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February 1, 2012

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: UE 233 – Idaho Power Company's Application for Authority to Increase its Rates and Charges for Electric Service to its Customers in the State of Oregon

Attention Filing Center:

Enclosed in the above-referenced docket are an original and five copies of the Partial Stipulation and the Joint Testimony in Support of Stipulation. The signature page for the Oregon Irrigation Pumpers Association, Inc. will follow. A copy of this filing has been served on all parties to this proceeding as indicated on the attached Certificate of Service.

Please contact me with any questions.

Very truly yours,

Lisa Rackner

Enclosures

cc: Service List

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 233 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

- | | |
|---|---|
| Gordon Feighner
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DATED: February 1, 2012



Wendy McIndoo
Office Manager

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 233

In the Matter of
IDAHO POWER COMPANY
Request for General Rate Revision.

PARTIAL STIPULATION

12
13 This Partial Stipulation is entered into for the purposes of resolving all but one
14 of the issues in this docket. The unresolved issue relates to the prudence of the
15 costs associated with pollution control investments at the Jim Bridger Coal Plant
16 ("Bridger Pollution Control Investments"). The details of that issue, and the process
17 by which the Parties propose to resolve that issue, within this docket, is discussed
18 below. A second issue that relates to the one-time tax benefits received by Idaho
19 Power, pursuant to the UNICAP and Repairs tax methodology change, has by
20 agreement of all of the parties been removed from this docket and will be litigated in
21 a separate proceeding(s).

PARTIES

22
23 1. The parties to this Partial Stipulation are Idaho Power Company
24 ("Idaho Power" or "Company"), Staff of the Public Utility Commission of Oregon
25 ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), Oregon Industrial Customers
26 of Idaho Power ("OICIP"), and Oregon Irrigation Pumpers Association, Inc. ("OIPA")

1 (collectively, "the Parties"). The Parties constitute all parties to the docket, with the
2 exception of Portland General Electric Company, who did not actively participate in
3 the docket.

4 **BACKGROUND**

5 2. On July 29, 2011, Idaho Power filed a general rate case with the
6 Public Utility Commission of Oregon ("Commission") to revise its schedules of rates
7 and charges for electric service in Oregon. The Company requested a revision to
8 customer rates that would increase the Company's annual Oregon jurisdictional
9 revenues by \$5.8 million, which represents a 14.7 percent increase in rates. The
10 Company submitted its proposed tariffs with a rate effective date of September 1,
11 2011, which, with the addition of the full nine-month statutory suspension period,
12 would result in the new rates becoming effective June 1, 2012. Idaho Power's filing
13 was based on a 2011 calendar year test period.

14 3. In Order No. 11-308, issued August 15, 2011, the Commission
15 suspended the Company's filing for a period of nine months.

16 4. On August 23, 2011, Administrative Law Judge ("ALJ") Allan J. Arlow
17 convened a Prehearing Conference and on that same day ALJ Arlow issued a
18 Prehearing Conference Memorandum establishing the procedural schedule for this
19 docket.

20 5. The Parties conducted extensive discovery on Idaho Power's filing.
21 Over the course of the proceeding, the Company provided responses to more than
22 400 data requests. The only issue remaining in this docket relates to the prudence of
23 the investment for the Bridger Pollution Control Investments.

24 6. On November 21 and 22, 2011, the Parties convened a settlement
25 conference. The settlement conference was noticed and all Parties participated. The
26 Parties were unable to reach a settlement following two days of negotiations.

1 7. On December 7, 2011, Staff, CUB, OIPA, and OICIP filed opening
2 testimony. Staff's testimony proposed 14 separate adjustments that resulted in a
3 \$5.31 million reduction to the Company's requested revenue requirement.¹ In other
4 words, Staff proposed a rate increase equal to \$0.538 million, or 1.35 percent. Staff's
5 testimony also addressed rate spread and rate design and was generally supportive
6 of the Company's proposal to implement seasonal rates.²

7 8. CUB's opening testimony proposed a \$776,000 reduction to Idaho
8 Power's requested revenue requirement.³ CUB's testimony focused on the upward
9 trend of Idaho Power's rates and the Company's treatment of capital investments in
10 clean air compliance at its coal plants. Its testimony addressed, among other things,
11 issues related to the Company's proposed rate spread, its opposition to the
12 Company's proposals to implement seasonal rates and increase its customer charge
13 and the Company's proposed changes to its tiered rate structure.⁴ It also discussed
14 CUB's proposed adjustments. OIPA filed testimony addressing the difference
15 between Idaho Power's rates in Oregon and Idaho; the jurisdictional assignment of
16 distribution, generation, and transmission costs; and calculation of individual class
17 cost of service.⁵ OIPA proposed no rate increase.⁶ OICIP's testimony focused
18 primarily on rate spread and design and addressed Idaho Power's coincident peaks
19 adjustment, transmission cost allocation, and the appropriate Return on Equity
20 ("ROE").⁷

21 _____

22 ¹ Staff/100, Bird/16.

23 ² Staff/900, Compton/2-7.

24 ³ CUB/100, Feighner-Jenks/19.

25 ⁴ CUB/100, Feighner-Jenks/1-20.

26 ⁵ OIPA/100, Yankel/2.

27 ⁶ OIPA/100, Yankel/28-29.

28 ⁷ OICIP/100, Reading/1.

1 7.757 percent. The individual components in the assumed capital structure should
2 be set as shown in the table below:

3 **STIPULATED COST OF CAPITAL**

4

5 Financial Component	Weight	Cost	Weighted Avg.
6 Cost of Long-term Debt	50.100%	5.623%	2.817%
7 Common Equity	49.900%	9.900%	4.940%
Total	100.000%		7.757%

8 This adjustment reduces the Company's requested revenue requirement by
9 approximately \$826,000.

10 13. Rate Base Adjustments: The Parties agree to a total reduction in
11 requested revenue requirement equal to \$2.151 million related to Oregon
12 jurisdictional rate base adjustments.

13 14. Expense Adjustments: The Parties agree to Oregon jurisdictional
14 expense adjustments totaling \$1.060 million.

15 15. Rate Spread and Rate Design: The Parties agree that the rate
16 spread and design proposed by Idaho Power will be revised as follows:

- 17 a. The rate spread set forth on Exhibit B to this Partial Stipulation
18 should be adopted.
- 19 b. The customer charge will remain \$8.00 per month.
- 20 c. Residential seasonal rates will not be implemented.
- 21 d. The upper limit of the first block of the two-tier residential
22 monthly energy rate will be changed from 300 to 1000 kilowatt-
23 hours. The year-round differential between the two tiers' rates
24 shall equal the average of the summer price differential and the
25 non-summer price differential as contained in "Sixth Revised
26

1 [Tariff] Sheet No. 1-2” of the Company’s July 29, 2011 general
2 rate case filing. That average figure is 1.3566 cents per kWh.⁸

3 Other than the revisions described above, the rate design for all customer classes will
4 be implemented in accordance with Idaho Power’s proposal in this docket, with
5 uniform percentage adjustments to each schedule’s rate elements consistent with the
6 schedule’s stipulated revenue requirement.
7

8 16. Bridger Pollution Control Investments: The Company’s filed case
9 includes \$8.2 million of gross plant-in-service, on a total-system basis, associated
10 with investments in pollution control equipment at the Jim Bridger Plant (“Bridger
11 Plant”). The Company estimates that these investments result in \$27,500 of Oregon
12 jurisdictional revenue requirement.

13 17. As of the date of filing of this Partial Stipulation, CUB believes that the
14 Company has not yet demonstrated the prudence of incremental Bridger Plant
15 pollution control equipment installed during the 2011 test year, and for that reason
16 Idaho Power has agreed to respond to additional data requests on this issue and will
17 provide testimony on the prudence of its investments on or before February 1, 2012.
18 If CUB continues to dispute the prudence of the Company’s Bridger Pollution Control
19 Investments, CUB and Intervenors may file Reply testimony and the Parties will
20 request a Commission ruling on this issue. The Parties agree that even if the issue of
21 the prudence of the Bridger Pollution Control Investments is not resolved by March 1,
22 2012, the rates implemented on March 1, 2012, will include the Company’s Bridger
23 Pollution Control Investments as filed; however, the Company will request to defer

24 _____
25 ⁸ The referenced Schedule 1 proposed residential service tariff showed a year-round energy charge of
26 8.2222 cents per kWh for the first 1000 kWh and respective summer and non-summer post-1000 kWh
energy charges of 10.0310 cents per kWh and 9.1266 cents per kWh, yielding respective rate differentials
of 1.8088 cents per kWh and 0.9044 cents per kWh, which produce an average rate differential of
1.3566 cents per kWh.

1 the variance between revenues resulting from rates that include the Bridger Pollution
2 Control Investments and revenues resulting from rates without the Bridger Pollution
3 Control Investments. The Parties agree to support Idaho Power's request for deferral
4 of this variance. If the Commission concludes that all or any portion of the
5 incremental Bridger Pollution Control Investments are imprudent, Idaho Power will
6 refund to customers any money collected from ratepayers for the imprudent
7 investment. Any such refund will be credited to customers' benefit against the
8 outstanding Power Cost Adjustment True Up Balancing Account deferral balance as
9 reflected on Idaho Power's books. In this way, if CUB's issue regarding the Bridger
10 Plant portion of the Revenue Request is not resolved by March 1, 2012, any money
11 that the Company collects for the disputed Bridger Pollution Control Investments will
12 be eligible for return to ratepayers, depending on the Commission's ruling regarding
13 the prudence of the investment.

14 18. UNICAP and Repairs Tax Methodology Changes and Benefits: This
15 issue relates to the one-time tax benefits received by Idaho Power, pursuant to the
16 UNICAP and Repairs tax methodology change, and has by agreement of all of the
17 parties been removed from this docket and will be litigated in a separate
18 proceeding(s). Accordingly, this Partial Stipulation does not address the one-time
19 benefit issue raised in Staff/100, Bird/34-37. This Partial Stipulation does include the
20 on-going annual benefit the amount of which is shown on the line labeled "UNICAP
21 Update" on Exhibit A to this Partial Stipulation. Nothing in this Partial Stipulation
22 precludes any Party from challenging Idaho Power Company's proposed treatment of
23 the one-time UNICAP and Repairs tax benefits in any current or future proceeding(s).

24 19. By entering into this Partial Stipulation, no Party shall be deemed to
25 have approved, admitted, or consented to the facts, principles, methods, or theories
26

1 employed by any other Party in arriving at the terms of the Partial Stipulation, other
2 than those specifically identified in the body of this Partial Stipulation.

3 20. The Parties agree to submit this Partial Stipulation to the Commission
4 and request that the Commission approve the Partial Stipulation as presented and
5 reserve judgment on the deferral issue at this time until the Parties determine
6 whether the issue can be settled. The Parties agree that the rates resulting from this
7 stipulated agreement are fair, just, and reasonable⁹ and constitute an appropriate
8 resolution of all but one of the issues in this case—the Bridger Pollution Control
9 Investments issue.¹⁰ While the Parties are not in agreement with respect to the
10 specific methodologies used to reach the agreed upon revenue requirement, all
11 agree that the overall rates resulting from this agreement are just and reasonable.¹¹

12 21. This Partial Stipulation will be offered into the record as evidence
13 pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation
14 throughout this proceeding and any appeal, provide witnesses to sponsor this Partial
15 Stipulation at hearing, if needed, and recommend that the Commission issue an
16 order adopting the Partial Stipulation.

17 22. If any other party to this proceeding challenges this Partial Stipulation,
18 the Parties agree that they will continue to support the Commission's adoption of the
19 _____

20 ⁹ See *Re. PacifiCorp Request for a General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec.
21 14, 2010) (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just,
22 and reasonable.”).

23 ¹⁰ See *Re PacifiCorp's 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-
24 432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an appropriate
25 resolution of all primary issues in this docket.”); see also *Re PacifiCorp Request for a General
26 Rate Revision*, Docket UE 210, Order No. 10-022 at 6 (Jan. 26, 2010) (“When considering a
27 stipulation, we have the statutory duty to make an independent judgment as to whether any
28 given settlement constitutes a reasonable resolution of the issues.”).

29 ¹¹ See *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant
30 Retirement*, Docket DR 10 *et al.*, Order No. 08-487 at 7-8 (Sept. 30, 2008) (the Commission
31 evaluates the validity of the rates based on “the reasonableness of the overall rates, not the
32 theories or methodologies used or individual decisions made.”).

1 terms of this Partial Stipulation. The Parties reserve the right to cross-examine
2 witnesses and put in such evidence as they deem appropriate to respond fully to the
3 issues presented including the right to raise issues that are incorporated in the
4 settlements embodied in this Partial Stipulation.

5 23. The Parties have negotiated this Partial Stipulation as an integrated
6 document. If the Commission rejects all or any material portion of this Partial
7 Stipulation or imposes additional material conditions in approving this Partial
8 Stipulation, any Party disadvantaged by such action shall have the right to withdraw
9 from this Partial Stipulation and request a hearing and opportunity to submit
10 additional testimony in accordance with OAR 860-001-0350(9), and/or in accordance
11 with OAR 860-001-0720, seek reconsideration or appeal of the Commission's order.
12 However, prior to taking any such actions, the Party must engage in good faith
13 negotiation with the other Parties to this Partial Stipulation.

14 24. By entering into this Partial Stipulation, no party shall be deemed to
15 have agreed that any provision of this Partial Stipulation is appropriate for resolving
16 issues in any other proceeding, except as specifically identified in this Partial
17 Stipulation.

18 25. This Partial Stipulation may be executed in counterparts and each
19 signed counterpart shall constitute an original document.

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SIGNATURE PAGE FOLLOWS

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STAFF

By: [Signature]

Date: 2/1/2012

IDAHO POWER

By: _____

Date: _____

CITIZENS' UTILITY BOARD OF OREGON

By: _____

Date: _____

OREGON INDUSTRIAL CUSTOMERS OF IDAHO POWER

By: _____

Date: _____

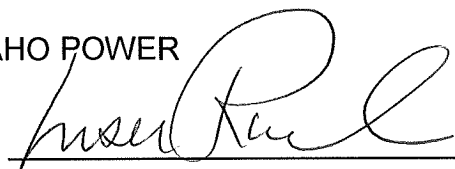
OREGON IRRIGATION PUMPERS ASSOCIATION

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STAFF
By: _____
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IDAHO POWER
By: 
Date: 2-1-12

CITIZENS' UTILITY BOARD OF OREGON
By: _____
Date: _____

OREGON INDUSTRIAL CUSTOMERS OF IDAHO POWER
By: _____
Date: _____

OREGON IRRIGATION PUMPERS ASSOCIATION
By: _____
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STAFF

IDAHO POWER

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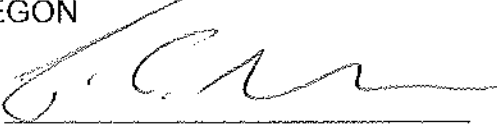
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CITIZENS' UTILITY BOARD OF OREGON

OREGON INDUSTRIAL CUSTOMERS OF IDAHO POWER

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OREGON IRRIGATION PUMPERS ASSOCIATION

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STAFF

IDAHO POWER

By: _____

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Date: _____

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CITIZENS' UTILITY BOARD OF OREGON

OREGON INDUSTRIAL CUSTOMERS OF IDAHO POWER

By: _____

By: Peter J. Richman

Date: _____

Date: 2/1/12

OREGON IRRIGATION PUMPERS ASSOCIATION

By: _____

Date: _____

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 233

Exhibit A

**To
Partial Stipulation**

February 1, 2012

IDAHO POWER COMPANY
Revenue Requirement Adjustments - Settlement
Twelve Months Ended December 31, 2011
(\$000)

Revenue Deficiency on the Company's Filed Results	\$5,848
Rate of Return Adjustment	(826)
Rate Base Adjustments	
Distribution Transformer Allocation	(1,990)
Transmission Adjustment	(10)
Ratebase Annualizing Adjustment	<u>(151)</u>
Total Rate Base Adjustment	(2,151)
Expense Adjustments	
Wage & Salary Adjustment	(410)
UNICAP Update	(194)
AMI System Operational Benefits	(218)
A&G and O&M Adjustments	<u>(238)</u>
Total Expense Adjustment	(1,060)
Total Revenue Requirement Adjustment	(4,037)
Adjusted Change in Revenue Requirement	\$1,811
Current Revenue	\$39,874
Percent Increase	4.54%

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 233

Exhibit B

To

Partial Stipulation

February 1, 2012

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 233

In the Matter of:

IDAHO POWER COMPANY

Request for a General Rate Revision

STAFF-IDAHO POWER-CUB-OICIP-OIPA

JOINT TESTIMONY IN SUPPORT OF
PARTIAL STIPULATION

WITNESSES: GREG SAID, CARLA BIRD, BOB JENKS,
DON READING, and ANTHONY J. YANKEL

February 1, 2012

1 **Q. Who is sponsoring this testimony?**

2 A. This testimony is jointly sponsored by Idaho Power Company ("Idaho Power" or
3 the "Company"), Staff of the Public Utility Commission of Oregon ("Staff"), the
4 Citizens' Utility Board of Oregon ("CUB"), Oregon Industrial Customers of Idaho
5 Power ("OICIP"), and Oregon Irrigation Pumpers Association, Inc. ("OIPA"),
6 referred to collectively as the "Parties."

7 **Q. Please state your names.**

8 A. Greg Said, Carla Bird, Bob Jenks, Don Reading, and Anthony J. Yankel. Mr.
9 Said's qualifications are set forth in Idaho Power/100, Said/1-3; Ms. Bird's
10 qualifications are set forth in Staff/101; Mr. Jenk's qualifications are set forth in
11 CUB/101; Mr. Reading's qualifications are set forth in OICIP/101; Mr. Yankel's
12 qualifications are set forth in OIPA/100, Yankel/1 and OIPA/101

13 **Q. What is the purpose of your testimony?**

14 A. This testimony describes and supports the Partial Stipulation executed by the
15 Parties dated and filed in this case on February 1, 2012 (the "Partial Stipulation").
16 Our testimony supports all provisions of the Partial Stipulation.

17 **Q. Have all parties in this docket joined in the Partial Stipulation?**

18 A. All active parties to the docket have joined in the Partial Stipulation. Portland
19 General Electric Company, which has not been an active participant in this
20 docket, is not a party to the Stipulation.

21 **Q. How did the Parties arrive at the Partial Stipulation?**

22 A. The Parties scheduled an initial settlement conference in this docket on
23 November 21 and 22, 2011. All Parties attended and participated. After two
24 days of negotiations the Parties were unable to arrive at a settlement. Following
25 the settlement conference, Staff, CUB, OICIP, and OIPA filed opening testimony.
26 After the publication of Staff's and Intervenor's testimony, the Parties convened a
27 second settlement conference on December 14 and 15, 2011. As a result of the

1 second settlement conference, the Parties reached a settlement in this case
2 resolving all issues except one issue with respect to costs associated with
3 specific pollution control investments at the Jim Bridger Coal Plant ("Bridger
4 Pollution Control Investments"). The details of the issues related to the Bridger
5 Pollution Control Investments, and the process by which the Parties propose to
6 resolve that issue will be discussed below.

7 A second issue that relates to the one-time tax benefit received by Idaho
8 Power, pursuant to the UNICAP and Repairs tax methodology change, has by
9 agreement of all of the parties been removed from this docket and will be litigated
10 in a separate proceeding(s). Accordingly, this Partial Stipulation does not
11 address the one-time benefit issue raised in Staff/100, Bird/34-37. This Partial
12 Stipulation does include the on-going annual benefit the amount of which is
13 shown on the line identified as "UNICAP Update" on Exhibit A to this Partial
14 Stipulation. Nothing in this Partial Stipulation precludes any Party from
15 challenging Idaho Power Company's proposed treatment of the of the one-time
16 UNICAP and REPAIRS tax benefits in any current or future proceeding(s).

17 **Background**

18 **Q. Please describe Idaho Power's original revenue requirement increase**
19 **request.**

20 A. On July 29, 2011, Idaho Power filed revised tariff sheets for Oregon that would
21 have resulted in an increase to the Company's annual Oregon jurisdictional
22 revenues of \$5.8 million, representing a 14.7 percent increase in rates. Idaho
23 Power based its filing on a 2011 calendar year test period.

24 **Q. Did Staff, CUB, OICIP, and OIPA conduct a thorough examination of the**
25 **Company's filing?**

26 A. Yes. Staff and the Intervenors conducted extensive discovery on Idaho Power's
27 filing. Over the course of this proceeding, the Company provided responses to

1 more than 400 data requests. The only issue remaining within this docket relates
2 to the prudence of the investment for the Bridger Pollution Control Investments.
3 Staff, CUB, OICIP, and OIPA also filed opening testimony detailing their analyses
4 of the Company's filed case.

5 **Revenue Requirement Increase**

6 **Q. What is the revenue requirement increase to which the Parties agree?**

7 A. The Parties agree to an increase in the Oregon jurisdictional test period revenue
8 requirement of \$1.811 million, which in conjunction with the other terms in the
9 Partial Stipulation, represents a settlement of all revenue requirement issues in
10 this case—with the exception of the Bridger Pollution Control Investments.
11 Exhibit A to the Stipulation includes an agreed-upon calculation of the Oregon
12 jurisdictional \$1.811 million increase in rates based on the resolution of
13 adjustments proposed by the Parties, as described in further detail later in this
14 Joint Testimony.

15 **Q. What is the overall percentage increase to rates resulting from the Partial
16 Stipulation?**

17 A. The stipulated increase in test period revenue requirement represents an overall
18 percentage increase to Oregon rates of approximately 4.54 percent.

19 **Q. When will the rates to recover the stipulated revenue requirement increase
20 go into effect?**

21 A. The Parties propose that the rates go into effect on March 1, 2012. This is three
22 months earlier than the rate effective date in the Company's original filing,
23 assuming the full nine month suspension period.

24 **Rate of Return**

25 **Q. Please describe the Partial Stipulation's terms related to cost of capital.**

26 A. The Parties agree that the Company's overall rate of return ("ROR") should be
27 set at 7.757 percent and that return on equity ("ROE") should be set at 9.9

1 percent. The specific ROR components agreed upon by the Parties are specified
2 in Table 1 below:

3 **TABLE 1**
4 **STIPULATED COST OF CAPITAL**

Financial Component	Weight	Cost	Weighted Avg.
Cost of Long-term Debt	50.100%	5.623%	2.817%
Preferred Stock	0.000%		
Common Equity	49.900%	9.900%	4.940%
Total	100.000%		7.757%

5
6 **Q. What ROR did Idaho Power originally request?**

7 A. In its filing, Idaho Power proposed that ROE be set at 10.5 percent, that the cost
8 of long-term debt be set at 5.728 percent, and that the Commission approve a
9 capital structure consisting of 48.824 percent long-term debt and 51.176 percent
10 equity. These components resulted in a requested overall ROR of 8.17 percent.

11 **Q. What was Staff's proposed ROE?**

12 A. Staff proposed in testimony that ROE and ROR be set at values lower than those
13 ultimately agreed upon. Staff proposed an ROE of 9.5 percent, a cost of long-
14 term debt of 5.623 percent, and a capital structure consisting of 50.1 percent
15 long-term debt and 49.9 percent common equity. These values resulted in
16 Staff's proposed ROR of 7.558 percent.

17 **Q. Did other parties include ROE proposals in their testimony?**

18 A. Yes. But neither CUB nor OICIP proposed a specific ROE. Instead they both
19 argued for an ROE of less than 10 percent. However CUB, OICIP and OIPA
20 supported Staff's proposal during settlement negotiations.

1 **Q. Please describe the agreement the Parties reached with respect to Idaho**
2 **Power's ROR.**

3 A. The Parties do not agree on the specific methodologies used by each Party to
4 calculate the ROR and ROE. However, Parties agreed during settlement
5 negotiations that a ROE of 9.9 percent and a ROR of 7.757 percent represented
6 a reasonable compromise of this issue in the context of the overall settlement
7 and that the ROE is within the range of reasonableness given this context.

8 **Calculation of Stipulated Revenue Requirement**

9 **Q. How did the Parties calculate the agreed-upon revenue requirement**
10 **increase?**

11 A. For purposes of supporting this Partial Stipulation, the Parties agree to
12 incorporate general adjustments to the Company's proposed Oregon
13 jurisdictional revenue requirement. These adjustments are shown on Exhibit A to
14 the Partial Stipulation and reflect adjustments to Oregon jurisdictional rate base
15 and expenses. These adjustments were based on proposals initiated by Staff,
16 CUB, OICIP, and OIPA in their Opening Testimony. However, the Parties
17 expressly agree that their acceptance of the adjustments for the purpose of
18 settlement is not binding in future proceedings and does not imply agreement on
19 the merits of the adjustments. The Parties are mindful that the Commission
20 evaluates the validity of the rates based on "the reasonableness of the overall
21 rates, not the theories or methodologies used or individual decisions made" and
22 the Parties agree that the overall rates resulting from the Partial Stipulation are
23 just and reasonable.¹

¹ *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement, Docket DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008)*

1 **Rate of Return**

2 **Q. What is the adjustment to revenue requirement that results from the agreed**
3 **upon ROR?**

4 A. The stipulated revenue requirement includes the 7.757 percent ROR described
5 earlier in the testimony. This reduces the Company's requested Oregon
6 jurisdictional revenue requirement by approximately \$826,000.

7 **Rate Base**

8 **Q. Please explain the Parties' agreed-upon adjustment with respect to rate**
9 **base.**

10 A. The Parties agree to an Oregon jurisdictional revenue requirement reduction of
11 \$2.151 million related to rate base adjustments. This amount takes into account
12 four different adjustments proposed by Staff.² These adjustments included
13 changes to the forecast methodology used for additions to rate base and the
14 calculation of depreciation and amortization expenses. Staff also proposed an
15 adjustment related to the jurisdictional allocation of distribution transformers and
16 an adjustment related to new transmission projects. CUB and OIPA also
17 proposed adjustments related to the allocation methodology for distribution plant.
18 Staff's adjustments were based largely on its use of different forecast
19 methodologies for annualizing capital additions and depreciation and
20 amortization expenses and different allocation methodologies for distribution
21 plant. The CUB and OIPA adjustments were based on a differing allocation
22 methodology than that used by the Company. While the Company does not
23 agree with the methodologies underlying the proposed adjustments, it does
24 agree that the overall reduction of \$2.151 million is a reasonable compromise
25 and results in just and reasonable rates.

² Staff Adjustments S-5, S-6, S-7, and S-8.

1 **Q. Isn't it true that Staff proposed an adjustment related to a transmission line**
2 **that Staff contended would not be used and useful during the rate effective**
3 **period?**

4 A. Yes. Staff proposed removing from the revenue requirement costs associated
5 with the "Increase T342 to 700 MVA" project because the project's in-service
6 date was updated from June 2011 to June 2012. Removing this project from the
7 revenue requirement resulted in a reduction of approximately \$10,000.

8 **Q. Does the Partial Stipulation account for this adjustment?**

9 A. Yes. The agreed upon revenue requirement accounts for this adjustment and
10 ensures that no resource is in rates that is not used and useful as required by
11 ORS 757.355.

12 **Operations and Maintenance and Taxes**

13 **Q. Please explain the Parties' agreement with respect to Staff's Operations**
14 **and Maintenance ("O&M") and tax proposals.**

15 A. The Parties agree to an Oregon jurisdictional revenue requirement reduction of
16 \$1.06 million related to expense adjustments. This amount takes into account
17 eight different adjustments proposed by Staff,³ including adjustments related to
18 director and officer ("D&O") insurance, wage and salary adjustments, various
19 Administrative and General ("A&G") and O&M adjustments, an adjustment
20 related to the Company's implementation of Advanced Metering Infrastructure
21 ("AMI") in Oregon, and an adjustment related to the Company's use of the
22 UNICAP tax methodology related solely to the on-going benefits of the tax
23 methodology. CUB also proposed adjustments related to executive
24 compensation, D&O insurance, and AMI deployment in Oregon that have been
25 accounted for in this overall adjustment.

³ Staff Adjustments S-1, S-2, S-3, S-4, S-11, S-12, S-13, and S-14.

1 **Q. Did the Parties agree on any of the above proposed O&M expense**
2 **adjustments?**

3 A. No, with the exception of the UNICAP adjustment, discussed below. The Parties
4 agree on an overall adjustment of \$1.06 million but did not reach agreement with
5 respect to any particular adjustment. Again, the adjustments are based largely
6 on differing forecast methodologies and differences in the perceived benefits
7 related to AMI deployment in Oregon. While the Parties have not reached
8 agreement with respect to the merits of each of the Parties' proposed
9 methodologies, the Parties agree that the overall adjustment is reasonable as a
10 compromise position.

11 **Q. What is the Parties' agreement with respect to the UNICAP adjustment?**

12 A. The Parties specifically agree to a \$194,000 revenue requirement adjustment as
13 reflected on Exhibit A to the Partial Stipulation (the line labeled "UNICAP
14 Update'). This adjustment is included in the \$1.06 million expense adjustments
15 discussed above.

16 **Q. What is the basis for this adjustment?**

17 A. At the time of its initial filing, Idaho Power's application of the modified method of
18 capitalizing overhead costs to the UNICAP methodology for tax purposes was
19 before the United States Congress' Joint Committee on Taxation ("Joint
20 Committee") for approval. Although the on-going benefits of the change to the
21 UNICAP methodology were not included in its initial case, Idaho Power stated
22 that if approval was received from the Joint Committee, it would be appropriate
23 for the increased annual benefits to be included in a general rate case. The Joint
24 Committee approved Idaho Power's methodology change in September 2011.
25 To account for the on-going benefits associated with this change in tax
26 methodology, Staff proposed a \$194,000 reduction to Idaho Power's revenue

1 requirement. The Parties all agree that Staff's proposed adjustment is
2 appropriate.

3 The parties also agree that the settlement and Partial Stipulation in this
4 docket does not resolve the question of the one-time UNICAP and REPAIRS tax
5 benefits received by Idaho Power Company. Those issues will be addressed in a
6 separate filing(s). In sum, nothing in the Partial Stipulation precludes any Party
7 from challenging Idaho Power Company's proposed treatment of the one-time
8 UNICAP and REPAIRS tax benefits, received by Idaho Power, in any current or
9 future Commission proceeding.

10 **Rate Spread and Rate Design**

11 **Q. Did the Parties reach an agreement with respect to rate spread and rate
12 design?**

13 **A.** Yes. The Parties agree that the rate spread and design proposed by Idaho
14 Power in its filed case will be revised as follows:

- 15 • The rate spread set forth in Exhibit B to the Partial Stipulation should
16 be adopted.
- 17 • The residential customer charge will remain \$8.00 per month.
- 18 • Residential rates will continue to not be seasonally differentiated.
- 19 • The first block of the two-tier residential block will be 0 to 1000 kilowatt-
20 hours.
- 21 • The year-round differential between the two tiers' rates shall equal the
22 average of the summer price differential and the non-summer price
23 differential as contained in "Sixth Revised [Tariff] Sheet No. 1-2" of the
24 Company's July 29, 2011 general rate case filing. That average figure
25 is 1.3566 cents per kWh.⁴

⁴ The referenced Schedule 1 proposed residential service tariff showed a year-round energy charge of 8.2222 cents per kWh for the first 1000 kWh and respective summer and non-summer

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1 Other than the above changes, the Parties agree that the Company's rate design
2 should be adopted as filed, with uniform percentage adjustments to each
3 schedule's rate elements consistent with the schedule's stipulated revenue
4 requirement.

5 **Q. In reviewing the two cost of service exhibits that were first presented in**
6 **this case,⁵ similarities and differences were noted. How would the Parties**
7 **characterize the two exhibits?**

8 A. The two exhibits agreed on which schedules required rate increases somewhat
9 above the average, which schedules required increases well above the average,
10 and which schedules already had rates that would cover their new schedule
11 revenue requirements. Exhibit B to the Partial Stipulation indicates a much lower
12 overall average increase than what appeared in the two referenced exhibits. But
13 all the exhibits have the Residential schedule receiving an increase somewhat
14 above whatever is the average for the exhibit.

15 **Q. Line 32 of Partial Stipulation Exhibit B indicates that most of the non-**
16 **residential schedules would warrant some level of rate decrease in order to**
17 **conform to the cost-of-service results. However, except for two**
18 **schedules,⁶ the referenced schedules receive small increases. Why?**

19 A. The Irrigation Secondary Schedule (24-S) received a relatively large (28 percent)
20 increase in the last general rate case for Idaho Power (Docket No. UE 213). In
21 order to ameliorate the consequences of back-to-back large increases, the
22 Parties agreed that the increase for the irrigation schedule could be kept to only

post-1000 kWh energy charges of 10.0310 cents per kWh and 9.1266 cents per kWh, yielding respective rate differentials of 1.8088 cents per kWh and 0.9044 cents per kWh, which produce an average rate differential of 1.3566 cents per kWh.

⁵ See Exhibits Idaho Power/1006 Larkin/1 and Staff/902 Compton/1.

⁶ General Service Transmission (9-T) and Area Lighting (15). The exception was granted in view of the evidence that decreases of 26 percent and 10 percent, respectively, were warranted.

1 50 percent above the average (i.e., 6.81 percent versus 4.54 percent). To
2 accomplish that limitation while still achieving the overall revenue requirement
3 target, the Parties agreed further to the common practice of imposing a small
4 increase for the referenced schedules rather than allowing no increase at all.

5 **Q. The Company and Staff argued in Docket No. UE 213 for bringing the**
6 **Residential Schedule in line with the other schedules through the**
7 **introduction of an elevated tail block price for the summer season. CUB**
8 **argued against such a move. As part of the Settlement in that proceeding,**
9 **it was agreed not to impose the added summer differential. Does the**
10 **Partial Stipulation in this proceeding resolve this issue?**

11 A. Yes. For the purposes of this docket and the proposed test year, the parties
12 agreed that a summer differential for residential customers would not be
13 included. The Commission is expected to address the criteria that should be
14 used to evaluate time differing rates in Docket No. UM 1415. Parties to this
15 docket may raise the issue of seasonal rates in future dockets. The parties did
16 agree to raise the tailblock rate to 1000 kWh, which provides a substantial price
17 signal for heavy use regardless of the season.

18 **Q. What were the grounds for increasing the first block of the monthly**
19 **residential energy rate from the 300 kilowatt-hours in the current tariff to**
20 **1000 kilowatt-hours?**

21 A. The most important cost driver(s) for the residential class is refrigerated cooling
22 in the summer and, to a lesser degree, electric heating in the winter. As a
23 general rule, those space conditioning loads are what occur in excess of "basic"
24 use at the sub-1000 kilowatt-hour level. Residential rate reforms for Portland
25 General Electric Company and PacifiCorp have also incorporated the 1000
26 kilowatt-hour first block.

1 **Bridger Pollution Control.**

2 **Q. Please describe the Parties' agreement with respect to Bridger Pollution**
3 **Control Investments.**

4 **A.** The Company's filed case includes \$8.2 million of gross plant-in-service for
5 investments in pollution control equipment at the Jim Bridger Plant ("Bridger
6 Plant") on a total-system basis. The Company estimates that these investments
7 result in \$27,500 of Oregon jurisdictional revenue requirement.

8 As of the date of the Partial Stipulation, CUB believes that the Company
9 has not yet demonstrated the prudence of incremental Bridger Plant pollution
10 control equipment installed during the 2011 test year, and for that reason Idaho
11 Power has agreed to respond to additional data requests on this issue and will
12 provide testimony on the prudence of its investments on or before February 1,
13 2012. If CUB continues to dispute the prudence of the Company's investment in
14 the Bridger Plant pollution control equipment, CUB, Staff and the Intervenors
15 may file Reply testimony and the Parties will request a Commission ruling on this
16 issue. The Parties agree that even if the issue of the prudence of the Bridger
17 Plant investment is not resolved by March 1, 2012, the rates implemented on
18 March 1, 2012, will include the Company's Bridger Pollution Control Investment
19 as filed; however, the Company will file an application to defer the difference
20 between the rates with the investment and what rates would have been without
21 the investment. Should the Commission issue a finding of imprudence, Idaho
22 Power will refund to customers any monies related to investments collected and
23 found to have been imprudently made—in effect, the Bridger Plant portion of the
24 Revenue Request will be allowed as interim subject to refund if the prudence of
25 the Bridger Pollution Control Investment is not fully resolved by March 1, 2012.

Other Terms of Partial Stipulation

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Q. Do the terms of the Partial Stipulation apply to other cases?

A. No, the Partial Stipulation represents a compromise in the positions of the Parties made for this case only. By entering into the Partial Stipulation, none of the Parties are deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of the Partial Stipulation, other than those specifically identified in the body of the Partial Stipulation. No Party has agreed that any provision of the Partial Stipulation is appropriate for resolving issues in any other proceeding, except as specified in the Partial Stipulation.

Q. If the Commission rejects any part of the Partial Stipulation, are the Parties entitled to reconsider their participation in the Partial Stipulation?

A. Yes. The Partial Stipulation provides that if the Commission rejects all or any material portions of the Partial Stipulation, any Party that is disadvantaged by such action shall have the rights provided by OAR 860-001-0350 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

Reasonableness of the Partial Stipulation

Q. Have the Parties evaluated the overall fairness of the Partial Stipulation?

A. Yes. Each Party has reviewed the revenue requirement adjustments and other terms contained in the Partial Stipulation, as well as the revenue requirement level resulting from its application. The Parties agree that this Partial Stipulation resolves all issues and results in fair, just, and reasonable rates and should be adopted.

Q. Please explain why Staff believes that the Commission should approve the Partial Stipulation.

A. *ROR*—While the ROE of 9.9 percent is outside the 9.0 to 9.7 percent recommended in Staff's testimony, Staff believes the agreed-upon ROR of

1 7.757 percent is within a reasonable range in the context of settlement by all
2 Parties on all but one issue and in comparison with the 8.061 percent ROR
3 authorized in Order No. 10-064 in Docket No. UE 213.

4 *Revenue requirement*—The stipulated resolution of Staff’s proposed adjustments
5 to Idaho Power’s requested revenue requirement is reasonable considering the
6 complexity of the issues underlying the adjustments. These issues include
7 questions regarding the appropriate level of savings related to Idaho Power’s
8 implementation of AMI, the appropriate methodology to allocate costs of certain
9 distribution assets in light of the differences between the distribution systems in
10 Idaho Power’s Oregon service territory and Idaho Power’s Idaho service territory,
11 whether Idaho Power’s forecast expense for 2011 should be used to establish
12 rates when information regarding actual 2011 expense is available; and technical
13 issues relating to how to calculate amortization and depreciation expense of
14 Idaho power’s assets.

15 **Q. Please explain why CUB believes that the Commission should approve the**
16 **Partial Stipulation.**

17 A. *ROE* - While the ROE of 9.9 percent is outside the 9.0 to 9.7 percent
18 recommended in Staff’s testimony, CUB believes that it is reasonable in the
19 context of the settlement.

20 *ROR* - The agreed-upon ROR of 7.757 percent is within a reasonable range in
21 the context of a settlement by all Parties, on all but one of the issues remaining in
22 this docket—the one-time UNICAP and Repairs tax benefit issues will be
23 resolved in another docket—and in comparison with the 8.061 percent ROR
24 authorized in Order No. 10-064 in Docket No. UE 213. The stipulated resolution
25 of Staff’s and CUB’s proposed adjustments to Idaho Power’s requested revenue
26 requirement is reasonable considering the complexity of the issues underlying
27 the adjustments. These issues include questions regarding the appropriate level

1 of savings related to Idaho Power's implementation of AMI, the appropriate
2 methodology to allocate costs of certain distribution assets in light of the
3 differences between the distribution systems in Idaho Power's Oregon service
4 territory and Idaho Power's Idaho service territory, whether Idaho Power's
5 forecast expense for 2011 should be used to establish rates when information
6 regarding actual 2011 expense is available; and technical issues relating to how
7 to calculate amortization and depreciation expense of Idaho power's assets.

8 *Bridger Pollution Control Investments* - As of the date of the Partial Stipulation,
9 CUB believes that the Company has not yet demonstrated the prudence of
10 incremental Bridger Plant pollution control equipment installed during the 2011
11 test year. The Company has represented that it will file testimony on the
12 prudence of its investments with this Partial Stipulation and testimony.. At this
13 time CUB anticipates filing Reply testimony and will then request a Commission
14 ruling on this issue. CUB has agreed to this process because Idaho Power has
15 agreed that, if the Commission issues a finding of imprudence, it will refund to
16 customers any monies found to have been imprudently spent—in effect, the
17 Bridger Plant portion of the Revenue Request will be allowed as interim subject
18 to refund if the prudence of the Bridger Pollution Control Investment is not fully
19 resolved by March 1, 2012.

20 *UNICAP and REPAIRS Tax issues* – CUB has agreed to the settlement of the
21 UE 233 docket on condition that the Parties agree that the UE 233 docket does
22 not resolve the one-time UNICAP and Repairs tax benefit issues but only
23 resolves the on-going tax benefits that will be received by Idaho Power. The one-
24 time UNICAP and Repairs tax benefit issues having been removed from the UE
25 233 docket and being addressed in a separate filing(s), clears the way for CUB to
26 sign the UE 233 Partial Stipulation. This is because nothing in this Stipulation
27 precludes any Party from challenging Idaho Power Company's proposed

1 treatment of the one-time UNICAP and Repairs tax benefits, previously received
2 by Idaho Power Company, in any current or future Commission proceeding.

3 **Q. Please explain why OICIP believes that the Commission should approve**
4 **the Partial Stipulation.**

5 A. The OICIP supports the partial stipulation as a compromise that will result in fair,
6 just and reasonable rates with regard to the disputed issues resolved therein,
7 while still allowing for further procedures on the two unresolved issues.

8 **Q. Please explain why OIPA believes that the Commission should approve the**
9 **Partial Stipulation.**

10 A. The OIPA believes that the stipulated revenue increase in this case is supported
11 and reasonable under the circumstances. This was OIPA's first involvement in a
12 formal rate proceeding. Thus; its ability to assess the outcome of a fully litigated
13 rate case is limited. Additionally, the cost of litigation for a group that is just
14 forming is a formidable barrier to its participation. The settlement significantly
15 reduced the overall requested revenue requirement and significantly reduced the
16 relative increase that was proposed for the irrigation class of customers. For
17 these reasons, the OIPA was willing to accept a revenue increase that was lower
18 than requested and a rate spread that was far less detrimental to the irrigation
19 class than that approved in the last rate case.

20 **Q. Please explain why Idaho Power believes that the Commission should**
21 **approve the Partial Stipulation.**

22 A. The Company believes that its proposed revenue increase in this case is well
23 supported and reasonable. Nevertheless, the Company recognizes that
24 settlement can replace the cost and risk of litigation with efficiency and certainty.
25 The Company also values the intangible aspects of settled outcomes, including
26 good will from other parties. For these reasons, the Company was willing to
27 accept a revenue increase that was lower than it requested, along with other

1 concessions from its case position, in return for a Partial Stipulation supporting a
2 4.01 percent overall net rate increase, effective March 1, 2012.

3 **Q. What do the Parties recommend?**

4 A. The Parties recommend that the Commission adopt the Partial Stipulation and
5 include the terms and conditions in its order in this case.

6 **Q. Does this conclude your testimony in support of the Partial Stipulation?**

7 A. Yes.