third phase of UM 1147².

² The Parties are aware that in Order 07-477 issued in UM 1147, the Commission granted
Idaho Power an exception from the general interest rate adopted for amortized deferrals in Order 08-
263, directed Staff and the Company to negotiate the appropriate rate for the Company's post-
amortization deferrals. Staff and the Company have reached a tentative agreement as to that rate,
and will be filing a stipulation with the Commission in the near future.

- 1 E. The Parties have reviewed the costs serving as the basis for the deferral amounts
2 and agree that based upon the available information these amounts appear to be
3 prudently incurred. The Parties also agree that the deferred amounts are subject to
4 a prudence review and earnings test at the time of application to amortize the
5 deferred account, as required by ORS 757.259, and do not waive any rights to object
6 to such costs should additional information become available that was not available
7 on the date the Stipulation is filed.
- 8 F. The Stipulation is offered into the record of this docket pursuant to OAR 860-014-
9 0085. The Parties agree to support the Stipulation throughout this proceeding and
10 any appeal, to provide witnesses to sponsor the Stipulation at any hearing held in
11 this docket, and recommend that the Commission issue an order adopting the
12 settlement contained herein.
- 13 G. The Parties have negotiated this Stipulation as an integrated document. If the
14 Commission rejects any material portion of the Stipulation, or conditions its approval
15 upon the imposition of additional material conditions, any party disadvantaged by
16 such action shall have the rights provided in OAR 860-014-0085 and shall be entitled
17 to seek reconsideration of the Commission's order.
- 18 H. By entering into this Stipulation, no party shall be deemed to have approved,
19 admitted to, or consented to the facts, principles, methods, or theories employed by
20 any other party in arriving at the terms of the Stipulation. No party shall be deemed
21 to have agreed that any part of the Stipulation is appropriate for resolving issues
22 arising in any other proceeding.
- 23 I. The Stipulation may be executed in counterparts and each signed counterpart shall
24 constitute an original document.

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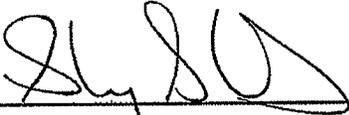
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J. Each Party enters into the Stipulation on the date below.

DATED this 8th day of April, 2009.

STAFF

IDAHO POWER COMPANY

By: 

By: _____

CITIZENS' UTILITY BOARD

By: _____

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STAFF

IDAHO POWER COMPANY

By: _____

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CITIZENS' UTILITY BOARD

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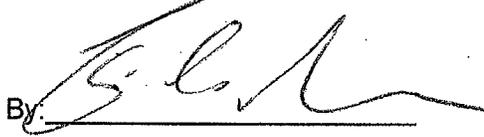
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4 STAFF

IDAHO POWER COMPANY

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6 By: _____

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