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April 24, 2015

## VIA ELECTRONIC FILING

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 1088  
Salem, OR 97308-1088

**Re: UE 293 – In the Matter of IDAHO POWER COMPANY's 2015 Annual Power Cost Update**

Attention Filing Center:

Attached for filing in the above-captioned docket is Idaho Power Company's Stipulation and Joint Explanatory Brief.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo  
Office Manager

Enclosures

cc: Service List

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

3 **UE 293**

4 In the Matter of:

5 Idaho Power Company's 2015 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") 2015 Annual Power Cost Update  
9 ("APCU") filed pursuant to Order No. 08-238.<sup>1</sup> The APCU updates the Company's net power  
10 supply expense and results in new rates, which the mechanism permits to go into effect June  
11 1, 2015.

12 **PARTIES**

13 1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon  
14 ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power (together, the  
15 "Stipulating Parties").

16 **BACKGROUND**

17 2. Pursuant to Order No. 08-238, Idaho Power annually updates its net power  
18 supply expense included in rates through an automatic adjustment clause, the APCU. The  
19 APCU is comprised of two components—an "October Update" and a "March Forecast." The  
20 October Update contains the Company's forecasted net power supply expense reflected on a  
21 normalized unit basis for an April through March test period. The March Forecast contains the  
22 Company's net power supply expense based upon updated actual forecasted conditions.  
23 Pursuant to Order No. 10-191 the Company allocates the APCU revenue requirement to  
24 individual customer classes on the basis of the total generation-related revenue requirement

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26 <sup>1</sup> *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).

1 approved in the Company's last general rate case, instead of the previous equal cents per  
2 kWh approved in Order No. 08-238.<sup>2</sup> Order No. 10-191 also directs the Company to adjust its  
3 base rates to reflect changes in revenue requirement related to the October Update, while the  
4 rates resulting from the March Forecast are listed on Schedule 55. The rates associated with  
5 the October Update and the March Forecast mechanisms are intended, under the  
6 mechanisms, to become effective on June 1 of each year.

7 3. On October 21, 2014, Idaho Power filed testimony and exhibits for the 2015  
8 APCU ("2015 October Update").<sup>3</sup> Pursuant to Order No. 08-238 the 2015 October Update  
9 updated the following variables: loads, fuel prices, transportation costs, maintenance rates,  
10 heat rates, and forced outage rates for thermal plants.<sup>4</sup> The test period for the 2015 October  
11 Update was April 2015 through March 2016 and included updates of the above referenced  
12 variables for all Company owned resources and updated sales and load forecasts.<sup>5</sup> The 2015  
13 October Update specifically accounted for changes in natural gas and coal prices and  
14 generation and expenses related to contracts entered into pursuant to the Public Utility  
15 Regulatory Policies Act of 1978 ("PURPA").<sup>6</sup>

16 4. The 2015 October Update resulted in a cost per unit of \$23.44 per megawatt-  
17 hour ("MWh").<sup>7</sup> This represents an increase of \$1.62 per MWh over last year's October  
18 Update.<sup>8</sup>

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21 <sup>2</sup> *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Order No. 10-  
22 191 (May 24, 2010).

23 <sup>3</sup> See Idaho Power/100-108.

24 <sup>4</sup> Idaho Power/100, Wright/2.

25 <sup>5</sup> Idaho Power/100, Wright/2.

26 <sup>6</sup> Idaho Power/100, Wright/2-3.

<sup>7</sup> Idaho Power/100, Wright/7.

<sup>8</sup> Idaho Power/100, Wright/7.

1           5.    The 2015 October Update also included the Company's proposed method of  
2 allocation, which was consistent with the revenue spread methodology approved by the  
3 Commission in Order No. 10-191.<sup>9</sup>

4           6.    On November 20, 2014, Administrative Law Judge ("ALJ") Allan Arlow held a  
5 prehearing conference at which the parties to docket UE 293 agreed upon a procedural  
6 schedule that would allow the Public Utility Commission of Oregon ("Commission") to issue an  
7 order on Idaho Power's 2015 APCU prior to June 1, 2015.<sup>10</sup>

8           7.    On November 21, 2014, CUB filed its Notice of Intervention.

9           8.    Staff and CUB served discovery on Idaho Power and conducted a thorough  
10 investigation of the 2015 October Update. Thereafter, the Stipulating Parties participated in a  
11 settlement conference where Staff and CUB indicated that they had reviewed the 2015  
12 October Update and had not identified any issues within the filing. On January 28, 2015,  
13 Staff, on behalf of the Stipulating Parties, filed a joint request asking that ALJ Arlow suspend  
14 the procedural schedule until the filing of Idaho Power's March Forecast. ALJ Arlow granted  
15 the Stipulating Parties' request on January 29, 2015.<sup>11</sup>

16           9.    On March 20, 2015, Idaho Power filed its 2015 March Forecast. The 2015 March  
17 Forecast consisted of direct testimony describing the Company's estimate of the expected net  
18 power supply expense for the upcoming water year—April 2015 through March 2016.<sup>12</sup> Order  
19 No. 08-238 calls for the March Forecast to update the following variables: fuel prices,  
20 transportation costs, wheeling expenses, planned and forced outages, heat rates, forecast of  
21 normalized sales and loads updated for significant changes since the October Update,

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23           <sup>9</sup> Idaho Power/100, Wright/10-11; Idaho Power/107.

24           <sup>10</sup> *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Prehearing  
Conference Memorandum at 1 (Nov. 21, 2014).

25           <sup>11</sup> *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Ruling (Jan. 29,  
2015).

26           <sup>12</sup> Idaho Power/200-205.

1 forecast hydro generation, wholesale power purchase and sale contracts, forward price curve,  
2 PURPA expenses, and the Oregon state allocation factor.<sup>13</sup> In this year's filing, however, the  
3 only variables that had changed since the 2015 October Update were: (1) fuel prices; (2) heat  
4 rates; (3) the forecast of hydro conditions from the Northwest River Forecast Center ("NRFC");  
5 (4) known power purchases and surplus sales resulting from the Company's Risk  
6 Management Policy; (5) the forward price curve in accordance with Order No. 08-238; and (6)  
7 PURPA contract expenses.<sup>14</sup>

8 10. The fuel prices were updated to reflect changes in forecast natural gas and coal  
9 costs.<sup>15</sup> The increased mining costs at the Bridger Coal Company were the largest factor  
10 impacting the 2015 March Forecast's fuel prices.<sup>16</sup>

11 11. The Company's updated hydro forecast was another key driver in the 2015  
12 March Forecast's overall price.<sup>17</sup> Expected streamflows are below last year's levels and the  
13 30-year average.<sup>18</sup> However, hydro generation is greater than last year's modeled generation  
14 due to higher reservoir levels at Brownlee reservoir and higher forecasted Mid-Snake River  
15 flows.<sup>19</sup>

16 12. The 2015 March Forecast also included increased PURPA expenses, due to two  
17 additional PURPA contracts that are now expected to be operational during the April 2015  
18 through March 2016 test period.<sup>20</sup>

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21 <sup>13</sup> Idaho Power/200, Wright/2.  
22 <sup>14</sup> Idaho Power/200, Wright/3.  
23 <sup>15</sup> Idaho Power/200, Wright/3-5.  
24 <sup>16</sup> Idaho Power/200, Wright/3-5.  
25 <sup>17</sup> Idaho Power/200, Wright/6-7.  
26 <sup>18</sup> Idaho Power/200, Wright/6.  
<sup>19</sup> Idaho Power/200, Wright/9.  
<sup>20</sup> Idaho Power/200, Wright/7.

1           13. The Company calculated a cost per unit for the 2015 March Forecast of \$25.00  
2 per MWh, which is \$1.23 per MWh less than last year's cost per unit of \$26.23 per MWh.<sup>21</sup>  
3 The reduction in the 2015 March Forecast per unit cost is the result of additional hydro  
4 generation, lower natural gas prices, and lower electric market prices.<sup>22</sup>

5           14. Combining the price per unit from the 2015 October Update and 2015 March  
6 Forecast resulted in a cost per unit of \$24.92 per MWh.<sup>23</sup> The overall proposed revenue  
7 impact of the combined rate is a decrease of approximately 1.36 percent, or \$0.7 million.<sup>24</sup>

8           15. The 2015 March Forecast also included the Company's proposed rate spread  
9 used to spread the revenue requirement to the various customer classes. The Company's  
10 proposed allocation conformed to the methodology approved by the Commission in Order No.  
11 10-191.<sup>25</sup>

12           16. Staff and CUB issued discovery and conducted a thorough investigation of the  
13 2015 March Forecast. A settlement conference was held on April 2, 2015, and follow-up  
14 discussions were held on April 7, 2015. During the settlement discussions the Stipulating  
15 Parties agreed to resolve all the issues in this case. Thereafter the Company moved to  
16 suspend the schedule and ALJ Arlow granted the motion.<sup>26</sup>

17           17. This Stipulation, presented on behalf of all parties to the docket, resolves all  
18 issues in the docket.

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22           <sup>21</sup> Idaho Power/200, Wright/8.

23           <sup>22</sup> Idaho Power/200, Wright/8-9.

24           <sup>23</sup> Idaho Power/203, Wright/1.

25           <sup>24</sup> Idaho Power/200, Wright/11-12.

26           <sup>25</sup> Idaho Power/200, Wright/10-11.

<sup>26</sup> *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Ruling (April 8, 2015).

## AGREEMENT

1  
2           18. The Stipulating Parties agree that the Company's calculation of cost per unit rate  
3 in the 2015 October Update, 2015 March Forecast, and the combined rate is correct and in  
4 conformance with the methodology adopted by the Commission in Order No. 08-238 and the  
5 Stipulating Parties agree that the rates resulting from the agreed upon cost per unit are fair,  
6 just, and reasonable.

7           19. The Stipulating Parties agree that the Company's allocation methodology  
8 conforms to that adopted by the Commission in Order No. 10-191.

9           20. The Stipulating Parties agree that rates agreed to by the terms of this Stipulation  
10 should be made effective on June 1, 2015, as permitted by the APCU mechanism.

11           21. The Stipulating Parties agree to submit this Stipulation to the Commission and  
12 request that the Commission approve the Stipulation as presented.

13           22. This Stipulation will be offered into the record of this proceeding as evidence  
14 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation  
15 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this  
16 Stipulation at the hearing, and recommend that the Commission issue an order adopting the  
17 settlements contained herein.

18           23. If this Stipulation is challenged, the Stipulating Parties agree that they will  
19 continue to support the Commission's adoption of the terms of this Stipulation. The  
20 Stipulating Parties agree to cooperate in cross-examination and put on such a case as they  
21 deem appropriate to respond fully to the issues presented, which may include raising issues  
22 that are incorporated in the settlements embodied in this Stipulation.

23           24. The Stipulating Parties have negotiated this Stipulation as an integrated  
24 document. If the Commission rejects all or any material part of this Stipulation, or adds any  
25 material condition to any final order that is not consistent with this Stipulation, each Stipulating  
26 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument

1 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating  
2 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720  
3 in any manner that is consistent with the agreement embodied in this Stipulation.

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

10 26. This Stipulation may be executed in counterparts and each signed counterpart  
11 shall constitute an original document.

12 27. This Stipulation is entered into by each Stipulating Party on the date entered  
13 below such Stipulating Party's signature.

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STAFF  
By: Michael A. [Signature]  
Date: 4/23/15

IDAHO POWER  
By: [Signature]  
Date: 4/24/15

CITIZENS' UTILITY BOARD OF OREGON  
By: \_\_\_\_\_  
Date: \_\_\_\_\_



1 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating  
2 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720  
3 in any manner that is consistent with the agreement embodied in this Stipulation.

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6 any other Stipulating Party in arriving at the terms of this Stipulation, other than those  
7 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to  
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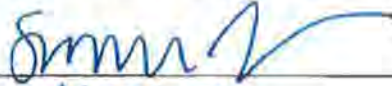
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By: \_\_\_\_\_  
Date: \_\_\_\_\_

IDAHO POWER

By: \_\_\_\_\_  
Date: \_\_\_\_\_

CITIZENS' UTILITY BOARD OF OREGON

By:  \_\_\_\_\_  
Date: 4/24/15 \_\_\_\_\_



1 Pursuant to Order No. 10-191, the Company allocates the APCU revenue requirement to  
2 individual customer classes on the basis of the total generation-related revenue requirement  
3 approved in the Company's last general rate case, instead of the equal cents per kWh  
4 approved in Order No. 08-238.<sup>2</sup> Order No. 10-191 also directs the Company to adjust its base  
5 rates to reflect changes in revenue requirement related to the October Update, while the rates  
6 resulting from the March Forecast are listed on Schedule 55.

7 **B. The 2015 October Update.**

8 On October 21, 2014, Idaho Power filed testimony and exhibits for the 2015 APCU  
9 ("2015 October Update").<sup>3</sup> Pursuant to Order No. 08-238 the 2015 October Update updated  
10 the following variables: loads, fuel prices, transportation costs, maintenance rates, heat rates,  
11 and forced outage rates for thermal plants.<sup>4</sup> The test period for the 2015 October Update was  
12 April 2015 through March 2016 and included updates of the above referenced variables for all  
13 Company owned resources and updated sales and load forecasts.<sup>5</sup> The 2015 October  
14 Update specifically accounted for changes in natural gas and coal prices and generation and  
15 expenses related to contracts entered into pursuant to the Public Utility Regulatory Policies  
16 Act of 1978 ("PURPA").<sup>6</sup>

17 The 2015 October Update resulted in a cost per unit of \$23.44 per megawatt-hour  
18 ("MWh").<sup>7</sup> This represents an increase of \$1.62 per MWh over last year's October Update.<sup>8</sup>

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<sup>2</sup> *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Order No. 10-191 (May 24, 2010).

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<sup>3</sup> See Idaho Power/100-108.

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<sup>4</sup> Idaho Power/100, Wright/2.

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<sup>5</sup> Idaho Power/100, Wright/2.

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<sup>6</sup> Idaho Power/100, Wright/2-3.

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<sup>7</sup> Idaho Power/100, Wright/7.

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<sup>8</sup> Idaho Power/100, Wright/7.

1 The 2015 October Update also included the Company's proposed method of allocation,  
2 which was consistent with the revenue spread methodology approved by the Commission in  
3 Order No. 10-191.<sup>9</sup>

4 On November 20, 2014, Administrative Law Judge ("ALJ") Allan Arlow held a prehearing  
5 conference at which the parties to docket UE 293 agreed upon a procedural schedule that  
6 would allow the Public Utility Commission of Oregon ("Commission") to issue an order on  
7 Idaho Power's 2015 APCU prior to June 1, 2015.<sup>10</sup> On November 21, 2014, CUB filed its  
8 Notice of Intervention.

9 As further discussed below, Staff and CUB served discovery on Idaho Power and  
10 conducted a thorough investigation of the 2015 October Update. Thereafter, the Stipulating  
11 Parties participated in a settlement conference where Staff and CUB indicated that they had  
12 reviewed the 2015 October Update and had not identified any issues with the filing. On  
13 January 28, 2015, Staff, on behalf of the Stipulating Parties, filed a joint request asking that  
14 ALJ Arlow suspend the procedural schedule until the filing of Idaho Power's March Forecast.  
15 ALJ Arlow granted the Stipulating Parties request on January 29, 2015.<sup>11</sup>

#### 16 **C. The 2015 March Forecast.**

17 On March 20, 2015, Idaho Power filed its 2015 March Forecast. The 2015 March  
18 Forecast consisted of testimony describing the Company's estimate of the expected net power  
19 supply expense for the upcoming water year—April 2015 through March 2016.<sup>12</sup> Order No.  
20 08-238 calls for the March Forecast to update the following variables: fuel prices,  
21 transportation costs, wheeling expenses, planned and forced outages, heat rates, forecast of

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22 <sup>9</sup> Idaho Power/100, Wright/10-11; Idaho Power/107.

23 <sup>10</sup> *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Prehearing  
24 Conference Memorandum at 1 (Nov. 21, 2014).

25 <sup>11</sup> *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Ruling (Jan. 29,  
26 2015).

<sup>12</sup> Idaho Power/200-205.

1 normalized sales and loads updated for significant changes since the October Update,  
2 forecast hydro generation, wholesale power purchase and sale contracts, forward price curve,  
3 PURPA expenses, and the Oregon state allocation factor.<sup>13</sup> In this year's filing, however, the  
4 variables that had changed since the 2015 October Update were: (1) fuel prices; (2) heat  
5 rates; (3) the forecast of hydro conditions from the Northwest River Forecast Center ("NRFC");  
6 (4) known power purchases and surplus sales resulting from the Company's Risk  
7 Management Policy; (5) the forward price curve in accordance with Order No. 08-238; and (6)  
8 PURPA contract expenses.<sup>14</sup>

9 The fuel prices were updated to reflect changes in forecast natural gas and coal costs.<sup>15</sup>  
10 The increased mining costs at the Bridger Coal Company were the largest factor impacting  
11 the 2015 March Forecast's fuel prices.<sup>16</sup>

12 The Company's updated hydro forecast was another key driver in the 2015 March  
13 Forecast's overall price.<sup>17</sup> Expected streamflows are below last year's levels and the 30-year  
14 average.<sup>18</sup> However, hydro generation is greater than last year's modeled generation due to  
15 higher reservoir levels at Brownlee reservoir and higher forecasted Mid-Snake River flows.<sup>19</sup>

16 The 2015 March Forecast also included increased PURPA expenses due to two  
17 additional PURPA contracts that are now expected to be operational during the April 2015  
18 through March 2016 test period.<sup>20</sup>

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20 <sup>13</sup> Idaho Power/200, Wright/2.

21 <sup>14</sup> Idaho Power/200, Wright/3.

22 <sup>15</sup> Idaho Power/200, Wright/3-5.

23 <sup>16</sup> Idaho Power/200, Wright/3-5.

24 <sup>17</sup> Idaho Power/200, Wright/6-7.

25 <sup>18</sup> Idaho Power/200, Wright/6.

26 <sup>19</sup> Idaho Power/200, Wright/9.

<sup>20</sup> Idaho Power/200, Wright/7.

1 The Company calculated a cost per unit for the 2015 March Forecast of \$25.00 per  
2 MWh, which is \$1.23 per MWh less than last year's cost per unit of \$26.23 per MWh.<sup>21</sup> The  
3 reduction in the 2015 March Forecast per unit cost is the result of additional hydro generation  
4 resulting from increased reservoir levels.<sup>22</sup> In addition, lower natural gas prices more than  
5 doubled the generation at the Langley Gulch power plant, while decreasing the average cost  
6 of production for the plant from \$31.60 per MWh to \$20.70 per MWh.<sup>23</sup> Increased market  
7 purchases at lower prices also contributed to the reduction in the per unit cost as compared to  
8 last year's March Forecast.<sup>24</sup>

9 In addition, the increase in hydro and gas generation, coupled with lower market  
10 purchase prices resulted in lower cost generation and market purchases displacing previously  
11 dispatched coal generation.<sup>25</sup> Lower forecast electric market prices further reduced the level  
12 of coal generation that can be economically dispatched for surplus sales. Indeed, the 2015  
13 March Forecast includes 1.3 million MWh less coal generation than last year.<sup>26</sup>

14 Combining the price per unit from the 2015 October Update and 2015 March Forecast  
15 resulted in a cost per unit of \$24.92 per MWh.<sup>27</sup> The overall proposed revenue impact of the  
16 combined rate is a decrease of approximately 1.36 percent, or \$0.7 million.<sup>28</sup>

17 The 2015 March Forecast also included the Company's proposed rate spread used to  
18 spread the revenue requirement to the various customer classes. The Company's proposed  
19 allocation conformed to the methodology approved by the Commission in Order No. 10-191.<sup>29</sup>

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20 <sup>21</sup> Idaho Power/200, Wright/8.

21 <sup>22</sup> Idaho Power/200, Wright/9.

22 <sup>23</sup> Idaho Power/200, Wright/9.

23 <sup>24</sup> Idaho Power/200, Wright/9.

24 <sup>25</sup> Idaho Power/200, Wright/9.

25 <sup>26</sup> Idaho Power/200, Wright/9.

26 <sup>27</sup> Idaho Power/203, Wright/1.

<sup>28</sup> Idaho Power/200, Wright/11-12.

1 Again, as further discussed below, Staff and CUB issued discovery and conducted a  
2 thorough investigation of the 2015 March Forecast. A settlement conference was held on  
3 April 2, 2015, and follow-up discussions were held on April 7, 2015. During the settlement  
4 discussions the Stipulating Parties agreed to resolve all the issues in this case. Thereafter the  
5 Company moved to suspend the schedule and ALJ Arlow granted the motion.<sup>30</sup>

6 On April \_\_, 2015, the Stipulating Parties filed a Stipulation, which resolves all issues in  
7 the docket.

## 8 II. DISCUSSION

### 9 A. Terms of the Stipulation.

10 The Stipulating Parties agree that the Company's calculation of the cost per unit rate in  
11 the 2015 October Update, 2015 March Forecast, and the combined rate is correct and in  
12 conformance with the methodology adopted by the Commission in Order No. 08-238.<sup>31</sup> The  
13 Stipulating Parties further agree that the Company's allocation methodology conforms to that  
14 adopted by the Commission in Order No. 10-191.<sup>32</sup> The Stipulating Parties agree that rates  
15 agreed to by the terms of this Stipulation should be made effective on June 1, 2015, as  
16 permitted by the APCU mechanism.<sup>33</sup> And the Stipulating Parties agree that the rate  
17 decrease resulting from the Stipulation results in rates that are fair, just, and reasonable.<sup>34</sup>

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21 <sup>29</sup> Idaho Power/200, Wright/10-11.

22 <sup>30</sup> *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Ruling (April 8,  
2015).

23 <sup>31</sup> Stipulation ¶ 18.

24 <sup>32</sup> Stipulation ¶ 19.

25 <sup>33</sup> Stipulation ¶ 20.

26 <sup>34</sup> Stipulation ¶ 18.

1 **B. The Stipulation Will Result in Just and Reasonable Rates.**

2 The Commission will adopt a stipulation if it is supported by competent evidence in the  
3 record, appropriately resolves the issues in a case, and results in just and reasonable rates.<sup>35</sup>  
4 When evaluating the rates, the Commission examines “the reasonableness of the overall  
5 rates.”<sup>36</sup> Here, the Stipulation satisfies these standards.

6 First, the Stipulation is supported by the record, which includes the Company’s testimony  
7 and exhibits describing the detailed calculations supporting both the 2015 October Update  
8 and 2015 March Forecast.<sup>37</sup> Staff and CUB conducted a thorough investigation of the  
9 Company’s testimony and exhibits, served numerous data requests, and participated in two  
10 settlement conferences. As a result of their investigation, Staff and CUB concluded that there  
11 were no issues in the Company’s filing that warranted filing responsive testimony. Although  
12 Staff and CUB have not filed testimony, the Stipulating Parties agree that the record in this  
13 case is sufficient to support a finding that the Stipulation is reasonable and should be adopted.

14 Second, the Stipulating Parties agree that the cost per unit rate was correctly calculated  
15 using the methodology approved by the Commission in Order No. 08-238.<sup>38</sup> The Stipulating  
16 Parties also agree that the Company’s proposed rate spread conforms to the methodology  
17 approved by the Commission in Order No. 10-191.<sup>39</sup> Because the Company’s filed case

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19 <sup>35</sup> See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-  
20 432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate  
21 resolution of all primary issues in this docket.”); See *Re PacifiCorp Request for a General Rate*  
22 *Revision*, Docket UE 210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a  
stipulation, we have the statutory duty to make an independent judgment as to whether any given  
settlement constitutes a reasonable resolution of the issues.”); *Re PacifiCorp Request for a*  
*General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec. 14, 2010) (“We have reviewed the  
Stipulation, and find that it will result in rates that are fair, just, and reasonable.”).

23 <sup>36</sup> *Re Application of Portland General Electric Co. for an Investigation into Least Cost Plant*  
*Retirement*, Docket DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

24 <sup>37</sup> Idaho Power/100-108; Idaho Power/200-205.

25 <sup>38</sup> Stipulation ¶ 18.

26 <sup>39</sup> Stipulation ¶ 19.



1 reflects correct calculations that conform to Commission precedent, the resulting rates are just  
2 and reasonable and fall within the “range of reasonableness” for resolution of these issues.<sup>40</sup>

3 Staff and CUB's analyses and bases for support are further detailed below.

#### 4 **C. Staff Analysis Supporting the Stipulation.**

5 As stated earlier, the Company's APCU consists of two parts, an October Update  
6 followed six months later by a March Forecast, after which the final revenue requirement and  
7 corresponding rates for the upcoming 12 month period (April 1-March 31) is determined. Staff  
8 analyzed the October Update and the March Forecast and supports the Stipulation and the  
9 Company's calculated revenue requirement and rate spread, which results in an overall  
10 decrease in customer rates of about 1.36 percent.

11 Staff analyzed both the October Update and the March Forecast for accuracy and  
12 conformance to applicable orders and rules. The October Update represents a normalized  
13 estimate of the test year revenue requirement and is based on 86 historical water (hydro)  
14 years. The March Forecast refines the October revenue requirement by incorporating the  
15 most recent test year price forecasts and examining only a single forecasted water year. The  
16 results from the October Update and March Forecast are combined to determine the overall  
17 power cost revenue requirement for the test year, and to set rates based on this requirement.

18 To assess the Company's figures, Staff compared the Company's average natural gas  
19 forecast with similar forecasts from other sources. Staff found the Company's forecast to be  
20 in close agreement with these other forecasts. Staff examined PURPA contracts to ensure  
21 that all contracts that are or will be active during the test year were included in the filing. Staff  
22 also conducted discovery to evaluate the coal prices at Boardman and Bridger plants. Staff  
23 did not find any discrepancy between the Company's filed coal prices and those reported by  
24 PacifiCorp and Portland General Electric for the same plants. The only concern Staff has is

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25 <sup>40</sup> See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

1 with the continued rising trend of costs at the Bridger facility. At present the price appears  
2 justified, but continued increases in costs, especially at Bridger, may be a cause for concern in  
3 future proceedings.

4 Staff confirmed the Company correctly followed the methodology provided by previous  
5 Orders. Specifically, in determining the October Update, the Company applied methodology  
6 as dictated by Order No. 08-238 which allows the Company to update model variables  
7 including: fuel prices, transportation costs, maintenance schedules, thermal plant parameters  
8 and contracts. Staff analyzed all input variables for accuracy and reasonableness of  
9 assumptions. Staff found no issues with the input variables assumed.

10 In its calculations, the Company applied a re-pricing methodology to purchased power  
11 and surplus sales as mandated in Order No. 08-238. The modeling software the Company  
12 uses generates an internal market price as part of its process; however, the Commission has  
13 chosen to have the Company reprice market transactions using an average of the forward  
14 price curve instead of the internally generated market price for rate purposes. Staff  
15 determined the Company carried out this re-pricing correctly and confirmed that the  
16 subsequent revenue requirement reflects this change. The result of the October Update was  
17 a revenue deficiency of \$1.1 million based on present rates on an Oregon-allocated basis.

18 In the March Forecast, the Company updated fuel prices, heat rates, hydro generation  
19 forecast, contract purchases and sales, the forward price curve and PURPA contract costs.  
20 Staff reviewed the March Forecast in depth and found no issue.

21 The resulting revenue requirement calculation showed a per-unit cost decrease of about  
22 \$1.23 per MWh over the 2014 March Forecast, primarily due to much lower gas prices in the  
23 current year. The combined effect of the \$1.1 million deficiency in base rates from the  
24 October Update, coupled with the decrease in year-over-year revenue requirement of the  
25 March Forecast yields an overall revenue decrease of approximately \$700,000. The  
26 Company proposes to allocate the rate decrease across customer classes according to the

1 revenue spread methodology approved by the Commission in UE 214 by Order No. 10-191.  
2 In this Order the Company was directed to allocate the cost to customer class on the basis of  
3 total generation-related revenue requirement. Staff reviewed the rate spread and found no  
4 issue.

5 **D. CUB's Analysis Supporting the Stipulation.**

6 CUB supports the Stipulation and the Company's calculated revenue requirement and  
7 rate spread, based on CUB's review of the evidence in the record in this case. Before  
8 reaching a settlement in this docket, CUB reviewed the October Update and the responses to  
9 its data requests based on that filing, including responses that addressed its questions about  
10 increased coal costs at Bridger. CUB also reviewed the March Forecast and the Company's  
11 data responses to Staff. CUB participated in all settlement conferences associated with this  
12 docket. CUB believes that Idaho Power has accounted for the proper variables and has  
13 updated its power costs accurately. As such, CUB has no substantive issues with the filing.

14 **III. CONCLUSION**

15 For all of the above reasons, the Stipulating Parties request that the Commission  
16 approve the Stipulation and the resulting rates.

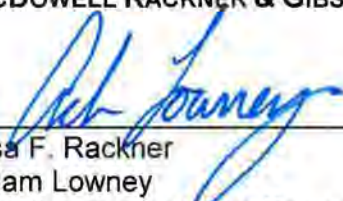
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Respectfully submitted,

**MCDOWELL RACKNER & GIBSON PC**



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