

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 214

In the Matter of

IDAHO POWER COMPANY

2010 Annual Power Cost Update

ORDER

DISPOSITION: STIPULATIONS ADOPTED

I. INTRODUCTION

By Application filed with the Public Utility Commission of Oregon (Commission) on October 19, 2009, Idaho Power Company (Idaho Power) filed its October update for its 2010 Annual Power Cost Update (APCU). The APCU mechanism was approved by the Commission in Order No. 08-238 and is an “automatic adjustment clause” within the meaning of ORS 757.210(1). The APCU is comprised of two primary components: an October Power Cost Update (October Update) and a March Power Cost Forecast (March Forecast).

In October of each year, Idaho Power files an update that provides calculations for the Company’s net power supply expense on a normalized basis and unit basis. In March of each year, Idaho Power files a forecast, with a June 1 effective date, that reflects the Company’s estimate of expected power supply expenses for the April through March test period with the most recent updates for ten separate variables, including the separately defined forward price curve. The unit costs in each filing are combined to calculate the annual power costs.

The October Update is Idaho Power’s estimate of its “normal” power supply expenses for the upcoming water year. For the water year April, 2010 through March, 2011, Idaho Power calculated an October Update unit cost of \$14.86 per Megawatt hour (MWh). Idaho Power estimated a March Forecast Rate of \$5.10 per MWh. The resulting Combined Rate was \$19.96 per MWh. The overall revenue impact of the October Update is a \$2.6 million revenue increase or 8.17 percent.

II. PROCEDURAL HISTORY

A prehearing conference was held on November 18, 2009, and a schedule adopted for this docket. The parties agreed to a target date for a Commission order of May 28, 2010.

Testimony was filed by Idaho Power, and Commission Staff (Staff). In its reply testimony, Idaho Power proposed a Combined Rate of \$19.68 per MWh, a reduction of 1.4 percent from its previously proposed Combined Rate.

On February 16, 2010, Staff, the Oregon Industrial Customers of Idaho Power (OICIP) and the Citizens' Utility Board of Oregon (CUB) (the "joint parties") filed joint testimony in support of a partial stipulation on rate spread. On March 23, 2010, the joint parties filed their rate spread stipulation. Idaho Power neither supports nor opposes the rate spread stipulation. The rate spread stipulation is attached as Appendix B.

On April 15, 2010, Idaho Power, Staff, and CUB (the "stipulating parties") filed a revenue requirement stipulation and a joint explanatory brief. OICIP does not join in the revenue requirement stipulation; however, OICIP does not oppose it. The revenue requirement stipulation is attached as Appendix A. In the revenue requirement stipulation, the stipulating parties agree to a Combined Rate of \$19.38 per MWh – a reduction of \$0.30 from the revised proposed rate, or \$198,155 in Oregon-allocated net power supply expense.

The hearing in this matter having been canceled, each of the parties sponsoring testimony filed a motion to have its testimony received. The motions are granted.

III. THE STIPULATIONS

A. Rate Spread

In its application Idaho Power proposed to allocate the \$2.6 million rate increase among customer classes based on equal cents per kilowatt hour. The impact of that approach would vary significantly among customer classes, ranging from 1.7 percent for area lighting to 10.6 percent for large power service.

The joint parties propose an alternative rate spread to address the problem, noted by the Commission in Idaho Power's 2009 general rate case, that certain customer classes are paying rates less than their cost of service would otherwise require.¹ Consequently, other customer classes pay rates higher than their cost of service, subsidizing those other classes.

¹ Those classes are the irrigation and traffic control classes. See Order No. 10-064, Docket No. UE 213.

The joint parties state that the APCU filings provide the opportunity to address the problem, because Idaho Power files its APCU each year. The APCU can be used each year to gradually bring the subsidized rates up to their cost of service, without the rate shock that would occur if only the infrequent general rate cases were used to that end.

The joint parties propose that the subsidized parties – whose rates are less than 90 percent of their class cost of service – pay 150 percent of the average APCU increase. The joint parties will reanalyze the APCU increase to the subsidized parties in future years.

The joint parties further recommend that the class-specific rates determined for the October Update component of the APCU be implemented as an adjustment to each customer class' base energy rates. They recommend that the class-specific rates determined for the March Forecast component of the APCU be listed separately for each customer class on the Company's Schedule 55.

In supporting testimony, the joint parties explain how they have proposed to reconcile cost-of-service rates with rate shock, an unacceptably large increase in rates. They state that rate shock is a problem where general rate cases are infrequent, as has occurred with Idaho Power in Oregon.

According to the joint parties, their proposed rate spread mechanism will gradually decrease the subsidies over time, without inducing rate shock. In this instance they have proposed to limit the upward adjustment for the subsidized classes to 150 percent of the average increase, recognizing the rate impacts of the general rate case decision. The parties note that, if the Commission approves the rate spread stipulation, the irrigators' rates will still be about 20 percent below the cost-of-service level.

B. Revenue Requirement

As noted above, in its initial testimony Idaho Power calculated an October Update unit cost of \$14.86 per MWh and estimated a March Forecast Rate of \$5.10 per MWh. The resulting Combined Rate was \$19.96 per MWh. Following testimony filed by Staff using updated information, in its reply testimony Idaho Power subsequently proposed a Combined Rate of \$19.68 per MWh, a reduction of 1.4 percent.

In the revenue requirement stipulation, the stipulating parties agree to a Combined Rate of \$19.38 per MWh. This amount reflects a reduction of \$0.30 per MWh from the Company's filed Combined Rate, or \$198,155 in Oregon-allocated net power supply expense. The current base rate reflected in the net power supply expense approved by the Commission in the Idaho Power's last general rate case, docket UE 213, is \$10.94 per KWh. The rate adjustment necessary to update to the Combined Rate, therefore, is \$8.40 per MWh, or 0.840 cents per KWh.

The stipulating parties also agreed to a one-time modification to the dead band used to calculate the net power supply deviations in the year 2010 under the

Company's Power Cost Adjustment Mechanism (PCAM). The PCAM, also adopted in Order No. 08-238, uses an asymmetrical dead band to calculate the net power supply deviations used in the true-up calculations. Any positive deviation, where actual expenses exceed those recovered in rates, is reduced by the dollar equivalent of 250 basis points of the Company's authorized return on equity (ROE) prior to recovery. Any negative deviation, where actual expenses are less than those recovered in rates, is reduced by the dollar equivalent of 125 basis points of ROE before it is shared with customers under the terms of the PCAM.

In the revenue requirement stipulation, the stipulating parties agree to a one-time adjustment to the asymmetrical dead band as follows:

- (a) For a positive deviation, the value of the upper dead band will be equal to the sum of the dollar equivalent of 250 basis points of Return on Equity (ROE) and \$153,650. (In other words, the dead band is increased by \$153,650 before any excess power costs are subject to collection pursuant to the terms of the PCAM.)
- (b) For a negative deviation, the value of the lower dead band will be the dollar value of 125 basis points of ROE reduced by \$153,650. (In other words, the dead band is reduced by \$153,650 before any power costs are subject to return pursuant to the terms of the PCAM.)

The stipulating parties agreed to this one-time modification because of the recent rate increase associated with the general rate case.

In support of their stipulation the stipulating parties note that the Commission will approve a stipulation that results in just and reasonable rates. When evaluating the rates the Commission examines "the reasonableness of the overall rates, not the theories or methodologies used or individual decisions made." The Commission can approve a stipulation if it results in just and reasonable rates, even if the parties to the stipulation do not agree on how those rates were calculated.

In this case, the stipulating parties claim that the rates proposed are just and reasonable and fall within the range of reasonableness for resolution of these issues. Although the stipulating parties do not agree on every element of the forecasting methodology, they agree that the rates resulting from the compromise are just and reasonable for both the Company and its customers.

IV. DISCUSSION

In this docket, Staff filed two rounds of testimony, raising a number of issues that were addressed by Idaho Power in the Company's reply testimony. CUB and OICIP each participated in the proceedings on behalf of their respective constituencies. Given that Idaho Power, Staff, and CUB are in agreement regarding the Company's revenue requirement, and that it has been supported by testimony in the record, we find the revenue requirement stipulation reasonable.

In addition, we find the rate spread stipulation to be a pragmatic movement of Idaho Power's rate classes toward cost-of-service rates that will lessen the rate shock that can normally attach to changes in rate spread.

We find each stipulation reasonable. The stipulations are adopted in their entirety.

Under the terms of the stipulations, Idaho Power's rates will increase overall by 5.53 percent, ranging from a 2.15 percent decrease for lighting (Schedule 15) and a 15.25 percent increase for irrigation (Schedule 24). Residential customer rates will increase by an average of 3.82 percent.

V. ORDER

IT IS ORDERED that:

1. The revenue requirement stipulation by and among Idaho Power Company, the Staff of the Public Utility Commission of Oregon, and the Citizens' Utility Board of Oregon, is adopted and is attached as Appendix A.
2. The rate spread stipulation by and among the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Oregon Industrial Customers of Idaho Power is adopted and attached as Appendix B.

3. Idaho Power Company shall update 2010 Annual Power Costs tariff schedules to reflect the provisions of the stipulations, to be effective June 1, 2010.

Made, entered, and effective MAY 24 2010 .

COMMISSIONER BAUM WAS
UNAVAILABLE FOR SIGNATURE

Ray Baum
Chairman

John Savage
John Savage
Commissioner

Susan Ackerman
Susan Ackerman
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.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

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UE 214

In the Matter of:

Idaho Power Company's 2010 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") 2010 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, 2010.

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"). The Oregon Industrial Customers of Idaho Power ("OICIP") is the only party to this docket not joining the Stipulation. OICIP, however, does not oppose the Stipulation.²

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.

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 See OICIP Cross Examination Statement, Docket UE 214 (Apr. 1, 2010).

1 The rates from the October Update and March Forecast are combined and that "Combined
2 Rate" is then included in rates effective on June 1 of each year.

3 3. Order No. 08-238 also created a Power Cost Adjustment Mechanism ("PCAM")
4 that consists of an Annual Power Supply Expense True-up. The Company uses an
5 asymmetrical dead band to calculate the net power supply deviations used in the true-up
6 calculations. A positive deviation (actual expenses exceed expenses recovered in rates) is
7 reduced by the dollar equivalent of 250 basis points of the Company's Return on Equity
8 ("ROE") authorized in the Company's last general rate case before the expense can be
9 recovered by the Company pursuant to the additional terms of the PCAM. A negative
10 deviation (actual expenses are less than those recovered in rates) is reduced by the dollar
11 equivalent of 125 basis points of ROE before it is shared with customers subject to the
12 additional terms of the PCAM.³

13 4. On October 19, 2009, Idaho Power filed its October Update for the 2010 APCU
14 ("2010 October Update"). Idaho Power filed direct testimony and exhibits explaining and
15 supporting the 2010 October Update. The 2010 October Update resulted in a rate of \$14.86
16 per megawatt-hour ("MWh"). Idaho Power included in the filing a draft Schedule 55 showing
17 the rates projected to be implemented pursuant to the 2010 APCU.⁴

18 5. On November 18, 2008, Administrative Law Judge Patrick Power held a
19 prehearing conference at which the parties to Docket UE 214 agreed upon a procedural
20 schedule that would allow the Commission to issue an order on Idaho Power's 2010 APCU
21 prior to the rate-effective date of June 1, 2010.

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24 ³ The PCAM has several additional components; however, this dead band is the only component relevant
to this Stipulation.

25 ⁴ This draft Schedule 55 used the 2010 October Update (\$14.86 per MWh) and the March Forecast rate
for April 2009 through March 2010 (\$5.10 per MWh) to yield a Combined Rate of \$19.96 per MWh. The
26 draft Schedule 55 served as a placeholder until the March Forecast for the April 2010 through March
2011 year was filed and combined with the 2010 October Update.

1 the net power supply expense approved by the Commission in Order No. 10-064⁷ is \$10.94
 2 per MWh. The rate adjustment necessary to update to the Combined Rate is therefore \$8.40
 3 per MWh, or 0.840 cents per kWh. This amount is the agreed upon Combined Rate (\$19.38
 4 per MWh) less the current base rate (\$10.94 per MWh). Attached to this Stipulation as Exhibit
 5 1 is a detailed analysis of this adjustment. The Stipulating Parties agree that the rates
 6 resulting from this adjustment are fair, just, and reasonable. The Stipulating Parties also
 7 agree that the acceptance of this adjustment for the purposes of settlement is not acceptance
 8 of any methodology underlying the adjustment, is not binding on the Stipulating Parties in
 9 future proceedings, and does not imply agreement on the merits of the adjustment.

10 12. Given the rate increase that resulted from the Company's recently completed
 11 general rate case, as reflected in Order No. 10-064, the Stipulating Parties also agree to a
 12 *one-time* modification to the dead band used to calculate the net power supply deviations in
 13 the 2010 PCAM. The Stipulating Parties agree that the asymmetrical dead band will be
 14 adjusted as follows:

15 a. For a positive deviation (actual net power supply expenses are greater
 16 than the amount recovered through the Combined Rate), the value of the upper dead band will
 17 be equal to the *sum* of the dollar equivalent of 250 basis points of ROE and \$153,650. In other
 18 words, the dead band is increased by \$153,650 before any excess power costs are subject to
 19 collection pursuant to the terms of the PCAM.

20 b. For a negative deviation (actual net power supply expenses are less than
 21 the amount recovered through the Combined Rate), the value of the lower dead band will be the
 22 dollar value of 125 basis points of ROE reduced by \$153,650. In other words, the dead band is
 23 reduced by \$153,650 before any power costs are subject to return pursuant to the terms of the
 24 PCAM.

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26 ⁷ *Re Idaho Power Company Request for General Rate Revision*, Docket UE 213, Order No. 10-064 (Feb. 24, 2010).

1 13. The Stipulating Parties agree to submit this Stipulation to the Commission and
2 request that the Commission approve the Stipulation as presented. The Stipulating Parties
3 agree that the adjustments and the rates resulting from the Stipulation are fair, just, and
4 reasonable.

5 14. This Stipulation will be offered into the record of this proceeding as evidence
6 pursuant to OAR 860-014-0085. The Stipulating Parties agree to support this Stipulation
7 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this
8 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
9 settlements contained herein.

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

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

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

1 18. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

3 This Stipulation is entered into by each Stipulating Party on the date entered below such
4 Stipulating Party's signature.

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STAFF

CITIZENS' UTILITY BOARD

By: Mike [Signature]

By: _____

Date: 4/15/10

Date: _____

IDAHO POWER

By: _____

Date: _____

1 18. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

3 This Stipulation is entered into by each Stipulating Party on the date entered below such
4 Stipulating Party's signature.

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6 STAFF

CITIZENS' UTILITY BOARD

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8 By: _____

By:  _____

9 Date: _____

Date: 4-12-10 _____

10 IDAHO POWER

11
12 By: _____

13 Date: _____

1 18. This Stipulation may be executed in counterparts and each signed counterpart
2 shall constitute an original document.

3 This Stipulation is entered into by each Stipulating Party on the date entered below such
4 Stipulating Party's signature.

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6 STAFF

CITIZENS' UTILITY BOARD

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8 By: _____

By: _____

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9 Date: _____

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10 IDAHO POWER

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12 By: *Luca Ruckner*

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13 Date: 4-15-10

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ANNUAL POWER COST UPDATE
April 2010 - March 2011
Total System Values

<u>Line</u>	<u>OCTOBER APCU</u>	
1	Forecast of Normalized Sales (MWh)	14,505,160
2	Filed Net Power Supply Expense	\$215,578,002
3	Settlement Adjustment	\$4,334,203
4	Adjusted NPSE with Settlement Adjustment	\$211,243,799
5	Adjusted October APCU Rate (\$/MWh)	\$14.56
 <u>MARCH FORECAST</u> 		
6	Forecast of Normalized Sales (MWh)	14,505,160
7	Filed Net Power Supply Expense	\$289,115,789
8	Settlement Adjustment	\$4,334,203
9	Adjusted NPSE with Settlement Adjustment	\$284,781,586
10	March Forecast Rate (\$/MWh)	\$19.63
11	Sales Adjusted Forecast Power Cost Change	\$73,541,161
12	Portion of Change Allowed	95%
13	Forecast Change Allowed	\$69,864,103
14	March Forecast Rate Adjustment (\$/MWh)	\$4.82
15	<u>Combined Rate (\$/MWh)</u>	<u>\$19.38</u>

Filed Combined Rate (\$/MWh)	\$19.68
Settled Combined Rate (\$/MWh)	\$19.38
APCU Adjustment (\$/MWh)	\$0.30
Oregon Jurisdictional Sales (MWh)	660,517
Oregon Jurisdictional APCU Settlement Adj.	\$198,155
Settled October Update Revenue	\$2,391,071
Settled March Forecast Revenue	\$3,183,691

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON
UE 214

IN THE MATTER OF IDAHO POWER
COMPANY 2010 ANNUAL POWER COST
UPDATE

PARTIAL STIPULATION
REGARDING RATE SPREAD

1 This Partial Stipulation is entered into for the purpose of resolving the rate spread issue
2 among the parties to this docket. This Partial Stipulation only resolves the rate spread issue in
3 Idaho Power Company's ("Idaho Power's" or the "Company's") 2010 Annual Power Cost
4 Update ("APCU").

5 PARTIES

6 The parties entering into this Partial Stipulation are the Oregon Industrial Customers of
7 Idaho Power ("OICIP"), the Citizens' Utility Board of Oregon ("CUB"), and Staff of the Public
8 Utility Commission of Oregon ("Staff"). The only other party to this docket is Idaho Power,
9 who neither supports nor opposes this Partial Stipulation.

10 BACKGROUND

11 1. On October 19, 2009, Idaho Power initiated this docket by filing testimony
12 requesting a \$2.59 million revenue increase in its 2010 APCU, as set forth in Idaho Power's
13 Exhibit 106 in this docket. The Company's testimony states that amount as the energy costs it is

1 entitled to collect pursuant to the Company's APCU mechanism authorized by the Public Utility
2 Commission of Oregon (the "Commission") in Docket No. UE 195.

3 2. For rate spread, Idaho Power, in its filing in this docket, proposed to follow the
4 procedure that was used in Docket No. UE 195. This method simply divides the proposed
5 revenue change, in this case \$2.59 million, by the normalized jurisdictional forecasted kWh
6 usage. This "equal cents per kWh charge" is applied to each customer's energy usage. The
7 impact of this approach varies significantly among customer classes, with a percentage increase
8 that varies from 1.7 percent for area lighting (Schedule 15) to 10.6 percent for large power
9 service (Schedule 19).

10 3. As the Commission recently recognized on pages 9 to 10 of the Commission's
11 order number 10-064 in Idaho Power's 2009 general rate case, certain customer classes will be
12 paying far less as a result of the general rate case than those classes' costs-of-service would
13 otherwise require. Those classes are the irrigation and traffic control classes. Consequently,
14 other customer classes will be paying more than their cost-of-service in order to subsidize those
15 underpaying classes.

16 4. The Commission noted in that order that the parties to the general rate case agreed
17 for the purposes of this docket to limit the rate increases experienced by the irrigation and traffic
18 control classes to avoid rate shock of bringing those classes' rates immediately up to their cost-
19 of-service.

20 5. The parties to this docket convened in Portland twice, first on December 29, 2009,
21 and next on January 28, 2010, to conduct workshops on the rate spread issue and how the
22 subsidies may be addressed in the APCU proceedings, which occur more frequently than Idaho
23 Power's general rate cases in Oregon.

1 6. As a result of these workshops, Staff, OICIP, and CUB (the “Joint Parties”)
2 reached an agreement regarding a rate spread adjustment intended to gradually limit the subsidy
3 to the irrigation and traffic control classes. Idaho Power does not support or oppose the Joint
4 Parties’ agreement as to rate spread.

5 7. The Joint Parties’ proposed rate spread mechanism would gradually decrease the
6 subsidies over time, without inducing rate shock significantly above that required to satisfy the
7 Company’s revenue requirement.

8 8. Under the final 2009 general rate case stipulation and the Joint Parties’ APCU
9 rate spread mechanism proposed in this Partial Stipulation, the irrigation class would incur a
10 combined APCU and 2009 general rate case increase of 42.66 percent. This is far less than the
11 Company’s original filings. Those filings called for irrigators to receive an in-season average
12 increase of about 47 percent in the general rate case, and would have added approximately
13 another 7 percent in this APCU docket, taking the combined total increase for irrigators to
14 around 54 percent.

15 9. Additionally, if the Commission approves this partial stipulation, the irrigators’
16 rates would still be approximately 20 percent below the stipulated cost-of-service level.

17 10. This would mitigate the overall rate increase to residential and industrial classes,
18 both of which would still pay in excess of their stipulated cost-of-service.

19 11. This Partial Stipulation contains a compromise between the twin goals of setting
20 cost of service rates and avoiding rate shock in Idaho Power’s infrequent general rate cases,
21 while bringing the subsidized parties closer to their cost of service over time through Idaho
22 Power’s annual energy cost update filings.

23

AGREEMENT

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2 12. Staff, OICIP, and CUB filed joint testimony in support of this Partial Stipulation
3 on February 16, 2010, which sets forth the proposal and justification for it in more detail than
4 does this Partial Stipulation.

5 13. In this 2010 APCU, the Partial Stipulation calls for the subsidized parties-- whose
6 rates are paying less than 90 percent of their class cost-of-service-- to pay 150 percent of the
7 average APCU increase. The parties will reanalyze the APCU increase to the subsidized parties
8 in future years.

9 14. The values used in the joint testimony and this Partial Stipulation are based on the
10 requested \$2.59 million APCU revenue requirement in the filing. If the APCU revenue amount
11 is adjusted to a different value, the Joint Parties' proposal is to allocate it in line with the method
12 recommended below.

13 15. Exhibit Staff/OICIP/CUB/102 displays the results of the Joint Parties' proposal
14 for the APCU rate spread in conjunction with the relevant figures from the stipulated cost-of-
15 service calculations in the UE 213 general rate case.

16 16. The following steps refer to that exhibit in describing the Joint Parties' stipulated
17 methodology for developing the APCU incremental rates. The first seven steps below (i.e., up
18 through Line 48 of the exhibit) operate as if the 2010 October APCU costs were part of the 2009
19 general rate case and test period. The final step and subsequent lines in the exhibit incorporate
20 and adjust for the 2010 sales.

21 17. In step one (Line 34), the APCU revenue requirements, which treat the October
22 Update and March Forecast separately, are allocated according to each class's share of the total
23 generation marginal cost as determined in the last general rate case. Because the approach

1 stipulated by all parties in the general rate case combines embedded capacity-related and energy-
2 related costs prior to their final allocation to the rate schedules, this step-one treatment of the
3 APCU energy costs is identical to the way they would have been allocated had they been part of
4 the 2009 general rate case test period.

5 18. In step two (Line 35), the total dollar amount of a “subsidy correction” is
6 determined by first applying, for any schedule that paid less than 90 percent of its cost-of-service
7 index in the last general rate case, a factor that is the lesser of: a) the prior general rate case
8 subsidy (Line 25 minus Line 29) less any APCU subsidy adjustments made since that case; and
9 b) 50 percent of the APCU dollar amount increase calculated in step one. The factor outcomes
10 for each of those schedules are added together and constitute the amount of the APCU revenue
11 requirement that is to be transferred away from the schedules found in the general rate case to be
12 bearing the subsidy burdens.

13 19. In step three (Line 36), are determined the interclass subsidy burdens borne by the
14 various schedules as initially established in the current/last general rate case, and as subsequently
15 reduced in accordance with the subsidy correction that is here being proposed.

16 20. In step four (Lines 37- 39), the subsidy correction preliminary dollar amount
17 (calculated in step two) is allocated according to each schedule’s share of the general rate case
18 cost-of-service-determined subsidy (calculated in step three), and that amount is shown to be
19 subtracted from the initial APCU allocation of step one.

20 21. In step five (Line 40), any negative amount that is produced in step four is
21 eliminated by allocating that amount to the other subsidizing schedules of step four, with the
22 allocation to those other schedules being performed in the same manner as in step four. This step
23 produces the proposed APCU revenue spread.

1 22. In step six (Line 47), each schedule's ratable (i.e., loss-adjusted) sales are shown.
2 It is against these sales figures that APCU incremental prices would be multiplied to satisfy the
3 APCU revenue requirement if it were to be collected as part of the 2009 test period.

4 23. In step seven (Line 48), each schedule's 2009-oriented APCU incremental rate is
5 determined by dividing its assigned APCU revenue (Line 40) by the loss-adjusted 2009 test-
6 year-projected sales (Line 47).

7 24. In step eight (Line 49), the APCU incremental rate for 2010 is determined by
8 adjusting the prices of the previous line by the ratio of total loss-adjusted 2009 test-year sales
9 (Line 47, Column A) to the 2010 October projection (Line 50, Column A). This adjustment is
10 necessary to recover the APCU revenue requirement with the reduced sales projected for 2010 as
11 compared to 2009.

12 25. In addition to those eight steps, Lines 42-46 were included to provide an
13 indication of the revenues, percentage rate increases, and final cost-of-service index levels that
14 are the outcome of combining the stipulated general rate case and APCU revenue spreads. Line
15 51 confirms that the incremental APCU rates will recover the APCU revenue requirement given
16 the 2010 October sales forecasts (Line 50).

17 26. Additionally, as further explained in the Joint Testimony, the Joint Parties
18 recommend that the class-specific rates determined for the October Update component of the
19 APCU be implemented as an adjustment to each class's base energy rates. Further, the Joint
20 Parties recommend that the class-specific rates determined for the March Forecast component of
21 the APCU be listed separately for each customer class on Schedule 55.

22 27. In the event the March Forecast, when viewed in isolation, results in a rate decrease or a
23 rate increase in excess of ten percent, the Joint Parties agree to meet promptly for the purpose of

1 reaching a mutually satisfactory agreement on the rate spread for the March Update revenue
2 requirement change, and upon such agreement, the filing of additional Staff and/or Intervener
3 testimony for April 1, 2010.

4 28. This Partial Stipulation will be offered into the record of this proceeding as
5 evidence pursuant to OAR 860-014-0085. The Joint Parties agree to support this Partial
6 Stipulation throughout this proceeding and any appeal (if necessary), provide witnesses to
7 sponsor this Stipulation at the hearing and recommend that the Commission issue an order
8 adopting the settlements contained herein.

9 29. The Parties have negotiated this Partial Stipulation as an integrated document. If
10 the Commission rejects all or any material portion of this Partial Stipulation or imposes
11 additional material conditions in approving this Partial Stipulation, any party disadvantaged by
12 such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek
13 reconsideration or appeal of the Commission's order.

14 30. By entering into this Partial Stipulation, no Party shall be deemed to have
15 approved, admitted, or consented to the facts, principles, methods, or theories employed by any
16 other Party in arriving at the terms of the Partial Stipulation, other than those specifically
17 identified in the body of this Partial Stipulation. No party shall be deemed to have agreed that
18 any provision of this Partial Stipulation is appropriate for resolving issues in any other
19 proceeding, except as specifically identified in this Partial Stipulation.

20 31. This Partial Stipulation may be executed in counterparts and each signed
21 counterpart shall constitute an original document.

22 ***SIGNATURE PAGE FOLLOWS***

23

1 Respectfully Submitted,

2

STAFF

OREGON INDUSTRIAL CUSTOMERS
OF IDAHO POWER

By: _____

By: *[Signature]*

Date: _____

Date: 3-18-2010

CITIZENS' UTILITY BOARD OF
OREGON

By: *[Signature]*

Date: 3-23-10

3

1 Respectfully Submitted,

2

STAFF

By: 
Date: 3/23/10

OREGON INDUSTRIAL CUSTOMERS
OF IDAHO POWER

By: _____
Date: _____

CITIZENS' UTILITY BOARD OF
OREGON

By: _____
Date: _____

3