

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 293

In the Matter of

IDAHO POWER COMPANY,

2015 Annual Power Cost Update.

ORDER

DISPOSITION: STIPULATION ADOPTED; ANNUAL POWER COST
UPDATE APPROVED

In this order, we adopt the stipulation of the parties and approve Idaho Power Company's Annual Power Cost Update (APCU). The APCU updates the company's net power supply expenses and results in new rates to go into effect June 1, 2015.

I. INTRODUCTION

In Order No. 08-238, we approved an automatic adjustment clause for Idaho Power that allows the company to annually update its net power supply expense included in rates. 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 expenses based on updated actual forecast conditions. The APCU mechanism allows for the rates from the October Update and March Forecast to become effective on June 1 of each year.

II. PROCEDURAL HISTORY

On October 21, 2014, Idaho Power filed testimony and exhibits for its 2015 APCU, including the October Update which estimated what the normal power supply expenses would be for the 12-month test year, April 2015 through March 2016. The company subsequently filed the March Forecast on March 20, 2015.

Following discovery and settlement discussion, the company, the Citizens' Utility Board of Oregon (CUB) and the Commission Staff filed a stipulation, attached as Appendix A, settling all of the outstanding issues between the parties. The parties also filed a joint explanatory brief in support of the stipulation.

III. THE 2015 APCU

Idaho Power's 2015 October Update addressed the following variables: loads, fuel prices, transportation costs, maintenance rates, heat rates, and forced outage rates for thermal plants. Its calculations resulted in a cost per unit of \$23.44 per megawatt-hour (MWh), an increase of \$1.62 per MWh over the previous year's update.¹ The 2015 October Update also included a proposed allocation method, which the company represented as being consistent with the revenue spread methodology we approved in Order No. 10-191.²

The 2015 March Forecast consisted of direct testimony describing the company's estimate of the expected net power supply expense for the April 2015 through March 2016 water year. The March Forecast updated the following variables: fuel prices, transportation costs, wheeling expenses, planned and forced outages, heat rates, forecast of normalized sales and loads updated for significant changes since the October Update, forecast hydro generation, wholesale power purchase and sale contracts, forward price curve, PURPA³ expenses, and the Oregon state allocation factor.

In its March Forecast, the company noted that the only factors that had changed since the October 2015 Update were fuel prices, heat rates, the forecast of hydro conditions from the Northwest River Forecast Center, known power purchases and surplus sales resulting from the company's risk management policy, the forward price curve, and PURPA contract expenses.⁴

Among the factors the 2015 March Forecast addressed were the following:

1. Fuel prices were updated to reflect changes in forecast natural gas and coal costs, the increased mining costs at the Bridger Coal company being the factor with the greatest impact on fuel prices.⁵
2. The updated hydro forecast reflected expected low stream flows but hydro generation is greater than last year's modeled generation due to higher reservoir levels and higher forecasted Mid-Snake River flows.⁶
3. PURPA expenses increased due to two additional contracts expected to be operational during the test period.⁷

The company calculated a cost per unit for the 2015 March Forecast of \$25.00 per MWh, \$1.23 per MWh less than the previous year's \$26.23 per MWh per unit cost—a result of additional hydro generation, lower natural gas prices, and lower electric market prices.⁸

¹ Idaho Power/100-108.

² Idaho Power/100, Wright/10-11; Idaho Power/107.

³ Public Utility Regulatory Policies Act, 16 U.S.C. 46, §2601 *et. seq.*

⁴ Idaho Power/200, Wright/2-3.

⁵ *Id.* at 3-5.

⁶ *Id.* at 9.

⁷ *Id.* at 7.

⁸ *Id.* at 8-9.

Combining the price per unit from the 2015 October Update and 2015 March Forecast resulted in a cost per unit of \$24.92 per MWh and an overall proposed combined rate decrease of approximately 1.36 percent or \$0.7 million.⁹ The March Forecast also included the company's proposed rate spread which the company represented spread the revenue requirement to the various customers classes in conformance with Order No. 10-191.¹⁰

IV. THE STIPULATION

The parties agree that the Commission should adopt the APCU for Idaho Power as filed with the Commission. Specifically, the parties agree that:

1. The company's calculation of the cost per unit rate in the 2015 October Update and March Forecast, and the combined rate, is correct and in conformance with our Order No. 08-238 and that the rates resulting from the agreed upon cost per unit are fair, just and reasonable.
2. The company's allocation methodology conforms with Order No. 10-191.
3. The rates agreed upon in the parties' stipulation should be made effective on June 1, 2015.¹¹

V. DISCUSSION

Before we may adopt a stipulation, we must find that it is supported by competent evidence in the record, appropriately resolves the issues in the case, and results in just and reasonable rates.¹² Both Staff and CUB conducted a thorough investigation of the company's testimony and exhibits, served numerous data requests, participated in settlement conferences, and concluded that no issues in the company's filing warranted responsive testimony.¹³ Staff and all parties entered into the stipulation that resolves all relevant issues in this proceeding and have each executed the joint explanatory brief. No person has filed an objection to the stipulation. We therefore find that the record in the case is sufficient to conclude that the company's calculations are correct and conform to Commission precedent.

We have examined the stipulation, the joint explanatory brief, and the pertinent record in the case. We find that the stipulation is supported by the record, which includes the company's testimony and exhibits describing the detailed calculations supporting both the 2015 October Update and the March Forecast. We therefore conclude that the resulting rates are just and reasonable for resolution of the issues in this docket. The stipulation should be adopted in its entirety.

⁹ *Id.* at 11-12; Idaho Power/203.

¹⁰ Idaho Power/200, Wright/10-11.

¹¹ Stipulation at 6.

¹² See, e.g., *In the Matter of PacifiCorp, dba Pacific Power 2010 Transition Adjustment Mechanism*, Docket No. UE 207, Order No. 09-432 at 6 (Oct 30, 2009).

¹³ Joint Explanatory Brief at 7.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 293

In the Matter of:

Idaho Power Company's 2015 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") 2015 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 the mechanism permits to go into effect June 1, 2015.

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 (together, the "Stipulating Parties").

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 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. 10-191 the Company allocates the APCU revenue requirement to individual customer classes on the basis of the total generation-related revenue requirement

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 approved in the Company's last general rate case, instead of the previous equal cents per
 2 kWh approved in Order No. 08-238.² Order No. 10-191 also directs the Company to adjust its
 3 base rates to reflect changes in revenue requirement related to the October Update, while the
 4 rates resulting from the March Forecast are listed on Schedule 55. The rates associated with
 5 the October Update and the March Forecast mechanisms are intended, under the
 6 mechanisms, to become effective on June 1 of each year.

7 3. On October 21, 2014, Idaho Power filed testimony and exhibits for the 2015
 8 APCU ("2015 October Update").³ Pursuant to Order No. 08-238 the 2015 October Update
 9 updated the following variables: loads, fuel prices, transportation costs, maintenance rates,
 10 heat rates, and forced outage rates for thermal plants.⁴ The test period for the 2015 October
 11 Update was April 2015 through March 2016 and included updates of the above referenced
 12 variables for all Company owned resources and updated sales and load forecasts.⁵ The 2015
 13 October Update specifically accounted for changes in natural gas and coal prices and
 14 generation and expenses related to contracts entered into pursuant to the Public Utility
 15 Regulatory Policies Act of 1978 ("PURPA").⁶

16 4. The 2015 October Update resulted in a cost per unit of \$23.44 per megawatt-
 17 hour ("MWh").⁷ This represents an increase of \$1.62 per MWh over last year's October
 18 Update.⁸

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21 ² *Re Idaho Power Company's 2010 Annual Power Cost Update*, Docket UE 214, Order No. 10-
 22 191 (May 24, 2010).

23 ³ See Idaho Power/100-106.

24 ⁴ Idaho Power/100, Wright/2.

25 ⁵ Idaho Power/100, Wright/2.

26 ⁶ Idaho Power/100, Wright/2-3.

⁷ Idaho Power/100, Wright/7.

⁸ Idaho Power/100, Wright/7.

1 5. The 2015 October Update also included the Company's proposed method of
2 allocation, which was consistent with the revenue spread methodology approved by the
3 Commission in Order No. 10-191.⁹

4 6. On November 20, 2014, Administrative Law Judge ("ALJ") Allan Arlow held a
5 prehearing conference at which the parties to docket UE 293 agreed upon a procedural
6 schedule that would allow the Public Utility Commission of Oregon ("Commission") to issue an
7 order on Idaho Power's 2015 APCU prior to June 1, 2015.¹⁰

8 7. On November 21, 2014, CUB filed its Notice of Intervention.

9 8. Staff and CUB served discovery on Idaho Power and conducted a thorough
10 investigation of the 2015 October Update. Thereafter, the Stipulating Parties participated in a
11 settlement conference where Staff and CUB indicated that they had reviewed the 2015
12 October Update and had not identified any issues within the filing. On January 28, 2015,
13 Staff, on behalf of the Stipulating Parties, filed a joint request asking that ALJ Arlow suspend
14 the procedural schedule until the filing of Idaho Power's March Forecast. ALJ Arlow granted
15 the Stipulating Parties' request on January 29, 2015.¹¹

16 9. On March 20, 2015, Idaho Power filed its 2015 March Forecast. The 2015 March
17 Forecast consisted of direct testimony describing the Company's estimate of the expected net
18 power supply expense for the upcoming water year—April 2015 through March 2016.¹² Order
19 No. 08-238 calls for the March Forecast to update the following variables: fuel prices,
20 transportation costs, wheeling expenses, planned and forced outages, heat rates, forecast of
21 normalized sales and loads updated for significant changes since the October Update,
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23 ⁹ Idaho Power/100, Wright/10-11; Idaho Power/107.

24 ¹⁰ *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Prehearing
Conference Memorandum at 1 (Nov. 21, 2014).

25 ¹¹ *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Ruling (Jan. 29,
2015).

26 ¹² Idaho Power/200-205.

1 forecast hydro generation, wholesale power purchase and sale contracts, forward price curve,
 2 PURPA expenses, and the Oregon state allocation factor.¹³ In this year's filing, however, the
 3 only variables that had changed since the 2015 October Update were: (1) fuel prices; (2) heat
 4 rates; (3) the forecast of hydro conditions from the Northwest River Forecast Center ("NRFC");
 5 (4) known power purchases and surplus sales resulting from the Company's Risk
 6 Management Policy; (5) the forward price curve in accordance with Order No. 08-238; and (6)
 7 PURPA contract expenses.¹⁴

8 10. The fuel prices were updated to reflect changes in forecast natural gas and coal
 9 costs.¹⁵ The increased mining costs at the Bridger Coal Company were the largest factor
 10 impacting the 2015 March Forecast's fuel prices.¹⁶

11 11. The Company's updated hydro forecast was another key driver in the 2015
 12 March Forecast's overall price.¹⁷ Expected streamflows are below last year's levels and the
 13 30-year average.¹⁸ However, hydro generation is greater than last year's modeled generation
 14 due to higher reservoir levels at Brownlee reservoir and higher forecasted Mid-Snake River
 15 flows.¹⁹

16 12. The 2015 March Forecast also included increased PURPA expenses, due to two
 17 additional PURPA contracts that are now expected to be operational during the April 2015
 18 through March 2016 test period.²⁰

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21 ¹³ Idaho Power/200, Wright/2.

22 ¹⁴ Idaho Power/200, Wright/3.

23 ¹⁵ Idaho Power/200, Wright/3-5.

24 ¹⁶ Idaho Power/200, Wright/3-5.

25 ¹⁷ Idaho Power/200, Wright/6-7.

26 ¹⁸ Idaho Power/200, Wright/6.

¹⁹ Idaho Power/200, Wright/9.

²⁰ Idaho Power/200, Wright/7.

1 13. The Company calculated a cost per unit for the 2015 March Forecast of \$25.00
2 per MWh, which is \$1.23 per MWh less than last year's cost per unit of \$26.23 per MWh.²¹
3 The reduction in the 2015 March Forecast per unit cost is the result of additional hydro
4 generation, lower natural gas prices, and lower electric market prices.²²

5 14. Combining the price per unit from the 2015 October Update and 2015 March
6 Forecast resulted in a cost per unit of \$24.92 per MWh.²³ The overall proposed revenue
7 impact of the combined rate is a decrease of approximately 1.36 percent, or \$0.7 million.²⁴

8 15. The 2015 March Forecast also included the Company's proposed rate spread
9 used to spread the revenue requirement to the various customer classes. The Company's
10 proposed allocation conformed to the methodology approved by the Commission in Order No.
11 10-191.²⁵

12 16. Staff and CUB issued discovery and conducted a thorough investigation of the
13 2015 March Forecast. A settlement conference was held on April 2, 2015, and follow-up
14 discussions were held on April 7, 2015. During the settlement discussions the Stipulating
15 Parties agreed to resolve all the issues in this case. Thereafter the Company moved to
16 suspend the schedule and ALJ Arlow granted the motion.²⁶

17 17. This Stipulation, presented on behalf of all parties to the docket, resolves all
18 issues in the docket.

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22 ²¹ Idaho Power/200, Wright/8.

23 ²² Idaho Power/200, Wright/8-9.

24 ²³ Idaho Power/203, Wright/1.

25 ²⁴ Idaho Power/200, Wright/11-12.

26 ²⁵ Idaho Power/200, Wright/10-11.

²⁶ *Re Idaho Power Company's 2015 Annual Power Cost Update*, Docket UE 293, Ruling (April 8, 2015).

1
2 **AGREEMENT**

3 18. The Stipulating Parties agree that the Company's calculation of cost per unit rate
4 in the 2015 October Update, 2015 March Forecast, and the combined rate is correct and in
5 conformance with the methodology adopted by the Commission in Order No. 08-238 and the
6 Stipulating Parties agree that the rates resulting from the agreed upon cost per unit are fair,
7 just, and reasonable.

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

10 20. The Stipulating Parties agree that rates agreed to by the terms of this Stipulation
11 should be made effective on June 1, 2015, as permitted by the APCU mechanism.

12 21. The Stipulating Parties agree to submit this Stipulation to the Commission and
13 request that the Commission approve the Stipulation as presented.

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

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

24 24. The Stipulating Parties have negotiated this Stipulation as an integrated
25 document. If the Commission rejects all or any material part of this Stipulation, or adds any
26 material condition to any final order that is not consistent with this Stipulation, each Stipulating
Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument

1 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating
2 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720
3 in any manner that is consistent with the agreement embodied in this Stipulation.

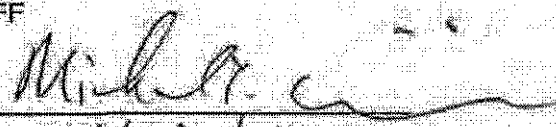
4 25. By entering into this Stipulation, no Stipulating Party shall be deemed to have
5 approved, admitted, or consented to the facts, principles, methods, or theories employed by
6 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
7 specifically identified in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

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


12 27. This Stipulation is entered into by each Stipulating Party on the date entered
13 below such Stipulating Party's signature.

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STAFF

By: 
Date: 4/23/15

IDAHO POWER

By: 
Date: 4/24/15

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Date: _____

1 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating
2 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720
3 in any manner that is consistent with the agreement embodied in this Stipulation.

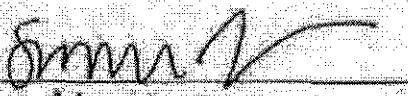
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7 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
8 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
9 other proceeding, except as specifically identified in this Stipulation.

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

12 27. This Stipulation is entered into by each Stipulating Party on the date entered
13 below such Stipulating Party's signature.

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15 STAFF
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17 By: _____
18 Date: _____

19 IDAHO POWER
20
21 By: _____
22 Date: _____

CITIZENS' UTILITY BOARD OF OREGON
By: 
Date: 4/24/15