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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR)	CASE NO. IPC-E-22-30
AUTHORITY TO ESTABLISH)	
COMPENSATION FOR THE MANDATORY)	
INTERRUPTION REQUIREMENT OF)	COMMENTS OF THE
SCHEDULE 20 – SPECULATIVE HIGH-)	COMMISSION STAFF
DENSITY LOAD)	

Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, and submits the following comments.

BACKGROUND

On December 28, 2022, Idaho Power Company (“Company”) applied to the Commission for an order: (1) establishing a compensation rate for service interruptions under Schedule 20 or, in the alternative, (2) deferring implementation of a compensation structure for service interruptions under Schedule 20. Application at 1-2. The Company requested that the Application be processed under Modified Procedure.

The matters at issue in this case are related to a case that was previously decided by the Commission. *See* IPC-E-21-37. That case was initiated on November 4, 2021, when the Company applied to the Commission for authority to establish a new electric service schedule (“Schedule 20”) to serve speculative high-density load customers—specifically, large-scale

cryptocurrency mining operators.¹ Schedule 20 incorporated the features of the Company’s existing Schedule 9 (Large General Service) and Schedule 19 (Large Power Service) rate design but made three modifications: (1) implementation of mandatory, uncompensated fully interruptible service during the summer peak season for up to 225 hours a year; (2) a reallocation of the portion of cost-of-service derived summer generation capacity costs currently collected in an on-peak demand charge; and (3) energy priced at marginal cost.²

The Commission initially approved the implementation of Schedule 20, as filed. Order No. 35428 at 7. GeoBitmine LLC filed a Petition for Reconsideration of Order No. 35428. In its Final Order on reconsideration, the Commission affirmed all three provisions of Schedule 20, with one exception. Order No. 35550 at 16. Specifically, the Commission found that the record was “insufficient to support the uncompensated mandatory interruptability requirement.” *Id.* at 22. Although the Commission believed that mandatory interruptible service during the summer peaks season under Schedule 20 was reasonable, the Commission did not believe the record supported implementation of an “uncompensated mandatory interruptible service provision.” *Id.* (emphasis in the original). Accordingly, the Commission directed the Company “to apply to the Commission for a determination of a fair, just, and reasonable amount of compensation, if any, for interruptability under Schedule 20” by December 31, 2022. *Id.* at 23.

The Company explains that Schedule 20 includes a requirement for mandatory, uncompensated interruption at the Company’s discretion annually between the hours of 1:00 p.m. to 11:00 p.m., Monday through Friday, excluding Holidays, from June 15 through September 15, with a maximum of 10 hours per interruption event and not to exceed 225 hours a year. Application at 4.

The Company’s Application seeks a Commission order prior to the start of the June 15 – September 15 interruption period: (1) establishing a compensation rate “of \$0.0734 per kilowatt (“kW”) per hour of interruption for Large General Service Rates,” under Schedule 20, “and \$0.0835 per kW per hour of interruption for Large Power Service Rates” under Schedule 20 “or, alternatively, (2) defer[ring] implementation of any compensation structure for the mandatory interruption requirement of Schedule 20 until evaluation of cost assignment responsibility for

¹ In the Matter of Idaho Power Company’s Application for Authority to Establish New Schedule to Serve Speculative High-Density Load Customers, Case No. IPC-E-21-37, Application at 1-2 (Nov. 4, 2021).

² *Id.* at 14.

Schedule 20 is completed at a general rate case.” Application at 1-2. The Company filed a Scheduling Request on February 22, 2023, after conferring with Staff, stating that it no longer sought a Commission order in this case before the June 15, 2023, interruption period.

Regarding Schedule 20, the Company states that its “primary recommendation” proposes compensating Large General Service customers at a rate of \$0.0734 per kW per hour of mandatory interruption and Large Power Service customers at a rate of \$0.0835 per kW per hour of mandatory interruption. *Id.* at 5. These rates, the Company explains, “were derived by dividing the annual peak load functionalized per kW cost by the total potential hours of interruption”—for Large General Service customers (\$16.51 divided by 225 hours) and for Large Power Service customers (\$18.79 divided by 225 hours). *Id.* at 9-10.

The Company’s alternative recommendation proposes forgoing compensation to Schedule 20 customers until there is an evaluation of cost assignment responsibility at a general rate case.

The Company explains that there are currently no customers taking service under Schedule 20. However, the Company notes that potential customers under Schedule 20 likely operate with high load factors, often greater than 90%, which results in a “higher coincidence” to the Company’s system peak. These characteristics—energy use and coincidence to system peak—the Company claims, distinguish Schedule 20 customers from Schedule 9 and 19 customers. The Company explains that energy use and coincidence to system peak are two factors largely comprising class cost assignment. The Company expresses concern that, until it has Schedule 20 customers from which it can collect data and is able to evaluate cost assignment responsibility at a general rate case, there is a potential that customers would overcompensate Schedule 20 customers for mandatory interruption.

STAFF REVIEW

Staff believes the Company’s proposed interim interruptible compensation for Schedule 20 is reasonable until a compensation structure based on actual Schedule 20 cost assignment is evaluated in a general rate case. Staff’s conclusion is based on our review of (1) the need for compensation, (2) the Company’s proposals, and (3) comparisons to existing programs and schedules. The details of Staff’s analysis for each of these areas are provided in separate sections below.

Need for Interruptible Compensation

Staff believes there is sufficient justification for interruptible compensation for potential Schedule 20 customers based on Schedule 9 (Large General Service) and Schedule 19 (Large Power Service) rate structures since Schedule 20 was developed using these schedules as a basis. However, the rate and the method may need to be modified when the Company “evaluates cost assignments based on usage characteristics and system requirements under Schedule 20 and then assign cost and benefits incorporating interruption requirement parameters” as directed by the Commission in Order No. 35428. Order No. 35428 at 7.

Schedule 20 was designed to allow the Company to serve Schedule 20 customers without the need to invest in incremental capacity resources by including interruptible provisions in the tariff to avoid the potential for stranded assets. However, under the current Schedule 20 rate structure, customers will pay for some on-peak demand-related cost through the billing demand charge. Therefore, Staff believes some form of interruption compensation is justified.

Furthermore, Staff believes that customer rates should be designed prospectively so that when a Schedule 20 customer does come on to the system, rates are available to the customer that are fair, just and reasonable by being based on the best information available. However, Staff also believes that when Schedule 20 customer(s) do come on to the system, the Company should evaluate actual customer data and the method and amount of compensation should be modified based on actual usage characteristics and system requirements.

Company Proposals

The Company proposed two alternatives, a primary and a secondary, to provide interruptible compensation for Schedule 20 customers, if the Commission rules in favor of providing compensation. The Company’s primary proposal provides interim compensation based on the value of avoiding embedded Schedule 9 and 19 peak-load resource costs, while the Company’s secondary alternative proposes to wait until actual Schedule 20 customer data is available so it can be evaluated and modified in a rate case. Staff recommends the Commission authorize the Company’s primary proposal of establishing interim compensation to Schedule 20 customers based on the value of avoiding embedded Schedule 9 and 19 peak-load resource costs. Staff believes it is based on the best information available at this time and that it would not be

fair to wait to provide compensation until Schedule 20 customers have been on the system before a rate is established for reasons discussed earlier.

Staff reviewed the Company's method for determining interim compensation and believes the method is fair, just, and reasonable for Schedule 20 customers while reducing the risk of overcompensation that could harm other customers. The rates are only paid if and when interruption under the proposed parameters actually occurs. The proposed values for interruptible compensation are \$0.0734 per kW per hour of interruption for Large General Service and \$0.0835 per kW per hour for Large Power Service.

Because these rates are based on Schedules 9 and 19 cost assignments, Staff believes these values provide reasonable compensation until actual data for Schedule 20 customers is available so that the rates can be validated. It is possible that Schedule 20 customers will have higher load factors than Schedule 9 and 19 customers, resulting in higher cost assignment and compensation values. However, until data from actual customers can be collected, Staff believes these proposed values provide a fair, although conservative estimate that decreases the risk of overcompensating Schedule 20 customers that could harm other customers.

The Company is also proposing that interruptible compensation costs be 100% recoverable through the Power Cost Adjustment ("PCA"). Staff believes this is reasonable because of the lack of the Company's ability to negotiate these rates with individual customers and because of the Company's obligation to provide service.

Staff reviewed the revised Schedule 20 tariff included as Attachment 2 in the Application and believes the revised tariff accurately reflects the Company's proposed interruption compensation. The revised tariff includes the Company's proposed measurement of load reductions from interruption events. Staff believes this method is appropriate because the measurement of load reductions utilizes similar interruption parameters and methods to the Company's Flex Peak Program.

Although the Company proposed to wait for actual customer data before setting rates as an alternate proposal, Staff believes that this analysis should be performed regardless, and as a matter of standard practice, in determining customer rates in a subsequent general rate case. In Case No. IPC-21-37, Staff recommended the parameters for interruptible service be carefully reviewed in the next general rate case or after Schedule 20 customers are established and data has been collected to determine the amount, frequency, and timing of interruptions in service that

occur. Case No. IPC-E-21-37, Staff Comments at 5. Staff's position on this topic has not changed and still believes actual Schedule 20 customer data is most appropriate for determining interruptible parameters and rates.

Comparisons to Existing Programs and Schedules

In order to better evaluate the Company's interim compensation proposal, Staff reviewed several existing alternatives with similar design or intent. These alternatives include the Company's existing Flex Peak demand response program and existing tariff schedules from other utilities. These comparisons provide context on the Company's proposal relative to existing options.

Flex Peak Demand Response Comparison

The most direct comparison is to the Company's Flex Peak demand response program. This program is offered for Schedule 9 and Schedule 19 customers and, outside of a special contract, most closely resembles the Schedule 20 interruption parameters. The Company's Flex Peak program provides incentives to the Company's commercial and industrial customers in exchange for load reduction during peak summer months. The incentive structure uses a fixed and variable component to calculate incentive amounts based on the amount of subscribed demand and the individual customer's performance.

For the Flex Peak program, the fixed incentive component provides \$3.25 for each kW subscribed to the program for each week of the season. This portion of the incentive is paid to customers even if no load reduction events are called. However, when events are called, this incentive can be adjusted to reflect actual demand reduction. The Company's proposed interim compensation does not contain a similar component.

When events are called, the Flex Peak program's variable component provides an additional \$0.20 payment for each kilowatt-hour ("kWh") of reduction during the event. The Company's proposed interim compensation corresponds to the 0.0734 \$/kWh and 0.0835 \$/kWh for Schedule 20 Large General Service Rates and Large Power Service Rates, respectively.

From the inclusion of a fixed incentive component and the large variable incentive component, the Company's Flex Peak program is designed to encourage participation in a voluntary program that will only operate on a limited basis for no more than 60 hours a year.

Because interruption is mandatory under Schedule 20, interim compensation based on flex peak incentive values could overcompensate potential Schedule 20 customers. From this comparison, Staff believes that the interim compensation amounts based on the embedded cost of a peak-load serving resource presents less risk of overcompensation while still allowing some form of compensation until the Schedule can be evaluated with actual customer data in a general rate case.

Existing Schedules Comparisons

In addition to the Company's existing programs, Staff reviewed several existing schedules with comparable design and purpose used by other utilities. Reviewed tariffs include (1) Black Hills Energy Blockchain Interruptible Service, (2) Rocky Mountain Power Interruptible Service Pilot, and (3) Montana-Dakota Utilities Company High Density Contracted Demand Response Rate. Of these schedules, two contain service term agreements, negotiated components, and commission filings similar to the Company's existing special contracts. The remaining schedule is an optional pilot program and is similar to the Company's current demand response program. Staff's review of these tariff schedules discovered that they do not provide a reasonable comparison to the Company's proposed Schedule 20 interruption compensation.

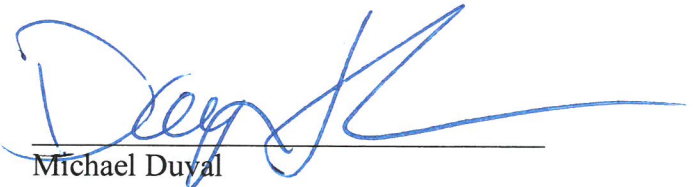
Customer and Intervenor Comments

As of Tuesday, June 6, 2023, there have been no Customer Comments received for this case.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the Company's proposed interruption compensation as filed for Schedule 20 of \$0.0734 per kW per hour of interruption for Large General Service and \$0.0835 per kW per hour of interruption for Large Power Service.

Respectfully submitted this 7th day of June 2023.

For: 
Michael Duvall
Deputy Attorney General

Technical Staff: Michael Eldred
Jason Talford
Chris Hecht
Jon Kruck

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 7th DAY OF JUNE 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-22-30, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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