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April 21, 2014

VIA ELECTRONIC AND U.S. MAIL

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

Re: UE 279 In The Matter of IDAHO POWER COMPANY's 2014 Annual Power Cost Update

Attention Filing Center:

Enclosed for filing in the above-referenced matter is an original and five copies of Idaho Power Company's Partial Stipulation and Joint Explanatory Brief.

A copy of this filing has been served on all parties to this proceeding. Please contact this office with any questions.

Very truly yours,

A handwritten signature in blue ink that reads "Wendy McIndoo". The signature is fluid and cursive.

Wendy McIndoo
Office Manager

Enclosures
cc: Service List

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

3 **UE 279**

4 In the Matter of:

5 Idaho Power Company's 2014 Annual
6 Power Cost Update

PARTIAL STIPULATION

7 This Partial Stipulation resolves all issues among the parties to this Partial Stipulation
8 related to Idaho Power Company's ("Idaho Power" or "Company") March Forecast component
9 of the 2014 Annual Power Cost Update ("APCU") filed pursuant to Order No. 08-238.¹ The
10 APCU updates the Company's net power supply expense and results in new rates, which the
11 mechanism permits to go into effect June 1, 2014.

12 **PARTIES**

13 1. The parties to this Partial Stipulation are Staff of the Public Utility Commission of
14 Oregon ("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. 10-191² the Company allocates the APCU revenue requirement to

24 _____
25 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).

26 ² Re Idaho Power Company's 2010 Annual Power Cost Update, Docket UE 214, Order No. 10-
191 (May 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 mechanisms are intended, under the
7 mechanisms, to become effective on June 1 of each year.

8 3. On October 18, 2013, Idaho Power filed testimony and exhibits for the 2014
9 APCU ("October Update").³

10 4. On October 24, 2013, CUB filed its Notice of Intervention. On December 3,
11 2013, Administrative Law Judge ("ALJ") Patrick Power held a prehearing conference at which
12 the parties to docket UE 279 agreed upon a procedural schedule that would allow the Public
13 Utility Commission of Oregon ("Commission") to issue an order on Idaho Power's 2014 APCU
14 prior to June 1, 2014.⁴

15 5. Staff and CUB served discovery on Idaho Power and conducted a thorough
16 investigation of the October Update. Thereafter, the Stipulating Parties participated in a
17 settlement conference and ultimately agreed to a settlement. On February 5, 2014, the
18 Stipulating Parties filed a Partial Stipulation that resolved all issues related to the October
19 Update (hereinafter, the "October Update Stipulation"). The October Update Stipulation
20 included a cost per unit of \$21.82 per MWh.

21 6. Pursuant to the procedural schedule and the terms of the October Update
22 Stipulation, on March 21, 2014, Idaho Power filed its March Forecast. The March Forecast
23 consisted of direct testimony describing the Company's estimate of the expected net power
24

25 ³ See Idaho Power/100 – 108.

26 ⁴ *Re Idaho Power Company's 2014 Annual Power Cost Update*, Docket UE 279, Prehearing
Conference Memorandum at 1 (Dec. 3, 2013).

1 supply expense for the upcoming water year—April 2014 through March 2015.⁵ Order No. 08-
2 238 calls for the March Forecast to update the following variables: fuel prices, transportation
3 costs, wheeling expenses, planned and forced outages, heat rates, forecast of normalized
4 sales and loads updated for significant changes since the October Update, forecast hydro
5 generation, wholesale power purchase and sale contracts, forward price curve, Public Utility
6 Regulatory Policies Act of 1978 (“PURPA”) expenses, and the Oregon state allocation factor.⁶
7 In this year’s filing, however, the variables that had changed since the October Update were:
8 (1) fuel prices; (2) heat rates; (3) forecasts of normalized sales and loads; (4) the forecast of
9 hydro conditions from the Northwest River Forecast Center (“NRFC”); (5) known power
10 purchases and surplus sales resulting from the Company’s Risk Management Policy; (6) the
11 forward price curve in accordance with Order No. 08-238; and (7) PURPA contract expenses.⁷
12 The two key factors impacting the March Forecast price are the increased coal costs for the
13 Jim Bridger plant and the poor hydro conditions that are expected to persist during the test
14 period.

15 7. The fuel prices were updated to reflect changes in forecast natural gas and coal
16 costs.⁸ The increased mining costs at the Bridger Coal Company were the largest factor
17 impacting the March Forecast’s fuel prices.⁹

18 8. The Company’s updated hydro forecast was another key driver in the March
19 Forecast’s overall price.¹⁰ Expected streamflows are significantly below average levels
20 resulting in a significant reduction in forecast hydro generation. Indeed, the hydro generation
21 included in the March Forecast decreased by 1.4 million MWh or 160 aMW as compared to

22 ⁵ Idaho Power/200-205.

23 ⁶ Idaho Power/200, Wright/2.

24 ⁷ Idaho Power/200, Wright/3.

25 ⁸ Idaho Power/200, Wright/3-5.

26 ⁹ Idaho Power/200, Wright/3-4.

¹⁰ Idaho Power/200, Wright/6-7.

1 the October Update.¹¹ This decrease is roughly equivalent to the combined expected output
2 of the Langley Gulch, Valmy, and Boardman plants included in the October Update.¹²

3 9. The March Forecast also included reduced PURPA expenses. Although the
4 March Forecast included an additional PURPA contract that was not included in the October
5 Update, another PURPA contract was removed for failure to meet its contractual obligations.
6 The net result is a slight reduction in PURPA expenses.¹³

7 10. The March Forecast also updated the energy profiles for the Company's wind
8 and geothermal contracts to reflect hourly generation profiles.¹⁴

9 11. The Company calculated a cost per unit for the March Forecast of \$26.23 per
10 MWh, which is \$0.74 per MWh more than last year's cost per unit of \$25.49 per MWh.¹⁵ This
11 equates to a system-wide net power supply expense of \$373,852,857.¹⁶

12 12. Combining the price per unit from the October Update Stipulation and March
13 Forecast resulted in a cost per unit of \$26.01 per MWh.¹⁷ The overall proposed revenue
14 impact of the combined rate is an increase of approximately 0.82 percent, or \$0.4 million.¹⁸

15 13. The March Forecast also included the Company's proposed rate spread used to
16 spread the revenue requirement to the various customer classes. The Company's proposed
17 allocation conformed to the methodology approved by the Commission in Order No. 10-191.¹⁹

18 14. A settlement conference was held on April 3, 2014. During that settlement
19 conference the Stipulating Parties agreed to resolve all the issues in this case, subject to

20 ¹¹ Idaho Power/200, Wright/6.

21 ¹² Idaho Power/200, Wright/6.

22 ¹³ Idaho Power/200, Wright/7-8.

23 ¹⁴ Idaho Power/200, Wright/8.

24 ¹⁵ Idaho Power/200, Wright/9.

25 ¹⁶ Idaho Power/203.

26 ¹⁷ Idaho Power/203.

¹⁸ Idaho Power/200, Wright/11.

¹⁹ Idaho Power/200, Wright/10-11.

1 Staff's and CUB's review of additional discovery responses from Idaho Power related to
2 Bridger coal production and hydro forecasts. These issues are addressed below and in the
3 brief supporting this Partial Stipulation and the October Update Stipulation. Thereafter the
4 Company moved to suspend the schedule and ALJ Patrick Power granted the motion.

5 15. This Partial Stipulation, presented on behalf of all parties to the docket, resolves
6 all issues in the docket related to the March Forecast. Together with the October Update
7 Stipulation this Partial Stipulation resolves all the issues in this docket.

8 **AGREEMENT**

9 16. The Stipulating Parties agree that the calculation of the agreed upon cost per unit
10 rate in the March Forecast and the combined rate is correct and in conformance with the
11 methodology adopted by the Commission in Order No. 08-238 and the Stipulating Parties
12 agree that the rates resulting from the agreed upon cost per unit are fair, just, and reasonable.

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

15 18. The Stipulating Parties agree that rates agreed to by the terms of this Stipulation
16 should be made effective on June 1, 2014 as permitted by the APCU mechanism.

17 19. The Stipulating Parties further agree that this Partial Stipulation is not intended in
18 any way to limit or prohibit the parties further discussion – outside of the UE 279 docket – of
19 issues related to the Company's testimony regarding Bridger coal resources, and the alternate
20 sources of coal, for use at the Jim Bridger plant; discussions that were not immediately
21 needed for the resolution of this UE 279 docket but which should be completed.²⁰

22 20. The Stipulating Parties agree to submit this Partial Stipulation to the Commission
23 and request that the Commission approve the Partial Stipulation as presented. The
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26 ²⁰ UE 279 Motion to Suspend Procedural Schedule, April 9, 2014 at n.1; see also discussion at
Joint Explanatory Brief at 7.

1 Stipulating Parties agree that the adjustments and the rates resulting from the Partial
2 Stipulation are fair, just, and reasonable.

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

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

13 23. The Stipulating Parties have negotiated this Partial Stipulation as an integrated
14 document. If the Commission rejects all or any material part of this Partial Stipulation, or adds
15 any material condition to any final order that is not consistent with this Partial Stipulation, each
16 Stipulating Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence
17 and argument on the record in support of the Partial Stipulation or to withdraw from the Partial
18 Stipulation. Stipulating Parties shall be entitled to seek rehearing or reconsideration pursuant
19 to OAR 860-001-0720 in any manner that is consistent with the agreement embodied in this
20 Partial Stipulation.

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

3 25. This Partial Stipulation may be executed in counterparts and each signed
4 counterpart shall constitute an original document.

5 26. This Partial Stipulation is entered into by each Stipulating Party on the date
6 entered below such Stipulating Party's signature.

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STAFF

By: *Mike [Signature]*, attorney for Staff
Date: 4/18/14

IDAHO POWER

By: *[Signature]*
Date: 4/21/14

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Date: _____

1 resolving issues in any other proceeding, except as specifically identified in this Partial
2 Stipulation.

3 25. This Partial Stipulation may be executed in counterparts and each signed
4 counterpart shall constitute an original document.

5 26. This Partial Stipulation is entered into by each Stipulating Party on the date
6 entered below such Stipulating Party's signature.

7

8 STAFF

9

By: _____

10

Date: _____

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12 IDAHO POWER

CITIZENS' UTILITY BOARD OF OREGON

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By: _____

By: 

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Date: _____

Date: 4-28-14

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 279 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

OPUC Dockets
Citizens' Utility Board of Oregon
dockets@oregoncub.org

Robert Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

Catriona McCracken
Citizens' Utility Board of Oregon
catriona@oregoncub.org

Michael T. Weirich
Department of Justice
Michael.weirich@state.or.us

John Crider
Public Utility Commission of Oregon
john.crider@state.or.us

DATED: April 21, 2014



Wendy McIndoo
Office Manager

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

3 **UE 279**

4 In the Matter of:

5 Idaho Power Company's 2014 Annual
6 Power Cost Update

JOINT EXPLANATORY BRIEF

7 This brief explains and supports the two Partial Stipulations filed in this proceeding on
8 February 5, 2014, and April 21, 2014, among Idaho Power Company ("Idaho Power" or
9 "Company"), the Citizens' Utility Board of Oregon ("CUB"), and Staff of the Public Utility
10 Commission of Oregon ("Staff") (together, the "Stipulating Parties"). These two Partial
11 Stipulations resolve all issues raised by the Stipulating Parties related to Idaho Power's 2014
12 Annual Power Cost Update ("APCU").

13 **I. BACKGROUND**

14 **A. Idaho Power's APCU and Power Cost Adjustment Mechanism.**

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

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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).

1 **B. The 2014 October Update.**

2 On October 18, 2013, Idaho Power filed testimony and exhibits for the 2014 APCU
3 (“October Update”).² Pursuant to Order No. 08-238 the October Update updated the following
4 variables: loads, fuel prices, transportation costs, maintenance rates, heat rates, and forced
5 outage rates for thermal plants.³ The test period for the October Update was April 2014
6 through March 2015 and included updates of the above referenced variables for all Company
7 owned resources and updated sales and load forecast.⁴ The October Update specifically
8 accounted for changes in natural gas and coal prices and generation and expenses related to
9 contracts entered into pursuant to the Public Utility Regulatory Policies Act of 1978
10 (“PURPA”).⁵

11 The October Update resulted in a cost per unit of \$21.80 per megawatt-hour (“MWh”).⁶
12 This represents a decrease of \$1.33 per MWh over last year’s October Update.⁷

13 The October Update also included the Company’s proposed method of allocation, which
14 was consistent with the revenue spread methodology approved by the Commission in Order
15 No. 10-191.⁸ Pursuant to that order the Company allocates the APCU revenue requirement to
16 individual customer classes on the basis of the total generation-related revenue requirement
17 approved in the Company’s last general rate case, instead of the previous equal cents per
18 kWh approved in Order No. 08-238. Order No. 10-191 also directs the Company to adjust its
19 base rates to reflect changes in revenue requirement related to the October Update, while the
20 rates resulting from the March Forecast are listed on Schedule 55.

21 _____
22 ² See Idaho Power/100 – 108.

23 ³ Idaho Power/100, Wright/2.

24 ⁴ Idaho Power/100, Wright/2.

25 ⁵ Idaho Power/100, Wright/2-4.

26 ⁶ Idaho Power/100, Wright/8.

⁷ Idaho Power/100, Wright/8.

⁸ Idaho Power/100, Wright/10-11; Idaho Power/107.

1 On October 24, 2013, CUB filed its Notice of Intervention. On December 3, 2013,
2 Administrative Law Judge (“ALJ”) Patrick Power held a prehearing conference at which the
3 parties to docket UE 279 agreed upon a procedural schedule intended to allow the Public
4 Utility Commission of Oregon (“Commission”) to issue an order on Idaho Power’s 2014 APCU
5 prior to June 1, 2014.⁹

6 Staff and CUB served discovery on Idaho Power and conducted a thorough investigation
7 of the October Update. When responding to discovery, the Company revised Exhibits 101
8 and 105 from the original filing to incorporate a formula error in the natural gas price
9 calculation. The natural gas price included in the October Update is based on five indices.
10 The Company calculates an average price by first removing the highest and lowest index and
11 then averaging the remaining three. In the Company’s original filing, the formula for
12 calculating the maximum natural gas price included only four of the five indices. Therefore,
13 the highest natural gas price was not removed prior to calculating the average price. When
14 the formula was corrected, the original gas price for Henry Hub of \$4.32 per MMBtu was
15 revised to \$4.08 per MMBtu. The Company ran the revised gas price in the AURORA model
16 to generate revised Exhibits 101 and 105. Correcting the natural gas price formula error
17 changes the original per unit cost of \$21.80 per MWh to \$21.82 per MWh.

18 On January 13, 2014, the Stipulating Parties conducted a settlement conference. As a
19 result of this discussion, the Stipulating Parties agreed to a settlement. On February 5, 2013,
20 the Stipulating Parties filed a Partial Stipulation that resolved all issues related to the 2014
21 October Update (hereinafter, the “October Update Stipulation”). The October Update
22 Stipulation included a cost per unit of \$21.82 per MWh.

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26 ⁹ *Re Idaho Power Company’s 2014 Annual Power Cost Update*, Docket UE 279, Prehearing
Conference Memorandum at 1 (Dec. 3, 2013).

1 **C. The 2014 March Forecast.**

2 Pursuant to the procedural schedule and the terms of the October Update Stipulation, on
3 March 21, 2014, Idaho Power filed its March Forecast. The March Forecast consisted of
4 direct testimony describing the Company's estimate of the expected net power supply
5 expense for the upcoming water year—April 2014 through March 2015.¹⁰

6 Order No. 08-238 calls for the March Forecast to update the following variables: fuel
7 prices, transportation costs, wheeling expenses, planned and forced outages, heat rates,
8 forecast of normalized sales and loads updated for significant changes since the October
9 Update, forecast hydro generation, wholesale power purchase and sale contracts, forward
10 price curve, Public Utility Regulatory Policies Act of 1978 ("PURPA") expenses, and the
11 Oregon state allocation factor.¹¹ In this year's filing, the variables that had changed since the
12 October Update were: (1) fuel prices; (2) heat rates; (3) forecasts of normalized sales and
13 loads; (4) the forecast of hydro conditions from the Northwest River Forecast Center
14 ("NRFC"); (5) known power purchases and surplus sales resulting from the Company's Risk
15 Management Policy; (6) the forward price curve in accordance with Order No. 08-238; and (7)
16 PURPA contract expenses.¹² The two key factors impacting the March Forecast price were
17 increased coal costs for the Jim Bridger plant and the poor hydro conditions that are expected
18 to persist during the test period.

19 The fuel prices were updated to reflect changes in forecast natural gas and coal costs.¹³
20 The increased mining costs at the Bridger Coal Company were the largest factor impacting
21 the March Forecast's fuel prices.¹⁴

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23 ¹⁰ Idaho Power/200-205.

24 ¹¹ Idaho Power/200, Wright/2.

25 ¹² Idaho Power/200, Wright/3.

26 ¹³ Idaho Power/200, Wright/3-5.

¹⁴ Idaho Power/200, Wright/3-4.

1 The Company's updated hydro forecast was another key driver in the March Forecast's
2 overall price.¹⁵ Expected streamflows are significantly below average levels resulting in a
3 significant reduction in forecast hydro generation. Indeed, the hydro generation included in
4 the March Forecast decreased by 1.4 million MWh or 160 aMW as compared to the October
5 Update.¹⁶ This decrease was roughly equivalent to the combined expected output of the
6 Langley Gulch, Valmy, and Boardman plants included in the October Update.¹⁷

7 The March Forecast also included reduced PURPA expenses. Although the March
8 Forecast included an additional PURPA contract that was not included in the October Update,
9 another PURPA contract was removed for failure to meet its contractual obligations. The net
10 result is a slight reduction in PURPA expenses.¹⁸

11 The March Forecast also updated the energy profiles for the Company's wind and
12 geothermal contracts to reflect hourly generation profiles.¹⁹

13 The Company calculated a cost per unit for the March Forecast of \$26.23 per MWh,
14 which is \$0.74 per MWh more than last year's cost per unit of \$25.49 per MWh.²⁰ This
15 equates to a system-wide net power supply expense of \$373,852,857.²¹

16 Combining the price per unit from the October Update Stipulation and March Forecast
17 resulted in a cost per unit of \$26.01 per MWh.²² The overall proposed revenue impact of the
18 combined rate is an increase of approximately 0.82 percent, or \$0.4 million.²³

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20 ¹⁵ Idaho Power/200, Wright/6-7.

21 ¹⁶ Idaho Power/200, Wright/6.

22 ¹⁷ Idaho Power/200, Wright/6.

23 ¹⁸ Idaho Power/200, Wright/7-8.

24 ¹⁹ Idaho Power/200, Wright/8.

25 ²⁰ Idaho Power/200, Wright/9.

26 ²¹ Idaho Power/203.

²² Idaho Power/203.

²³ Idaho Power/200, Wright/11.

1 The March Forecast also included the Company's proposed rate spread used to spread
2 the revenue requirement to the various customer classes. The Company's proposed
3 allocation conformed to the methodology approved by the Commission in Order No. 10-191.²⁴

4 A second settlement conference was held on April 2, 2014. During that settlement
5 conference the Stipulating Parties agree to resolve all the issues in this case, subject to Staff's
6 and CUB's review of additional discovery responses from Idaho Power. Thereafter the
7 Company moved to suspend the schedule and ALJ Patrick Power granted the motion.

8 On April 21, 2014, the Stipulating Parties filed a second Partial Stipulation that resolved
9 all the issues related to the 2014 March Forecast ("March Forecast Stipulation"). The two
10 Partial Stipulations, presented on behalf of all parties to the docket, resolve all issues in the
11 docket.

12 II. DISCUSSION

13 A. Terms of the Partial Stipulations.

14 In the October Update Stipulation the Stipulating Parties agreed that the Company's
15 2014 October Update was calculated in conformance with the methodology adopted by the
16 Commission in Order No. 08-238, subject to the adjustments described in the October Update
17 Stipulation.²⁵ Specifically, in the October Update Stipulation, the Stipulating Parties agreed to
18 adjust the natural gas price calculation to correctly account for all five indices typically used for
19 the October Update.²⁶ This correction came as a result of Staff's review of the gas pricing
20 methodology, which revealed an error in the calculation. An incorrect gas price has a direct
21 and significant impact on the overall power cost because the gas price index is used to
22 calculate the cost of each megawatt-hour of energy for all of the gas resources in the

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²⁴ Idaho Power/200, Wright/10-11.

25 ²⁵ October Update Stipulation ¶¶ 10-11.

26 ²⁶ October Update Stipulation ¶¶ 7, 11.

1 Company's fleet. Correcting the natural gas price formula error changes the original per unit
2 cost of \$21.80 per MWh to \$21.82 per MWh.²⁷

3 As noted above, the two key factors impacting the March Forecast price were increased
4 coal costs for the Jim Bridger plant and poor hydro conditions that are expected to persist
5 during the test period.

6 With respect to the Jim Bridger plant, CUB was, and remains, concerned about the price
7 of the coal. As a result, during the second settlement conference CUB and Staff asked
8 questions as to the cause of the increase in coal costs. From the Company's testimony²⁸
9 CUB assumed that coal mined at Bridger was still being used to run the plant but was in some
10 way being supplemented with coal from elsewhere. In response to questions from CUB and
11 Staff, the Company explained that while mining at the Jim Bridger coal mine was continuing,
12 Bridger Coal Company was currently producing higher ash coal and, therefore, the Jim
13 Bridger Plant had to use coal from long term storage and increase the use of coal from other
14 sources. Staff and CUB both recognize that these are the circumstances today, and thus are
15 willing to settle this docket based on the known facts and numbers. However, both Staff and
16 CUB are of the opinion that this issue merits additional scrutiny and, therefore, sought and
17 obtained an agreement from the Company that the Partial Stipulations filed in this case are
18 not intended in any way to limit or prohibit the parties further discussion – outside of the UE
19 279 docket – of issues related to the Company's Testimony about Bridger Coal resources,
20 and the alternate sources of coal, for use at Jim Bridger plant. Although not immediately

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22 ²⁷ October Update Stipulation ¶¶ 7, 11.

23 ²⁸ Idaho Power/200 Wright/3 lines 25-26 and at 4 lines 1-7 ("The increase in the per-unit cost of coal for
24 the Bridger plant is attributed to increased mining costs at Bridger Coal Company. Bridger Coal
25 Company produces coal through two mining techniques, surface mining and underground mining. Over
26 the last few years, the majority of coal production at Bridger Coal Company has come from
underground mining. Since the October Update was filed, the underground mining cost for Bridger
Coal Company has increased due to lower coal quality, increased development costs, and decreased
production. The combination of those factors coupled with the delivery of more expensive coal in
inventory has increased the per ton cost of coal delivered from Bridger Coal Company.").

1 needed for the resolution of this docket, both Staff and CUB believe that the sourcing of coal
2 for the Jim Bridger plant merits further discussion in future proceedings.²⁹

3 CUB also had questions related to the poor hydro conditions and specifically why the
4 hydro forecasts were so low considering the abundant precipitation since the October Update
5 filing. The Company explained that while additional water could be expected to arrive in
6 upstream dams it was likely to be diverted for irrigation use prior to reaching its hydro
7 generation facilities and thus the Company is still expecting to experience below normal hydro
8 generation.

9 Based upon the above, CUB agrees with the Staff's and Company's assessment that the
10 Company's March Forecast was calculated correctly and in conformance with the terms of
11 Order No. 08-238.³⁰ The Stipulating Parties agree that in the March Forecast Stipulation the
12 combined cost per unit of \$26.01 per MWh was correctly calculated.³¹ The Stipulating Parties
13 also agree that the rates resulting from both the October Update and March Forecast Partial
14 Stipulations are just and reasonable.³²

15 Both the October Update and March Forecast Partial Stipulations also reflect the
16 Stipulating Parties agreement that the Company's allocation methodology conforms to that
17 adopted by the Commission in Order No. 10-191.³³

18 The Stipulating Parties further agree to support the making of the rates resulting from the
19 October Update and March Forecast Partial Stipulations effective June 1, 2014.³⁴

22 ²⁹ UE 279 Motion to Suspend Procedural Schedule, April 9, 2014 at Fn.1.

23 ³⁰ March Forecast Stipulation ¶¶ 16.

24 ³¹ March Forecast Stipulation ¶¶ 11-12.

25 ³² October Update Stipulation ¶ 14; March Forecast Stipulation ¶ 19.

25 ³³ October Update Stipulation ¶ 13; March Forecast Stipulation ¶ 17.

26 ³⁴ March Forecast Stipulation ¶ 18.

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

2 The Commission will approve a stipulation if it is an appropriate resolution of the issues
3 in a case³⁵ and results in just and reasonable rates.³⁶ When evaluating these rates, the
4 Commission examines “the reasonableness of the overall rates.”³⁷ Here, the Stipulating
5 Parties agree that the agreed upon cost per unit rate was correctly calculated using the
6 methodology approved by the Commission in Order No. 08-238.³⁸ The Stipulating Parties
7 also agree that the Company’s proposed rate spread conforms to the methodology approved
8 by the Commission in Order No. 10-191.³⁹ Because the Company’s filed case reflects correct
9 calculations that conform to Commission precedent, the resulting rates are just and
10 reasonable and fall within the “range of reasonableness” for resolution of these issues.⁴⁰

11 **III. CONCLUSION**

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

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³⁵ See *Re PacifiCorp’s 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-432 at 6
19 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate resolution of all
20 primary issues in this docket.”); See *Re PacifiCorp Request for a General Rate Revision*, Docket UE
21 210, 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.”).

22 ³⁶ See *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 ³⁷ *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*,
24 Docket DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

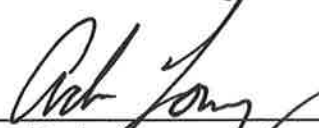
25 ³⁸ October Update Stipulation ¶¶ 14; March Forecast Stipulation ¶¶ 19.

26 ³⁹ October Update Stipulation ¶¶ 13; March Forecast Stipulation ¶¶ 17.

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

Respectfully submitted,

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