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September 1, 2009

## VIA ELECTRONIC FILING AND U.S. MAIL

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

**Re: Docket No. UM 1355**

Enclosed for filing in the above-referenced docket are an original and five copies of Idaho Power's Stipulation and the Joint Brief in Support of Stipulation.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

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

Wendy L. McIndoo

cc: Service List

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1355 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.

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DATED: September 1, 2009

  
\_\_\_\_\_  
Wendy McIndoo

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

3 **UM 1355**

4 In the Matter of

5 THE PUBLIC UTILITY COMMISSION  
6 OF OREGON,

7 Investigation into Forecasting Forced Outage  
8 Rates for Electric Generating Units.

**IDAHO POWER STIPULATION**

9  
10 This Stipulation resolves all issues among the parties to this Stipulation related to the  
11 methodology to be used by Idaho Power Company ("Idaho Power" or the "Company") to  
12 forecast its forced outage rates.

13 **PARTIES**

14 1. The parties to this Stipulation are Idaho Power, Staff of the Public Utility  
15 Commission of Oregon ("Staff"), and the Citizens' Utility Board ("CUB") (together, the  
16 "Parties"). The Industrial Customers of Northwest Utilities is not a party to this Stipulation,  
17 but has informed Idaho Power that it does not oppose the Stipulation.

18 **BACKGROUND**

19 2. In Order No. 07-015 in Docket UE 180, the Public Utility Commission of  
20 Oregon ("Commission") ordered the opening of a new generic docket to evaluate the  
21 accuracy of the utilities' methods for forecasting forced outages.<sup>1</sup> Forced outages are  
22 instances where a utility's generating plant is unavailable for generation.<sup>2</sup> Generally, there  
23 are three types of outages: (1) forced outages that require an immediate generator shut-  
24 down; (2) maintenance outages that are scheduled less than a year in advance; and (3)

25 <sup>1</sup> *Re. Portland General Electric Co. Request for General Rate Revision*, Docket UE 180, Order No. 07-  
015 at 15, 55 (Jan. 12, 2007).

26 <sup>2</sup> *Re. Public Utility Comm'n of Oregon Investigation into Forecasting Forced Outage Rates for Electric  
Generating Unit*, Docket UM 1355, Staff/100, Brown/2 (Apr. 7, 2009).

1 planned outages that are scheduled more than one year out.<sup>3</sup> The forced outage rate is a  
2 measure of the availability of a utility's generating plants and expressed as the proportion of  
3 the forced outage hours to the total hours the plant is available for generation.<sup>4</sup>

4 3. For the purposes of this Stipulation and the Brief filed concurrently, the term  
5 "forced outage rates" will be used generically, to cover all three types of outages, unless  
6 abbreviated as FOR, in which it will refer specifically to the forced outage rate, as opposed to  
7 a maintenance outage rate or planned outage rate.

8 4. On November 2, 2007, the Commission opened this docket to review the  
9 appropriate methodology for determining the forced outages rate for generating plants.<sup>5</sup>

10 5. The parties to this docket convened two settlement conferences held on  
11 June 18 and June 23, 2009. All parties to the docket participated in the conferences.

## 12 AGREEMENT

13 a. The Parties agree that Idaho Power will continue to calculate its forced  
14 outage rates for thermal generating units using the methodology that Idaho Power used in its  
15 previous general rate case, Docket UE 167, and currently in its filings before the Idaho Public  
16 Utilities Commission, subject to the modifications contained in this Stipulation.

17 b. **Calculating Forced Outage Rates.** The Parties agree that Idaho  
18 Power will continue to use the North American Electric Reliability Corporation ("NERC")  
19 formulas based upon a three-year historical average for calculating the forced outage rate  
20 ("FOR") for all thermal plants. Idaho Power does not model forced outages for its  
21 hydroelectric and peaker plants, and the Parties agree that Idaho Power will continue this  
22 current methodology.

23

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25 <sup>3</sup> *Id.*

<sup>4</sup> *Id.* at Staff/100, Brown/5.

26 <sup>5</sup> *Re. Portland General Electric Co. Request for General Rate Revision*, Docket UE 180, Order No. 07-015 at 55 (Jan. 12, 2007).

1           c.       **Exclusion of Extreme Events for Coal Units.** The Parties agree  
2 that, should a unit's annual FOR fall outside the 10th or 90th percentile of comparable NERC  
3 coal units, Staff's FOR benchmark method<sup>6</sup> will be applied to that unit's FOR. The 10<sup>th</sup> or  
4 90<sup>th</sup> percentiles will be based on the distribution of the merged NERC data for the most  
5 recently available four-year period. The Parties agree that this methodology does not  
6 demonstrate either "prudence" or "imprudence" of any utility action or expenditure. Parties  
7 further agree that, should the NERC sample change significantly, the Parties will revisit the  
8 efficacy of the benchmark.

9           d.       **Planned Maintenance Outage Forecasting.** The Parties agree that  
10 Idaho Power may continue to forecast its planned outages. However, the Staff and CUB  
11 retain the right to challenge future planned maintenance outage forecasts as not being  
12 representative of future outages.

13           e.       **Calculating FOR for New Plants.** The Parties agree that Idaho  
14 Power will use the manufacturer/project guarantee relevant to a new plant for the first two  
15 years of operation when calculating FOR. Actual operating data will be used after the first  
16 two years of operation.

17           f.       **Heavy Load/Light Load.** The Parties agree that Idaho Power will  
18 work with Staff to explore the Company's potential ability to implement a Heavy Load Hour  
19 and Light Load Hour split of maintenance hours for purposes of its annual power cost  
20 adjustment mechanism.

21           g.       **Wind Availability Reporting.** The Parties agree that, concurrent with  
22 its annual results of operations report beginning in 2010, Idaho Power will provide an annual  
23 report on wind resources in Idaho Power's resource portfolio. The report will contain:

- 24                   i. Projected energy by month for the wind resource (MWh);  
25                   ii. Projected capacity factor by month for the wind resource (%);

26 <sup>6</sup> Staff's benchmark method is set forth at Staff/200, Brown/8-15.

- 1                   iii. Actual energy by month for the wind resource (MWh);
- 2                   iv. Actual capacity factor by month for the wind resource (%); and
- 3                   v. Energy variance by month (MWh) for the wind resource.

4           In addition, to the extent that such information is made available to Idaho Power,  
5 Idaho Power will include in the annual report information as to the capacity factor variance by  
6 month as reported by the operator, along with the operator's specific definition of  
7 "availability." The information will be provided for each wind resource at the project level and  
8 will be measured via the revenue quality meter associated with the large generator  
9 interconnection agreement applicable to the wind resource.

10          6. Idaho Power reserves the right to employ a different methodology for  
11 calculating forced outages rates (including maintenance outage and planned outage rates) in  
12 the context of a general rate case or other power cost filing. However, in conjunction with  
13 such filing, Idaho Power will clearly state that it is seeking a modification to its methodology  
14 for calculating forced outage rates and will provide testimony to support its proposed  
15 changes. Any such changes will be subject to Commission approval.

16          7. The Parties agree to submit this Stipulation to the Commission and request  
17 that the Commission approve the Stipulation as presented. The Parties agree that the rates  
18 resulting from the adopted methodology are sufficient, fair, just, and reasonable.

19          8. This Stipulation will be offered into the record of this proceeding as evidence  
20 pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this  
21 proceeding and any appeal, provide witnesses (if necessary) to sponsor this Stipulation at  
22 the hearing, and recommend that the Commission issue an Order adopting the settlement  
23 contained herein.

24          9. If this Stipulation is challenged by any other party to this proceeding, the  
25 Parties agree that they will continue to support the Commission's adoption of the terms of  
26 this Stipulation. The Parties agree to cooperate in cross-examination and put on such a case

1 as they deem appropriate to respond fully to the issues presented, which may include raising  
2 issues that are incorporated in the settlements embodied in this Stipulation.

3       10.     The Parties have negotiated this Stipulation as an integrated document. If the  
4 Commission rejects all or any material portion of this Stipulation or imposes material  
5 additional conditions in approving this Stipulation, any Party disadvantaged by such action  
6 shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek  
7 reconsideration or appeal of the Commission's Order.

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

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

16       This Stipulation is entered into by each Party on the date entered below such Party's  
17 signature.

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**SIGNATURE PAGE FOLLOWS**

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STAFF

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

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

IDAHO POWER

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

Date: 9-1-09 \_\_\_\_\_

CUB

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

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



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STAFF

IDAHO POWER

By: Mike [Signature]

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

Date: 8/26/09

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

CUB

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

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CUB

By: 

Date: 8-28-09



1 generating plants and expressed as the proportion of the forced outage hours to the total  
2 hours the plant is available for generation.<sup>5</sup> For the purposes of this Brief and the Stipulation,  
3 the term “forced outage rates” will be used generically, to cover all three types of outages,  
4 unless abbreviated as FOR, in which case it will refer specifically to the forced outage rate,  
5 as opposed to a maintenance outage rate or planned outage rate.

## 6 II. DISCUSSION

### 7 A. Terms of the Stipulation

8 The terms of the Stipulation reflect the Parties’ agreement that with certain exceptions  
9 described in the Stipulation, the Commission should allow Idaho Power to continue using the  
10 methodology for forecasting forced outage rates that Idaho Power used in its previous  
11 general rate case before the Commission, Docket UE 167. Idaho Power currently uses  
12 these same methods in proceedings before the Idaho Public Utilities Commission (“Idaho  
13 Commission”). The Parties have evaluated Idaho Power’s current methods for forecasting  
14 forced outage rates and have found that, with the changes described in the Stipulation, the  
15 methods will accurately forecast Idaho Power’s forced outage rates.

16 With respect to specific forced outage rates, the Parties have agreed as follows:

17 a. The Parties agree that Idaho Power will continue to use the North  
18 American Electric Reliability Corporation (“NERC”) formulas, which are comparable to the  
19 formulas proposed by Staff<sup>6</sup>, based upon a three-year historical average for calculating the  
20 FOR for all thermal plants. Idaho Power does not model forced outages for its hydroelectric  
21 and peaker plants, and the Parties agree that Idaho Power will continue this current  
22 methodology.

23 b. In the event that a unit’s annual FOR falls outside the 10th or 90th  
24 percentile for comparable NERC coal units, the Parties agree to apply Staff’s FOR

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26 <sup>5</sup> *Id.* at Staff/100, Brown/5.

<sup>6</sup> Staff’s formulas were set forth at Staff/200, Brown/3.

1 benchmark method<sup>7</sup>. This method will be used to forecast a unit's FOR and will not be used  
2 to determine prudence. The Parties agree to revisit this method should the NERC sample  
3 change significantly.

4 c. The Parties agree that Idaho Power may continue to forecast its  
5 planned outages, although the Parties retain the right to challenge future planned  
6 maintenance outage forecasts as not being representative of future outages.

7 d. When calculating FOR for new plants, the Parties agree that Idaho  
8 Power will use the manufacturer/project guarantee relevant to a new plant for the first two  
9 years of operation. Actual operating data will be used after the first two years of operation.

10 e. The Parties agree that, concurrent with its annual results of operations  
11 report beginning in 2010, Idaho Power will provide an annual report on wind resources in  
12 Idaho Power's resource portfolio containing the information designated in the Stipulation.

13 f. The Parties agree that they may propose a temporary adjustment to  
14 the forced outage rate, either an increase or a decrease, to reflect a specific capital  
15 investment that is expected to result in a change in unit availability. Such an adjustment  
16 would remain applicable until the impact of the capital investment is adequately reflected in  
17 the actual operating data that serves as the basis for the standard forced outage rate  
18 calculations.

19 g. The Parties have agreed that Idaho Power may present to the  
20 Commission in a general rate case or other relevant proceeding a methodology for  
21 calculating forced outage rates that departs from the methodology laid out in the Stipulation.  
22 However, in such an event, Idaho Power will provide testimony to support its proposed  
23 changes, and such changes will be subject to Commission approval.

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26 <sup>7</sup> Staff's benchmark method was set forth at Staff/200, Brown/8-15.

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

2 The methodology for calculating forced outage rates set forth in the Stipulation will  
3 accurately forecast FOR and will therefore contribute to calculating just and reasonable  
4 rates. The Parties evaluated Idaho Power's current methodology with respect to thermal,  
5 hydro, and peaker plants and retained that methodology to the extent that it resulted in  
6 accurate forecasts of FOR. The Commission has approved that methodology several times,  
7 including most recently in Order No. 09-186 where the Commission approved Idaho Power's  
8 2009 Annual Power Cost Update ("APCU") that included forced outage calculations.<sup>8</sup> There  
9 the Commission found that Idaho Power's APCU—which included the Company's traditional  
10 forced outage calculation—was reasonable and resulted in just and reasonable rates. The  
11 methodology has also been approved for use by the Idaho Public Utilities Commission. The  
12 Stipulation therefore allows the continued use of a methodology that has been approved by  
13 this Commission and the Idaho Public Utilities Commission, with specific modifications to  
14 make the FOR forecast more accurate. In addition, the Stipulation provides a method for  
15 addressing extreme outages, one of the Commission's key concerns expressed in Order No.  
16 07-015.

17 The Stipulation represents a reasonable compromise of positions among the Parties  
18 and will result in fair, just, and reasonable rates that fall within the "range of reasonableness"  
19 for resolution of this issue.<sup>9</sup>

20 **III. CONCLUSION**

21 For the reasons set forth above, the Parties respectfully request that the Commission  
22 adopt the Stipulation.

23

24 <sup>8</sup> *Matter of Idaho Power Company's 2008 Annual Power Cost Update*, Docket UE 203, Order No. 09-186  
(May 26, 2009).

25 <sup>9</sup> *See Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999). *See also PacifiCorp's*  
26 *2009 Rate Adjustment Clause Schedule 202*, Docket UE 200, Order No. 08-548 at 2 (Nov. 14, 2008)  
(stipulating to O&M costs that are an average of two results is a fair way to resolve a difference in  
figures).

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Dated: 9-1, 2009

Respectfully submitted,

**MCDOWELL & RACKNER PC**



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