

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 248

In the Matter of

IDAHO POWER COMPANY

General Rate Revision Application for
Authority to include the Langley Power
Plant Investment in Rate Base.

ORDER

DISPOSITION: STIPULATION ADOPTED; APPLICATION FOR GENERAL
RATE REVISION APPROVED AS REVISED; TARIFFS TO
GO INTO EFFECT

I. SUMMARY

In this order we adopt a stipulation of the parties and authorize a \$2,979,973 rate increase to reflect a finding of prudence as to Idaho Power's investment in the Langley Power Plant (Langley). We adopt a revised depreciation schedule and affirm the need for compliance with investment review procedures, as stipulated by the parties. We authorize the tariffs reflecting these changes to go into effect October 1, 2012.

II. PROCEDURAL HISTORY

On March 9, 2012, Idaho Power Company filed tariff sheets in Advice No. 12-06 to be effective July 1, 2012. The filing sought a \$3 million (7.32 percent) increase in rates for electric service to the company's Oregon customers due to the inclusion of the Langley investment in rate base. The effective date requested was the June 29, 2012 in-service date for the facility.

In Order No. 12-101, entered March 27, 2012, we suspended the tariffs for nine months and ordered an investigation. The Citizens' Utility Board of Oregon (CUB), and Northwest and Intermountain Power Producers Coalition (NIPPC) intervened in the proceeding. A prehearing conference was held April 3, 2012, at which a procedural schedule was adopted.

The parties entered into settlement negotiations, which ultimately led to a resolution of all of the issues raised by the Commission Staff and the parties. Idaho Power submitted a stipulation and motion to admit stipulation on behalf of all parties and a joint explanatory brief in support of the stipulation on September 5, 2012. The stipulation is attached as Appendix A. The company filed a motion for admission of the company's prefiled

testimony and exhibits on September 6, 2012, which was granted by ruling of September 7, 2012, at which time the record was closed.

III. THE STIPULATION

The parties agree that, with certain reservations, Idaho Power's investment in Langley was prudent and should be included in company's the rate base. Staff, NIPCC, and CUB, however, do not endorse the procedures the company followed in obtaining the resource—that is, obtaining approval from the Idaho Public Utilities Commission while excluding review of the Request for Proposals by this Commission prior to soliciting bids for the project. For this reason, the parties agree that the stipulation approving the investment should have no precedential value.¹

The parties further agree that the plant went in service as of January 31, 2012, with estimated additions through June 30, 2012. The parties agree to the removal of the following three plant items:

- a. \$251,894 in employee-related payroll and benefit costs associated with the development of the company's benchmark resource proposal;
- b. \$1,197,938 in transmission costs; and
- c. \$75,000 in costs related to the splicing of a fiber communication cable that were not spent until after July 1, 2012.

Finally, the parties agree that the revenue requirement should include a depreciation rate associated with a 35-year life for Langley as approved in our Order No. 12-296,² as opposed to the 30-year life originally proposed by the company.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Langley is a natural gas-fired combined cycle combustion turbine power plant located approximately five miles south of New Plymouth, Idaho, with a 330 megawatt capacity in winter and a 300 megawatt capacity in summer. It came online and began commercial operation on June 29, 2012.³ The company acquired Langley to meet the need for 250 to 600MW of dispatchable, physically delivered, firm or unit contingent energy deliverable in 2012, a need identified in the company's integrated resource plans dating back to 2004.⁴

We summarize the issues of the stipulation and provide our resolution of each as follows:

Issue 1: Prudence of the Investment. The parties reviewed the company's application and supporting testimony and were able to verify the final revenue requirement calculations.⁵

¹ Stipulation at 3.

² *In the Matter of Idaho Power Company Application to Implement Revised Depreciation Rates for the Company's Electric Plant-in-Service*, Docket UM 1576, Order No. 12-296 (Jul 20, 2012).

³ Joint Brief at 2 citing Idaho Power/200, Grow/2; Stipulation at 1.

⁴ *Id* citing Idaho Power/100, Said/4.

⁵ Stipulation at 3.

We find that the parties had available to them sufficient information to ably participate and reflect the public interest in the stipulation negotiations. We conclude that the Langley investment, adopting those adjustments to the original filing made by the stipulation, was a prudent expenditure and that the investment should be included in the rate base, having become commercially operational on June 29, 2012 and being now used and useful as required by ORS 757.355.

Issue 2: Depreciable Life. Idaho Power had originally proposed a 30-year period to depreciate its investment in Langley. By stipulation of the parties, the recommended depreciation period has been lengthened to 35 years to reflect the depreciation rate we recently adopted.⁶

We find the 35-year depreciable asset life for the Langley investment to be appropriate and consistent with our prior order and it is adopted.

Issue 3: Rate Spread/Rate Design. The parties agree that the rate spread/rate design proposed by the company in its application is reasonable and should be approved. This will spread the rate increase to each individual customer class based on the rate spread we recently approved in Idaho Power's general rate proceeding.⁷ The increase will be recovered through a uniform percentage increase to all base rate components except the service charge.⁸

We adopt the rate spread and rate design as consistent with our prior order and conclude that when applied to the new investment and its approved depreciation schedule, it will result in just and reasonable rates.

Issue 4: Regulatory Oversight of Asset Acquisition. This Commission was not given the opportunity to review the request for proposal (RFP) process used to solicit bids for its construction or the selection process used to select the winning bid.⁹ Neither did the company obtain permission from the Commission prior to soliciting bids for the construction of Langley. Nonetheless, CUB, NIPPC, and Staff are willing to stipulate to the prudence of the Langley build decision based on its review of the company's actions in this docket. These parties acknowledge that compliance with our competitive bidding guidelines results only in a presumption that the resulting resource acquisition is reasonable and that failure to comply with those guidelines, while not encouraged, is not dispositive of the prudence of the company's decision.¹⁰

To address the concerns about the utility's chosen process for acquiring Langley, Idaho Power has committed itself to submit all future resource acquisitions subject to our competitive bidding guidelines to the Commission for a full and complete review up to

⁶ *Id* at 5 citing Stipulation at 4 ¶17.

⁷ See In the Matter of Idaho Power Company, Request for a General Rate Revision, Docket No. UE 233, Order No. 12-055 (Feb 23, 2012).

⁸ Stipulation at 4.

⁹ Joint Brief at 5.

¹⁰ Joint Brief at 7 citing *Re PacifiCorp*, Docket UE 200, Order No. 08-548 at 19 (Nov 14, 2008).

and including the issuance of an order approving the RFP or granting a waiver or other exceptions expressly set forth in the guidelines then in effect.¹¹

We agree with CUB, NIPPC, and Staff that Idaho Power was remiss in its procedures and we therefore accord no precedential value to our approval of the Langley investment. Furthermore, we expect the company to honor its commitment both to this stipulation and to our processes in future proceedings.

V. ORDER

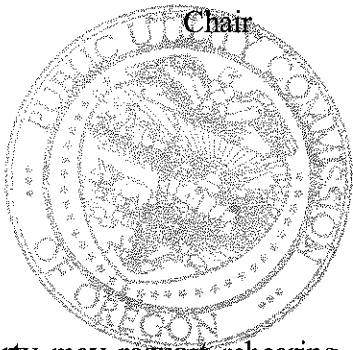
IT IS ORDERED that:

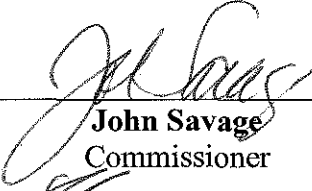
1. The stipulation between Idaho Power Company, the Public Utility Commission of Oregon Staff, the Citizens' Utility Board of Oregon, and the Northwest and Intermountain Power Producers Coalition, attached as Appendix A, is adopted and incorporated in this order.
2. Advice No. 12-06, filed on March 9, 2012, is permanently suspended.
3. Idaho Power Company shall file tariffs consistent with this order no later than September 27, 2012, to be effective October 1, 2012.

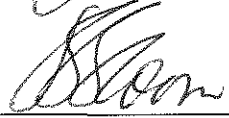
Made, entered, and effective SEP 20 2012.

COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair




John Savage
Commissioner


Stephen M. Bloom
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.

¹¹ *Id.*

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 248

In The Matter of

STIPULATION

IDAHO POWER COMPANY

General Rate Revision Application for
Authority to include the Langley Power Plant
Investment in Rate Base.

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") request to revise its schedules of rates and charges for electric service in Oregon to include the Langley Gulch power plant ("Langley") in the Company's revenue requirement.

PARTIES

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

BACKGROUND

2. Langley is a natural gas-fired combined cycle combustion turbine power plant located approximately five miles south of New Plymouth, Idaho. Langley has a 330 megawatt ("MW") nameplate capacity in the winter and a 300 MW nameplate capacity in the summer. Langley came online and began commercial operation on June 29, 2012.

3. On March 9, 2012, Idaho Power filed Advice No. 12-06 and an application for a general rate increase pursuant to ORS 757.205, 757.215, and 757.220, that requested an increase to customer rates to reflect the costs associated with Langley. The Company's filing

1 requested an increase in the Company's Oregon jurisdictional revenue requirement of \$3
2 million, which was an increase of 7.32 percent. The Company requested a rate effective date
3 of July 1, 2012, to coincide with the expected in-service date for the plant.

4 4. The Company's filing included the testimony of Gregory W. Said and Lisa A.
5 Grow. Mr. Said described the integrated resource plan process that led to the acquisition of
6 Langley; explained the streamlined competitive bidding process to acquire Langley; described
7 the regulatory oversight of the Langley acquisition by the Idaho Public Utilities Commission
8 ("IPUC"); presented the Company's request for approval in this case; and presented the
9 revenue requirement impact of this investment and the Company's proposed rate spread/rate
10 design. Ms. Grow discussed the Request for Proposals ("RFP") process used to select the
11 power plant now known as Langley; quantified the Company's investment in Langley; and
12 discussed the expected completion and in-service date for Langley.

13 5. On March 13, 2012, CUB filed its Notice of Intervention.

14 6. On March 21, 2012, Idaho Power ran an advertisement in the *Hells Canyon*
15 *Journal*, *Baker City Herald* and *Argus Observer*, notifying Oregon customers of the proposed
16 rate increase and how, if approved, it would affect customers. On March 22, 2012, the same
17 advertisement was run in the *Baker City Record-Courier*.

18 7. Beginning March 27, 2012, Idaho Power notified all Oregon customers of the
19 proposed rate increase through a bill insert.

20 8. On March 26, 2012, the Commission issued Order No. 12-101, which suspended
21 Advice No. 12-06 for the full nine-month statutory suspension period.

22 9. On March 29, 2012, NIPPC filed a petition to intervene.

23 10. On April 3, 2012, Administrative Law Judge ("ALJ") Allan J. Arlow convened a
24 prehearing conference. At the prehearing conference, the parties adopted a procedural
25 schedule and ALJ Arlow granted NIPPC's petition to intervene.¹

26 ¹ *Re Idaho Power Company*, Docket UE 248, Prehearing Conference Memorandum (Apr. 3, 2012).

1 11. On August 9, 2012, the Stipulating Parties participated in a settlement
2 conference. At that settlement conference, the Stipulating Parties reached a tentative
3 agreement in principle that would resolve all the issues in this case, subject to verification of
4 the final revenue requirement calculations. A subsequent settlement conference was held on
5 August 27, 2012. As a result of the settlement discussions and the verification of the revenue
6 requirement calculations, the Stipulating Parties have agreed as follows:

7 **AGREEMENT**

8 12. The Stipulating Parties, subject to certain reservations set forth in paragraphs 13
9 and 14 below, agree that the Company's investment in Langley was a prudent expenditure
10 and that the investment should be included in rate base.

11 13. Despite supporting the prudence of the Company's investment for purposes of
12 this agreement, Staff, CUB, and NIPPC do not endorse the procedures followed by Idaho
13 Power in obtaining permission only from the IPUC and not also from the Commission prior to
14 soliciting bids for the construction of Langley. CUB and NIPPC also have reservations about
15 the RFP process used to solicit bids for Langley and reservations about the selection process
16 followed to select the winning bid.

17 14. Given the above, the Stipulating Parties therefore agree that this Stipulation shall
18 have no precedential value in any future resource solicitation proceedings, except as set forth
19 in paragraph 20 of the Stipulation.

20 15. The Stipulating Parties also agree that Langley became commercially operational
21 on June 29, 2012, and is now used and useful as required by ORS 757.355.

22 16. The Stipulating Parties further agree to an increase of Oregon jurisdictional rates
23 to reflect the Oregon jurisdictional share of the incremental Langley revenue requirement of
24 \$2,979,973. A description of the calculated revenue requirement is set forth in Attachment A.
25 The Oregon jurisdictional revenue requirement agreed to by the Stipulating Parties was
26 calculated using electric plant in service as of January 31, 2012, with estimated additions

1 through June 30, 2012, as included in the Company's original filing. It also incorporates the
2 removal of the following three plant items:

3 a. \$251,894 in employee-related payroll and benefit costs associated with
4 the development of Idaho Power's benchmark resource proposal;

5 b. \$1,197,938 in transmission costs; and

6 c. \$75,000 in costs related to the splicing of a fiber communication cable
7 that were not spent until after July 1, 2012.

8 17. The Stipulating Parties agree that the revenue requirement should include a
9 depreciation rate associated with a 35-year life for Langley as approved in Order No. 12-296
10 (the Company's recent depreciation study filing) as opposed to the 30-year life originally
11 proposed by the Company.

12 18. The Stipulating Parties agree that they will make best efforts to allow for a
13 process that would include a rate implementation date of October 1, 2012.

14 19. The Stipulating Parties agree that the rate spread/rate design set forth by Idaho
15 Power in the Application is reasonable and should be approved. This will spread the rate
16 increase to each individual customer class based on the rate spread agreed to by the parties
17 in Docket UE 233 and approved by the Commission in Order No. 12-055 and will be
18 recovered through a uniform percentage increase to all base rate components except the
19 service charge.

20 20. To address the concerns discussed in paragraph 13 regarding the process that
21 resulted in the Company's Langley investment, Idaho Power commits to submitting all future
22 resource acquisitions subject to the Commission's RFP Guidelines to the Commission for full
23 and complete review up to and including the issuance of an order approving the RFP, or
24 granting a waiver or other exceptions expressly set forth in the Guidelines, as prescribed in,
25 and implemented by, the RFP Guidelines in effect at the time.

26

1 21. 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 rates resulting from the Stipulation are fair, just, and reasonable.

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

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

15 24. The Stipulating Parties have negotiated this Stipulation as an integrated
16 document. If the Commission rejects all or any material part of this Stipulation, or adds any
17 material condition to any final order that is not consistent with this Stipulation, each Stipulating
18 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument
19 on the record in support of the Stipulation or to withdraw from the Stipulation. Stipulating
20 Parties shall be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720
21 in any manner that is consistent with the agreement embodied in this Stipulation.

22 25. By entering into this Stipulation, no Stipulating Party shall be deemed to have
23 approved, admitted, or consented to the facts, principles, methods, or theories employed by
24 any other Stipulating Party in arriving at the terms of this Stipulation, other than those
25 specifically identified in the body of this Stipulation. No Stipulating Party shall be deemed to
26

1 have agreed that any provision of this Stipulation is appropriate for resolving issues in any
2 other proceeding, except as specifically identified in this Stipulation.

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

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

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8

9

10 STAFF

CITIZENS' UTILITY BOARD

11 By: [Signature]

By: _____

12 Date: September 4, 2012

Date: _____

13

14 IDAHO POWER

NORTHWEST AND INTERMOUNTAIN
POWER PRODUCERS COALITION

15 By: _____

By: _____

16 Date: _____

Date: _____

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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

NORTHWEST AND INTERMOUNTAIN
POWER PRODUCERS COALITION

By: *Chad Jay*

By: _____

Date: *Sept 5, 2012*

Date: _____

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10 STAFF

CITIZENS' UTILITY BOARD

11 By: _____

By:  _____

12 Date: _____

Date: 9-4-12 _____

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14 IDAHO POWER

NORTHWEST AND INTERMOUNTAIN
POWER PRODUCERS COALITION

15 By: _____

By: _____

16 Date: _____

Date: _____

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10 STAFF

CITIZENS' UTILITY BOARD

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By: _____

By: _____

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Date: _____

Date: _____

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14 IDAHO POWER

NORTHWEST AND INTERMOUNTAIN
POWER PRODUCERS COALITION

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By: _____

By:  _____

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Date: _____

Date: 9-4-12 _____

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IDAHO POWER COMPANY
 JURISDICTIONAL SEPARATION STUDY
 LANGLEY REVENUE REQUIREMENT
 FOR THE TEST YEAR ENDING DECEMBER 31, 2011

DESCRIPTION	ALLOC/ SOURCE	TOTAL SYSTEM	OREGON RETAIL
4 SUMMARY OF RESULTS			
5 RATE OF RETURN UNDER PRESENT RATES			
6	TOTAL COMBINED RATE BASE	351,108,932	15,254,718
7			
8	OPERATING REVENUES		
9	FIRM JURISDICTIONAL SALES	0	0
10	HOKU 1ST BLOCK ENERGY SALES	0	0
11	SYSTEM OPPORTUNITY SALES	32,274,040	0
12	OTHER OPERATING REVENUES	0	0
13	TOTAL OPERATING REVENUES	32,274,040	0
14	OPERATING EXPENSES		
15	OPERATION & MAINTENANCE EXPENSES	28,080,105	225,804
16	DEPRECIATION EXPENSE	12,068,285	523,827
17	AMORTIZATION OF LIMITED TERM PLANT	0	0
18	TAXES OTHER THAN INCOME	1,426,291	61,809
19	REGULATORY DEBITS/CREDITS	0	0
20	PROVISION FOR DEFERRED INCOME TAXES	64,566,596	2,789,384
21	INVESTMENT TAX CREDIT ADJUSTMENT	11,248,028	485,934
22	FEDERAL INCOME TAXES	(63,903,059)	(2,874,048)
23	STATE INCOME TAXES	(12,948,666)	(581,175)
24	TOTAL OPERATING EXPENSES	40,537,578	631,535
25	OPERATING INCOME	(9,756,907)	(631,535)
26	ADD: IERCO OPERATING INCOME	0	0
27	CONSOLIDATED OPERATING INCOME	(9,756,907)	(631,535)
28	RATE OF RETURN UNDER PRESENT RATES	-2.78%	-4.14%
29			
30 DEVELOPMENT OF REVENUE REQUIREMENTS			
31	RATE OF RETURN		7.757%
32			
33	RETURN		1,183,308
34	EARNINGS DEFICIENCY		1,814,844
35	ADD: CWIP (HELLS CANYON RELICENSING)		0
36	DEFICIENCY WITH CWIP		1,814,844
37			
38	NET-TO-GROSS TAX MULTIPLIER		1.642
39	REVENUE DEFICIENCY		2,979,973
40			
41	FIRM JURISDICTIONAL REVENUES		43,216,693
42	PERCENT INCREASE REQUIRED		6.90%
43			
44	SALES AND WHEELING REVENUES REQUIRED		2,979,973

ORDER NO. 12 358

APPENDIX A
PAGE 12 OF 12