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April 28, 2017

VIA ELECTRONIC FILING

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

Re: UE 314 – In the Matter of IDAHO POWER COMPANY's 2017 Annual Power Cost Update

Attention Filing Center:

Attached for filing in the above-captioned docket is the Stipulation. The Joint Explanatory Brief is being filed concurrently in this docket.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Attachment

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

3 **UE 314**

4 In the Matter of

STIPULATION

5 IDAHO POWER COMPANY

6 2017 ANNUAL POWER COST UPDATE

7
8 This Stipulation resolves all issues among the parties to Idaho Power Company's ("Idaho
9 Power" or "Company") 2017 Annual Power Cost Update ("APCU") filed pursuant to Order No.
10 08-238.¹ The APCU updates the Company's net power supply expense ("NPSE") and results
11 in new rates, which the mechanism permits to go into effect June 1, 2017.

12 **PARTIES**

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

16 **BACKGROUND**

17 2. Pursuant to Order No. 08-238, Idaho Power annually updates its NPSE included
18 in rates through an automatic adjustment clause, the APCU. The APCU is comprised of two
19 components—an "October Update" and a "March Forecast." The October Update contains the
20 Company's forecasted NPSE reflected on a normalized per unit basis for an April through March
21 test period. The March Forecast contains the Company's net power supply expense based
22 upon updated actual forecasted conditions. Pursuant to Order No. 10-191 the Company
23 allocates the APCU revenue requirement to individual customer classes on the basis of the total
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25 ¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment*
26 *Mechanism*, Docket No. UE 195, Order No. 08-238 (Apr. 28, 2008).

1 generation-related revenue requirement approved in the Company's last general rate case,
2 instead of the previous equal cents per kilowatt-hour approved in Order No. 08-238.² Order No.
3 10-191 also directs the Company to adjust its base rates to reflect changes in revenue
4 requirement related to the October Update, while the rates resulting from the March Forecast
5 are listed on Schedule 55. The rates associated with the October Update and the March
6 Forecast mechanisms are intended, under the mechanisms, to become effective on June 1 of
7 each year.

8 3. On October 28, 2016, Idaho Power filed testimony and exhibits for the 2017
9 October Update component of the APCU ("2017 October Update").³ Pursuant to Order No. 08-
10 238, Idaho Power reviewed all the inputs and provided the changes in the 2017 October Update
11 for the following variables: (1) fuel prices and transportation costs, (2) Public Utility Regulatory
12 Policies Act of 1978 ("PURPA") expenses, (3) normalized load and normalized sales, (4)
13 contracts for wholesale power and power purchases and sales, (5) forward price curve, (6) heat
14 rates, (7) planned outages and forced outage rates, and (8) the Oregon state allocation factor.⁴

15 4. The test period for the 2017 October Update was April 2017 through March 2018
16 and included updates to the above referenced variables for all Company-owned resources and
17 updated sales and load forecasts.⁵ The 2017 October Update specifically accounted for
18 changes in natural gas and coal prices, and generation and expenses related to contracts
19 entered into pursuant to PURPA.⁶

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22 ² *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket No. UE 214, Order No.
23 10-191 (May 24, 2010).

24 ³ See Idaho Power/100-108.

25 ⁴ Idaho Power/100, Blackwell/4-5.

26 ⁵ Idaho Power/100, Blackwell/2 and 5.

⁶ Idaho Power/100, Blackwell/5-11.

1 5. The filed 2017 October Update resulted in a cost per unit of \$26.06 per megawatt-
2 hour (“MWh”), representing an increase of \$2.13 per MWh over last year’s October Update.⁷

3 6. The 2017 October Update also included the Company’s proposed method of
4 allocation, which was consistent with the revenue spread methodology approved by the
5 Commission in Order No. 10-191.⁸

6 7. On November 2, 2016, CUB filed its Notice of Intervention.

7 8. On December 1, 2016, Administrative Law Judge (“ALJ”) Allan Arlow held a
8 prehearing conference at which the parties to docket UE 314 agreed upon a procedural
9 schedule that would allow the Public Utility Commission of Oregon (“Commission”) to issue an
10 order on Idaho Power’s 2017 APCU prior to June 1, 2017.⁹

11 9. Staff and CUB served discovery on Idaho Power and conducted a thorough
12 investigation of the 2017 October Update. On January 31, 2017, Staff filed Opening Testimony
13 and found that Idaho Power’s filing followed all of the applicable rules and orders.¹⁰ Staff’s
14 testimony, however, raised concerns related to the following: (1) the forecast of oil, handling,
15 administrative and general (“OHAG”) expenses, (2) the jurisdictional allocation of NPSE, (3)
16 Idaho Power’s review of the Jim Bridger Plant’s (“Bridger”) fuel supply, (4) Bridger Coal
17 Company (“BCC”) coal costs, (5) Idaho Power’s review of the depreciation policy for BCC, and
18 (6) supporting workpapers.¹¹

19 10. CUB did not file Opening Testimony.¹²

21 ⁷ Idaho Power/100, Blackwell/14.

22 ⁸ Idaho Power/100, Blackwell/17-18; Idaho Power/107.

23 ⁹ *Re Idaho Power Company’s 2017 Annual Power Cost Update*, Docket No. UE 314, Prehearing
24 Conference Memorandum at 1 (Dec. 1, 2016).

25 ¹⁰ Staff/100, Gibbens/2; Staff/200; Staff/300.

26 ¹¹ Staff/100; Staff/200; Staff/300

¹² See *Re Idaho Power Company’s 2017 Annual Power Cost Update*, Docket No. UE 314, CUB’s
Letter (Jan. 31, 2017).

1 11. Idaho Power filed Reply Testimony on March 3, 2017, in which the Company
2 responded to the issues raised in Staff's opening testimony.¹³ The Company accepted one of
3 Staff's proposed adjustments related to the forecast of OHAG expenses at the Company's coal-
4 fired facilities. The Company disputed Staff's concerns related to Bridger's fuel supply, BCC
5 coal costs and the depreciation policy for BCC. Also, the Company agreed to work
6 collaboratively with Staff and CUB regarding the provision of workpapers and the concern
7 related to the jurisdictional allocation of NPSE.

8 12. On March 24, 2017, Idaho Power filed the 2017 March Forecast component of the
9 APCU ("2017 March Forecast"). The 2017 March Forecast consisted of direct testimony
10 describing the Company's estimate of the expected NPSE for the upcoming water year—April
11 2017 through March 2018.¹⁴ Order No. 08-238 calls for the March Forecast to update the
12 following variables: fuel prices, transportation costs, wheeling expenses, planned and forced
13 outages, heat rates, forecast of normalized sales and loads updated for significant changes
14 since the October Update, forecast hydro generation, wholesale power purchase and sale
15 contracts, forward price curve, PURPA expenses, and the Oregon state allocation factor. Idaho
16 Power reviewed all the variables for the March Forecast and the following variables changed
17 since the 2017 October Update: (1) fuel prices, (2) planned outage schedule, (3) heat rates, (4)
18 forecast of hydro generation from stream flow conditions using the most recent water supply
19 forecast from the Northwest River Forecast Center ("NRFC") and current reservoir levels, (5)
20 known power purchases and surplus sales made in compliance with the Company's Energy
21 Risk Management Policy, (6) forward price curve, and (7) PURPA contract expenses.¹⁵

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23

24 ¹³ See Idaho Power/200.

25 ¹⁴ Idaho Power/300-305.

26 ¹⁵ Idaho Power/300, Blackwell/4.

1 13. The fuel prices were updated to reflect changes in forecast natural gas and coal
2 costs.¹⁶ The decrease in the per-unit costs of generation for the Boardman and North Valmy
3 power plants (“Boardman”) and (“Valmy”) were attributed to lower coal costs, and the increase
4 in the per-unit cost of generation for Bridger was driven by an increase in coal costs and lower
5 production volumes.¹⁷ Pursuant to the 2016 APCU stipulation, the Company included within
6 the AURORA model the per-MWh OHAG expense driven by Idaho Power’s dispatch of each
7 coal plant. The Company separately accounted for its fixed proportional share of the total OHAG
8 expenses incurred at each of the coal plants.¹⁸ As mentioned previously, in Reply Testimony,
9 the Company accepted Staff’s proposed methodology for forecasting OHAG expenses, and
10 applied this methodology in the March Forecast. Forecast natural gas prices increased as a
11 result of higher demand and lower gas supply nationally.¹⁹

12 14. The Company updated the hydro forecast.²⁰ Expected streamflows into Brownlee
13 Reservoir were 64 percent higher than last year’s levels and 39 percent higher than the 30-year
14 average.²¹ Hydro generation was greater than last year’s modeled generation, but the increase
15 was not more substantial because of the impact of flood control operations for Brownlee
16 Reservoir and the capacity limitations of generation units, which at times, causes excess water
17 to be spilled rather than used for generation.²²

18 15. The 2017 March Forecast also included decreased PURPA expenses compared
19 to the October Update. This is due primarily to the expiration of the Magic Valley Energy Sales
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21 ¹⁶ Idaho Power/300, Blackwell/4-7.

22 ¹⁷ Idaho Power/300, Blackwell/5.

23 ¹⁸ Idaho Power/300, Blackwell/5-6.

24 ¹⁹ Idaho Power/300, Blackwell/6.

25 ²⁰ Idaho Power/300, Blackwell/8.

26 ²¹ Idaho Power/300, Blackwell/8-9.

²² Idaho Power/300, Blackwell/9-10.

1 Agreement in November 2016 and also to a reduction in forecast generation of three wind
2 projects.²³

3 16. For the March Forecast, the Company calculated the Oregon jurisdictional revenue
4 requirement using the system NPSE total per-unit cost for the test period, rather than the
5 incremental per-unit cost, as proposed by Staff in Opening Testimony.²⁴

6 17. The Company calculated a March Forecast rate of \$0.24 per MWh, which is \$1.10
7 per MWh less than last year's March Forecast rate of \$1.34 per MWh.²⁵

8 18. The overall proposed revenue impact of the combined October and March rates
9 was an increase of approximately 1.27 percent, or \$0.7 million.²⁶

10 19. The 2017 March Forecast also included the Company's proposed rate spread used
11 to spread the revenue requirement to the various customer classes. The Company's proposed
12 allocation conformed to the methodology approved by the Commission in Order No. 10-191.²⁷

13 20. Staff and CUB conducted a thorough investigation of the March forecast.

14 21. Settlement conferences and workshops were held on January 12, February 16,
15 March 6, and April 10, 2017. Ultimately the Stipulating Parties resolved all the issues in this
16 case through these discussions. Thereafter, Idaho Power moved to suspend the schedule, and
17 ALJ Arlow granted the motion.²⁸

18 22. During the April 10, 2017 settlement conference, Staff identified a hardcoded
19 number within Idaho Power/304 to the March Forecast Testimony of Nicole A. Blackwell, and
20 asked the Company to follow up with the calculation used to produce this figure. Upon further
21

22 ²³ Idaho Power/300, Blackwell/7.

23 ²⁴ Staff/200, Kaufman/4

24 ²⁵ Idaho Power/300, Blackwell/14.

25 ²⁶ CORRECTED Idaho Power/300, Blackwell/17.

26 ²⁷ Idaho Power/300, Blackwell/15-16; Idaho Power/304.

²⁸ *Re Idaho Power Company's 2017 Annual Power Cost Update*, Docket No. UE 314, Ruling (Apr. 12, 2017).

1 investigation, Idaho Power discovered that its modeling of the agreed upon revenue
2 requirement determination method, discussed in Paragraph 16, did not correctly implement the
3 intended methodology result. Correctly implementing the agreed upon change to the revenue
4 requirement methodology addressed in Paragraph 16 resulted in a change to the revenue
5 requirement increase requested in the March Forecast, from \$592,982 to \$700,164, an increase
6 of \$107,182. Idaho Power contacted Staff on April 19, 2017 and CUB on April 21, 2017 to
7 discuss the corrections. Staff communicated to Idaho Power that it understood the reasoning
8 behind these changes and would not dispute the revision to the numbers. Staff also requested
9 that Idaho Power file errata exhibits. CUB indicated it was comfortable with the changes. On
10 April 21, 2017, Idaho Power filed errata exhibits Idaho Power/304 and Idaho Power/305, along
11 with corrected pages of the March Forecast Testimony of Nicole A. Blackwell. The corrected
12 Idaho Power/305 reflects a requested revenue requirement increase of \$700,164, or 1.27
13 percent, as accepted by Staff and CUB.

14 **AGREEMENT**

15 23. The Stipulating Parties agree that Idaho Power will adopt Staff's proposed
16 methodology for forecasting OHAG expenses for the 2017 March Forecast and all future APCU
17 filings. The OHAG forecast will be based on a three-year historical average of actual OHAG
18 costs, with a growth (reduction) rate equal to the five-year historical average growth (reduction)
19 rate. The OHAG forecast will be updated annually as part of the March Forecast of the APCU.

20 24. The Stipulating Parties agree that Idaho Power will track revenues associated with
21 usage charges paid to the Company by NV Energy, its ownership partner in the Valmy coal-
22 fired generating plant, for its dispatch of Idaho Power's unused capacity. The Company will also
23 track any usage charges paid by Idaho Power to NV Energy for the dispatch of NV Energy's
24 unused capacity. Idaho Power will include the three-year historical average of actual net
25 balances as an offset or expense to total NPSE, as determined in the APCU, beginning with the
26 2017 APCU filing. For the 2017 APCU, the three-year historical average net balance was

1 \$23,870, or \$1,113 on an Oregon jurisdictional basis, representing a de minimis decrease to
2 total NPSE. The three-year historical average of actual net balances will be updated annually
3 as part of the March Forecast of the APCU.

4 25. The Stipulating Parties agree that Idaho Power will adopt Staff's proposed
5 methodology regarding the jurisdictional allocation of NPSE for the 2017 APCU and all future
6 APCU filings. In all prior APCU filings, Idaho Power used the Commission-approved APCU
7 methodology, which allocates NPSE incremental to the previous year. Under Staff's proposed
8 methodology, Idaho Power will allocate total NPSE, and will reset total NPSE each year, rather
9 than allocating incremental NPSE from one year to the next. More specifically, Idaho Power
10 will calculate the Oregon jurisdictional share of the APCU revenue requirement by multiplying
11 the system NPSE total per-unit cost by the forecasted Oregon jurisdictional loss-adjusted
12 normalized sales for the April through March test period.

13 26. The Stipulating Parties agree that Idaho Power's 2018 APCU filing will include
14 Staff's proposed methodology regarding the revenue spread. Under Staff's proposed
15 methodology, the APCU revenue requirement will be allocated to individual customer classes
16 on the basis of normalized jurisdictional forecasted sales at the generation level for the test
17 period. Parties agree to implement this methodology with the 2018 APCU filing to allow
18 adequate time for further investigation of the methodology.

19 27. The Stipulating Parties agree that Idaho Power will provide its supporting
20 workpapers to Staff and CUB as part of the 2018 APCU filing. The Stipulating Parties will
21 continue to work together to determine the types of workpapers to be included with all future
22 APCU filings, as well as the timeline and process for providing workpapers. Ultimately, the
23 parties intend to memorialize an agreement in order to establish a prescribed process for
24 submitting workpapers in all future APCU filings.

25

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1 28. The Stipulating Parties agree that prior to Idaho Power's 2018 APCU filing, the
2 Company will host a conference call with parties to discuss workpapers specific to the
3 Company's sales and load forecast.

4 29. Based on the foregoing agreements, the Stipulating Parties agree to Idaho Power's
5 requested revenue requirement increase of \$700,164.

6 30. The Stipulating Parties agree that rates agreed to by the terms of this Stipulation
7 should be made effective on June 1, 2017, as permitted by the APCU mechanism.

8 31. The Stipulating Parties agree the result is in conformance with the methodology
9 adopted by the Commission in Order No. 08-238 and Order No. 10-191.

10 32. The Stipulating Parties agree that the rate increase resulting from the Stipulation
11 results in rates that are fair, just, and reasonable.

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

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

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

24 36. The Stipulating Parties have negotiated this Stipulation as an integrated document.
25 If the Commission rejects all or any material part of this Stipulation, or adds any material
26 condition to any final order that is not consistent with this Stipulation, each Stipulating Party

1 reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument on the
2 record in support of the Stipulation or to withdraw from the Stipulation. Stipulating Parties shall
3 be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720 in any manner
4 that is consistent with the agreement embodied in this Stipulation.

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

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

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

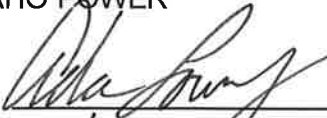
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STAFF

By: _____

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IDAHO POWER

By:  _____

Date: 4/28/17 _____

OREGON CITIZENS' UTILITY BOARD

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STAFF

By: Mike

Date: 4/27/17

IDAHO POWER

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IDAHO POWER

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OREGON CITIZENS' UTILITY BOARD

By: William P. Smith

Date: 4/27/17