

ORDER NO: 11 178

ENTERED: MAY 31 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 222

In the Matter of

IDAHO POWER COMPANY,

2011 Annual Power Cost Update.

ORDER

DISPOSITION: STIPULATION ADOPTED; TARIFFS APPROVED

I. SUMMARY

In this Order, the Public Utility Commission of Oregon (Commission) adopts the stipulation of the parties, acknowledges the Annual Power Cost Update set forth in the stipulation, and approves the proposed tariffs to go into effect on June 1, 2011.

II. PROCEDURAL HISTORY

On October 15, 2010, Idaho Power Company (Idaho Power or Company) filed its Annual Power Cost Update (APCU) tariff, Advice No. 10-16 with the Commission. The Company filed its October Update direct testimony on October 20, 2011, providing its estimate of "normalized" 2011 power expenses; it filed an errata to the Company's direct testimony on October 21, 2010.

On October 25, 2010, the Company filed a motion for protective order and the Citizens' Utility Board of Oregon (CUB) filed a notice of intervention.¹ Protective Order No. 10-425 was entered October 29, 2010. A prehearing conference was held on November 18, 2010. Representatives appeared on behalf of the Company, CUB, and the Commission Staff (Staff), and a schedule for the proceeding was adopted.

Pursuant to that schedule, CUB and Staff filed rebuttal testimony on January 25, 2011. Both concluded that Idaho Power's 2011 October Update conformed to the requirements of the power cost adjustment (PCA) mechanism adopted in Order No. 08-238, and that the Company's analysis and calculations were correct.² The Company filed its March Forecast testimony on March 23, 2011, providing its 2011 expected power costs.

¹ See ORS 774.180.

² See Staff/100, Durrenberger/2-5; CUB/100, Feighner/1.

The Company also filed tariff sheets with its March Forecast, and again on March 30, 2011, reflecting the October Update, with a requested effective date of June 1, 2011, filed as Advice No. 11-05.

On May 10, 2011, Idaho Power, CUB, and Staff (the Parties) jointly submitted a stipulation resolving all issues among the Parties. The stipulation results in a revised APCU, an updated net power supply expense for the Company, and new rates effective June 1, 2011. The stipulation is attached as Appendix A to this order.

III. DISCUSSION

A. Background

Under a mechanism adopted in Order No. 08-238, Idaho Power annually updates its net power supply expenses included in rates through an automatic adjustment clause, the APCU. The APCU has two components—the October Update and the March Forecast. The October Update contains the Company's forecasted net power supply expense reflected on a normalized and unit basis for an April through March test period. The March Forecast contains the Company's net power supply expense based upon updated actual conditions.

The APCU's revenue requirement is allocated to individual customer classes on the basis of the total generation-related revenue requirement approved in Idaho Power's last general rate case. The Company adjusts its base rates to reflect changes in revenue requirement related to the October Update, while the rates resulting from the March Forecast are listed on the Company's Schedule 55. The rates associated with the October Update and the March Forecast become effective on June 1 of each year.

B. The 2011 APCU

The 2011 October Update addressed the following variables for the April 2011—March 2012 timeframe: loads, fuel prices, transportation costs, maintenance rates, heat rates, and forced outage rates for thermal plants and included updated plant capacities for all company-owned resources and an updated sales and load forecast. The 2011 October Update specifically accounted for changes in coal prices, PURPA generation expenses, and the Company's special contract with Hoku Materials, Inc. (Hoku). The resulting unit cost per megawatt hour (MWh) was \$16.96, an increase over the previous cost of \$14.56 per MWh for the 2010 APCU.³ After its analysis, Staff concluded that the October Update conformed to the requirements of Order No. 08-238 and that the Company's analysis and calculations were correct.⁴

Although the March Forecast addresses each of the variables in the October Update, the only variables that changed between the two filings were fuel prices, forecast normalized

³ Stipulation at 2.

⁴ *Id.* at 3.

sales and loads, forecast hydro generation, known power purchases and sales, and the forward price curve. The fuel prices were changed to reflect a reduction in natural gas prices and an increase in coal costs. The sales and load forecast was updated to reflect a revised delivery schedule for Hoku. The hydro update reflected that this year's forecasts were closer to average, as compared with 2010.

All of the adjustments noted above yielded a March forecast of \$18.03 per MWh, or \$1.90 per MWh less than the 2010 per unit cost (\$19.93 per MWh). The combined 2011 October Update and March Forecast resulted in a per unit cost of \$17.98, a 2.17 percent decrease from the 2010 per unit cost.⁵ No adjustments were made to the Company's calculations of forced outage rates or to the Company's proposed allocation of the revenue requirement to the various customer classes.⁶

C. Commission Resolution

In support of the 2011 APCU and the Stipulation supporting the October Update and March Forecast results, Idaho Power offered Idaho Power/200, Wright/1-8, and supporting exhibits Idaho Power/201-205 into evidence. In addition, the Parties submitted a joint explanatory brief.

Based on our review of the testimony and supporting exhibits in this case, as well as the stipulation and joint explanatory brief, we find that:

1. The Company's filed cost per unit of \$17.98 per MWh conforms to the methodology adopted in Order No. 08-238.
2. The Company's allocation methodology conforms to the methodology adopted in Order No. 10-191.
3. The Company properly implemented Order No. 10-414 with respect to calculating its forced outage rates.

Based on these findings, we conclude:

1. The stipulation filed by Idaho Power, CUB, and Staff is reasonable and should be adopted.

⁵ *Id.* at 3-4.

⁶ Stipulation at 4. Order No. 10-414, entered October 22, 2010, in Docket UM 1355, *In Re Investigation into Forecasting Forced Outage Rates for Electric Generating Units*, established the methods for calculating the Equivalent Forced Outage Rate (EFOR) as a factor in determining the revenue requirement. In this case, no EFOR adjustments were necessary because the Company's EFOR was within the "collar" range set forth in the Order. The proposed rate spread conforms to the methodology approved by the Commission in the Company's previous APCU filing, *In Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Order No. 10-191 (May 24, 2010).

2. The replacement tariff sheets filed by the Company on March 30, 2011, and Second Revised Sheet No. 55-3 filed on March 23, 2011, in Advice No. 11-05, accurately reflect the terms of the stipulation.
3. The rates set forth in the tariff sheets are just and reasonable and are within the range of reasonableness required by statute and should be allowed to go into effect June 1, 2011.


IV. ORDER

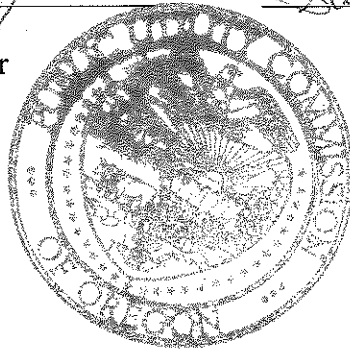
IT IS ORDERED that:

1. The Stipulation filed by Idaho Power Company, the Citizens' Utility Board of Oregon, and the Staff of the Public Utility Commission, is adopted, and attached as Appendix A.
2. Advice No. 10-16, filed by Idaho Power Company on October 20, 2011, is permanently suspended.
3. The replacement tariff sheets filed by the Company on March 30, 2011, and Second Revised Sheet No. 55-3 filed on March 23, 2011, in Advice No. 11-5 are approved and shall go into effect as of June 1, 2011.

Made, entered and effective MAY 31 2011.


John Savage
Commissioner


Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 222

In the Matter of:

Idaho Power Company's 2011 Annual
Power Cost Update

STIPULATION

This Stipulation resolves all issues among the parties to this Stipulation related to Idaho Power Company's ("Idaho Power" or "Company") 2011 Annual Power Cost Update ("APCU") filed pursuant to Order No. 08-238.¹ The APCU updates the Company's net power supply expense and results in new rates, which are effective June 1, 2011.

PARTIES

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and Idaho Power Company (together, the "Stipulating Parties"). No other parties intervened in this docket.

BACKGROUND

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

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"].

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 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, Feighner/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
24, 2010).

AGREEMENT

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

8 18. The Stipulating Parties agree that the revised tariff sheets filed on March 23,
9 2011, reflect the terms of this Stipulation and should be made effective on June 1, 2011.

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

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

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

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

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

CITIZENS' UTILITY BOARD

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By: _____

Date: _____

Date: _____

IDAHO POWER

By: *[Signature]*

Date: 5/10/11

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IDAHO POWER

By: _____

Date: _____

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STAFF

CITIZENS' UTILITY BOARD

By: Shy SC

By: _____

Date: May 9, 2011

Date: _____

IDAHO POWER

By: _____

Date: _____