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May 10, 2011

VIA ELECTRONIC AND U.S. MAIL

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

Re: UE 222 - In The Matter of IDAHO POWER COMPANY's 2011 Annual Power Cost Update

Attention Filing Center:

Enclosed for filing in the above-referenced docket are an original and five copies of the Stipulation and an original and one copy of Idaho Power's Motion to Admit Stipulation. The parties are finalizing a brief in support of the Stipulation, which will be filed in the next couple of days.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service. Please contact me with any questions.

Very truly yours,

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

Wendy McIndoo
Legal Assistant

Enclosures
cc: Service List

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

3 **UE 222**

4 In the Matter of:

5 Idaho Power Company's 2011 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") 2011 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, 2011.

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"). No other parties intervened in this docket.

15 **BACKGROUND**

16 2. Pursuant to Order No. 08-238, Idaho Power annually updates its net power
17 supply expense included in rates through an automatic adjustment clause, the APCU. The
18 APCU is comprised of two components—an "October Update" and a "March Forecast." The
19 October Update contains the Company's forecasted net power supply expense reflected on a
20 normalized and unit basis for an April through March test period. The March Forecast contains
21 the Company's net power supply expense based upon updated actual forecasted conditions.
22 Pursuant to Order No. 10-191² the Company allocates the APCU revenue requirement to
23

24 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"].

25 ² *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Order No. 10-191 (May
26 24, 2010).

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

7 3. On October 15, 2010, Idaho Power filed testimony and exhibits as well as its
8 revised Schedules for the 2011 APCU ("2011 October Update"). Pursuant to Order No. 08-
9 238 the 2011 October Update updated the following variables: loads, fuel prices,
10 transportation costs, maintenance rates, heat rates, and forced outage rates for thermal
11 plants. The test period for the 2011 October Update was April 2011 through March 2012 and
12 included updated plant capacities for all Company owned resources and updated sales and
13 load forecast. The 2011 October Update specifically accounted for changes in coal prices,
14 PURPA generation and expenses, and the Company's Special Contract with Hoku Materials,
15 Inc ("Hoku").

16 4. The 2011 October Update resulted in a cost per unit of \$16.96 per megawatt-
17 hour ("MWh"). The October Update unit cost that became effective June 1, 2010, was \$14.56
18 per MWh.

19 5. On October 25, 2010, CUB filed its Notice of Intervention. On November 18,
20 2010, Administrative Law Judge Allan J. Arlow held a prehearing conference at which the
21 parties to Docket UE 222 agreed upon a procedural schedule that would allow the
22 Commission to issue an order on Idaho Power's 2011 APCU prior to the rate-effective date of
23 June 1, 2011.

24 6. Staff and CUB served discovery on Idaho Power and conducted a thorough
25 investigation of the 2011 October Update. On January 25, 2011, Staff and CUB filed Opening
26 Testimony addressing the 2011 October Update. In that testimony, CUB indicated that it had

1 analyzed the 2011 October Update and raised several issues through discovery that were
2 adequately addressed by the Company. CUB did not raise any substantive issues in its
3 testimony.³

4 7. Staff's testimony concluded that the Company's 2011 October Update conformed
5 to the requirements of Order No. 08-238 and that the Company's analysis and calculations
6 were correct.⁴

7 8. The procedural schedule called for Idaho Power to file surrebuttal testimony on
8 February 22, 2011. However, because there were no disputes among the parties at that time,
9 the Company did not file testimony.

10 9. Thereafter, on March 23, 2011, the Company filed its 2011 March Forecast,
11 which consisted of direct testimony describing the Company's estimate of the expected net
12 power supply expense for the upcoming water year—April 2011 through March 2012. Order
13 No. 08-238 calls for the March Forecast to update the following variables: fuel prices,
14 transportation costs, wheeling expenses, planned and forced outages, heat rates, forecast of
15 normalized sales and loads updated for significant changes since the October Update,
16 forecast hydro generation, wholesale power purchase and sale contracts, forward price curve,
17 PURPA expenses, and the Oregon state allocation factor.

18 10. In this year's filing, however, the only variables that had changed since the 2011
19 October Update were fuel prices, forecast normalized sales and loads, forecast hydro
20 generation, known power purchases and sales, and the forward price curve. The fuel prices
21 were updated to reflect a reduction in natural gas prices and an increase in coal costs. The
22 sales and load forecast was updated to reflect a revised delivery schedule for Hoku. And the
23 hydro update, based upon updated streamflow forecasts and reservoir levels, reflected the
24 fact that this year's forecasts are closer to average, as compared with last year's.

25 ³ See CUB/100, Felghner/1.

26 ⁴ See Staff/100, Durrenberger/2-5.

1 11. In conformance with the requirements of Order No. 08-238, the Company
2 calculated a cost per unit for the 2011 March Forecast of \$18.03 per MWh, which is \$1.90 per
3 MWh less than last year's cost per unit of \$19.93 per MWh.

4 12. Combining the 2011 October Update and 2011 March Forecast resulted in a cost
5 per unit of \$17.98 per MWh. The overall revenue impact of the 2011 October Update and
6 March Forecast is a 2.17 percent average overall *decrease* from last year's cost per unit.

7 13. The Company's 2011 March Forecast also implemented the Commission's Order
8 No. 10-414 in Docket UM 1355, which addressed the calculation of the Company's forced
9 outage rates.⁵ In this case the Company made no adjustments to the Equivalent Forced
10 Outage Rate ("EFOR") because the Company's EFOR was within the Commission's collar as
11 adopted in Order No. 10-414.

12 14. The 2011 March Forecast also included the Company's proposed rate spread
13 used to spread the revenue requirement to the various customer classes. The Company's
14 proposed allocation conformed to the methodology approved by the Commission in Order No.
15 10-191, the Company's last APCU filing.⁶

16 15. On March 23, 2011, the Company also filed Advice No. 11-05—a revision to the
17 Company's tariffs to reflect the rates in the 2011 October Update and March Forecast.

18 16. Staff, CUB, and Idaho Power participated in settlement conferences on January
19 6, 2011, and April 18, 2011. At the settlement conferences the parties discussed substantive
20 issues on which the parties to the docket had outstanding concerns. At the April 18, 2011,
21 conference the parties reached full settlement on all issues in this docket.

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24 ⁵ *Re Investigation into Forecasting Forced Outage Rates for Electric Generating Units*, Docket UM 1355,
25 Order No. 10-414 (Oct. 22, 2010).

26 ⁶ *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Order No. 10-191 (May
27 24, 2010).

AGREEMENT

17. The Stipulating Parties agree to a cost per unit of \$17.98 per MWh. This amount reflects the Company's filed cost per unit, which the Stipulating Parties agree conforms to the methodology adopted by the Commission in Order No. 08-238. The Stipulating Parties also agree that the calculations reflected in the Company's 2011 October Update and March Forecast are correct and the Stipulating Parties agree that the rates resulting from the cost per unit are fair, just, and reasonable.

18. The Stipulating Parties agree that the revised tariff sheets filed on March 23, 2011, reflect the terms of this Stipulation and should be made effective on June 1, 2011.

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

20. The Stipulating Parties agree that the Company properly implemented the Commission's Order No. 10-414 with respect to outage rate calculations.

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

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

23. If this Stipulation is challenged by any other party to this proceeding, the Stipulating Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Stipulating Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which

1 may include raising issues that are incorporated in the settlements embodied in this
2 Stipulation.

3 24. The Parties have negotiated this Stipulation as an integrated document. If the
4 Commission rejects all or any material part of this Stipulation, or adds any material condition
5 to any final order that is not consistent with this Stipulation, each Party reserves its right,
6 pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in
7 support of the Stipulation or to withdraw from the Stipulation. Parties shall be entitled to seek
8 rehearing or reconsideration pursuant to OAR 860-001-0720 in any manner that is consistent
9 with the agreement embodied in this Stipulation.

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

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

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

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STAFF

By: SLY SC
Date: May 9, 2011

IDAHO POWER

By: _____
Date: _____

CITIZENS' UTILITY BOARD

By: _____
Date: _____

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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: 

Date: _____

Date: 5-9-11

IDAHO POWER

By: _____

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2 STAFF

CITIZENS' UTILITY BOARD

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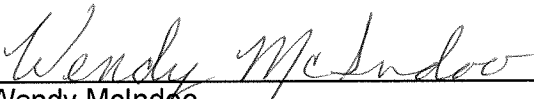
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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in
UE 222 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.

Ed Durrenberger Public Utility Commission of Oregon ed.durrenberger@state.or.us	Robert Jenks Citizens' Utility Board of Oregon bob@oregoncub.org
Gordon Feighner Citizens' Utility Board of Oregon gordon@oregoncub.org	Catriona McCracken Citizens' Utility Board of Oregon catriona@oregoncub.org
Stephanie S. Andrus Department Of Justice Assistant Attorney General Business Activities Section stephanie.andrus@state.or.us	

DATED: May 10, 2011



Wendy McIndoo
Legal Assistant