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April 11, 2024

VIA E-MAIL TO

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

Re: Docket UE 425 - In the Matter of Idaho Power Company, 2024 Annual Power Cost Update.

Attached, please find the Joint Explanatory Brief filed on behalf of Idaho Power Company, Staff of the Public Utility Commission of Oregon, and the Oregon Citizens' Utility Board.

Please contact this office with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Cole Albee".

Cole Albee
Paralegal
McDowell Rackner Gibson PC

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

3 **UE 425**

4 In the Matter of:

5 IDAHO POWER COMPANY

6 2024 ANNUAL POWER COST UPDATE

JOINT EXPLANATORY BRIEF

7 This brief explains and supports the Stipulation filed in this proceeding on April 11, 2024,
8 among Idaho Power Company (“Idaho Power” or “Company”), the Oregon Citizens’ Utility Board
9 (“CUB”), and Staff of the Public Utility Commission of Oregon (“Staff”) (together, the “Stipulating
10 Parties”). This Stipulation resolves all issues raised by the Stipulating Parties related to Idaho
11 Power’s 2024 Annual Power Cost Update (“APCU”).

12 **I. BACKGROUND**

13 **A. Idaho Power’s APCU and Power Cost Adjustment Mechanism.**

14 In Order No. 08-238 the Commission approved an automatic adjustment clause that
15 allows Idaho Power to annually update its net power supply expense (“NPSE”) included in
16 rates.¹ This automatic adjustment clause is referred to as the APCU and has two components—
17 an “October Update” and a “March Forecast.” The October Update contains the Company’s
18 forecasted NPSE reflected on a normalized per-unit basis for an April through March test period.
19 The March Forecast contains the Company’s NPSE based upon updated actual forecasted
20 conditions. The mechanism allows for the rates from the October Update and March Forecast
21 to become effective on June 1 of each year.

22 Pursuant to Order No. 10-191, the Company allocates the APCU revenue requirement to
23 individual customer classes on the basis of the total generation-related revenue requirement
24 approved in the Company’s last general rate case, instead of the equal cents per kilowatt-hour

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26 ¹ *In re Idaho Power Company’s Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. UE 195, Order No. 08-238 (Apr. 28, 2008).

1 approved in Order No. 08-238.² Order No. 10-191 also directs the Company to adjust its base
2 rates to reflect changes in revenue requirement related to the October Update, while the rates
3 resulting from the March Forecast are listed on Schedule 55.

4 **B. The 2024 October Update.**

5 On October 31, 2023, Idaho Power filed testimony and exhibits for the 2024 October
6 Update component of the APCU (“2024 October Update”).³ Pursuant to Order No. 08-238 the
7 2024 October Update updated the following variables: (1) fuel prices and transportation costs,
8 (2) wheeling expenses, (3) planned outages and forced outage rates, (4) heat rates, (5) forecast
9 of normalized load and normalized sales, (6) contracts for wholesale power and power
10 purchases and sales, (7) forward price curve, (8) Public Utility Regulatory Policies Act of 1978
11 (“PURPA”) expenses, and (9) the Oregon state allocation factor.⁴

12 The test period for the 2024 October Update was April 2024 through March 2025 and
13 included updates to the above referenced variables for all Company-owned resources and
14 updated sales and load forecasts.⁵ The 2024 October Update specifically accounted for
15 changes in natural gas and coal prices, generation and expenses related to contracts entered
16 into pursuant to PURPA, new resources, normalized system load, and hydro modeling.⁶

17 The filed 2024 October Update resulted in a cost per unit of \$30.63 per megawatt-hour
18 (“MWh”), representing a decrease of approximately 1.6 percent relative to last year’s October
19 Update rate of \$30.80 per MWh.⁷

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

23 ³ See Idaho Power/100-110.

24 ⁴ Idaho Power/100, Brady/5.

25 ⁵ Idaho Power/100, Brady/2-3.

25 ⁶ Idaho Power/100, Brady/5-19.

26 ⁷ Idaho Power/100, Brady/30.

1 On November 17, 2023, Idaho Power filed a stipulated proposed procedural schedule that
2 would allow the Public Utility Commission of Oregon (“Commission”) to issue an order on Idaho
3 Power’s 2024 APCU prior to June 1, 2024.⁸ Administrative Law Judge John Mellgren adopted
4 that schedule.⁹

5 On December 4, 2023, CUB filed its Notice of Intervention. Staff and CUB served
6 discovery on Idaho Power and conducted a thorough investigation of the 2024 October Update.
7 On January 31, 2024, Staff filed Opening Testimony in which Staff agreed that Idaho Power’s
8 filing had complied with the applicable rules and orders.¹⁰ Staff’s testimony addressed the
9 Company’s AURORA model, fuel expenses, PURPA expenses, hydro modeling, recovery of
10 costs and benefits of participation in the EIM, the Bridger Unit 1 Unit and 2 conversions to
11 natural gas, Idaho Power’s cost allocation between the Company’s Oregon and Idaho
12 jurisdictions, and rate spread. Staff proposed two adjustments in its Opening Testimony:
13 applying a growth factor to EIM benefits in the March Forecast and a downward adjustment of
14 system PURPA expenses.¹¹ CUB did not file Opening Testimony.

15 Idaho Power filed Reply Testimony on February 28, 2024, in which the Company
16 responded to all concerns raised by Staff.¹² In Reply Testimony, the Company did not agree
17 with either of Staff’s proposed adjustments.¹³

18 **C. The 2024 March Forecast.**

19 On March 25, 2024, Idaho Power filed the 2024 March Forecast component of the APCU
20 (“2024 March Forecast”). The 2024 March Forecast consisted of testimony describing the
21 Company’s estimate of the expected NPSE for the upcoming water year—April 2024 through

22 ⁸ Idaho Power’s Proposed Schedule (Nov. 17, 2023).

23 ⁹ Memorandum at 1 (Nov. 21, 2023).

24 ¹⁰ Staff/100, Kim/10-11.

25 ¹¹ Staff/100, Kim/2.

26 ¹² See Idaho Power/200-204.

¹³ Idaho Power/200, Brady/1.

1 March 2025.¹⁴ Order No. 08-238 calls for the March Forecast to update the following variables:
2 fuel prices, transportation costs, wheeling expenses, planned and forced outages, heat rates,
3 forecast of normalized sales and loads updated for significant changes since the October
4 Update, forecast hydro generation, wholesale power purchase and sale contracts, forward price
5 curve, PURPA expenses, and the Oregon state allocation factor. For the 2024 March Forecast,
6 the variables that had changed since the October Update were: (1) fuel prices and
7 transportation costs; (2) forced outage rates; (3) heat rates; (4) forecast of normalized sales and
8 load; (5) forecast of hydro generation from stream flow conditions using the most recent water
9 supply forecast and current reservoir levels; (6) known power purchases and surplus sales
10 made in compliance with the Company's Energy Risk Management Policy; (7) forward price
11 curve; and (8) PURPA contract expenses.¹⁵

12 The fuel prices were updated to reflect changes in forecast natural gas and coal costs.¹⁶
13 Total coal fuel expense included in the 2024 March Forecast is \$62.9 million, compared to \$84.6
14 million in the 2024 October Update, a decrease of 26 percent. Coal-fired generation also
15 decreased as compared to the October Update, from 2.1 million MWh to 1.6 million MWh, or
16 approximately 24 percent. Forecast generation at Bridger decreased 22 percent from the
17 October Update and forecast generation at Valmy decreased 33 percent. The Company
18 separately accounted for its fixed proportional share of the total OHAG expenses incurred at
19 each of the coal plants.¹⁷ The gas price forecast used for the March Forecast for Henry Hub
20 was \$3.02 per Metric Million British Thermal Unit ("MMBtu"), which is \$0.88 lower than the Henry
21 Hub gas price used for the October Update.¹⁸

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23 ¹⁴ Idaho Power/300-309.

24 ¹⁵ Idaho Power/300, Brady/4-5.

25 ¹⁶ Idaho Power/300, Brady/5.

26 ¹⁷ Idaho Power/300, Brady/6.

¹⁸ Idaho Power/300, Brady/7.

1 The Company updated the hydro forecast.¹⁹ The hydro generation forecasted for this
2 year's March Forecast is 6.9 million MWh compared to 6.4 million MWh in last year's March
3 Forecast, a 9 percent increase.²⁰

4 The 2024 March Forecast also included decreased PURPA expenses compared to the
5 October Update.²¹ The October Update included 354.7 average megawatts ("aMW") of available
6 PURPA generation, whereas the PURPA generation included in the March Forecast was 335.1
7 aMW, a decrease of 19.6 aMW, or 5.5 percent, since the October Update.²² Total PURPA
8 expense included in the March Forecast is \$242.9 million compared to \$250.3 million included
9 in the October Update, a decrease of \$7.5 million, or 3 percent.

10 Idaho Power proposed \$48.1 million in system EIM benefits as an offset to NPSE in the
11 2024 March Forecast. On an Oregon-allocated basis, the EIM benefits totaled \$2 million.²³

12 The Company calculated a March Forecast rate of \$38.63 per MWh, which is \$9.73 per
13 MWh less than last year's March Forecast rate of \$48.36 per MWh.²⁴ Combining the 2024
14 October Update and 2024 March Forecast resulted in an overall proposed revenue decrease of
15 approximately 9.2 percent, or \$6.1 million.²⁵

16 The 2024 March Forecast also proposed to allocate the revenue requirement associated
17 with the 2024 APCU according to the revenue spread methodology agreed upon in the 2018
18 Stipulation, which was approved by the Commission in Order No. 18-170.²⁶

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21 ¹⁹ Idaho Power/300, Brady/10-11.

22 ²⁰ Idaho Power/300, Brady/11.

23 ²¹ Idaho Power/300, Brady/9.

24 ²² Idaho Power/300, Brady/9.

25 ²³ Idaho Power/300, Brady/16.

26 ²⁴ Idaho Power/300, Brady/17.

²⁵ Idaho Power/300, Brady/19.

²⁶ Idaho Power/300, Brady/19; Idaho/309.

1 Again, Staff and CUB issued discovery and conducted a thorough investigation.
2 Settlement conferences and workshops were held on January 4, January 10, and April 2, 2024.

3 Ultimately the Stipulating Parties resolved all the issues in this case through these
4 discussions. Thereafter Idaho Power moved to suspend the schedule, and ALJ Mellgren
5 granted the motion.²⁷

6 II. DISCUSSION

7 A. Terms of the Stipulation.

8 The Stipulating Parties agree to a revenue requirement decrease of \$6.9 million or 10.42
9 percent overall. This decrease reflects the Company's filed revenue requirement, with the
10 following adjustments:

- 11 1. The Stipulating Parties agree to increase system EIM benefits by \$7.5
12 million, resulting in \$2.3 million of Oregon-allocated EIM benefits in the
13 2024 APCU, representing a \$0.3 million increase in Oregon-allocated EIM
14 benefits compared to the filed 2024 March Forecast.
- 15 2. The Stipulating Parties agree to reduce system PURPA expenses included
16 in Idaho Power's 2024 APCU by \$12 million, resulting in \$9.6 million in
17 Oregon-allocated PURPA expenses in the 2024 APCU, representing a
18 \$0.5 million decrease in Oregon-allocated PURPA expenses compared to
19 the filed 2024 March Forecast.

20 The Stipulating Parties do not necessarily agree on the methodology used to calculate
21 either of the above adjustments and every party reserves its rights to dispute the methodology
22 used in this case in future proceedings. However, the Stipulating Parties agree that these
23 adjustments represent a reasonable resolution of the issues raised in this docket and result in just
24 and reasonable rates.

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²⁷ Ruling (Apr. 4, 2024).

1 Additionally, the Stipulating Parties agree to continue discussions seeking to align the load
2 forecasts used in Idaho Power’s APCU with the settled upon load forecast in the Company’s
3 current general rate case.²⁸

4 Based on the foregoing agreements, the Stipulating Parties agree to Idaho Power’s
5 requested revenue requirement decrease of \$6.9 million.²⁹ The Stipulating Parties agree that
6 rates agreed to by the terms of this Stipulation should be made effective on June 1, 2024.³⁰

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

8 The Commission will adopt a stipulation if it is supported by competent evidence in the
9 record, appropriately resolves the issues in a case, and results in just and reasonable rates.³¹
10 When evaluating the rates, the Commission examines “the reasonableness of the overall
11 rates.”³² Here, the Stipulation satisfies these standards.

12 First, the Stipulation is supported by the record, which includes the Company’s testimony
13 and exhibits describing the detailed calculations supporting both the 2024 October Update and
14 2024 March Forecast.³³ Staff and CUB conducted a thorough investigation of the Company’s
15 testimony and exhibits, and served numerous data requests. As a result of its investigation,
16 Staff filed testimony in response to the 2024 October Update.³⁴ Staff and CUB raised concerns

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18 ²⁸ *In re Idaho Power Company Request for a General Rate Revision*, Docket UE 426.

19 ²⁹ Stipulation ¶ 30.

20 ³⁰ Stipulation ¶ 32.

21 ³¹ See *In re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432
22 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all
23 primary issues in this docket.”); See *In re PacifiCorp Request for a General Rate Revision*, Docket No. UE
24 210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a stipulation, we have the statutory duty
25 to make an independent judgment as to whether any given settlement constitutes a reasonable resolution
26 of the issues.”); See *In re PacifiCorp Request for a General Rate Revision*, Docket No. 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.”).

27 ³² *In re Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*,
Docket No. DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

28 ³³ Idaho Power/100-108; Idaho Power/200; Idaho Power/300-305.

29 ³⁴ Staff/100-102; Staff/200-203; Staff/300-302; Staff/400-401; Staff/500-501.

1 regarding certain aspects of Idaho Power’s filing. These issues were addressed at settlement
2 meetings and workshops, and in the Company’s responsive testimony.³⁵ After negotiations, the
3 Stipulating Parties reached agreement on all unresolved issues as detailed above. The
4 Stipulating Parties agree that the testimony filed by Idaho Power and Staff is sufficient to support
5 a finding that the Stipulation is reasonable and should be adopted.


6 Second, the Stipulating Parties agree that the revenue requirement results in a cost per-
7 unit rate that is consistent with the methodology approved by the Commission in Order No. 08-
8 238.³⁶ Because the Company’s filed case, as modified by the Stipulation, reflects correct
9 calculations that conform to Commission precedent, the resulting rates are just and reasonable
10 and fall within the “range of reasonableness” for resolution of these issues.³⁷

11 **III. CONCLUSION**

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

14 **IDAHO POWER COMPANY**

STAFF

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16 _____
17 Adam Lowney
18 Lisa D. Nordstrom
19 Lead Counsel

/s/ Stephanie Andrus
Stephanie Andrus
Senior Assistant Attorney General
Oregon Department of Justice

20 Dated: April 11, 2024.

Dated: April 11, 2024.

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24 ³⁵ See Idaho Power/200 and Idaho Power/300.

25 ³⁶ Stipulation ¶ 30.

26 ³⁷ See *In re US West Comms., Inc.’s UM 351 Cost Study Summaries*, Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

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OREGON CITIZENS' UTILITY BOARD

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Dated: April 11, 2024.