

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION )</b> <b>OF IDAHO POWER TO ESTABLISH A )</b> <b>METHOD OF RECOVERY FOR COSTS )</b> <b>ASSOCIATED WITH PARTICIPATION IN )</b> <b>THE WESTERN ENERGY IMBALANCE )</b> <b>MARKET )</b> <b>_____ )</b>	<b>CASE NO. IPC-E-17-16</b>  <b>ORDER NO. 34100</b>
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On November 14, 2017, Idaho Power Company applied to the Commission for an Order authorizing the Company to establish an interim method of recovery of costs associated with participation in the Western Energy Imbalance Market (EIM) through a temporary rate component in Tariff Schedule 55, the Power Cost Adjustment. Application at 1. The Company requested that the Application be processed by Modified Procedure and that final order be issued on the request by March 31, 2018. *Id.* at 6. Previously, the Commission set a December 13, 2017, intervention deadline. Order No. 33938. No intervenors appeared.

On February 13, 2018, Staff notified the Commission that it had reached a settlement with the Company. On February 20, 2018, the Commission issued Order No. 33989 vacating the schedule. On May 24, 2018, the Company filed a settlement stipulation, and requested approval by June 29, 2018.

### THE APPLICATION

The Company stated that participation in the western EIM will achieve net power supply expense (NPSE) benefits, which will automatically flow to customers through the Company's annual Power Cost Adjustment (PCA) mechanism when the Company begins participating in the market in April 2018. Application at 3-4. The Company reported that it has incurred, and will continue to incur, incremental costs to prepare for and participate in the western EIM. *Id.* The Company thus requested approval to recover the incremental costs related to participation in the western EIM through a temporary rate component in Schedule 55, until the costs and benefits are reflected in base rates. *Id.* The Company explained that this method will match the benefits that customers receive with the costs incurred by the Company to provide those benefits. *Id.*

In its Application, the Company requested that the Commission approve a temporary rate component that would be based on its annual estimate of EIM-related, Idaho-jurisdiction revenue requirement. *Id.* at 5. The Company also requested approval of an annual EIM-related true-up mechanism adjustment to the Power Cost Adjustment going forward.

### **THE PROPOSED SETTLEMENT**

Through settlement, the Company and Commission Staff agreed that the Company will not include forecasted or estimated EIM participation costs or benefits in Schedule 55, as proposed in its Application. Rather, the Company agreed that it will add an EIM-related monthly revenue requirement to its monthly PCA deferral calculation based on actual EIM participation costs after it has incurred those costs, to be reflected in its monthly net power supply expense (NPSE) until that amount is fully embedded in base rates.

The parties further agreed that, as of April 1, 2018, the Company will cease deferring incremental EIM participation operations and maintenance start-up costs, and will begin deferring the monthly revenue requirement associated with EIM participation to the PCA deferral account. A portion of the deferred tax non-cash reduction approved by the Commission in Order No. 34071 will be used to offset the EIM Regulatory Asset account. The Company agreed that the entire EIM deferral amount will be offset in 2018. The EIM revenue requirement calculation will include rate base (return on and return of) and operating costs incurred. Upon approval by the Commission, the above provisions will be effective as of the beginning of the April 2018 PCA deferral period.

### **COMMENTS**

Staff and the Company came to an agreement, which is reflected in the settlement stipulation. Staff provided comments reviewing the process and supporting the settlement.

Staff reported to the Commission that the recovery method in settlement eliminates the need to forecast EIM participation costs, and instead uses actual costs. The Company will utilize its existing deferral mechanism for NPSE in the PCA, and EIM benefits will automatically flow into the PCA through those accounts. According to Staff, the settlement will allow the costs of EIM participation to be recovered at the same percentage as benefits are included.

Staff further pointed out that through settlement, the Company agreed that the annual EIM benefits reported by CAISO and automatically included in the PCA will be used to set a

soft cap for the actual annual EIM revenue requirement included in the PCA deferral. Amounts that exceed benefits on an annual basis will be identified in the annual PCA filing. The Company will have an opportunity to justify excess costs by a prudency determination by the Commission at a later time.

The Company filed a brief reply supporting the Settlement. The Company argued that the agreement is a reasonable resolution to pass costs and benefits of participation in the western EIM to customers. It further asserted that the settlement provides proper matching of the costs and benefits of participation in the EIM by incorporating these amounts into the PCA deferral mechanism, coincident with the Company's participation. Finally, the Company submitted that the agreement achieves a result that limits potential negative financial impact on the Company and aligns with the Commission's decision in Case No. IPC-E-16-19.

In sum, Staff and the Company, the only parties to the case, fully support the agreement as fair, just and reasonable and in the public interest.

#### **COMMISSION FINDINGS**

The Commission reviews settlements consistent with Commission Rules 271-280. Further, the Commission is not bound by any agreement of the signing parties. Rather, the Commission will independently review the proposed settlement to decide whether to approve it, reject it, or state conditions under which to accept it. The proposed settlement's proponents bear the burden to prove that it is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.

Based upon our review of the Application, the proposed Settlement, and the comments, the Commission finds it is fair, just and reasonable to approve the settlement, and grant Idaho Power an EIM recovery mechanism. We find that the recovery of EIM participation costs should be based on actual costs, and not a forecast. With this Order, the Company may begin deferring the monthly revenue requirement associated with EIM participation to its PCA deferral account beginning April 1, 2018 to coincide with Idaho Power's participation in the EIM. Furthermore, the Company will use a portion of deferred tax non-cash reduction associated with the 2017 Tax Act to offset the EIM Regulatory Asset account, and the entire EIM deferral amount will be offset in 2018. *See* Order No. 34071.

The Commission acknowledges the soft cap for the actual annual EIM revenue requirement included in the PCA deferral. This mechanism allows for further Commission

scrutiny when costs exceed benefits during a PCA year. The Company will have an opportunity to show that excess costs were prudently incurred and, therefore, recoverable from customers through the PCA.

### **ORDER**

IT IS HEREBY ORDERED that the proposed settlement allowing for EIM cost recovery through the PCA deferral account is approved.

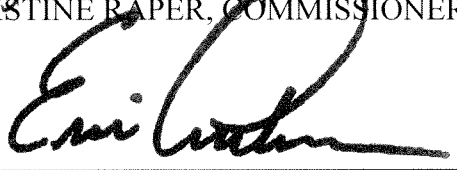
THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration any other person may cross-petition for reconsideration. See Idaho Code § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 2nd  
day of July 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane Hanian  
Commission Secretary

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