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February 3, 2010

VIA ELECTRONIC AND U.S. MAIL

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

Re: UE 213 - In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and Charges for Electric Service in the State of Oregon

Attention Filing Center:

Enclosed in the above-referenced docket are an original and five (5) copies of the Joint Brief of Idaho Power Company and Staff.

A copy of this filing was served on all parties to this proceeding as indicated on the attached certificate of service.

Please contact me with any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy McIndoo".

Wendy 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 documents on the parties of record in Docket UE 213, on the date indicated below, by email and U.S. first class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: February 3, 2010


Wendy McIndoo

1 alleges that Idaho Power's network serving its Oregon customers is poorly designed
2 and poorly maintained resulting in power quality issues for the H.J. Heinz Company's
3 Ontario, Oregon facility ("Heinz").

4 The seasonal rates included in the Stipulation ensure that the rates paid by
5 residential customers are more closely aligned with the actual costs of service. The
6 cost to provide service in the summer is greater than in other times of the year and the
7 proposed summer rates reflect this reality. This rate design also encourages
8 conservation and energy efficiency because residential customers will receive a
9 proper price signal reflecting the actual costs of service. These two objectives are
10 supported by Commission precedent and policy. CUB argues that the seasonal rates
11 will cause confusion among residential customers who will be unable to understand
12 the price signals. This will result, CUB argues, in residential customers who will not
13 curtail their use and ultimately pay more for energy than they would under non-
14 seasonal rates. Even CUB admits, however, that customers will receive a price signal
15 when their bills are higher and CUB's argument ignores the fact that the seasonal
16 rates better reflect the actual costs of service. Thus, the proposed rate design is
17 supported by the evidence and consistent with Commission precedent.

18 Staff filed testimony in response to OICIP's allegations stating that a general
19 rate case is not the proper forum to litigate service quality issues related to one Idaho
20 Power industrial customer. Idaho Power also filed testimony in response to OICIP's
21 power quality allegations. Subsequently, on February 2, 2010, OICIP filed a notice
22 conditionally withdrawing its objections to the Stipulation in this docket. The Company
23 and Staff agree it would be appropriate to transfer the Parties' testimony regarding
24 power quality to a separate, appropriate docket for resolution outside of this general
25 rate case.

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1 As a result, the Stipulation is now supported by all parties, with the one
2 exception being the issue of residential rate design, opposed only by CUB. The
3 Stipulation is substantiated by ample evidence in the record and results in just and
4 reasonable rates. The Joint Parties therefore respectfully request that the
5 Commission approve the Stipulation as filed.

6 II. BACKGROUND

7 A. Procedural History

8 On July 31, 2009, Idaho Power filed a request for a general rate increase,
9 pursuant to ORS 757.205 and ORS 757.220. This was the first general rate case filed
10 by Idaho Power in Oregon since Docket UE 167, which used a 2003 test year. The
11 Commission suspended the filing on August 25, 2009, setting a rate effective date of
12 May 25, 2010. According to the terms of the Stipulation, however, the parties request
13 a rate effective date of March 1, 2010.

14 The test year for this filing is calendar year 2009. In the July 31, 2009 filing,
15 Idaho Power filed revised tariff sheets that would result in a base price increase of
16 approximately \$7.3 million or 22.6 percent on an Oregon jurisdictional basis.

17 The Company's filing showed that its actual return on equity ("ROE") over the
18 last five years on a system-wide basis was less than 9 percent, although in Docket UE
19 167 the Commission approved an ROE of 10.00 percent. Here, Idaho Power
20 requested an ROE of 11.25 percent.

21 ALJ Hardie recognized CUB's notice of intervention and granted petitions to
22 intervene from OICIP, EP Minerals, LLC, and Portland General Electric Company
23 ("PGE"). In a September 18, 2009 ruling, ALJ Hardie ordered the Company to file
24 supplemental opening testimony, which it did on October 9, 2009.

25 Pursuant to ALJ Hardie's Prehearing Conference Memorandum of August 25,
26 2009, the parties convened a settlement conference on November 4-5, 2009. The

1 settlement conference was noticed and all parties attended.¹ Thereafter, on
2 December 17, 2009, the Stipulation was filed along with joint testimony from Staff,
3 Idaho Power, CUB, OICIP, and EP Minerals, LLC. On January 19, 2010, OICIP and
4 CUB filed testimony against portions of the Stipulation, focused on their specific and
5 limited objections.

6 **B. Stipulation**

7 The Stipulation reflects the parties' agreement to an Oregon jurisdictional
8 revenue requirement increase of \$5 million, representing an increase of 15.4% from
9 the current \$32.4 million Oregon revenues. Stipulation, ¶ 6. Exhibit A to the
10 Stipulation details the calculation of the 15.4% increase. Stipulation at Exhibit A and
11 Joint-Parties/100.

12 The Stipulation recommends that the Company's ROE should be set at 10.175
13 percent and the Company's overall rate of return ("ROR") should be set at 8.061
14 percent. Stipulation, ¶ 7. According to the Stipulation, the individual components of
15 the 8.061 percent ROR and their weights in the assumed capital structure should be
16 set as shown below:

17

18	Financial Component	Percent	Cost	Weighted Avg.
19	Long Term Cost of Debt	50.200	5.964%	2.994%
20	Preferred Stock	00.000		
21	Common Stock Equity	49.800	10.175%	5.067%
22	Total	100.000		8.061%

23 The Stipulation also calls for the removal from the case of capital expenses
24 associated with communication equipment acquired to implement the Company's

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¹ EP Minerals did not attend as a separate entity but rather in its capacity as a member of OICIP.

1 Advanced Metering Infrastructure (“AMI”) system because AMI has not yet been
2 implemented in the Company’s Oregon jurisdiction. Stipulation, ¶¶ 8.

3 The Stipulation resolves another issue regarding the Company’s pension
4 expenses. Stipulation, ¶¶ 10. The Company’s filed case did not include any expense
5 related to pension. On October 20, 2009, the Company filed an application with the
6 Commission requesting permission to account for pension expenses on a cash basis
7 as opposed to an accrual basis, with the plan for recovery of such expenses to occur
8 at some point in the future. Through settlement discussions the parties agreed that
9 the Company should (a) continue to account for pension expense on an accrual basis,
10 consistent with SFAS 87, and (b) be allowed to record the capital portion of its SFAS
11 87 expense as a regulatory asset. The regulatory asset would be amortized in a
12 manner consistent with the depreciation of electric plant in service and will be
13 reviewed by the Commission for inclusion in rates in a subsequent rate proceeding.
14 The capital portion of pension expense in the fixed-asset system would be removed
15 from net plant to prevent any double recovery of pension expenses. Further, the
16 Stipulation recommends that the stipulated revenue requirement adopted by the
17 Commission in this rate case include an SFAS 87 pension expense. On a going
18 forward basis, the Commission should recognize both a regulatory asset associated
19 with the capital portion of pension expense and the non-capital pension expense
20 component when determining the Company’s revenue requirement. If the
21 Commission adopts this provision, the Company agrees to withdraw its request to
22 move to a cash basis account for pension expense.

23 The Stipulation also includes a provision agreeing to the Company’s marginal
24 cost approach to allocating costs as appropriate and recommending that it should be
25 adopted with the exception that at this time, transmission-related revenue requirement
26 should be classified as 75 percent demand-related and 25 percent energy-related for

1 the purpose of allocation to customer classes. Stipulation, ¶ 11. The Stipulation also
2 reflects the parties' agreement that although Idaho Power has historically separated
3 its functionalized, embedded production costs into energy and demand components
4 prior to their allocation, the functionalized production revenue requirement should be
5 allocated directly and on the basis of each schedule's combined shares of marginal
6 demand and energy costs. Stipulation, ¶ 12.

7 With respect to revenue spread, the Stipulation reflects the agreement of the
8 parties to implement Staff's proposed changes to the Company's rate spread, as
9 shown on Exhibit B to the Stipulation. Stipulation, ¶ 13.

10 In response to concerns raised by OICIP, the Company agrees to evaluate, in
11 2010, the first year operational results of the EnerNOC program it has conducted in its
12 Idaho jurisdiction. Idaho Power commits to sharing the results of this review (subject
13 to confidentiality concerns) with Schedule 19 customers. Stipulation, ¶ 18. The
14 Company agrees also to file a third-party-operated, incentive-based, peak demand
15 reduction program (such as the EnerNOC contract), which will be available to
16 Schedule 19 customers in Oregon during the 2010 peaking season.

17 In another commitment to address concerns raised by OICIP, the Company
18 commits to include in its 2009 Integrated Resource Plan 1) a determination of the cost
19 and viability of an incentive-based standby generation program targeted toward Large
20 Power Service (Schedule 19) customers and 2) a description of the Company's intent
21 to develop such a program through a collaborative approach involving Schedule 19
22 customers. Stipulation, ¶ 19. The Company commits to making this program
23 available to its Schedule 19 customers in Oregon provided that it finds that the
24 program will be cost-effective and in the best interests of its customers.

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1 **C. Residential and Small General Service Rate Design**

2 The Stipulation recommends the adoption of the Company's proposed rate
3 design with the following Staff-proposed modifications: (1) the residential service
4 charge should be increased to \$8.00 a month as opposed to the \$10.00 a month
5 originally proposed by the Company; (2) the upper end of the first residential usage
6 block should be increased from 800 kWh to 1000 kWh, with the rate charge for the
7 first block remaining the same throughout the year; and (3) the Small General Service
8 (Schedule 7) energy rate inversion point should be elevated from 300 kWh to 500
9 kWh. Stipulation, ¶ 14.

10 On January 19, 2010, CUB filed response testimony in opposition to the
11 residential rate design included in the Stipulation. CUB primarily objects to the
12 proposed implementation of a seasonal rate which results in higher residential rates in
13 the summer, when the Company's system peaks. CUB also objects to the proposed
14 increase in the monthly residential customer charge. Staff and the Company filed
15 responsive testimony on January 26, 2009.

16 **D. Schedule 19 Power Quality No Longer an Issue in this Docket**

17 On January 19, 2010, OICIP filed testimony raising concerns about the power
18 quality provided to one of its members, Heinz. Staff and the Company filed
19 responsive testimony on January 26, 2009, responding to OICIP's claims. As
20 mentioned above, OICIP subsequently conditionally withdrew its objection to this
21 Stipulation and requests that its issue regarding power quality be taken up in a
22 separate docket.

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III. ARGUMENT

A. The Stipulation Is Supported by the Evidence and Results in Just and Reasonable Rates.

The Commission will approve a stipulation that (1) is supported by the evidence and (2) results in just and reasonable rates. *See Re. PacifiCorp Request for a General Rate Increase in the Company's Oregon Annual Revenues*, Docket UE 170, Order No. 05-1050 at 7 (Sept. 28, 2005). The Stipulation filed by the parties satisfies this standard.

First, the Stipulation is supported by reliable evidence. After the Company filed its initial and supplemental testimony, the parties conducted extensive discovery—including over 300 data requests—and thoroughly analyzed the Company's filing. Joint-Parties/100 at 2, II. 12-18. Staff also twice traveled to Idaho Power's Boise offices to further investigate the underlying accounting data used to determine the revenue requirement. *Id.* Thereafter, the Company, Staff, CUB, OICIP, and EP Minerals, LLC filed detailed testimony in support of the Stipulation. While it is true that the settlement was reached before Staff and the intervenors filed their direct testimony, the testimony and briefing provided by the parties in support of the Stipulation provide an ample evidentiary record on which the Commission can issue its order. *See Re Avista Corp. Request for a General Rate Revision*, Docket UG 186, Order No. 09-422 at 8 (Oct. 26, 2009) (approving a general rate case stipulation after only the utility filed testimony).

Second, this Stipulation results in fair, just, and reasonable rates to ensure that Idaho Power can continue to provide safe and efficient energy to its Oregon customers. Joint-Parties/100 at 14, II. 20-25. The Stipulation's revenue requirement includes the Company's substantial investment in plant that occurred since the conclusion of the Company's last general rate case, which used a 2003 test year..

1 Joint-Parties/100 at 16, ll. 11-12. This investment is consistent with Idaho Power's
2 acknowledged Integrated Resource Plan and the resources are used and useful to the
3 Company's Oregon customers. Joint-Parties/100 at 15, l. 16 – 16, l. 6.

4 The agreed upon revenue increase is also significantly less than the amount
5 sought in the Company's original filing. Joint-Parties/100 at 2, ll. 7-9 and at 3, ll. 4-5.
6 The Company asked for a revenue increase of 22.6 percent and the Stipulation
7 reflects an increase of 15.4 percent—nearly one-third less than originally sought. To
8 reach this agreed upon revenue requirement the Company adopted many of the
9 adjustments proposed by Staff, CUB, and OICIP. The Stipulation's rate of return of
10 8.061 percent is also a reduction from the Company's currently authorized rate of
11 return of 8.16 percent. Joint-Parties/100 at 15, ll. 13-14.

12 **B. The Stipulation's Residential Rate Design Is Just and Reasonable.**

13 The primary residential rate design dispute involves the Stipulation's inclusion
14 of seasonal residential rates. Staff/100, Compton/9, ll. 3-5; Idaho Power/1500,
15 Waites/2, ll. 1-17 (describing seasonal rate design). Seasonal rates account for the
16 fact that energy costs in Idaho Power's service territory are higher in the summer than
17 the winter; therefore the rate design should capture those higher costs through higher
18 summer rates. Staff/100, Compton/7, l. 21 – 8, l. 3. The underlying purpose behind
19 the use of seasonal rates is to tie the customer's rates more closely to the actual cost
20 of service and to encourage energy efficiency and conservation. Idaho Power/1500,
21 Waites/2, ll. 20-24; Staff/100, Compton/8, ll. 4-11. This purpose is directly aligned with
22 the Company's rate design objectives and the Commission's policies. Idaho
23 Power/1400, Youngblood/3, ll. 10-15; *See e.g. Re Staff's Investigation to Consider*
24 *Whether to Adopt New Federal Standards Contained in the Energy Independence and*
25 *Security Act of 2007*, Docket UM 1409, Order No. 09-501 at 3 (Dec. 18, 2009) ("Order
26 No. 09-501").

1 **1. Seasonal Rates Ensure That Rates Reflect the Cost of Service.**

2 Commission policy supports the alignment of prices with the actual costs of
3 service. See *Re Portland General Electric Co.*, Docket UE 93, Order No. 95-1216 at 9
4 (Nov. 20, 1995) (“Order No. 95-1216”). In Docket UE 93, CUB argued against a PGE
5 rate spread proposal because it disproportionately affected low-income ratepayers.²
6 In Order No. 95-1216 the Commission rejected CUB’s argument and adopted the
7 proposed rate spread noting “[i]t is our policy to make rates costs based” and
8 therefore “[a]ttempts to aid particular classes of customers run counter to the aim of
9 achieving cost-based rates.” *Id.* Here, the adoption of seasonal rates furthers this
10 policy because it aligns rates more closely with the actual costs to provide electricity
11 during the more expensive summer months.

12 CUB argues that because irrigation customers, not residential customers, drive
13 the summer peak, residential customers should not be subject to greater summer
14 rates. CUB/200, Feighner/4, ll. 17-19. This argument misses the mark for several
15 reasons.

16 First, the issue here is not which class drives the peak because, as even CUB
17 admits, every -customer class contributes to the summer peak. CUB/200, Feighner/4,
18 ll. 17-19. Second, in June and August, residential customers are in fact the single
19 largest contributor to the summer peak. Idaho Power/1500, Waites/4, ll. 1-12. Third,
20 seasonal rates ensure customers are paying a rate that reflects the actual cost of the
21 electricity they consume. Staff/300, Compton/11, ll. 13-20. The unit cost of power is
22 greater in the summer so it costs the Company more to serve residential customers
23 during the summer months. Idaho Power/1400, Youngblood/4, ll. 4-6. As Staff

24 ² Although this order addressed rate spread and the issue here is rate design, the same
25 reasoning applies in each instance—deviation from cost of service rates to provide assistance to
26 particular classes of customers (whether intra- or inter-class) goes against Commission policy.

1 Witness Dr. Compton states “even if the residential class’s loads were at their very
2 lowest in [the months of July and August], as long as those months carried the highest
3 costs of the year, then charging the year’s highest prices in those months [is] fully
4 justified.” Staff/300, Compton/11, ll. 17-20.

5 CUB also disputes whether the seasonal rate proposed by Staff and the
6 Company *actually* reflects the costs of service because June, included with months
7 having higher seasonal rates, is not necessarily a higher cost month. CUB/100,
8 Jenks/2, ll. 9-11; CUB/200, Feighner/8, ll. 6-8. CUB is referring here to the fact that
9 the proposed rate design does not necessarily perfectly match the highest rates with
10 months having the highest cost months. To closely match rates with the cost of
11 service, each month would require its own rates. However, as explained by Company
12 witness Courtney Waites, that system would be so complicated as to be unworkable.
13 Given that fact, seasonal pricing constitutes the best available alternative. Idaho
14 Power/1500, Waites/5, ll. 8-13.

15 Staff and the Company understand that no workable rate design will be able to
16 perfectly align cost with rates—however, the Commission should not allow perfect to
17 serve as the enemy of the good. Overall, the seasonal rate structure “better reflects
18 the costs to serve [residential customers] during the summer months” and therefore it
19 should be adopted. Idaho Power/1400, Youngblood/4, ll. 8-9.

20 **2. Seasonal Rates Prevent Intra-Schedule Subsidization.**

21 Seasonal rates are necessary for preventing intra-class subsidization. In the
22 absence of seasonally differentiated rates, Idaho Power’s residential customers with
23 heavier use in the lower-cost months will subsidize the residential customers using
24 greater energy in the high-cost summer months. Staff/100, Compton/8, l. 16 – 9, l. 2.
25 Seasonal rates ensure that customers pay the actual cost of the power they
26 consume. Thus, customers using higher-cost power in the summer pay a higher rate

1 than those using lower-cost power in the non-summer months. If customers using
2 high-cost summer power do not pay the actual costs of that power, then customers
3 using power in the non-summer months will be paying in part for those higher
4 summer costs. Staff/300, Compton/10, ll. 16-22.

5 CUB ignores the intra-schedule subsidization issue, instead raising the issue of
6 *inter-class* subsidization. Specifically, CUB argues that the Commission should reject
7 the Company's proposed rate design because the Stipulation's rate spread results in
8 residential customers subsidizing summer-peaking irrigation customers. CUB/100,
9 Jenks/1, ll. 7-11. This argument, however, is not relevant to rate design; instead, it
10 addresses revenue requirement and rate spread—both of which CUB settled with the
11 other parties to the Stipulation. Idaho Power/1400, Youngblood/2, ll. 12-17; Staff/300,
12 Compton/9, ll. 3-4. Therefore this discussion in CUB's testimony is irrelevant.

13 **3. Seasonal Rates Encourage Energy Efficiency and Conservation**

14 A fundamental purpose of seasonal rates is to encourage energy efficiency
15 and conservation by providing customers with a price signal in the form of higher
16 summertime rates. Staff/100, Compton/11, ll. 8-15. The Commission has recognized
17 both the importance of efficiency and conservation and the usefulness of seasonal
18 rates in achieving those goals. In Order No. 85-010 the Commission "reaffirm[ed] the
19 commitment to a rate structure which will promote the state policy of conservation."
20 *Re Adoption of Administrative Rules Relating to Cost Effective Fuel Use and*
21 *Resource Development*, Docket AR 112, Order No. 85-010 (Jan. 8, 1985); Staff/300,
22 Compton/26, ll. 5-6. At that time, the rate structure that best satisfied the policy of
23 conservation was "a seasonally differentiated two-block rate structure." *Id.* The
24 Commission affirmed its policy in Order No. 86-477, stating its intent "to structure
25 rates so that each class of customers receives proper price signals about the costs or
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1 savings from increased or decreased consumption.” *Re Portland General Electric*
2 *Co.*, Docket UE 44, Order No. 86-477, 74 P.U.R.4th 758, 760 (May 12, 1986).

3 More recently, the Commission opened Docket UM 1409 in response to the
4 Energy Independence and Security Act of 2007 (“EISA 2007”) that required all state
5 commissions to consider the adoption of new federal standards that addressed rate
6 design. In Order No. 09-501, the Commission rejected most of the federal standards
7 because Oregon was already meeting most of the objectives of EISA 2007. Order No.
8 09-501 at 9. When discussing a proposed rate design standard that required utility
9 rates to encourage energy efficiency when adopting rate designs the Commission
10 noted:

11 Staff notes that Oregon’s general rate design approach is to
12 set rates that reflect costs. This approach has the effect of
13 emphasizing the appropriate economic incentives for energy
14 conservation. Each of the three Oregon-regulated electric
utilities has inverted rates for one or more of its customer
classes. One of those utilities has seasonal rates.³ *Id.* at 3.
(Emphasis added)

15 Thus, the Commission acknowledged the need for energy conservation and
16 recognized that Oregon’s utilities were supporting that goal through cost-based and
17 seasonal rates.

18 In addition to the more obvious environmental benefits of energy conservation,
19 reducing residential usage during the summer months also benefits residential
20 customers. Reducing the summer peak allows the Company to delay the need for
21 additional peaking and base load resources. *Idaho Power/1400, Youngblood/4*, ll. 10-
22 12. Thus, over the long term, customers are protected from the costs associated with
23 these resources. *See generally, Re Public Utility Commission Investigation Into*
24 *Integrated Resource Planning*, Docket UM 1056, Order No. 07-002 at 16 (Jan. 8,

25 ³ The utility referenced here was Idaho Power.
26

1 2007) (when developing least-cost plans utilities must consider demand response
2 resources as a means to delay acquisition of supply side resources); *Re PacifiCorp*,
3 Docket LC 39, Order No. 06-029 (Jan 23, 2006) (CUB argued against
4 acknowledgement of PacifiCorp's IRP because it included new base load resources
5 without addressing demand-side measures to reduce peak loads); *Re PacifiCorp*,
6 Docket UM 1208, Order No. 07-018 (Jan. 16, 2007) (utility RFP seeking acquisition of
7 base load resource not aligned with IRP because it failed to show that resource need
8 could not be met with demand-response program).

9 CUB argues that residential customers will not receive and react to price
10 signals and therefore seasonal prices are ineffective. CUB/100, Jenks/2, ll. 11-13.
11 Consumer electricity use, however, like consumption of nearly all consumer products,
12 does respond to price signals. Staff/300, Compton/17, ll. 12-14. Even CUB
13 acknowledged that when customer's bills increase, they receive the price signal and
14 decrease consumption. CUB/100, Jenks/7, ll. 5-6. Thus, it is important that those
15 customers receive the proper signals so they become aware of the seasonal costs the
16 Company experiences. Idaho Power/1400, Youngblood/3, ll. 22-23. Seasonal rates
17 more closely align the rates with actual cost of service and should be adopted on that
18 basis alone. Staff/300, Compton/8, ll. 3-12.

19 CUB also argues that customers will fail to understand the new rate structure.
20 CUB/100, Jenks/9, ll. 2-6. This misses the point, however. One purpose of seasonal
21 rates is to encourage conservation and, as CUB admits, when customers receive a
22 higher bill they tend to reduce electricity use. Staff/300, Compton/23, l. 20 – 24, l. 12.
23 Whether a customer understands the intricacy of the rate design is immaterial to the
24 customer receiving the proper signal—electricity is more expensive in the summer.
25 Staff/300, Compton/24, ll. 5-8. Moreover, the use of seasonal rates is not significantly
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1 more confusing to customers than the current inclining block rate structure used by
2 Idaho Power in Oregon since 1986. Idaho Power/1500, Waites/6, ll. 12-20.

3 Finally, CUB argues that without robust energy efficiency programs, tiered rates
4 are ineffective. CUB/100, Jenks/12, ll. 7-10. This suggestion is flawed. First, even
5 without utility sponsored efficiency and conservation programs, customers will react to
6 increased bills through customer-initiated conservation measures—like simply
7 reducing consumption. Staff/300, Compton/28, ll. 17-21. The lack of these types of
8 programs should not preclude the introduction of seasonal rates simply because those
9 rates may be more effective with the addition of these programs,

10 Second, as Staff points out, the main purpose of seasonal rates is “to require
11 the cost-causers to pay their own way so that others are not harmed by virtue of
12 having to subsidize the former’s consumption.” Staff/300, Compton/29, ll. 1-6. Thus,
13 even if the seasonal rates have a limited impact on actual customer conservation, they
14 are still good policy.

15 Third, the Company has in place 14 energy efficiency programs that provide
16 Oregon customers with resources necessary to encourage energy conservation.
17 Idaho Power/1500, Waites/8, l. 13 – 9, l. 19. As the New York Times recently wrote,
18 these programs have made Idaho Power one of the nation’s leading utilities when it
19 comes to energy efficiency programs, garnering praise from environmental groups
20 and farmers alike. Idaho Power/1503, Waites/2-3. CUB recognized the efficacy of
21 Idaho Power’s energy efficiency programs in its Idaho service territory but questioned
22 the efficacy of those same programs in Oregon. CUB/200, Feigner/9, ll. 2-5. The
23 evidence suggests, however, that Oregon customers participate in the Company’s
24 programs at a similar rate as the Company’s Idaho customers. Idaho Power/1500,
25 Waites/10, ll. 13-20.

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1 **4. Seasonal Rates Are Consistent With Oregon Law.**

2 Oregon law does not prohibit the use of seasonal rates nor do seasonal rates
3 deviate from established Commission precedent and policy. Rather, the Commission
4 has adopted seasonal rates in the past and has encouraged their use as a means to
5 achieve greater energy efficiency and conservation.

6 CUB argues that seasonal rates are inconsistent with the mandate of SB 1149
7 requiring cost-of-service based rates. CUB/100, Jenks/28, ll. 1-27. SB 1149 requires
8 utilities to provide retail customers with a “cost-of-service rate option.” ORS
9 757.603(1). In addition, SB 1149 requires utilities to provide residential customers
10 with the option of a “market-based rate.” ORS 757.603(2)(a). CUB argues that
11 seasonal rates are market-based rates and therefore run afoul of the SB 1149
12 mandate that those rates be optional for residential customers.

13 A market-based rate is a form of time-of-use rate where a customer’s rate is
14 determined by market conditions at the time the customer actually uses the electricity
15 (rather than by the utility’s embedded costs to provide service). Staff/300,
16 Compton/33, ll. 3-21. Here, the seasonal rate structure proposed by the Company is
17 not a market-based rate. It is a cost-of-service rate determined using the utility’s
18 embedded costs. *Id.* The only difference is that to calculate seasonal rates one
19 calculates the embedded costs for two seasons, not one. *Id.* Therefore the proposed
20 rate design is consistent with the terms and underlying policy behind SB 1149. *Id.*

21 CUB also asserts that the policy behind the Commission’s deferral statute,
22 ORS 757.259, argues against seasonal rates because they do not minimize rate
23 changes. CUB/100, Jenks/26, ll. 9-24. The deferral statute, however, is directed
24 towards minimizing the frequency of rate changes due to changes in a utility’s
25 revenue requirement. Nothing in the deferral statute can be reasonably read to
26 prohibit the use of seasonal rates, especially considering the Commission has

1 approved them on numerous occasions. See Order No. 09-501. Moreover, CUB
2 cited approvingly NW Natural's policy of combining rate increases to minimize
3 changes. CUB/100, Jenks/26, ll. 20-24. This is precisely what Idaho Power intends
4 to do as the summer rates begin on the same day the new rates from the Company's
5 Annual Power Cost Update and Power Cost Adjustment Mechanism take effect.
6 Idaho Power/1500, Waites/14, ll. 1-10. Thus, the annual increase to summer rates
7 coincides with a rate change that would occur anyway.

8 CUB also argued that the Commission's equal pay plan "works at cross
9 purposes" to the seasonal rates.⁴ CUB/100, Jenks/27, ll. 22-23. The Commission
10 adopted the equal pay plan rule, OAR 860-021-0414, in 1990 as part of a
11 comprehensive rulemaking addressing the Commission's consumer protection rules.
12 *Re Amendment of Administrative Rules Relating to Residential Utility Service*, Docket
13 AR 193, Order No. 90-1105 at 56 (July 20, 1990). The Commission adopted the
14 equal pay plan to "help customers predict and budget utility payments." *Id.* The goal
15 was to reduce late payments and defaults by customers. *Id.* Seasonal rates do not
16 undermine this goal because the equal pay plan only addresses the payment
17 schedule not the underlying rates. The Company will continue to offer an equal pay
18 plan to all residential customers as required by the rule. Moreover, customers
19 participating in this program will receive a bill that includes a reference to what their
20 charges would have been but for their participation in this program. Idaho
21 Power/1400, Youngblood/6, ll. 13-17. Thus, even these customers will, on a monthly
22 basis, be able to view, receive the price signal because they will see their actual
23 charges.

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25 ⁴ Idaho Power's equal pay plan is called a "Budget Pay" plan and is discussed in Idaho Power
26 witness Mr. Youngblood's testimony. See Idaho Power/1400, Youngblood/6, ll. 3-17.

1 **5. Idaho Power's Billing Cycle Does Not Impede Seasonal Rates.**

2 CUB also argues against the use of seasonal rates because the Company
3 manually reads meters and therefore cannot read all customer meters on the last day
4 of each month. CUB/200, Feighner/12, I. 18 – 13, I. 21. This means that individual
5 customer bills may span summer and non-summer months. As CUB admits,
6 however, the utility's method of pro-rating customer bills in accordance with the
7 number of days in each billing season is a "fair" resolution of this issue. CUB/200,
8 Feighner/13, I. 1. Staff's analysis on this point concluded that customers typically
9 benefit from this billing system and any discrepancy resulting from this billing cycle will
10 be minimal; therefore, this is "not at all compelling as an argument against seasonal
11 rate designs." Staff/300, Compton, 13, I. 17 – 14, I. 2; Staff/300, Compton/15, II. 8-18.

12 CUB also argued that Idaho Power's requested a change from a billing cycle of
13 30 days to one of 36 days, to which CUB agreed, would cause further problems for
14 customers subject to seasonal rates. CUB/200, Feighner/14, II. 2-10. This problem
15 exists anytime an inverted rate schedule exists and CUB does not object to inverted
16 rate schedules. In this context, inclusion in the rate design of a proration protocol
17 easily remedies this potential issue. Staff/300, Compton/16, II. 10-19. Moreover, this
18 proposed change will have virtually no impact on most customers. In fact, after this
19 change was initiated in Idaho, less than 0.22 percent (22/100th of 1 percent) of all
20 customer bills included a billing cycle of 34 to 36 days and those occurred primarily
21 due to a starting or ending bill. Idaho Power/1500, Waites/13, II. 7-9.

22 **6. Imposition of Seasonal Rates Will Not Cause "Rate Shock."**

23 CUB argues that residential customers will experience rate shock when they
24 receive their first bill reflecting the increased summer rates and therefore seasonal
25 rates should be rejected. CUB/100, Jenks/5, II. 18-21. Although customers rates will
26 in fact increase during the summer, that is not adequate justification for relieving those

1 customers of the obligation to pay the actual cost of the electricity they use. In Order
2 No. 95-1216, CUB argued against a PGE rate increase and the associated rate
3 spread because it would allegedly cause rate shock to residential customers. Order
4 No. 95-1216 at 9. The Commission rejected this argument and, as noted above,
5 approved the rate increase and rate spread because it conformed to the
6 Commission's policy of cost-based rates even if imposition of those rates
7 disproportionately affected residential customers. *Id.*

8 Moreover, because the higher tail-block rates take effect only when customers
9 exceed 1000 kWh, about half of Idaho Power's residential customers will experience
10 no seasonal change in rates. Staff/300, Compton/21, ll. 1-5. Preventing subsidization
11 of summer users through seasonal pricing also reduces the rate shock experienced by
12 winter-peaking customers who constitute the majority of Idaho Power's residential
13 customers. Staff/300, Compton/22, ll. 11-15.

14 CUB also argues that customers will react negatively to the "rate increase" that
15 occurs each June when the summer rates become effective. CUB/100, Jenks/9, ll. 9-
16 14. As Staff rightly pointed out, however, customers also receive a rate decrease
17 each September when the non-summer rates become effective. Staff/300,
18 Compton/23, ll. 5-7.

19 **7. Seasonal Rates Do Not Result in Customers Always Paying the**
20 **Greater of Embedded or Marginal Costs.**

21 CUB argued that with a seasonal rate design when the embedded, or average,
22 cost is greater (in the winter months) customers pay that amount; while when the
23 marginal cost is greater (in the summer months) customers pay *that* amount.
24 CUB/100, Jenks/10, ll. 18-21. Thus, CUB argues, customers always lose and pay the
25 higher of the two costs. This argument, however, is untrue. The prices paid by
26 customers in the non-summer months, when most residential customers in Oregon

1 use more than the average amount of power, are actually lower than the annual
2 average embedded cost precisely because they better reflect the actual, lower cost of
3 service during those months compared to summer months. Staff/300, Compton/27, ll.
4 12-23.

5 **8. Low Income Customers Will Not Be Unduly Targeted By Seasonal**
6 **Rates.**

7 CUB argues that low-income residential customers will be hurt by seasonal
8 rates because by definition they have fewer resources to absorb the rate increase.
9 CUB/100, Jenks/2, ll. 6-7. This argument ignores several facts. First, the customers
10 most likely to be affected by seasonal rates are those that use refrigerated air
11 conditioners ("AC") during the summer. Staff/100, Compton/10, ll. 15-22. In charging
12 these customers the actual costs to power their AC, rates for other low-income
13 customers, those possibly without AC, can be lower than what those rates would be in
14 the absence of seasonal rates. Staff/300, Compton/30, ll. 2-4. Second, because the
15 proposed summer rate threshold of 1000 kWh is sufficiently high, many moderately
16 sized households will not have usage subject to the higher summer rates. Staff/300,
17 Compton/30, ll. 13-17.

18 The Company is not indifferent to the fact that many low-income Oregonians
19 have difficulty paying their electricity bills. Thus, the Company has programs in place
20 to work in Oregon communities to identify and assist customers with special needs.
21 Idaho Power/1400, Youngblood/4, ll. 23-26. These assistance programs are the
22 proper method for addressing CUB's concerns regarding low-income customers.
23 Specifically designing a rates to be a low-income assistance mechanism is not.

24 **9. Seasonal Rates Are Not Time-of-Use Rates.**

25 CUB argues extensively that the Commission should reject seasonal rates
26 because time-of-use rates and critical peak pricing hurt low-income ratepayers.

1 CUB/100, Jenks/24, ll. 8-18; CUB Exhibit 103. Seasonal rates are not time-of-use
2 rates, however, and therefore CUB criticism is misplaced. Staff/300, Compton/4, ll. 7-
3 14. Seasonal rates do not pose the same uncertainties for customers as time-of-use
4 rates and the simplicity of seasonal rates relative to time-of-use rates makes them an
5 effective surrogate for time-of-use rates where the objective is to target high-cost,
6 peak-period (i.e. summer afternoon) consumption. Staff/300, Compton/4, ll. 11-17.

7 **10. The Stipulation's Proposed Customer Charge is Reasonable.**

8 The Stipulation includes a customer charge of \$8.00. Staff/300, Compton/5, ll.
9 13. This is an increase from the current charge of \$5.25, but less an increase than the
10 \$10.00 charge Idaho Power sought in its original filing. Staff/300, Compton/5, ll. 15-
11 16. Moreover, while the stipulated customer charge would result in, percentagewise,
12 an above-average bill increase for very-low-use customers, few customers fall into
13 that category, and, in simple dollar terms, the impact of the reduced customer charge
14 is very small. Staff/300, Compton/7, ll. 1-14. The Stipulation's customer charge aligns
15 with other Oregon utilities and standard industry practice, is comparable to the actual
16 costs incurred by Idaho Power, and is not unduly burdensome to customers. See
17 Staff/300, Compton/6, ll. 1-14. Therefore, the Commission should approve this charge
18 as included in the Stipulation.

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1 **IV. CONCLUSION**

2 The Joint Parties respectfully request that the Commission adopt the
3 Stipulation as filed and agreed to by all parties, and reject the only remaining objection
4 of CUB with regard to the issue of residential rate design.

5
6 DATED: February 3, 2010.

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7 

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