

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL

DATE: AUGUST 31, 2016

SUBJECT: IDAHO POWER'S APPLICATION FOR DEFERRAL AND RECOVERY COSTS ASSOCIATED WITH PARTICIPATION IN AN ENERGY IMBALANCE MARKET, CASE NO. IPC-E-16-19

On August 19, 2016, Idaho Power Company filed an Application requesting that the Commission: (1) make a finding that Company participation in the proposed Energy Imbalance Market (EIM) could net customers long-term benefits; (2) authorize a deferral account to track incremental costs associated with participating in the EIM; and (3) allow the Company to recover those costs from customers at a future rate proceeding. Application at 1.

BACKGROUND

An EIM pools generation of interconnected electricity producers within a region, and dispatches those resources with the goal of more accurately matching actual production with actual demand. The EIM operates on a nearly real-time basis with multiple participants, as opposed to more conventional long-term two-party contracts that deliver energy in hourly blocks.

In November 2014, the California Independent System Operator (CAISO) and PacifiCorp formed the western EIM. The western EIM is a five-minute market administered by CAISO. The market utilizes an automatic model to identify the least-cost energy resources to serve real-time customer demand. According to the Company, the western EIM “focuses solely on real-time imbalances and allows EIM entities to retain all balancing responsibilities and transmission provider duties.” *Id.* at 2. Participants in the EIM bid resources into the market, and the operator dispatches those resources based on marginal price for energy imbalances factoring in load and available generation.

THE APPLICATION

The Company states that it plans to begin participating in the western EIM in April 2018. The Company claims that the western EIM will benefit customers through “economic efficiency . . . ,

savings due to diversity of loads and variability of resources within the expanded [EIM] footprint, reduced operational risk . . . , and ability to better support the integration of renewable resources.” *Id.* According to the Company, participation in the EIM could result net power supply expense savings of \$4.1 to \$5.1 million per year. *Id.* at 4.

The Company also reports that “in order to participate in the western EIM . . . , Idaho Power must incur EIM-related costs, including upfront and ongoing incremental costs as well as software and metering investments necessary for participation.” *Id.* at 3. The Company proposes deferral of the expenses into a regulatory asset until they can be amortized into rates once the Company begins participating in the market. *Id.* The Company further seeks authorization to recover the costs of joining the western EIM in a future rate proceeding. *Id.* The Company estimates that it will incur incremental costs of \$15.77 million. *Id.* The Company puts forward a 10-year amortization schedule that would begin no earlier than April 2018. *Id.* at 5.

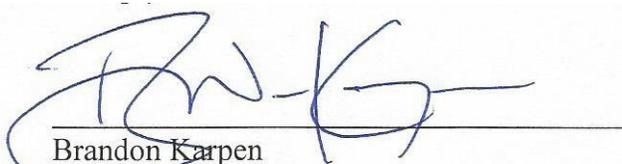
The Company requests that this Application be processed by Modified Procedure, and that the Commission issue a final Order in this matter by January 31, 2017.

STAFF RECOMMENDATION

Staff concurs in the Company’s proposal to process this case by Modified Procedure. Staff further recommends that the Commission set a 21-day intervention deadline and that once the deadline has passed, the parties convene an informal conference to determine and recommend a comment schedule.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application, set a deadline for intervention, and direct the parties to convene an informal conference to develop a settlement schedule?



Brandon Karpen
Deputy Attorney General

M:IPC-E-16-19_bk