

McDowell & Rackner PC



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May 4, 2009

VIA ELECTRONIC AND U.S. MAIL

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

Re: UE 203 - In The Matter of IDAHO POWER COMPANY 2008 Annual Power Cost Update, October Update

Attention Filing Center:

Enclosed for filing in the captioned docket are an original and 5 copies of the Joint Explanatory Brief and the Stipulation of Idaho Power, Commission Staff, and Citizens Utility Board. A copy of this filing has been served on all parties to this proceeding as indicated on the attached service list.

Please contact me with any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Wendy McIndoo".

Wendy McIndoo
Legal Assistant


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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 203 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.

G. Catriona McCracken Citizens' Utility Board of Oregon catriona@oregoncub.org	Bob Jenks Citizens' Utility Board of Oregon bob@oregoncub.org
Stephanie S. Andrus Department of Justice Regulated Utility & Business Section 1162 Court St NE Salem, OR 97301-4096 stephanie.andrus@state.or.us	Ed Durrenberger Public Utility Commission of Oregon P.O. Box 2148 Salem, OR 97308-2148 ed.durrenberger@state.or.us

DATED: May 4, 2009



Wendy McIndoo
Legal Assistant

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE 203**

4 In the Matter of:

5 Idaho Power Company's 2008 Annual
6 Power Cost Update

JOINT EXPLANATORY BRIEF

7 This brief explains and supports the Stipulation—dated May 4, 2009—in this proceeding
8 between Idaho Power Company (“Idaho Power” or “Company”), Staff of the Public Utility
9 Commission of Oregon (“Staff”), and the Citizens’ Utility Board (“CUB”) (together, the
10 “Parties”). This Stipulation resolves all issues among the parties to this Stipulation related to
11 Idaho Power’s 2009 Annual Power Cost Update and Advice Filing 09-04 filed in UE 203
12 pursuant to Order No. 08-238.¹

13 **I. BACKGROUND**

14 On October 23, 2008, Idaho Power filed its October Update for the 2009 Annual Power
15 Cost Update (“APCU”), as required by Order No. 08-238 (“2009 October Update”).² The 2009
16 October Update is the Company’s forecast of normal power supply expenses for the
17 upcoming water year—in this case, April 2009 through March 2010.³ Idaho Power filed direct
18 testimony and exhibits explaining and supporting the 2009 October Update. Idaho Power
19 included in the filing a draft Schedule 55 showing the rates projected to be implemented
20 pursuant to the 2009 APCU.⁴ The draft Schedule 55 served as a placeholder until the March
21 Forecast for the April 2009 through March 2010 year was filed and combined with the 2009
22 October Update.⁵ The rates in draft Schedule 55 would be effective on June 1, 2009.⁶

23 _____
24 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).

25 ² *Re Idaho Power Company’s Annual Power Cost Update*, Docket UE 203, Idaho Power/100-107
(Oct. 23, 2008).

26 ³ Idaho Power/100, Wright/2.

⁴ Idaho Power/107.

⁵ Idaho Power/100, Wright/7-8.

1 On November 25, 2008, Administrative Law Judge Traci Kirkpatrick held a prehearing
2 conference at which the parties to Docket UE 203 agreed upon a procedural schedule that
3 would allow the Commission to issue an order on Idaho Power's 2009 APCU prior to the rate-
4 effective date of June 1, 2009.⁷

5 On December 1, 2008, Idaho Power filed Supplemental Direct Testimony in which it
6 presented and explained two corrections to the AURORA model run that formed the basis of
7 the 2009 October Update and Direct Testimony.⁸ The corrections resulted in a unit cost per
8 megawatt hour (\$/MWh) of \$10.94 per MWh, an increase of \$2.24 per MWh over the 2008
9 October Update rate.⁹ If the October Update rate of \$10.94 per MWh is added to the March
10 Forecast Rate Adjustment¹⁰ for April 2008 through March 2009, \$1.52 per MWh, this would
11 produce a Combined Rate of \$12.46 per MWh. If implemented, this Combined Rate would
12 represent an overall revenue increase of 4.55%.¹¹ The Adjustment Rate—the rate included in
13 draft Schedule 55—was \$8.99 per MWh.¹² This is the difference between the current Base
14 Rate of \$3.47 per MWh, established in Docket UE 167, and the Combined Rate of \$12.46 per
15 MWh.¹³

16 Staff served discovery on Idaho Power and conducted an investigation of the 2009
17 October Update. Staff filed Direct Testimony on the 2009 October Update on January 23,
18 2009.¹⁴ Staff noted that the October Update appeared to comply with the methodology
19 implemented by the Commission in Order No. 08-238, but reserved the ability to propose
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21 ⁶ Idaho Power/100, Wright/8.

22 ⁷ *Re Idaho Power Company's Annual Power Cost Update*, Docket UE 203, Pre-Hearing Conference
Report (Nov. 25, 2008).

23 ⁸ Idaho Power/200.

24 ⁹ Idaho Power/200/Wright/1.

25 ¹⁰ The March Forecast Rate Adjustment is calculated as 95 percent of the difference between the
March Forecast Rate and the October Update, adjusted for changes in load. Idaho Power/403,
Wright/1.

26 ¹¹ Idaho Power/100, Wright/7.

¹² *Id.*

¹³ *Id.*

¹⁴ Staff/100.

1 methodological adjustments to the update after additional investigation.¹⁵ Staff's testimony
2 noted that the Company was forecasting an increase in sales to customers without a
3 commensurate growth in generation resources.¹⁶ This dynamic resulted in less sales of
4 seasonal surplus energy and greater reliance on power purchases in the market, both of
5 which pushed costs higher.¹⁷ In addition, coal prices have increased, further adding to the
6 power cost increase for the upcoming year.¹⁸

7 Idaho Power filed Rebuttal Testimony in response to Staff's testimony on February 13,
8 2009.¹⁹ The Rebuttal Testimony explained and clarified the model input issues raised by
9 Staff. Idaho Power stated that it would be inappropriate to modify the 2009 October Update
10 because the Company provided an explanation for all the methodological issues raised by
11 Staff.²⁰

12 On March 11, 2009, Staff filed Surrebuttal Testimony.²¹ Staff found that the Company's
13 model inputs to the 2009 October Update were either allowed by Order No. 08-238 or were
14 made in accordance with the methodology required by the order and accepted the October
15 Update rate of \$10.94/MWh, as described in Idaho Power's Supplemental Direct Testimony,
16 was correct.²² Staff explained that the increase in the 2009 October Update from the previous
17 year is caused primarily by a significant increase in Idaho Power's load and expressed
18 concern that it might not be reflective of current economic trends.²³ Staff stated that if the
19 Company determines before the 2009 March Forecast that the load forecast used in the 2009

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¹⁵ Staff/100, Durrenberger/6.

23 ¹⁶ Staff/100, Durrenberger/5.

¹⁷ *Id.*

24 ¹⁸ Staff/100, Durrenberger/4.

¹⁹ Idaho Power/300.

25 ²⁰ Idaho Power/300, Wright/3.

²¹ Staff/200.

26 ²² Staff/200, Durrenberger /2.

²³ Staff/200, Durrenberger /3-4.

1 October Update is no longer valid, the Company should adjust the load input to the model
2 before calculating the 2009 March Forecast.²⁴

3 On March 20, 2009, Idaho Power filed the March Forecast for the 2009 APCU, as
4 required by Order No. 08-238 ("2009 March Forecast").²⁵ The 2009 March Forecast is the
5 Company's forecast of net power supply expense for the upcoming water year of April 2009
6 through March 2010.²⁶ As recommended by Staff in its Surrebuttal Testimony, Idaho Power
7 updated its load forecast prior to calculating the 2009 March Forecast and determined that the
8 load growth had moderated since its October Update, resulting is a lower overall forecast
9 load.²⁷ The Company calculated a cost per unit for the March Forecast of \$16.31 per MWh.²⁸
10 After taking in to account the risk allocation set forth in Order No. 08-238,²⁹ this resulted in a
11 Combined Rate of \$16.04 per MWh, an increase of \$5.82 per MWh from the previous year.³⁰
12 This increase was driven in part by below average streamflows that were lower than the
13 average streamflows used in the October Update and even lower than the streamflows used
14 in last year's March Forecast.³¹ The lower streamflows reduced the amount of hydro power
15 forecast for the upcoming water year.³² The overall revenue impact of the Combined Rate is
16 an 11.46% overall revenue increase.³³ Idaho Power concurrently filed Advice No. 09-04
17 containing the proposed Schedule 55 reflecting the Combined Rate, with an effective date of
18 June 1, 2009.

19 Staff, CUB, and Idaho Power participated in settlement conferences on January 15,
20 2009, and February 19, 2009. At the settlement conferences, Staff, CUB, and the Company

21 ²⁴ Staff/200, Durrenberger /4-5.

22 ²⁵ Idaho Power/400.

23 ²⁶ Idaho Power/400, Wright/1.

24 ²⁷ Idaho Power/400, Wright/2.

25 ²⁸ Idaho Power/400, Wright/5.

26 ²⁹ Order No. 08-238 provided that 95 percent of the difference between the October Update and the
March Forecast Rate, adjusted for changes in load, would be included in the Combined Rate.

27 ³⁰ *Id.*

28 ³¹ Idaho Power/400, Wright/3.

29 ³² *Id.*

30 ³³ Idaho Power/400, Wright/5.

1 discussed substantive issues on which Staff had outstanding questions. The results of Staff's
2 investigation into the 2009 October Update and 2009 March Forecast support this Stipulation.

3 II. DISCUSSION

4 The terms of the Stipulation reflect the Parties' agreement that the 2009 October Update
5 and the 2009 March Forecast comply with the terms of Order No. 08-238.³⁴ Therefore, the
6 Commission should approve the proposed Schedule 55 in Advice No. 09-04 with an effective
7 date of June 1, 2009.³⁵

8 A. The Stipulation Complies with Order No. 08-238.

9 In Docket UE 195, the Commission—pursuant to ORS 757.210(1)—approved a
10 stipulation that allowed Idaho Power to utilize a Power Cost Adjustment Mechanism (“PCAM”)
11 and an APCU to recover its allowable power costs more effectively.³⁶ The Commission
12 approved the PCAM and APCU specifically because Idaho Power's system is uniquely
13 dependent upon hydroelectric generation.³⁷ The variable nature of hydroelectric generation
14 limited the Company's ability to amortize deferred costs in a timely manner.³⁸ The
15 methodology adopted in the approved stipulation acknowledged that it allowed Idaho Power to
16 recover its power cost expenses in a fair and reasonable manner.³⁹

17 The stipulation adopted by Order No. 08-238 contained a detailed description of the
18 APCU's features and methodology. These include the requirement that Idaho Power file the
19 October Update and March Forecast and the use of Idaho Power's AURORA power supply
20 model to determine the net power supply average. Here, the methodology reflected in the
21 Parties' Stipulation conforms to the terms of Order No. 08-238.⁴⁰ Thus, the Commission
22 should adopt the Stipulation in its entirety.

23 ³⁴ Stipulation ¶¶ 10.

24 ³⁵ *Id.* ¶¶ 11.

25 ³⁶ Order No. 08-238 at 1.

26 ³⁷ *Id.* at 2.

³⁸ *Id.* at 1.

³⁹ *Id.* at Appendix A, page 2.

⁴⁰ Stipulation ¶¶ 10.

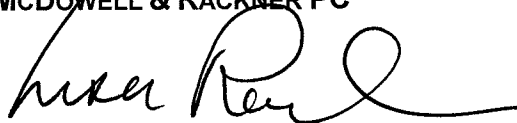
1 **B. The Stipulation Will Result in Just and Reasonable Rates.**

2 The Stipulation represents recognition by the Parties that Idaho Power's Schedule 55
3 complies with the terms of Order No. 08-238. That Order's methodology allowed for fair and
4 reasonable recovery of the Company's power cost expenses.⁴¹ Thus, the Stipulation will
5 result in just and reasonable rates that fall within the "range of reasonableness" for resolution
6 of this issue.⁴²

7 DATED:

Respectfully submitted,

8 **MCDOWELL & RACKNER PC**

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10 Lisa F. Rackner
Of Attorneys for Idaho Power

11 IDAHO POWER COMPANY

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19 CITIZENS' UTILITY BOARD OF OREGON

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21 Catriona McCracken
22 Staff Attorney
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26 ⁴¹ Order No. 08-238.

⁴² See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE 203**

4 In the Matter of:

5 Idaho Power Company's 2008 Annual
6 Power Cost Update

STIPULATION

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

10 **PARTIES**

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

15 **BACKGROUND**

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

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26 ¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket UE 195, Order No. 08-238 (Apr. 28, 2008).

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

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

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

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

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

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

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

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

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

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

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

8 **AGREEMENT**

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

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

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

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

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

26

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


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

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

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

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STAFF

By: 
Date: May 4, 2009

CITIZENS' UTILITY BOARD

By: _____
Date: _____

IDAHO POWER

By: _____
Date: _____

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15 signature.

16
17 STAFF

CITIZENS' UTILITY BOARD

18 By: _____

18 By: 

19 Date: _____

19 Date: May 4 - 2009

20
21 IDAHO POWER

22 By: _____

23 Date: _____
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STAFF

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

IDAHO POWER

By: *Lisa Ruckner*

Date: 5/4/09