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IDAHO PUBLIC  
UTILITIES COMMISSION

Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S INTERIM AND ) CASE NO. IPC-E-01-16  
PROSPECTIVE HEDGING, RESOURCE ) (PHASE II)  
PLANNING, TRANSACTION PRICING, )  
AND IDACORP ENERGY SOLUTIONS ) JOINT MOTION FOR ACCEPTANCE  
(IES) AGREEMENT. ) OF SETTLEMENT  
\_\_\_\_\_ )

COMES NOW, Idaho Power Company ("Idaho Power") on behalf of itself, the Staff of the Idaho Public Utilities Commission ("Staff"), the Industrial Customers of Idaho Power, Micron Technology, the J.R. Simplot Company, the Idaho Irrigation Pumpers Association and the other signatories to the Stipulation which is attached to this Motion as Exhibit 1, all of whom are hereinafter collectively referred to as the "Parties," and in accordance with RP 056 and RP 271-280, hereby moves the Commission for an Order accepting the settlement negotiated by the Parties as embodied in Exhibit 1. This Motion is based on the following.

## I.

### **Procedural History**

Beginning in 1998, in response to a rising tide of support in some states and at the national level for increased competition in the electric utility industry, Idaho Power commenced a series of limited steps into the area of wholesale power marketing and trading. Idaho Power's original trading policy established a low dollar limit for each transaction and total aggregate trading authority. At that time, the Commission approved a procedure to separate Idaho Power's wholesale power transactions into two categories: (1) "operating" transactions, which are transactions strictly related to balancing Idaho Power's system loads and resources to provide service to Idaho Power's native load customers; and (2) "non-operating" transactions, which are transactions unrelated to balancing Idaho Power's system loads and resources for native load customers.

Simultaneously, in recognition of the need for increased sophistication in performing wholesale energy transactions, IDACORP, Inc. formed IDACORP Energy Solutions LP. (IDACORP Energy Solutions LP subsequently changed its name to IDACORP Energy and the initials "IE" are used in this document to refer to both entities.)

In Order No. 28596 issued on December 19, 2000, in Case No. IPC-E-00-13, the Commission approved an agreement between Idaho Power and IE under which IE would manage "operating" wholesale energy transactions on behalf of Idaho Power ("Supply and Management Agreement" or "Agreement"). At the time that the Commission approved the Agreement, it was recognized by all Parties that the

relationship between Idaho Power and IE would be the subject of ongoing review to ensure that the Agreement would not disadvantage Idaho Power's retail customers.

Soon after the Commission issued Order No. 28596 approving the Supply and Management Agreement, what eventually came to be known as the "Western Energy Crisis" emerged and increased regional wholesale prices, the volume of wholesale transactions, and volatility affecting Idaho Power and the electric utility industry to unprecedented levels.

In February and March, 2001, Idaho Power filed applications for authority to increase its rates under its Power Cost Adjustment ("PCA") rate schedule. These applications were separately docketed as Case No. IPC-E-01-7 ("the -7 Case") and Case No. IPC-E-01-11 ("the -11 Case") and processed as a joint case. In Order No. 28722 issued in the -7 and 11 Cases, the Commission allowed Idaho Power to immediately recover \$168.3 million through the PCA mechanism. The Commission deferred recovery of approximately \$59 million pending further investigation.

In Order No. 28731 the Commission separated a number of the issues identified for investigation in the -7 and -11 Cases into a third case, which was docketed as IPC-E-01-16 ("the -16 Case"). In Order No. 28731 the Commission described the issues to be addressed in the -16 Case as ". . . interim and prospective issues regarding Idaho Power's trading practices (to include hedging, transmission and wheeling charges, Mid-C or Palo Verde pricing indexes, and the use of weighted average pricing for real-time purchases); the pricing and hedging and transmission terms of the IES agreement in Order No. 28596; and the flexibility of the Company's short-term planning . . ." Order No. 28731 at page five.

In response to a joint Motion by the Parties in the -16 Case, the Commission issued Order No. 28831 on August 24, 2001, which further bifurcated the issues in the -16 Case into Phase I and Phase II. Testimony and exhibits related to the Company's trading practices (hedging, transmission and wheeling charges, Mid-C pricing and weighted average pricing) on a prospective basis from March 1, 2001 were presented in hearings held on August 28-30, 2001 in Phase I. All of the other issues identified for review in the -16 Case, i.e., Idaho Power's approach to hedging and risk management strategies, additional compensation to Idaho Power for transmission system and other system resource usage by IE, and a question of whether the transfer prices for both day-ahead and real-time transactions between Idaho Power and IE approved in Commission Order No. 28852 should be modified on a prospective basis, were assigned to Phase II. The Commission encouraged the Parties to make a good faith effort to settle Phase II. Numerous workshops to discuss settlement were held in September, October and December of 2001, and February 2002, March 2002, and April 2002. Representatives from Idaho Power, the Commission Staff and various customer groups attended the workshops.

In April 2002 Idaho Power advised the Parties that because of problems with the transfer pricing methodology in use for real-time transactions under the Supply and Management Agreement, Idaho Power was requesting that the settlement discussions be restructured to separate the risk management and hedging policy issues from the issues relating to the transactions between Idaho Power and IE. This would allow the Parties to complete the risk management and hedging portions of the settlement and take up the balance of the -16 Case issues at a later date.

Subsequently the Parties were able to agree on a stipulated settlement of the risk management and hedging issues. On August 28, 2002, the Commission issued Order No. 29102 which approved the Settlement Stipulation between the Parties and resolved all of the issues relating to the Company's hedging and risk management issues and that portion of Case -16 was concluded.

The Parties have continued to hold settlement discussions to cover the balance of the issues associated with the relationship between Idaho Power and IE.

On April 15, 2003, Idaho Power filed an application for approval of PCA rates for the period May 16, 2003 through May 15, 2004. In Order No. 29243 issued in Case No. IPC-E-03-05, the Commission authorized Idaho Power to implement PCA rates but identified several issues that it intended to examine further. In Order No. 29258, the Commission accepted the proposal presented by the Parties in the PCA case to transfer four issues to the -16 Case for processing in that case. These issues include: 1) pricing of real-time transactions between Idaho Power and IE, 2) recovery of IE-Tri State Transmission costs, 3) sharing of the FERC settlement, and 4) continuance of payment for IE management contract benefits.

Following additional settlement conferences, the Parties have agreed on a global settlement to address all of the issues arising out of or relating to the relationship between Idaho Power and IE. This global settlement is embodied in the attached Stipulation.

## II.

All of the Parties agree that the Stipulation is in the public interest and that all of the terms of the Stipulation are fair, just and reasonable. The Parties support

adoption of the Stipulation and acceptance of the Stipulation by the Commission as a resolution of all the outstanding issues.

**III.**

The Parties negotiated the Stipulation as an integrated settlement document. All of the Parties to this case are signatories to the Stipulation. The Parties request that the Stipulation will be entered into the record as evidence in this proceeding. As a result, in accordance with RP 274, the Parties respectfully submit that an evidentiary hearing is not required.

NOW, THEREFORE, Idaho Power Company, on behalf of itself and of the Parties, requests the Commission issue its Order accepting the Stipulation in settlement of all of the remaining issues in the case.

Respectfully submitted this \_\_\_\_\_ day of February, 2004.

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BARTON L. KLINE  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 17<sup>th</sup> day of February, 2004, I served a true and correct copy of the within and foregoing MOTION FOR ACCEPTANCE OF SETTLEMENT upon the following named individuals by the method indicated below, and addressed to the following:

|                                    |               |                |
|------------------------------------|---------------|----------------|
| Lisa D. Nordstrom                  | <u>  x  </u>  | Hand Delivered |
| Deputy Attorney General            | <u>      </u> | U.S. Mail      |
| Idaho Public Utilities Commission  | <u>      </u> | Overnight Mail |
| 472 W. Washington Street           | <u>      </u> | FAX            |
| P.O. Box 83720                     |               |                |
| Boise, Idaho 83720-0074            |               |                |
| <br>                               |               |                |
| Randall C. Budge                   | <u>      </u> | Hand Delivered |
| Racine, Olson, Nye, Budge & Bailey | <u>  x  </u>  | U.S. Mail      |
| Center Plaza-Corner First & Center | <u>      </u> | Overnight Mail |
| P.O. Box 1391                      | <u>      </u> | FAX            |
| Pocatello, Idaho 83204-1391        |               |                |
| <br>                               |               |                |
| Peter J. Richardson                | <u>      </u> | Hand Delivered |
| Molly O'Leary                      | <u>  x  </u>  | U.S. Mail      |
| Richardson & O'Leary               | <u>      </u> | Overnight Mail |
| 99 E. State Street, Suite 200      | <u>      </u> | FAX            |
| P.O. Box 1849                      |               |                |
| Eagle, Idaho 83616                 |               |                |
| <br>                               |               |                |
| Janice Stover                      | <u>      </u> | Hand Delivered |
| AARP                               | <u>  x  </u>  | U.S. Mail      |
| 1123 Elm Street North              | <u>      </u> | Overnight Mail |
| Twin Falls, Idaho 83301            | <u>      </u> | FAX            |
| <br>                               |               |                |
| Pam Eaton                          | <u>      </u> | Hand Delivered |
| Idaho Retailers Association        | <u>  x  </u>  | U.S. Mail      |
| 1109 W. Main Street, Suite 299B    | <u>      </u> | Overnight Mail |
| Boise, Idaho 83702-5636            | <u>      </u> | FAX            |
| <br>                               |               |                |
| R. Scott Pasley                    | <u>      </u> | Hand Delivered |
| J.R. Simplot Company               | <u>  x  </u>  | U.S. Mail      |
| P. O. Box 27                       | <u>      </u> | Overnight Mail |
| Boise, Idaho 83707                 | <u>      </u> | FAX            |
| <br>                               |               |                |
| Richard E. Malmgren                | <u>      </u> | Hand Delivered |
| Micron Technology, Inc.            | <u>  x  </u>  | U.S. Mail      |
| P. O. Box 6                        | <u>      </u> | Overnight Mail |
| Boise, Idaho 83707-0006            | <u>      </u> | FAX            |

|  |   |  |
|--|---|--|
| Dan L. Kincaid<br>Micron Technology, Inc.<br>P. O. Box 6<br>Boise, Idaho 83707-0006                                | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| Jeffrey C. Brooks<br>Advanced Energy Strategies, Inc.<br>1027 E. Cayman Drive<br>Meridian, Idaho 83642             | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| Lawrence A. Gollomp<br>U.S. Dept. of Energy, Rm. 6D-003<br>1000 Independence Avenue S.W.<br>Washington, D.C. 20585 | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| William M. Eddie<br>Land & Water Fund of the Rockies<br>P.O. Box 1612<br>Boise, Idaho 83701                        | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| Sara Eddie<br>Idaho Rivers United<br>P. O. Box 633<br>Boise, Idaho 83701   | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| Sara C. Denniston<br>Idaho Rivers United<br>P. O. Box 633<br>Boise, Idaho 83701                                    | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| Idaho Rural Council<br>P.O. Box 118<br>Bliss, ID 83314   | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |
| Mary McGown<br>262 S. Mobley Lane<br>Boise, ID 83712   | <u>    </u><br><u>  x  </u><br><u>    </u><br><u>    </u> | Hand Delivered<br>U.S. Mail<br>Overnight Mail<br>FAX |



BARTON L. KLINE