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April 15, 2010

VIA ELECTRONIC AND U.S. MAIL

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

Re: UE 214 - In The Matter of IDAHO POWER COMPANY 2010 Annual Power Cost Update, March Forecast

Attention Filing Center:

Enclosed for filing in the captioned docket are the original and five copies of the Stipulation and Joint Explanatory Brief. A copy of this filing was served on all parties to this proceeding as indicated on the attached Certificate of Service.

Very truly yours,

Adam Lowney

cc: Service List

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE 214**

4 In the Matter of:

5 Idaho Power Company's 2010 Annual
6 Power Cost Update

STIPULATION

7 This Stipulation resolves all issues among the parties to this Stipulation related to
8 Idaho Power Company's ("Idaho Power" or "Company") 2010 Annual Power Cost Update
9 ("APCU") filed pursuant to Order No. 08-238.¹ The APCU updates the Company's net power
10 supply expense and results in new rates, which are effective June 1, 2010.

11 **PARTIES**

12 1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon
13 ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power Company (together,
14 the "Stipulating Parties"). The Oregon Industrial Customers of Idaho Power ("OICIP") is the
15 only party to this docket not joining the Stipulation. OICIP, however, does not oppose the
16 Stipulation.²

17 **BACKGROUND**

18 2. Pursuant to Order No. 08-238, Idaho Power annually updates its net power
19 supply expense included in rates through an automatic adjustment clause, the APCU. The
20 APCU is comprised of two components—an "October Update" and a "March Forecast." The
21 October Update contains the Company's forecasted net power supply expense reflected on a
22 normalized and unit basis for an April through March test period. The March Forecast contains
23 the Company's net power supply expense based upon updated actual forecasted conditions.

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25 _____
26 ¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008) [hereinafter "Order No. 08-238"].

² See OICIP Cross Examination Statement, Docket UE 214 (Apr. 1, 2010).

1 The rates from the October Update and March Forecast are combined and that "Combined
2 Rate" is then included in rates effective on June 1 of each year.

3 3. Order No. 08-238 also created a Power Cost Adjustment Mechanism ("PCAM")
4 that consists of an Annual Power Supply Expense True-up. The Company uses an
5 asymmetrical dead band to calculate the net power supply deviations used in the true-up
6 calculations. A positive deviation (actual expenses exceed expenses recovered in rates) is
7 reduced by the dollar equivalent of 250 basis points of the Company's Return on Equity
8 ("ROE") authorized in the Company's last general rate case before the expense can be
9 recovered by the Company pursuant to the additional terms of the PCAM. A negative
10 deviation (actual expenses are less than those recovered in rates) is reduced by the dollar
11 equivalent of 125 basis points of ROE before it is shared with customers subject to the
12 additional terms of the PCAM.³

13 4. On October 19, 2009, Idaho Power filed its October Update for the 2010 APCU
14 ("2010 October Update"). Idaho Power filed direct testimony and exhibits explaining and
15 supporting the 2010 October Update. The 2010 October Update resulted in a rate of \$14.86
16 per megawatt-hour ("MWh"). Idaho Power included in the filing a draft Schedule 55 showing
17 the rates projected to be implemented pursuant to the 2010 APCU.⁴

18 5. On November 18, 2008, Administrative Law Judge Patrick Power held a
19 prehearing conference at which the parties to Docket UE 214 agreed upon a procedural
20 schedule that would allow the Commission to issue an order on Idaho Power's 2010 APCU
21 prior to the rate-effective date of June 1, 2010.

22

23

24 ³ The PCAM has several additional components; however, this dead band is the only component relevant
to this Stipulation.

25 ⁴ This draft Schedule 55 used the 2010 October Update (\$14.86 per MWh) and the March Forecast rate
for April 2009 through March 2010 (\$5.10 per MWh) to yield a Combined Rate of \$19.96 per MWh. The
26 draft Schedule 55 served as a placeholder until the March Forecast for the April 2010 through March
2011 year was filed and combined with the 2010 October Update.

1 the net power supply expense approved by the Commission in Order No. 10-064⁷ is \$10.94
2 per MWh. The rate adjustment necessary to update to the Combined Rate is therefore \$8.40
3 per MWh, or 0.840 cents per kWh. This amount is the agreed upon Combined Rate (\$19.38
4 per MWh) less the current base rate (\$10.94 per MWh). Attached to this Stipulation as Exhibit
5 1 is a detailed analysis of this adjustment. The Stipulating Parties agree that the rates
6 resulting from this adjustment are fair, just, and reasonable. The Stipulating Parties also
7 agree that the acceptance of this adjustment for the purposes of settlement is not acceptance
8 of any methodology underlying the adjustment, is not binding on the Stipulating Parties in
9 future proceedings, and does not imply agreement on the merits of the adjustment.

10 12. Given the rate increase that resulted from the Company's recently completed
11 general rate case, as reflected in Order No. 10-064, the Stipulating Parties also agree to a
12 *one-time* modification to the dead band used to calculate the net power supply deviations in
13 the 2010 PCAM. The Stipulating Parties agree that the asymmetrical dead band will be
14 adjusted as follows:

15 a. For a positive deviation (actual net power supply expenses are greater
16 than the amount recovered through the Combined Rate), the value of the upper dead band will
17 be equal to the *sum* of the dollar equivalent of 250 basis points of ROE and \$153,650. In other
18 words, the dead band is increased by \$153,650 before any excess power costs are subject to
19 collection pursuant to the terms of the PCAM.

20 b. For a negative deviation (actual net power supply expenses are less than
21 the amount recovered through the Combined Rate), the value of the lower dead band will be the
22 dollar value of 125 basis points of ROE reduced by \$153,650. In other words, the dead band is
23 reduced by \$153,650 before any power costs are subject to return pursuant to the terms of the
24 PCAM.

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26 ⁷ *Re Idaho Power Company Request for General Rate Revision*, Docket UE 213, Order No. 10-064 (Feb. 24, 2010).

1 13. The Stipulating Parties agree to submit this Stipulation to the Commission and
2 request that the Commission approve the Stipulation as presented. The Stipulating Parties
3 agree that the adjustments and the rates resulting from the Stipulation are fair, just, and
4 reasonable.

5 14. This Stipulation will be offered into the record of this proceeding as evidence
6 pursuant to OAR 860-014-0085. The Stipulating Parties agree to support this Stipulation
7 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this
8 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
9 settlements contained herein.

10 15. If this Stipulation is challenged by any other party to this proceeding, the
11 Stipulating Parties agree that they will continue to support the Commission's adoption of the
12 terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and
13 put on such a case as they deem appropriate to respond fully to the issues presented, which
14 may include raising issues that are incorporated in the settlements embodied in this
15 Stipulation.

16 16. The Stipulating Parties have negotiated this Stipulation as an integrated
17 document. If the Commission rejects all or any material portion of this Stipulation or imposes
18 additional material conditions in approving this Stipulation, any Stipulating Party
19 disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall
20 be entitled to seek reconsideration or appeal of the Commission's Order.

21 17. By entering into this Stipulation, no Stipulating Party shall be deemed to have
22 approved, admitted, or consented to the facts, principles, methods, or theories employed by
23 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
24 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
25 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
26 other proceeding, except as specifically identified in this Stipulation.

1 18. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

3 This Stipulation is entered into by each Stipulating Party on the date entered below such
4 Stipulating Party's signature.

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6 STAFF

CITIZENS' UTILITY BOARD

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8 By: _____

By: _____

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9 Date: _____

Date: _____

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10 IDAHO POWER

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12 By: *Lisa Ruckner*

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13 Date: 7-15-10

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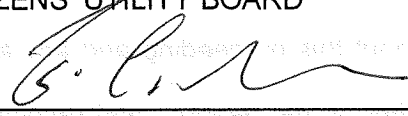
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1 18. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

3 This Stipulation is entered into by each Stipulating Party on the date entered below such
4 Stipulating Party's signature.

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6 STAFF CITIZENS' UTILITY BOARD
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8 By: _____ By:  _____
9 Date: _____ Date: 4-12-10

10 IDAHO POWER
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12 By: _____
13 Date: _____

1 18. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

3 This Stipulation is entered into by each Stipulating Party on the date entered below such
4 Stipulating Party's signature.

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STAFF

CITIZENS' UTILITY BOARD

By: Mike [Signature]

By: _____

Date: 4/15/10

Date: _____

IDAHO POWER

By: _____

Date: _____

ANNUAL POWER COST UPDATE**April 2010 - March 2011****Total System Values**

<u>Line</u>	<u>OCTOBER APCU</u>	
1	Forecast of Normalized Sales (MWh)	14,505,160
2	Filed Net Power Supply Expense	\$215,578,002
3	Settlement Adjustment	\$4,334,203
4	Adjusted NPSE with Settlement Adjustment	\$211,243,799
5	Adjusted October APCU Rate (\$/MWh)	\$14.56
	<u>MARCH FORECAST</u>	
6	Forecast of Normalized Sales (MWh)	14,505,160
7	Filed Net Power Supply Expense	\$289,115,789
8	Settlement Adjustment	\$4,334,203
9	Adjusted NPSE with Settlement Adjustment	\$284,781,586
10	March Forecast Rate (\$/MWh)	\$19.63
11	Sales Adjusted Forecast Power Cost Change	\$73,541,161
12	Portion of Change Allowed	95%
13	Forecast Change Allowed	\$69,864,103
14	March Forecast Rate Adjustment (\$/MWh)	\$4.82
15	<u>Combined Rate (\$/MWh)</u>	\$19.38

Filed Combined Rate (\$/MWh)	\$19.68
Settled Combined Rate (\$/MWh)	\$19.38
APCU Adjustment (\$/MWh)	\$0.30
Oregon Jurisdictional Sales (MWh)	660,517
Oregon Jurisdictional APCU Settlement Adj.	\$198,155
Settled October Update Revenue	\$2,391,071
Settled March Forecast Revenue	\$3,183,691

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 214 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.

Michael T. Weirich, Assistant AG Department of Justice 1162 Court Street NE Salem, OR 97301-4096 michael.weirich@state.or.us	Ed Durrenberger Public Utility Commission of Oregon P.O. Box 2148 Salem, OR 97308-2148 ed.durrenberger@state.or.us
Gordon Feighner Citizens' Utility Board of Oregon gordon@oregoncub.org	Robert Jenks Citizens' Utility Board of Oregon bob@oregoncub.org
Gregory Marshall Adams Richardson & O'Leary greg@richardsonandoleary.com	Catriona McCracken Citizens' Utility Board of Oregon catriona@oregoncub.org
Don Reading Ben Johnson Associates dreading@mindspring.com	Peter J. Richardson Richardson & O'Leary peter@richardsonandoleary.com

DATED: April 15, 2010


Adam Lowney

1 When the Commission approved the APCU it also approved the creation of a Power
2 Cost Adjustment Mechanism ("PCAM") that consists of an Annual Power Supply Expense
3 True-up. Although the annual true-up is calculated in a different docket, this Stipulation
4 includes a provision that affects the 2010 true-up. As relevant to this Stipulation, the
5 Company uses an asymmetrical dead band to calculate the net power supply deviations used
6 in the true-up calculations. A positive deviation (actual expenses exceed expenses recovered
7 in rates) is reduced by the dollar equivalent of 250 basis points of the Company's Return on
8 Equity ("ROE") authorized in the Company's last general rate case before the expense can be
9 recovered by the Company pursuant to the additional terms of the PCAM. A negative
10 deviation (actual expenses are less than those recovered in rates) is reduced by the dollar
11 equivalent of 125 basis points of ROE before it is shared with customers subject to the
12 additional terms of the PCAM.

13 **B. The 2010 APCU.**

14 On October 19, 2009, the Company filed its October Update for its 2010 APCU ("2010
15 October Update"). The unit cost contained in the update was \$14.86 per megawatt-hour
16 ("MWh"), or a total net power supply expense of \$215,578,000 system-wide, for the April 1,
17 2010, through March 31, 2011, test period.³ The Company also filed a draft Schedule 55 that
18 detailed the projected rates that will be implemented on June 1, 2010, pursuant to the 2010
19 APCU.⁴ This draft was to serve as a placeholder until the Company filed its 2010 March
20 Forecast, at which time the Schedule 55 would be updated to reflect the 2010 October Update
21 and 2010 March Forecast.⁵

22 On November 18, 2008, Administrative Law Judge Patrick Power held a prehearing
23 conference at which the parties agreed upon a procedural schedule that would allow the
24

25 ³ Idaho Power/105, Wright/1.

26 ⁴ Idaho Power/107, Wright/1.

⁵ Idaho Power/100, Wright/9, ll. 3-7.

1 Commission to issue an order on Idaho Power's 2010 APCU prior to the rate-effective date of
2 June 1, 2010.⁶

3 Staff and intervenors served discovery on Idaho Power and conducted an investigation
4 of the 2010 October Update. Staff filed Opening Testimony on January 20, 2010.⁷ Staff
5 proposed a system-wide adjustment of \$723,110 to the Company's net power supply
6 expense.⁸

7 Idaho Power filed Reply Testimony in response to Staff's testimony on March 17, 2010.⁹
8 This testimony responded to Staff's proposed adjustment to the forecast net power supply
9 expense. On March 17, 2010, Staff also filed Reply Testimony updating its Opening
10 Testimony.¹⁰

11 On March 23, 2010, Idaho Power filed the March Forecast for the 2010 APCU ("2010
12 March Forecast").¹¹ The cost per unit for the 2010 March Forecast was \$19.93 per MWh, or a
13 \$289,115,800 system-wide net power supply expense.¹² When the 2010 March Forecast rate
14 is combined with the 2010 October Update rate, the Combined Rate, calculated pursuant to
15 the methodology of Order No. 08-238, is \$19.68 per MWh.¹³

16 Staff, CUB, Oregon Industrial Customers of Idaho Power ("OICIP"), and Idaho Power
17 participated in settlement conferences on February 12 and March 31, 2010. At the settlement
18 conferences, the parties discussed substantive issues on which the parties to this docket had
19 outstanding questions.

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22 ⁶ *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Prehearing
23 Conference Report (Nov. 19, 2009).

24 ⁷ Staff/100 and Staff/200.

25 ⁸ Staff/200, Dougherty/2, Table 1.

26 ⁹ Idaho Power/200, Idaho Power/300, and Idaho Power/400.

¹⁰ Staff/300 and Staff/400.

¹¹ Idaho Power/500.

¹² Idaho Power/502.

¹³ Idaho Power/503.

1 Following these settlement conferences the Parties entered into the Stipulation. OICIP
2 is the only party to this docket not joining in this Stipulation. OICIP, however, does not oppose
3 the agreement.¹⁴

4 II. DISCUSSION

5 A. Terms of the Stipulation.

6 This Stipulation has two primary elements. *First*, the Parties agree to a Combined Rate
7 of \$19.38 per MWh.¹⁵ This is a reduction of \$0.30 per MWh from the Company's Combined
8 Rate reflected in its 2010 March Forecast testimony.¹⁶ This Combined Rate reflects the net
9 power supply expense included in rates that will be effective June 1, 2010, and represents a
10 compromise among the Parties' based on differences in forecasting methodologies.

11 *Second*, the Parties agree to a one-time modification of the dead band used to calculate
12 the net power supply expense deviation. This one-time adjustment will be used solely to
13 determine the 2010 Annual Power Supply Expense True-up to be filed in February 2011.¹⁷
14 For a positive deviation, the excess net power supply expense will be reduced by the *sum* of
15 the dollar equivalent of 250 basis points and \$153,650. For a negative deviation, the savings
16 will be reduced by the *difference between* the dollar value of 125 basis points and \$153,650.¹⁸
17 The Parties' agreed to this one-time modification because of the recent rate increase
18 associated with Idaho Power's general rate case.¹⁹

19 B. The Stipulation Will Result in Just and Reasonable Rates.

20 The Commission will approve a stipulation that results in just and reasonable rates.²⁰
21 When evaluating those rates, the Commission examines "the reasonableness of the overall

22 ¹⁴ See OICIP Cross Examination Statement, Docket UE 214 (Apr. 1, 2010).

23 ¹⁵ Stipulation ¶ 11.

24 ¹⁶ Idaho Power/503.

25 ¹⁷ Stipulation ¶ 12.

26 ¹⁸ *Id.*

¹⁹ See *Re Idaho Power Company Request for General Rate Revision*, Docket UE 213, Order No. 10-064 (Feb. 24, 2010).

²⁰ 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).

1 rates, not the theories or methodologies used or individual decisions made.”²¹ Thus, the
2 Commission can approve a stipulation if it results in just and reasonable rates even if the
3 parties to the stipulation do not necessarily agree on how those rates were calculated.²²

4 Here, the rates resulting from the agreed upon adjustment to the Company’s net power
5 supply expense and the modification to the 2010 PCAM dead band are just and reasonable
6 and fall within the “range of reasonableness” for resolution of these issues.²³ Although the
7 Parties do not agree on every element of the forecasting methodology, they agree that the
8 rates resulting from the compromise are just and reasonable for both the Company and its
9 customers.

10 III. CONCLUSION

11 For all of the above reasons, the Parties request that the Commission approve the
12 Stipulation and the resulting rates.

13 *Signature Page Follows*

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²¹ *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement,*
25 *Docket DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).*

²² *See Re PacifiCorp Request for a General Rate Revision, Docket UE 210, Order No. 10-022 at 6*
26 *(Jan. 26, 2010).*

²³ *See Re US West, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).*

1 DATED: April 15, 2010

Respectfully submitted,

2 **MCDOWELL RACKNER & GIBSON PC**

3 

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Of Attorneys for Idaho Power

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18 Staff Attorney
19 The Citizens' Utility Board of Oregon
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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 214 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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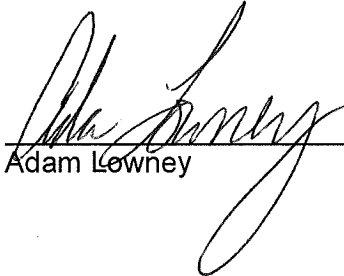
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DATED: April 15, 2010


Adam Lowney