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April 15, 2020

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
P.O. Box 1088
Salem, Oregon 97308-1088

Re: UE 366 – Idaho Power Company’s 2020 Annual Power Cost Update.

Attention Filing Center:

Attached for filing in the above-referenced docket is a copy of the Joint Testimony in Support of the Stipulation. The Stipulation is being filed concurrently in this docket.

Please contact this office with any questions.

Sincerely,

/s/ Alisha Till

Alisha Till
Paralegal

Attachments

OF OREGON

UE 366

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STAFF-IDAHO POWER-CUB

JOINT TESTIMONY IN SUPPORT OF STIPULATION

WITNESSES: MOYA ENRIGHT, NICOLE A. BLACKWELL, and WILLIAM GEHRKE

April 15, 2020

I. PURPOSE OF TESTIMONY

Q. Who is sponsoring this testimony?

A. This testimony is jointly sponsored by Idaho Power Company ("Idaho Power" or "Company"), Staff of the Public Utility Commission of Oregon ("Staff"), and the Oregon Citizens' Utility Board ("CUB") (together, "the Stipulating Parties").

Q. Please provide your names and qualifications.

A. Our names are Moya Enright, Nicole A. Blackwell, and William Gehrke. The qualifications for Ms. Enright, the sponsor for Staff, are set forth in Staff/100, Enright/1. The qualifications for Ms. Blackwell, the sponsor for Idaho Power, are set forth in Idaho Power/100, Blackwell/1. The qualifications for Mr. Gehrke, the sponsor for CUB, are set forth in Stipulating Parties/101.

Q. What is the purpose of this Joint Testimony?

A. This Joint Testimony describes and supports the Stipulation filed in docket UE 366, which resolves all disputed issues in Idaho Power's 2020 Annual Power Cost Update ("APCU").

Q. Has any party to docket UE 366 objected to the Stipulation?

A. No. The Stipulation is supported by all parties to docket UE 366.

II. BACKGROUND ON 2019 APCU

Q. Please describe how docket UE 366 began.

A. On October 31, 2019, Idaho Power filed the October Update component of its 2020 APCU, which consisted of the Direct Testimony and exhibits of Nicole A. Blackwell.¹

Q. What is the purpose of the APCU?

A. The APCU is an automatic adjustment clause through which Idaho Power annually updates its net power supply expense ("NPSE") included in rates. The APCU is

¹ Idaho Power/100-109.

1 comprised of two components—an “October Update” and a “March Forecast.” The
2 October Update establishes the prospective base or normalized level of NPSE for an
3 April through March test period. The March Forecast contains the Company’s forecast
4 of expected NPSE over the same test period. Pursuant to Order No. 10-191, the
5 Company adjusts base rates to reflect changes in revenue requirement related to the
6 October Update, while the rates resulting from the March Forecast are listed on
7 Schedule 55. The rates associated with the October Update and the March Forecast
8 are intended, under the mechanisms, to become effective on June 1 of each year.

9 **Q. What components of Idaho Power’s NPSE are updated in the October Update?**

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

16 **Q. What were the results of the Company’s October Update for the 2020 APCU?**

17 A. Idaho Power’s October Update resulted in a rate of \$25.10 per megawatt-hour
18 (“MWh”), representing a decrease of approximately 1.2 percent relative to last year’s
19 October Update rate of \$25.40 per MWh.² This update resulted in a revenue
20 requirement decrease of approximately \$0.2 million in the Oregon jurisdictional share
21 of NPSE.³

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25 ² Idaho Power/100, Blackwell/21.

26 ³ Idaho Power/100, Blackwell/24.

1 **Q. How did the October Update address incremental costs and benefits resulting**
2 **from participation in the Western Energy Imbalance Market (“EIM”)?**

3 A. Idaho Power proposed to include \$15.6 million in system EIM benefits as an offset to
4 NPSE in the 2020 October Update.⁴ On an Oregon allocated basis, the EIM benefits
5 to be included in the 2020 October Update total \$724,599. The Company determined
6 that level of benefit by using the California Independent System Operator (“CAISO”)
7 report of EIM benefits, for October 2018 through September 2019, as a starting point,
8 and then accounted for necessary adjustments to quantify ongoing cost-savings
9 benefits specific to Idaho Power’s participation in the EIM. The 2020 October Update
10 included Oregon-allocated EIM costs of \$145,713.

11 **Q. Did the Stipulating Parties convene a workshop in this case before filing**
12 **Opening Testimony?**

13 A. Yes, the Stipulating Parties held workshops on January 15-16, 2020, to discuss the
14 2020 October Update filing.

15 **Q. Did parties file testimony addressing the 2020 October Update?**

16 A. Yes. Staff filed testimony addressing the Company’s estimated EIM benefits; Idaho
17 Power’s compliance with previous Public Utility Commission of Oregon
18 (“Commission”) orders regarding Oil, Handling, Administrative, and General (OHAG)
19 and rate spread; Staff’s review of the load forecast, natural gas price forecast update,
20 and other general updates; the Company’s forecasted PURPA expense; the AURORA
21 model’s forward market re-pricing; Boardman 2020 operations, and Bridger Coal
22 Company (“BCC”) depreciation expenses.

23 **Q. Did any party file Reply Testimony?**

24 A. Yes. Idaho Power filed Reply Testimony on March 3, 2020.

26 ⁴ Idaho Power/100, Blackwell/14.

1 **Q. When did the Company file the March Forecast?**

2 A. The Company filed the March Forecast on March 24, 2020. Idaho Power reviewed all
3 the variables for the March Forecast and the following variables changed since the
4 2020 October Update: (1) fuel prices and transportation costs; (2) forced outage rates;
5 (3) heat rates; (4) forecast of hydro generation from stream flow conditions using the
6 most recent water supply forecast from the Northwest River Forecast Center
7 ("NWRFC") and current reservoir levels; (5) known power purchases and surplus sales
8 made in compliance with the Company's Energy Risk Management Policy ("ERMP");
9 (6) forward price curve; and (7) PURPA contract expenses.⁵

10 **Q. What were the results of the Company's March Forecast component for the 2020**
11 **APCU?**

12 A. The 2020 March Forecast included forecast NPSE of \$412.3 million, or \$17.4 million
13 more than the 2019 March Forecast of NPSE of \$394.9 million.⁶ The 2020 March
14 Forecast included a unit cost of \$27.47 per MWh, compared to the 2019 March
15 Forecast of \$26.62 per MWh.⁷ The overall revenue impact of the combined 2020
16 October Update and March Forecast is an increase of \$0.56 million or 1.01 percent
17 overall. The \$0.56 million increase reflects a decrease of \$0.22 million in base rate
18 revenues associated with the October Update and a \$0.78 million increase in Schedule
19 55 revenues associated with the March Forecast, as compared to what is currently
20 included in Oregon customers' rates related to the 2019 APCU.⁸

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23 ⁵ Idaho Power/300, Blackwell/5.

24 ⁶ Idaho Power/300, Blackwell/13.

25 ⁷ Idaho Power/300, Blackwell/19-20.

26 ⁸ Idaho Power/300, Blackwell/22.

1 **Q. How did the March Forecast address incremental costs and benefits resulting**
2 **from Idaho Power's participation in the EIM?**

3 A. The Company updated its forecasted EIM benefits calculation with the most recent
4 data available. The Company also implemented a methodology change proposed by
5 Staff in Opening Testimony.⁹ The updated forecast included \$16.5 million in system
6 EIM benefits as an offset to NPSE in the 2020 APCU. The Company also updated its
7 forecasted EIM costs. The updated forecast of EIM costs to be included in the 2020
8 APCU total \$150,390 on an Oregon allocated basis.¹⁰

9 **Q. Did Staff and other parties conduct discovery on the Company's 2019 APCU?**

10 A. Yes. Staff and CUB issued discovery and conducted a thorough investigation of the
11 2020 APCU.

12 **Q. Did the parties hold settlement discussions?**

13 A. Yes. Settlement conferences were held on February 10, 2020, and March 26, 2020.
14 Ultimately the Stipulating Parties resolved all the issues in this case through these
15 discussions, resulting in the settlement stipulation described in this Joint Testimony.

16 **III. KEY PROVISIONS OF THE STIPULATION**

17 **Overview of Stipulation**

18 **Q. What is the Stipulating Parties' agreement on the Company's 2020 APCU?**

19 A. The Stipulating Parties agree to a revenue requirement increase of \$528,931 or 0.96
20 percent overall, which is based on Idaho Power's October Update and March Forecast
21 filings, with updated EIM benefits described below and updated PURPA expense. The
22 Stipulating Parties agree that rates agreed to by the terms of this Stipulation should
23 be made effective on June 1, 2020, as permitted by the APCU mechanism. The
24 Stipulating Parties agree that the Company's allocation methodology conforms to

25 ⁹ Idaho Power/300, Blackwell/17-18.

26 ¹⁰ Idaho Power/300, Blackwell/19.

1 Commission precedent, as reflected in previous APCU stipulations. The Stipulating
2 Parties agree the result of this Stipulation is in conformance with the methodology
3 adopted by the Commission in Order No. 08-238, as modified in subsequent APCU
4 orders.

5 **EIM Benefits**

6 **Q. Please describe how the Company calculated the annual EIM benefits in the**
7 **2020 APCU.**

8 A. The Company's methodology for determining EIM benefits begins with the CAISO
9 report of EIM benefits. The Company then adjusts CAISO's reported benefits to
10 develop an appropriate calculation for the Company's modeled NPSE that reasonably
11 reflects the ongoing cost savings associated with Idaho Power's participation in the
12 EIM. The Company's adjustments include an adjustment to the CAISO methodology
13 as it pertains to the hydro pricing cost structure and an adjustment for third-party load
14 included in the Company's balancing area.¹¹ In the March Forecast, the Company
15 also incorporated an adjustment proposed by Staff in its testimony.¹² The Company's
16 methodology, inclusive of Staff's adjustment, resulted in \$16.5 million of forecasted
17 total-system EIM benefits.

18 **Q. Did Staff and CUB agree with the Company's methodology?**

19 A. No.

20 **Q. What are Staff's concerns with the Company's methodology?**

21 A. Staff remains concerned by the Company's use of a zero-dollar bid in its proposed
22 model for forecasting EIM benefits. Staff's concern is due to the: (1) potential for a
23 zero dollar bid to underestimate the timing benefits resulting from the flexibility of hydro
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25 ¹¹ Idaho Power/300, Blackwell/18.

26 ¹² Idaho Power/300, Blackwell/18.

1 generation; (2) non-recognition of an opportunity cost of hydro generation; and (3) lack
2 of an economic adjustment for the displacement of conventional generation with hydro
3 generation.¹³

4 Staff is also concerned by the lack of a forward-looking adjustment to
5 forecasted EIM benefits. This is an issue for Staff because the benefits of other EIM
6 participants have increased year over year historically.¹⁴ Notwithstanding, Idaho
7 Power's model did not include any inflationary or other adjustment in the model and
8 instead was based solely on the previous year's results.

9 Staff had two additional concerns with Idaho Power's model relating to the
10 Company's proposed calculation of "hydro net import/export adjustment".¹⁵ Both
11 concerns were addressed by the Company in Reply Testimony, with the Company
12 adopting Staff's recommended approach.¹⁶

13 **Q. How does the Stipulation resolve this issue?**

14 A. The Stipulating Parties agree to include \$16.9 million in EIM benefits in the 2020
15 APCU. This level of benefits was calculated by applying an inflation-based increase
16 of 2.3 percent to the Company's March Forecast benefit of \$16.5 million. The
17 Stipulating Parties agree that \$16.9 million of forecasted EIM benefits for the 2020
18 APCU are reasonable.

19 **Q. Does the agreement on the level of EIM benefits reflect agreement on a particular
20 methodology for determining those benefits?**

21 A. No. The Stipulating Parties do not agree that the methodology used by Idaho Power
22 to calculate the forecasted EIM benefits is reasonable, and every party reserves its
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24 ¹³ Staff/100, Enright/15 – 17.

25 ¹⁴ Staff/100, Enright/21.

26 ¹⁵ Staff/100, Enright/18 – 21.

¹⁶ Idaho Power/200 Blackwell/9.

1 rights to dispute the methodology used in this case in future proceedings. Similarly,
2 Idaho Power does not agree that the inflation-based increase is a reasonable
3 methodology for forecasting EIM benefits. The Stipulating Parties emphasize that the
4 agreement to include these costs and benefits in the APCU is the result of a
5 compromise of positions and should not be viewed as reflecting any party's agreement
6 to this approach in other circumstances.

7 **Q. In light of Staff's concerns discussed above, how did Staff determine that the**
8 **agreed-upon level of EIM benefits was reasonable?**

9 A. Although Staff does not support the enduring use of the Company's proposed
10 methodology, Staff made three recommendations in Opening Testimony, intending to
11 improve the forecast of EIM benefits used in this proceeding.

12 Staff notes that the Company chose to adopt two of Staff's three
13 recommendations in its Reply Testimony, and expects this change to improve the
14 accuracy of the counterfactual scenario against which the Company's EIM
15 participation is valued.

16 Staff's third recommendation was to include a growth factor in the forecast of
17 EIM benefits. The objective of this growth factor was to adjust for the backward-
18 looking methodology, and to account for the growth in EIM benefits experienced by
19 other EIM entities. Although Staff's third recommendation was not initially adopted by
20 the Company, all parties ultimately agreed on a growth factor of 2.3 percent,¹⁷ which
21 would be applied to the Company's most recent forecast of EIM benefits. This
22 approach resulted in an overall system benefit of \$16.9 million.

23 Overall, Staff finds the resulting EIM benefits forecast reasonable. Staff finds
24 the stipulated growth factor to be appropriate for this proceeding in light of the following

25 ¹⁷ Annual CPI through February 2020, as reported by the U.S. Department of Labor on March
26 11, 2020. See: <https://www.bls.gov/news.release/pdf/cpi.pdf>.

1 factors: (1) the adjustment will be applied to the Company's most recent forecast of
2 EIM benefits, including one month of estimated benefits, which favors customers; (2)
3 Staff's observation of ongoing positive growth in benefits for newer EIM entrants
4 contrasted against lower growth in benefits amongst all EIM entities seen in the
5 Quarter 4, 2019; and (3) the recent weakness in U.S. and worldwide energy and
6 financial markets.

7 Staff intends to continue to investigate the Company's methodology for
8 forecasting EIM benefits in future APCU filings and through the Power Cost
9 Adjustment Mechanism true-up. As the Company is a new EIM entrant, Staff expects
10 the ongoing review of actual EIM results from future periods to inform any enduring
11 EIM benefit forecasting methodology.

12 **Q. How did CUB determine that the agreed-upon level of EIM benefits was**
13 **reasonable?**

14 A. CUB finds that the agreed-upon level of EIM benefits is a reasonable compromise
15 based on its review of historical EIM benefits for Idaho Power and other EIM
16 participants. Idaho Power began participating in the Western EIM in 2018. Since
17 joining the EIM, peer electric utilities have experienced increased EIM benefits over
18 time. CUB expects that Idaho Power is interested in implementing a forward-looking
19 methodology for EIM benefits in future proceedings. Given the difficulties of modeling
20 a forward-looking methodology with less than two years of benefits data, CUB finds
21 the 16.9 million dollars of benefits to be reasonable.

22 **Contract Delay Rate**

23 **Q. What is the Contract Delay Rate ("CDR")?**

24 A. The CDR is used by Idaho Power to account for the frequency with which proposed
25 PURPA Qualifying Facilities ("QFs") miss the Commercial Operation Dates ("CODs")
26 in their purchase power agreements. Because Idaho Power relies on the CODs when

1 estimating its PURPA expenses, if a QF is late it can result in an overestimation of
2 PURPA generation and expense. To account for QFs' failure to meet their COD, Idaho
3 Power has implemented the CDR, which calculates an average delay for QFs that
4 have come online in the preceding three-year period and applies that average to each
5 new QF's stated COD to determine an expected COD.

6 **Q. What issue did Staff have with the CDR?**

7 A. The CDR did not account for QFs whose actual COD was delayed beyond the APCU
8 test year.

9 **Q. How did Staff identify the CDR issue?**

10 A. Staff identified this concern after Idaho Power responded to Staff's proposed PURPA
11 adjustment of \$29.06 million. Idaho Power pointed out in its Reply Testimony that the
12 difference between actual and re-priced costs accounted for the majority of the
13 \$29 million discrepancy. After considering the issue further, Staff determined that a
14 change to the CDR would further alleviate deviations between actual and forecasted
15 PURPA costs.

16 **Q. Have the Parties remedied that issue?**

17 A. Yes. The Stipulating Parties agree that Idaho Power will modify the CDR adjustment
18 to the PURPA forecast included in the March Forecast of the APCU to address Staff's
19 concern. Under the existing CDR methodology originally filed in this case, for any new
20 PURPA project expected to come online during the APCU forecast test period, the
21 forecast generation and expense is included in the forecast beginning in the month in
22 which the project is expected to come online. For example, if a new PURPA project is
23 expected to come online in December of the APCU forecast test period, the forecast
24 generation and expense for the project is included in the PURPA forecast beginning
25 in December. The expected online date for any new PURPA project is then adjusted
26 using the three-year average CDR of historical PURPA projects. The CDR is based

1 on the average of differences in scheduled operation date and actual operation date
2 for historical PURPA projects. The three-year historical average CDR is applied to any
3 new PURPA project expected to come online during the forecast test period for the
4 March Forecast of the APCU.

5 To address Staff's concern, the Stipulating Parties agree to add a third step to
6 the CDR adjustment process for any new PURPA project expected to come online
7 during the prior APCU test year that failed to do so. A project under this category will
8 be treated as a new project in the current APCU and will be subject to the three-year
9 average CDR for the March Forecast. The methodology used to calculate the CDR
10 for the 2020 APCU is provided as Exhibit 1 to the Stipulation.

11 **General Terms**

12 **Q. If the Commission approves the Stipulation, will the Company file revised tariff**
13 **sheets?**

14 A. Yes. The Company will file revised tariff sheets as a compliance filing in this docket.
15 The revised tariff sheets will reflect the adjustments agreed upon in the Stipulation.

16 **Q. What is the proposed effective date of the revised tariff sheets?**

17 A. The revised tariff sheets will be effective June 1, 2020.

18 **Q. If the Commission rejects any part of the Stipulation, are the Stipulating Parties**
19 **entitled to reconsider their participation in the Stipulation?**

20 A. Yes. The Stipulating Parties have negotiated this Stipulation as an integrated
21 document, and if the Commission rejects all or any material part of this Stipulation, or
22 adds any material condition to any final order that is not consistent with this Stipulation,
23 each Stipulating Party reserves its right to present evidence and argument on the
24 record in support of the Stipulation or to withdraw from the Stipulation.

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1 **Q. Are the agreements reflected in the Stipulation binding on the parties in future**
2 **APCUs or other proceedings?**

3 A. No. The Stipulating Parties agree that by entering into the Stipulation, no Stipulating
4 Party approved, admitted, or consented to the facts, principles, methods, or theories
5 employed by any other Stipulating Party in arriving at the terms of this Stipulation,
6 other than those specifically identified in the body of the Stipulation. No Stipulating
7 Party agreed that any provision of this Stipulation is appropriate for resolving issues in
8 any other proceeding, except as specifically identified in the Stipulation.

9 **IV. REASONABLENESS OF STIPULATION**

10 **Q. What is the basis for the Stipulation?**

11 A. The Stipulation is supported by Idaho Power's October Update, Reply Testimony,
12 March Forecast Testimony, and Staff's Opening Testimony. Staff and CUB conducted
13 discovery and thoroughly investigated Idaho Power's filing. The Stipulating Parties
14 also met for technical workshops and several settlement conferences and resolved
15 their differences through dialogue and negotiations.

16 **Q. Please explain why the Stipulating Parties believe that the Commission should**
17 **adopt the Stipulation.**

18 A. The Stipulating Parties agree that the Company's filing in this case is consistent with
19 prior Commission precedent relating to the APCU, both in terms of the authorized
20 NPSE variables updated and the resulting allocation among customer classes.

21 The parties have reached agreement on the disputed EIM benefit calculation
22 and the CDR. Regarding the EIM benefits, the Stipulating Parties agree that the level
23 of benefits included here is reasonable based on each Stipulating Parties' independent
24 verification. The agreement on the level of benefits represents a reasonable
25 compromise that will allow the Stipulating Parties to further address the methodology
26 in future proceedings.

1 As for the CDR, the Parties have determined a methodology to address this
2 issue in future proceedings and have agreed upon a modification to address its impact
3 in this present APCU. The agreement on the modification in this APCU represents a
4 reasonable compromise for the purposes of the rate that will become effective on
5 June 1, 2020.

6 **Q. Why does Staff support the stipulation?**

7 A. Staff supports this stipulation because it resolves the most significant issues
8 considered in the proceeding, and results in a reasonable adjustment to power costs.
9 This stipulation is a result of cooperation by all parties through discovery, workshops,
10 testimony and settlement discussions, and Staff believes that all pertinent issues and
11 points-of-view have been appropriately addressed.

12 Specifically, Staff supports the EIM benefits forecast as a reasonable
13 compromise, which will pass EIM benefits through to customers in 2020, without
14 inhibiting the future development of an enduring EIM benefit forecasting methodology.
15 Staff supports the agreed upon change to the CDR methodology, because it is a logical
16 approach to dealing with units whose start dates have been delayed beyond the APCU
17 test year, and it is consistent with the treatment of other new PURPA facilities.

18 **Q. Why does CUB support the stipulation?**

19 A. CUB supports the stipulation as a reasonable compromise of the broad balance of
20 issues raised in this proceeding. CUB believes the stipulation will result in rates that
21 are fair, just, and reasonable. Therefore, CUB believes the stipulation is in the public
22 interest and supports Commission adoption.

23 Specifically, CUB also supports the EIM benefits forecast as it represents a
24 reasonable compromise that all parties were able to thoroughly discuss in settlement
25 conferences throughout the proceeding. CUB looks forward to working towards a
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1 forward-looking methodology to calculate EIM benefits once more data becomes
2 available.

3 Although CUB did not file testimony in this proceeding, we were engaged
4 throughout the process and participated in settlement conferences with Staff and the
5 Company to reasonably resolve the issues raised in this proceeding.

6 **Q. Have the Stipulating Parties evaluated the overall fairness of the Stipulation?**

7 A. Yes. Each Stipulating Party has reviewed the record in this case and the Stipulation.
8 The Stipulating Parties agree that the rate change resulting from the Stipulation results
9 in rates that are fair, just, and reasonable, as required by ORS 756.040, and represent
10 a reasonable compromise of the issues presented in this case.

11 **Q. What do the Stipulating Parties recommend regarding the Stipulation?**

12 A. The Stipulating Parties recommend that the Commission adopt the Stipulation as the
13 basis for resolving the issues in this case, and request that the Commission include
14 the terms and conditions of the Stipulation in its final orders in this case.

15 **Q. Does this conclude your testimony?**

16 A. Yes, it does.
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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

IDAHO POWER COMPANY

UE 366

Exhibit Accompanying Joint Testimony in Support of Stipulation

Exhibit 101

Qualifications of William Gehrke

April 15, 2020

WITNESS QUALIFICATION STATEMENT

NAME: William Gehrke

EMPLOYER: Oregon Citizens' Utility Board

TITLE: Economist

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: MS, Applied Economics
Florida State University, Tallahassee, FL

BS, Economics
Florida State University, Tallahassee, FL

EXPERIENCE: Provided testimony or comments in several Oregon Commission dockets. Worked as an Economist for the Florida Department of Revenue. Worked as Utility Analyst at the Florida Public Service Commission, providing advice on rate cases and load forecasting. Attended the Institute of Public Utilities Annual Regulatory Studies program in 2018.