

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 203

In the Matter of

IDAHO POWER COMPANY

2008 Annual Power Cost Update.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. BACKGROUND

In Order No. 08-238, docket UE 195, the Public Utility Commission of Oregon (Commission) adopted a Power Cost Adjustment Mechanism (PCAM) and an Annual Power Cost Update (APCU) for Idaho Power Company (Idaho Power or the Company). The Commission approved a PCAM and APCU for Idaho Power due to the Company's reliance on hydroelectric generation, and associated difficulties using the deferred accounting process to address exceptional power costs.¹ The APCU is comprised of two primary components: an October Power Cost Update (October Update) and a March Power Forecast (March Forecast).

On October 23, 2008, Idaho Power filed the October Update for 2009 (2009 October Update), as required by Order No. 08-238. The 2009 October Update is the Company's forecast of normal power supply expenses for the upcoming water year—*i.e.*, for April 2009 through March 2010. The 2009 October Update included a draft Schedule 55 serving as a placeholder until the March Forecast for 2009 (2009 March Forecast) was filed and combined with the 2009 October Update. Idaho Power's final Schedule 55 rates will be effective on June 1, 2009.

On November 25, 2008, after a prehearing conference was held, a procedural schedule was adopted to provide a final order on Idaho Power's 2009 APCU prior to June 1, 2009. Pursuant to this schedule, Idaho Power filed Supplemental Direct testimony on December 1, 2008. The Supplemental Direct Testimony presented and explained two corrections to the AURORA model run underlying the 2008 October Update. In its testimony, the Company explained that the corrections resulted in a 2009 October Update rate on a cost-per-unit basis of \$10.94 per megawatt hour (MWh), an increase of \$2.24 per MWh over the 2008 October Update rate. Adding the 2009 October Update rate of \$10.94 per MWh to the 2008 March Forecast rate adjustment of \$1.52 per MWh resulted in a placeholder combined rate of \$12.46 per MWh for the 2009 APCU (Combined Rate).

¹ Order No. 08-238, p. 1.

The draft Schedule 55 set forth a placeholder rate of \$8.99 per MWh, calculated by Idaho Power as the difference between the current base rate of \$3.47 per MWh that was established in docket UE 167 and the Combined Rate of \$12.46 per MWh.

On January 23, 2009, Commission Staff (Staff) filed Direct Testimony. Idaho Power filed Rebuttal Testimony on February 13, 2009. On March 11, 2009, Staff filed Surrebuttal Testimony finding that Idaho Power's AURORA model inputs were either allowed by Order No. 08-238 or were made in accordance with the methodology required by the order. Staff also accepted Idaho Power's calculation of a 2009 October Update rate of \$10.94 per MWh. Staff observed that the increase in the 2009 October Update rate from the prior year is caused primarily by a significant increase in Idaho Power's projected load. Staff expressed concern that this increase in load may not be sustained due to economic trends. Consequently, Staff requested that Idaho Power consider whether the load forecast used in the 2009 October Update is still valid, and to adjust the load input to the model as appropriate before calculating the 2009 March Forecast.

On March 20, 2009, Idaho Power filed the 2009 March Forecast and, as recommended by Staff, updated its load forecast. As a result, the Company determined that its load growth forecast had moderated since the 2009 October Update. Idaho Power calculated a cost-per-unit for the 2009 March Forecast of \$16.31 per MWh. The 2009 March Forecast Rate adjustment of \$5.10 per MWh is 95 percent of the difference between the 2009 March Forecast rate and the 2009 October Update rate. Adding the 2009 March Forecast Rate adjustment to the 2009 October Update rate of \$10.94 per MWh resulted in a 2009 Combined Rate of \$16.04 per MWh—an increase of \$5.82 per MWh from the 2008 Combined Rate. The Company indicated that the increase resulted from forecast streamflows being lower than the average streamflows used in the 2009 October Update. The final Schedule 55 rate of \$12.57 per MWh (or 1.257 cents per kilowatt-hour) is the difference between the 2009 Combined Rate and the current base rate of \$3.47 per MWh.

Concurrent with filing the 2009 March Forecast, Idaho Power filed Advice No. 09-04 containing proposed Schedule 55, reflecting the Combined Rate. The overall revenue impact of the Combined Rate is an 11.46 percent revenue increase. The effective date of the proposed Schedule 55 is June 1, 2009.

Staff, the Citizens' Utility Board of Oregon (CUB), and Idaho Power participated in two settlement conferences on January 15, 2009, and February 19, 2009. On April 1, 2009, Staff filed a Motion to suspend the procedural schedule and cancel the hearing due to an agreement in principle resolving all issues among Staff and the parties. Staff requested time to develop a stipulation. On May 4, 2009, a Stipulation and Joint Explanatory Brief was filed.

II. THE STIPULATION AND SUPPORT FOR THE STIPULATION

The Stipulation, attached to this order as Appendix A, provides that Staff, Idaho Power, and CUB (the Stipulating Parties) agree that Idaho Power's 2009 October Update and 2009 March Forecast comply with Order No. 08-238. The Stipulating Parties further agree and ask that the Commission approve proposed Schedule 55 in Advice No. 09-04 with an effective date of June 1, 2009. The Stipulating Parties represent that the

Stipulation will result in just and reasonable rates that fall within an appropriate "range of reasonableness."²

III. DISCUSSION


The Commission has examined the Stipulation, the Joint Explanatory Brief, and the record in the case. The Commission concludes that Idaho Power's 2009 October Update and 2009 March Forecast comply with Order No. 08-238, and that the Stipulation is, therefore, an appropriate resolution of all issues in this docket. The Commission adopts the Stipulation and approves Advice No. 09-04 to make proposed Schedule 55 effective on June 1, 2009.

ORDER

IT IS ORDERED that:

1. The Stipulation between Idaho Power Company, Commission Staff, and the Citizens' Utility Board of Oregon, attached as Appendix A, is adopted.
2. Advice No. 09-04 is approved.
3. Idaho Power Company's Schedule 55 tariff sheets are effective on June 1, 2009.

Made, entered, and effective MAY 26 2009



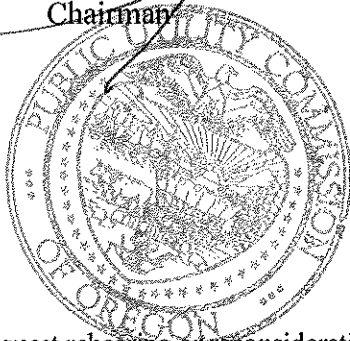
Lee Beyer
 Chairman



John Savage
 Commissioner



Ray Baum
 Commissioner



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

² Joint Explanatory Brief, p. 6, citing *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov 1, 1999).

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 203

In the Matter of:

Idaho Power Company's 2008 Annual
Power Cost Update

STIPULATION

This Stipulation resolves all issues among the parties to this Stipulation related to Idaho Power Company's ("Idaho Power") 2009 Annual Power Cost Update and Advice Filing 09-04 filed in UE 203 pursuant to Order No. 08-238.¹

PARTIES

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB") and Idaho Power Company ("Idaho Power" or the "Company") (together, the "Parties"). Staff, CUB, and Idaho Power are the only parties in Docket UE 203.

BACKGROUND

2. On October 23, 2008, Idaho Power filed its October Update for the 2009 Annual Power Cost Update ("APCU"), as required by Order No. 08-238 ("2009 October Update"). The 2009 October Update is the Company's forecast of power supply expenses for the upcoming water year—in this case, April 2009 through March 2010. Idaho Power filed direct testimony and exhibits explaining and supporting the 2009 October Update. Idaho Power included in the filing a draft Schedule 55 showing the rates projected to be implemented pursuant to the 2009 APCU. The draft Schedule 55 served as a placeholder until the March Forecast for the April 2009 through March 2010 year was filed and combined with the 2009 October Update. The rates in draft Schedule 55 would be effective on June 1, 2009.

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 3. On November 25, 2008, ALJ Traci Kirkpatrick held a prehearing conference at
2 which the parties to Docket UE 203 agreed upon a procedural schedule that would allow the
3 Commission to issue an order on Idaho Power's 2009 APCU prior to the rate-effective date of
4 June 1, 2009.

5 4. On December 1, 2008, Idaho Power filed Supplemental Direct Testimony in
6 which it presented and explained two corrections to the AURORA model run that formed the
7 basis of the 2009 October Update and Direct Testimony. The corrections resulted in a unit
8 cost per megawatt hour (\$/MWh) of \$10.94 per MWh, an increase of \$2.24 per MWh over the
9 2008 October Update. If the October Update rate of \$10.94 per MWh is added to the March
10 Forecast Rate Adjustment² for April, 2008 through March, 2009 of \$1.52 per MWh, this would
11 produce a Combined Rate of \$12.46 per MWh. The Adjustment Rate—the rate included in
12 draft Schedule 55—would be \$8.99 per MWh or a 4.55 percent overall revenue increase. This
13 is the difference between the current Base Rate of \$3.47 per MWh, established in Docket UE
14 167, and the Combined Rate of \$12.46 per MWh.

15 5. Staff served discovery on Idaho Power and conducted a thorough investigation of
16 the 2009 October Update. Staff filed Direct Testimony on the 2009 October Update on
17 January 23, 2009 noting some issues that needed further clarification and explanation.

18 6. Idaho Power filed Rebuttal Testimony in response to Staff's testimony on
19 February 13, 2009. The Rebuttal Testimony explained and clarified the model input issues
20 raised by Staff.

21 7. On March 11, 2009, Staff filed Surrebuttal Testimony. Staff found that the
22 Company's model inputs to the 2009 October Update were either allowed by Order
23 No. 08-238 or were made in accordance with the methodology required by the order and did
24 not further contest the October Update rate of \$10.94/MWh, as described in Idaho Power's
25

26 ² The March Forecast Rate Adjustment is calculated as 95 percent of the difference between the March
Forecast Rate and the October Update, adjusted for changes in load.

1 Supplemental Direct Testimony. Staff explained that the increase in the 2009 October Update
2 from the previous year is caused primarily by a significant increase in Idaho Power's load.
3 The increase in load reduces the amount of excess power available to the Company for resale
4 and increases the amount of market power the Company must purchase, the result of which is
5 to exert upward pressure on variable power costs. Staff stated that if the Company
6 determines before the 2009 March Forecast that the load forecast used in the 2009 October
7 Update is no longer valid, the Company should adjust the load input to the model before
8 calculating the 2009 March Forecast.

9 8. On March 20, 2009, Idaho Power filed the March Forecast for the 2009 APCU,
10 as required by Order No. 08-238 ("2009 March Forecast"). The 2009 March Forecast is the
11 Company's forecast of net power supply expense for the upcoming water year of April 2009
12 through March 2010. As recommended by Staff in its Surrebuttal Testimony, Idaho Power
13 updated its load forecast prior to calculating the 2009 March Forecast. The Company
14 calculated a cost per unit for the March Forecast of \$16.31 per MWh. Pursuant to the
15 methodology prescribed in Order No. 08-238,³ only ninety five percent of the difference
16 between the October Update rate and the March Forecast rate is added to the October
17 Update rate to produce the Combined Rate. In this case, the calculation results in a
18 Combined Rate of \$16.04 per MWh—an increase of \$5.82 per MWh from the previous year.
19 This increase from the October Update was driven in large part by below average streamflows
20 that were lower than the average streamflows used in the October Update, and even lower
21 than the streamflows used in last year's March Forecast. The lower streamflows reduced the
22 amount of hydro power forecast for the upcoming water year. The overall revenue impact of
23 the Combined Rate is an 11.46% overall revenue increase. Idaho Power concurrently filed

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25
26 ³ Order No. 08-238 provided that 95 percent of the difference between the October Update and the
March Forecast Rate, adjusted for changes in load, would be included in the Combined Rate.

1 Advice No. 09-04 containing the proposed Schedule 55 reflecting the Combined Rate, with an
2 effective date of June 1, 2009.

3 9. Staff, CUB, and Idaho Power participated in settlement conferences on
4 January 15, 2009, and February 19, 2009. At the settlement conferences, Staff, CUB, and the
5 Company discussed substantive issues on which Staff had outstanding questions. The
6 results of Staff's investigation into the 2009 October Update and 2009 March Forecast support
7 this Stipulation.

8 AGREEMENT

9 10. The Parties agree that the 2009 October Update and the 2009 March Forecast
10 comply with Order No. 08-238.

11 11. The Parties agree that the Commission should approve the proposed
12 Schedule 55 in Advice No. 09-04 with an effective date of June 1, 2009.

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

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

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

26

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

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

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

14 This Stipulation is entered into by each party on the date entered below such Party's
15 signature.

17 STAFF

CITIZENS' UTILITY BOARD

18 By: [Signature]

By: _____

19 Date: May 4, 2009

Date: _____

21 IDAHO POWER

22 By: _____

23 Date: _____

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STAFF

CITIZENS' UTILITY BOARD

By: _____

By:  _____

Date: _____

Date: May 4 - 2009

IDAHO POWER

By: _____

Date: _____

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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: *Lisa Richner*

Date: 5/4/09