

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA’S) **CASE NO. AVU-E-20-01**
APPLICATION FOR AN ORDER)
AUTHORIZING ACCOUNTING AND RATE) **NOTICE OF APPLICATION**
MAKING TREATMENT OF COSTS)
ASSOCIATED WITH THE ENERGY) **NOTICE OF**
IMBALANCE MARKET) **MODIFIED PROCEDURE**
)
) **ORDER NO. 34550**

On January 10, 2020, Avista Corporation (“Company”) applied to the Commission for an order allowing the Company to defer incremental operation and maintenance costs associated with joining the California Independent System Operator’s (“CAISO”) Western Energy Imbalance Market (“EIM”). The Company seeks to defer those costs until they can be included in base rates through a general rate case proceeding. The Company signed an EIM implementation agreement with the CAISO on April 25, 2019. The Company requests that its Application be processed by Modified Procedure.

The Commission now issues this Notice of Application and Notice of Modified Procedure setting public comment and Company reply deadlines.

BACKGROUND

An energy imbalance market pools generation of interconnected electricity providers within a region and dispatches those resources with the goal of more accurately matching actual production with actual demand. *See* Order No. 33706. An energy imbalance market operates on a nearly real-time basis with multiple participants, as opposed to more conventional long-term, bilateral contracts which deliver energy in hourly blocks. *Id.*

In November 2014, the CAISO and PacifiCorp formed the EIM. The EIM is a five-minute market administered by the CAISO. *Id.* The market utilizes an automatic model to identify the least-cost energy resources to serve real-time customer demand. *Id.* EIM participants bid resources into the market, and the operator dispatches those resources based on the marginal price for energy imbalances factoring in load and available generation. *Id.* The Company has been actively monitoring the operation and expansion of the EIM. Application at 2. The Company also

regularly participates in regional meetings and dialogue associated with the EIM, including the potential expansion of the EIM to a day ahead market. *Id.*

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Company expects to “go live” with the EIM by April 1, 2022. The Company’s decision stems from the risk associated with being a non-EIM participant¹ and the changing resource portfolio in its Balancing Authority Area (“BAA”).

YOU ARE FURTHER NOTIFIED that the Company has recently signed two renewable energy power purchase agreements² and expects to integrate more projects as state clean energy policies change and prices continue to drop for renewables.³ The Company stated that the ability to balance and regulate load and renewable resources by leveraging EIM resources, instead of relying solely on Company resources for regulation and flexible ramping, provides operational benefits.

YOU ARE FURTHER NOTIFIED that according to the Company’s Application, over 75 percent of the load in the western interconnection has committed to joining the EIM by 2022, and non-participation will cause growing liquidity risk, forcing those non-participating utilities to hold more reserves to minimize in-hour fluctuations.⁴

YOU ARE FURTHER NOTIFIED that based on a third-party consultant’s assessment, the Company estimates it will cost between \$21.4 million and \$26.7 million, on a system basis, to fully prepare for market entry. These costs, which the Company seeks to defer for later recovery in rates, are primarily related to developing the network model per the CAISO’s requirements including EMS/SCADA integration, development of a generation resource bid strategy and population of the generation resource master file, conducting request for proposals and selecting new market related software applications, completion of modeling into the CAISO test environment, and employee training.

¹ Recently Idaho Power and Powerex have integrated into the EIM. In addition, Seattle City Light, Northwestern Energy, and Bonneville Power Administration will all join the market in the next two years.

² The Company has recently signed power purchase agreements for 20 Megawatts (“MW”) of Solar that came online in December 2018 and 145 MWs of wind that will come online in late 2020.

³ As additional variable resources are integrated into the Avista BAA and the EIM grows, it will become more efficient and cost-effective for Avista to rely on the EIM to help meet the in-hour variability, instead of holding back and dispatching Avista-owned resources to meet the flexible ramping requirements, according to the Company’s Application.

⁴ The Company cites “EIM participants are less likely to conduct bilateral transactions close to the operating hour, due to the need to pass EIM sufficiency and flexible ramping tests and meet other market transactions closing times that occur well before the operating hour. Holding additional reserves will lead to higher overall power supply costs since excess available resources can’t be fully optimized or additional resources may need to be purchased,” according to the Company.

YOU ARE FURTHER NOTIFIED that the Company expects to incur \$3.5 million to \$4.0 million in system costs per year to operate in the EIM. These ongoing, annual costs will include maintenance costs for software licenses and communication networks, adding approximately 12 new employees to facilitate market operations and settlements, a new five-person 24x7 hour EIM operating desk, and CAISO EIM fees.

YOU ARE FURTHER NOTIFIED that the Company retained a different third-party consultant to assess potential EIM benefits. The assessment estimated the Company could see system annual benefits between \$2 million and \$12 million. The assessment used four main assumptions: (1) the amount of flexible hydro bid into the market; (2) the amount of transmission that is made available for market transactions; (3) the amount of renewable generation integrated into the Company's BAA, and data sources from other EIM participants estimated benefits. The assessment produced 24 scenarios that the Company used to estimate annual benefits of \$5.8 million.

YOU ARE FURTHER NOTIFIED that using the cost and benefit assessments, the Company performed a breakeven analysis. To break even in ten years with integration costs of \$21.4 million, the Company must realize system annual benefits averaging about \$5.0 million. If the integration costs increase to \$26.7 million, the Company must realize system annual benefits averaging about \$6.0 million per year.

YOU ARE FURTHER NOTIFIED that the Application is available for public inspection during regular business hours at the Commission's office. These documents are also available on the Commission's web site at www.puc.idaho.gov. Click on the "ELECTRIC" icon, select "Open Cases," and then click on the case number shown in the caption of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter, and that it will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Commission's Rules of Procedure, IDAPA

31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application **must file a written comment in support or opposition with the Commission by March 4, 2020.** The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Company at the addresses reflected below:

**For the Idaho Public Utilities
Commission:**

Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

11331 W. Chinden Blvd.
Building 8, Suite 201-A
Boise, Idaho 83714

For Avista:

David Meyer
Patrick Ehrbar
Avista Utilities
1411 E. Mission Avenue
P.O. Box 3727
Spokane, WA 99220-3727
david.meyer@avistacorp.com
patrick.ehrbar@avistacorp.com

These comments must contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission’s home page at www.puc.idaho.gov. Click the “Consumers” tab then click the “Case Comment Form” and complete the comment form using the case number as it appears on the front of this document.

YOU ARE FURTHER NOTIFIED that the Company must file any reply comments **by March 11, 2020.**

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

ORDER

IT IS HEREBY ORDERED that the Company's Application be processed by Modified Procedure, Rule 201-204 (IDAPA 31.01.01.201-.204). Persons interested in submitting written comments must do so by March 4, 2020. The Company must file any reply comments by March 11, 2020.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{17th} day of February 2020.



PAUL KELLANDER, PRESIDENT

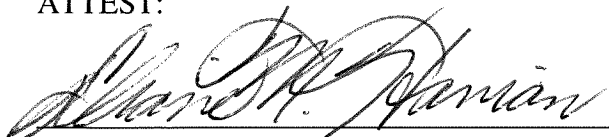


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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