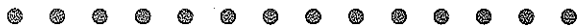


McDowell & Rackner PC



WENDY L. MCINDOO
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wendy@mcd-law.com

RECEIVED

OCT 25 2007

October 24, 2007

VIA ELECTRONIC FILING

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

Public Utility Commission of Oregon
Administrative Hearing Division

Re: Docket No. UM 1261

Enclosed for filing in the above-referenced docket are an original and five copies of the Stipulation by the joint Parties and the Joint Direct Testimony of Carla Owings, Michael J. Youngblood, and Lowrey Brown.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Wendy L. McIndoo

cc: Service List

1 **STIPULATION**

2 A. The Parties agree on the following facts, which serve as the basis for this Stipulation:

3 1. In UE 167 the Commission set Idaho Power's net variable power supply
4 expenses included in rates at negative \$1.8 million on a system-wide basis;

5 2. For a variety of reasons, Idaho Power's actual net variable power supply
6 expenses incurred during the deferral period significantly exceeded the
7 amount set in UE 167. Specifically, Idaho Power's actual net variable power
supply expenses during the deferral period were \$161.5 million, thus
exceeding the amount recovered for that same time period by \$163.3 million
on a system-wide basis;

8 3. In addition to substantial system load growth since the 2003 test period used
9 to set rates, the reasons Idaho Power incurred such significant excess net
10 variable power supply expenses during the deferral period include the
following:

11 a. Early predictions of continuing drought caused the Company to
12 reasonably enter into Power Purchase Agreements for the spring and
13 summer months of 2006, which, when spring runoff conditions turned
out much better than anticipated, the Company needed to unwind at a
lower price, having the effect of raising net power supply costs;

14 b. The early good streamflow conditions did not continue, however, and
15 for the period October 2006 through March 2007, streamflows were
16 significantly less than expected due to much drier conditions in the
region, which drove hydro generation down and net power supply
costs up; and

17 c. Temperatures in July 2006 were considerably higher than normal
18 throughout the region, causing an increase in electric demand and a
19 corresponding increase in electric market prices. Idaho Power is a
summer peaking utility with its summer peaks being driving by air-
conditioning and irrigation loads. Extreme high temperatures directly
20 impact our summer peaks. The result was that during a time when we
were actively purchasing power from the market to meet the higher
than expected loads, we were paying higher than anticipated prices,
causing an overall increase to net power supply expenses.

21 4. Absent a deferral, these excess power costs would impose a significant
22 financial impact on the Company;

23 5. Idaho Power's earnings during the deferral period did not exceed authorized
24 levels; and

25 6. Any deferral amount the Commission authorizes in this case would be
26 amortized over a multi-year period.

1 B. The Parties agree that Idaho Power should be allowed to defer excess power supply
2 expenses incurred from May 1, 2006 to April 30, 2007, in the amount of \$2.0 million,
3 on an Oregon-allocated basis. Each party arrived at this amount employing its own
4 methodology; however, all methods were consistent with the following:

5 1. The Parties agree that excess power supply expenses incurred as a
6 consequence of load growth should not be included in the amount to be
deferred;

7 2. The Parties agree that Idaho Power's Oregon allocation factor of 4.94% from
8 UE 167 is appropriate to apply to the system-wide variance to determine the
jurisdictionally-allocated amount to be deferred; and

9 3. The Parties agree that a deferral amount of \$2.0 million represents a fair and
10 reasonable compromise (representing \$41.7 million on a total company
basis) and satisfies the Parties' respective concerns.

11 C. Beginning from the end of the deferral period, interest would accrue monthly on the
12 unamortized portion of the deferred account at the Company's authorized rate of
13 return. Upon a Commission order authorizing amortization, the interest rate that
14 would be applied would be the rate (or the rate determined by the methodology)
15 adopted by the Commission in the third phase of UM 1147.

16 D. The Parties agree that the amounts in the deferred account would be subject to a
17 prudence review and earnings test at the time of application to amortize the deferred
18 account, as required by ORS 757.259.

19 E. The Stipulation is offered into the record of this docket pursuant to OAR 860-014-
20 0085. The Parties agree to support the Stipulation throughout this proceeding and
21 any appeal, to provide witnesses to sponsor the Stipulation at any hearing held in
22 this docket, and recommend that the Commission issue an order adopting the
23 settlement contained herein.

24 F. The Parties have negotiated this Stipulation as an integrated document. If the
25 Commission rejects any material portion of the Stipulation, or conditions its approval
26 upon the imposition of additional material conditions, any party disadvantaged by

1 such action shall have the rights provided in OAR 860-014-0085 and shall be entitled
2 to seek reconsideration of the Commission's order.

3 G. By entering into this Stipulation, no party shall be deemed to have approved,
4 admitted to, or consented to the facts, principles, methods, or theories employed by
5 any other party in arriving at the terms of the Stipulation. No party shall be deemed
6 to have agreed that any part of the Stipulation is appropriate for resolving issues
7 arising in any other proceeding.

8 H. The Stipulation may be executed in counterparts and each signed counterpart shall
9 constitute an original document.

10 I. Each Party enters into the Stipulation on the date below.

11 DATED this 19th day of October, 2007.

12

13 STAFF

IDAHO POWER COMPANY

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15 By: 

By: _____

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CITIZENS' UTILITY BOARD

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By: _____

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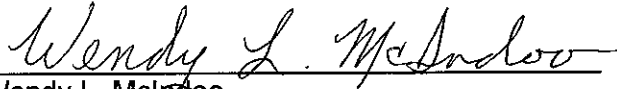
CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1261 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

Stephanie S. Andrus
Department of Justice
Regulated Utility & Business Section
1162 Court St NE
Salem, OR 97301-4096
stephanie.andrus@state.or.us

OPUC Dockets
Citizens' Utility Board of Oregon
610 SW Broadway Ste 308
Portland, OR 97205
dockets@oregoncub.org

DATED: October 24, 2007.


Wendy L. McDowd
Legal Assistant