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**JULIA A. HILTON**  
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June 19, 2018

**VIA HAND DELIVERY**

Diane M. Hanian, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-17-16  
Method of Recovery for Costs Associated with Participation in Energy  
Imbalance Market – Idaho Power Company's Comments in Support of  
Settlement Stipulation

Dear Ms. Hanian:

Enclosed for filing in the above matter please find an original and seven (7) copies  
of Idaho Power Company's Comments in Support of Settlement Stipulation.

Very truly yours,



Julia A. Hilton

JAH:csb  
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER TO ESTABLISH A	)	CASE NO. IPC-E-17-16
METHOD OF RECOVERY FOR COSTS	)	
ASSOCIATED WITH PARTICIPATION IN	)	IDAHO POWER COMPANY'S
THE WESTERN ENERGY IMBALANCE	)	COMMENTS IN SUPPORT OF
MARKET	)	SETTLEMENT STIPULATION
	)	

Idaho Power Company ("Idaho Power" or "Company"), by and through its undersigned attorney, hereby submits to the Idaho Public Utilities Commission ("Commission") these Comments in the above-captioned proceeding. The Company's Comments discuss the procedural history of the case, the agreed upon terms of the Settlement Stipulation ("Stipulation") reached by all parties, and the public interest benefits of the proposed Stipulation.

**I. BACKGROUND**

The California Independent System Operator ("CAISO") is the market operator of the western Energy Imbalance Market ("EIM"), a five-minute market that uses an

automatic economic dispatch model to find and determine the least-cost energy resources to serve real-time customer demand across a wide geographic area.

Idaho Power requested to defer the incremental operations and maintenance (“O&M”) expenses associated with joining the western EIM, which was approved in Order No. 33706, Case No. IPC-E-16-19. In that order, the Commission concluded that the Company’s participation in the western EIM would provide an opportunity for benefits greater than costs, thus a possibility of a net benefit to the Company’s customers. Additionally, the Commission found that it was reasonable and in the public interest for the Company to join the western EIM. Order No. 33706 at 9.

While the Company did not request recovery of the incremental costs of participation at that time, it indicated that it may be necessary to implement an interim rate mechanism for cost recovery to provide proper matching of costs and benefits in customer rates upon commencement of the Company’s participation in the western EIM.

On November 14, 2017, Idaho Power filed its Application in this case requesting an order authorizing the Company to establish an interim method of recovery for costs associated with participation in the western EIM through a temporary rate component in Tariff Schedule 55, Power Cost Adjustment (“Schedule 55”). The proposed temporary rate component was to be based on Idaho Power’s annual estimate of the EIM-related, Idaho-jurisdiction revenue requirement. The Application also included an EIM-related adjustment to the Power Cost Adjustment (“PCA”) forecast net power supply expenses (“NPSE”), a true-up to actual EIM-related revenue requirement, and a 10-year amortization of the upfront incremental O&M expenses approved for deferral in Order No. 33706.

On November 29, 2017, the Commission issued an order providing notice of the Application and setting a deadline for interventions. Order No. 33938. No petitions to intervene were filed in this case.

On January 25, 2018, the Commission issued an order providing notice of modified procedure and establishing comment deadlines. Order No. 33970. Commission Staff ("Staff") conducted a review of the Company's filing. Staff issued, and the Company responded, to 10 production requests.

On January 31, 2018, Staff and Idaho Power met to discuss the Company's Application and models prepared in support of the Application. Based on this discussion, Staff and the Company ("Signing Parties") agreed to the terms and conditions set forth herein as a compromise of their respective positions and for other considerations as set forth below. On February 13, 2018, the Signing Parties notified the Commission of settlement and requested the Commission vacate the comment schedule and stay further discovery. On February 20, 2018, the Commission issued an order vacating the schedule. Order No. 33989. After a second meeting on May 17, 2018, to finalize the details of the Stipulation, on May 24, 2018, the parties filed the Stipulation with the Commission.

## **II. TERMS OF THE SETTLEMENT STIPULATION**

In the Stipulation, the Signing Parties agreed to the following modifications to the proposed recovery mechanism:

- Idaho Power will not include forecasted EIM participation costs or benefits in the forecast component of its Schedule 55.

- Idaho Power will add a calculated EIM-related monthly revenue requirement to its monthly PCA deferral calculation based on actual EIM participation costs. Actual EIM-related benefits will be reflected in Idaho Power's actual monthly NPSE.

- Idaho Power will add lines to its PCA deferral report to record its actual monthly revenue requirement associated with EIM participation. Idaho Power will also provide the detail showing the underlying revenue requirement calculation. The actual EIM revenue requirement for April 2018 was provided as confidential Attachment 1 to the Stipulation. In future years, Idaho Power will use this method to recover the actual EIM revenue requirement until these costs are included in base rates in a future filing.

- As of April 1, 2018, Idaho Power will cease deferring incremental EIM participation O&M costs. Instead, upon Commission approval of the Stipulation, the Company will begin deferring the monthly revenue requirement associated with EIM participation to the PCA deferral account.

- The EIM Regulatory Asset deferral account, approved in Order No. 33706, will be offset by a portion of the deferred tax non-cash reduction established subsequent to Commission approval of the settlement stipulation filed in GNR-U-18-01, related to the U.S. Tax Cuts and Jobs Act, Order No. 34071 issued on May 31, 2018. The entire EIM deferral amount will be offset in 2018, and was therefore not included in confidential Attachment 1 to the Stipulation.

- The EIM revenue requirement calculation will include rate base (return on and return of) and operating costs incurred. The revenue requirement will be recalculated monthly using actual balances and allocated to Idaho based on jurisdictional

allocation percentages determined in the Company's last general rate case. Amounts associated with rate base will represent one-twelfth of the current month's annual revenue requirement for those elements.

- Annual EIM benefits from each PCA year (April through March), as reported in the CAISO Western EIM Benefits Report ("Benefits Report"), will be used to set a soft cap for the actual annual EIM revenue requirement included in the PCA deferral. Any amount associated with the actual annual EIM revenue requirement that exceeds the annual benefits from the Benefits Report will be identified by the Company in its annual PCA filing. The Company's discussion of these costs will address the factors that led to costs exceeding benefits over the PCA year, provide justification for these costs, and include a comparison of the actual annual EIM costs from the PCA year to the original cost estimate provided in Case No. IPC-E-16-19. The Company's filing will also provide a proposal for recovery of any annual costs in excess of annual benefits.

- Except for Public Utility Regulatory Policies Act of 1978 expenses and demand response incentive payments, the PCA allows the Company to pass through to its customers 95 percent of the difference between actual NPSE and base level NPSE. These accounts are referred to as "95 percent sharing accounts." EIM participation costs will be treated in the same manner as costs included in the 95 percent sharing accounts, with 95 percent of the EIM participation costs deferred for future recovery through the PCA deferral.

- Amounts included in the new EIM participation cost section of the PCA deferral report will be reviewed by Staff in conjunction with the normal annual review of the PCA deferral.



- EIM participation costs will continue to be reported as an element of actual power supply costs on the PCA deferral report until such costs are transferred into base rates in a future rate proceeding. .

- Upon approval by the Commission, the above provisions will be effective as of the beginning of the April 2018 PCA deferral period.

### **III. SETTLEMENT IS FAIR, JUST, AND REASONABLE AND IN THE PUBLIC INTEREST**

Idaho Power supports the Stipulation in this case because it: (1) provides for a reasonable resolution of ratemaking treatment of the incremental costs and benefits of participation in the western EIM for the Company and customers; (2) offers timely recognition and proper matching of the costs and benefits of Idaho Power's participation in the western EIM by incorporating these amounts into the PCA deferral mechanism effective April 2018, coincident with the Company's full participation in the western EIM; and (3) achieves a result that limits the potential negative financial impact on the Company and aligns with the Commission's decision in Case No. IPC-E-16-19.

#### **A. Fair and Balanced Provision of Benefits to Customers.**

The Stipulation in this case was developed through multiple discussions with Staff. Through these discussions, the Signing Parties developed the Stipulation that results in the costs and benefits being provided to customers in a manner that reasonably reflects the actual changes to the Company's NPSE and revenue requirement resulting from its participation in the western EIM. Additionally, the Stipulation allows for annual Commission review of the EIM costs incurred and benefits received. Therefore, the future rate impact resulting from the Stipulation is fair and balanced for both Idaho Power and its customers.

**B. Timely Recognition of Benefits and Costs.**

If approved, the Stipulation will result in the timely recognition and proper matching of benefits and costs in customer rates. These costs and benefits will be included in the Company's PCA mechanism deferral calculation for the April 2018 to March 2019 PCA year, with the deferral balance at March 31, 2019, requested for recovery beginning June 1, 2019. This allows for the recovery of actual costs and the provision of benefits in customer rates as soon as administratively feasible without requiring the use of estimates. Additionally, the recognition of benefits commenced in April 2018, coincident with Idaho Power's entry into the EIM. The proposed interim rate mechanism provides proper matching of costs and benefits in customer rates.

**C. Limited Negative Impact to Idaho Power Consistent with Case No. IPC-E-16-19.**

If approved, as is consistent with the Commission's reasoning and order in Case No. IPC-E-16-19, the Stipulation will limit negative impacts on Idaho Power resulting from its participation in the western EIM. As discussed in that case, under current regulatory practices, most of the benefits of reduced NPSE (95 percent of the Idaho jurisdictional share) that occur due to Idaho Power's participation in the EIM will automatically flow directly to customers through the PCA mechanism. Aligning the recovery of the additional costs associated with EIM participation with the benefits of EIM participation and applying the same 95 percent sharing ratio is consistent with the Commission's reasoning in Case No. IPC-E-16-19 and limits the negative impacts of the costs on the Company's results of operations and cash flows. Thus, the ratemaking treatment proposed in the Stipulation provides reasonable support for Idaho Power's decision to join the western EIM to obtain benefits for customers in the form of reduced NSPE.



#### **IV. CONCLUSION**

Idaho Power believes the terms agreed to in the Stipulation represent a compromise of the respective positions of the Signing Parties, balancing the interest of customers and Idaho Power by providing the benefits and costs of EIM participation to customers and Idaho Power in a reasonable manner.

For all the reasons presented in these Comments, Idaho Power urges the Commission to adopt the Stipulation submitted in this proceeding as filed, without modification, and to issue an order authorizing the terms of the Stipulation. The Company respectfully requests that the Commission issue an order on or before June 29, 2018, authorizing the terms of the Stipulation.

DATED at Boise, Idaho, this 19<sup>th</sup> day of June 2018.

  
\_\_\_\_\_  
JULIA A. HILTON  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 19<sup>th</sup> day of June 2018 I served a true and correct copy of IDAHO POWER COMPANY'S COMMENTS IN SUPPORT OF SETTLEMENT STIPULATION upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

Brandon Karpen  
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Idaho Public Utilities Commission  
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Christa Bearry, Legal Assistant