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August 22, 2023

**VIA ELECTRONIC FILING**

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
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Suite 201-A (83714)  
PO Box 83720  
Boise, Idaho 83720-0074

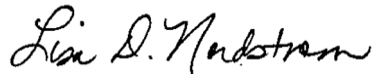
Re: Case No. IPC-E-23-08  
In the Matter of Idaho Power Company's Participation in the Western  
Resource Adequacy Program

Dear Ms. Noriyuki:

Attached for electronic filing is Idaho Power Company's Reply Comments in the above-entitled matter.

If you have any questions about the attached documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:cd  
Attachments

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	CASE NO. IPC-E-23-08
COMPANY'S APPLICATION FOR	)	
PARTICIPATION IN THE WESTERN	)	IDAHO POWER COMPANY'S
RESOURCE ADEQUACY PROGRAM	)	REPLY COMMENTS
	)	

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Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to Comments filed by the Idaho Public Utilities Commission Staff ("Staff") dated August 8, 2023. The Company is grateful for supportive comments from Staff with respect to Idaho Power's Application and appreciates Staff's recommendation that the Commission acknowledge the likelihood of long-term savings associated with the Company's participation in the Western Resource Adequacy Program ("WRAP").<sup>1</sup>

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<sup>1</sup> Staff Comments, p. 7. ("1. Acknowledge the likelihood of long-term cost savings associated with participation in the WRAP;")

While Idaho Power is largely aligned with Staff's assessment and recommendations in this case, the Company offers additional perspective for the Commission's consideration on three matters: 1) the non-financial benefits that enhance WRAP's long-term cost savings, 2) miscellaneous WRAP concerns as raised by Staff, and 3) Staff's recommendation with respect to cost recovery. These topics are addressed in detail below, but the Company calls initial attention to the issue of cost recovery, as this is the sole Staff recommendation with which the Company respectfully disagrees.

Staff proposed that Idaho Power only seek recovery of costs associated with WRAP once it delivers benefits to customers. While the Company appreciates this perspective, Staff's Comments appeared at times to conceive of WRAP as equivalent to a traditional capital investment and similar to a customer-facing program. The Company would argue that WRAP is neither, as there will not be a capital investment associated with WRAP, nor will customers directly interact with WRAP as they do with the Company's demand response and energy efficiency programs.

As explored in the Company's Application and again in comments below, WRAP is best understood as a regional reliability insurance program that can be called upon. And, as is also true for WRAP, the value of insurance is, primarily, possessing the insurance and not necessarily needing to use it. The Company's Application presented a cost-benefit analysis assuming WRAP would only be used once per year. However, it is conceivable that the Company may not need to use WRAP at all in a given calendar year. In such years, it would be inaccurate to say that WRAP did not provide value to customers. On the contrary, WRAP's mere existence will create more transparent and thoughtful regional planning, enhance reliability for the entire region, and allow

participants to reduce their capacity needs over time. The Company speaks to this more in the following section on non-financial benefits.

Although the Company departs from Staff on the proposed approach to cost recovery, Idaho Power understands that the Commission may elect to adopt Staff's recommendation. In such an outcome, the Company respectfully requests that the Commission issue an order allowing the Company to defer WRAP-associated costs until a future rate case or other cost recovery proceeding.

## **I. RESPONSE TO STAFF ANALYSIS**

Staff's Comments recognized the multifaceted nature of WRAP as a viable means of ensuring resource adequacy for participants, including Idaho Power. With only one point of departure with respect to cost recovery, the Company is generally aligned with Staff's other recommendations.

Considering the unique features and newness of WRAP, the Company offers the following additional perspectives to help inform the Commission's decision in this case:

### **Non-Financial Benefits**

Idaho Power appreciates Staff's thorough analysis regarding the Company's assumptions and calculations to estimate long-term cost savings from WRAP; further, the Company is grateful for Staff's willingness to discuss WRAP operations, modeling, and the Company's specific methodology and assumptions.

Idaho Power agrees with Staff's statement that using "...different assumptions would significantly alter the results"<sup>2</sup> of the estimated avoided cost benefit resulting from WRAP participation. The Company is confident that its current modeling assumptions are

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<sup>2</sup> Staff Comments p. 3.

as reasonable and accurate as possible, considering the WRAP operations program is not yet in effect. That said, and as Staff identified<sup>3</sup>, Idaho Power will assess the accuracy of its assumptions and make any necessary adjustments to its methodology as the Company learns more and participates in future WRAP operations programs.

The Company, however, caveats Staff's statement that "...the theoretical calculation is not the final determination of avoided cost...the theoretical calculation only becomes a real avoided cost when the Company officially reduces its resource capacity requirement by an equal amount."<sup>4</sup> The Company emphasizes that a reduction in resource capacity requirement as a direct result of WRAP participation will result in real avoided cost, regardless of if it is less than, equal to, or greater than the "theoretical" calculation presented in the Company's cost-benefit analysis. For example, real avoided costs could potentially be more or less than the Company's forecasted cost-benefit calculation, which would result in a difference between the forecasted net benefit amount and the realized avoided cost. Any difference between the Company's forecast and "real" avoided cost, however, does not alter the fundamental conclusion that any reduction in resource capacity requirement as a result of WRAP participation is real avoided cost.

Despite the noted difference between theoretical calculations and real avoided costs, Staff found the Company's cost-benefit analysis reasonable and "...agrees that once the Company reduces its generation capacity requirement, the annual financial cost avoidance is likely to be 3 to 4 times greater than the annual expense, which would significantly benefit customers."<sup>5</sup>

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<sup>3</sup> *Id.* ("The Company asserts that it will assess the accuracy of its assumptions as it becomes more familiar with the WRAP.")

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

Further, Staff found the potential non-financial benefits of reliability, regional transparency, and resource availability associated with WRAP to be an important consideration of potential long-term savings.<sup>6</sup> The Company agrees and appreciates Staff's consideration of both the financial and non-financial potential benefits of WRAP. Indeed, the Company considers the non-financial benefits of WRAP—such as transparency into regional resource adequacy, reliability, and energy—equally imperative to the long-term success of WRAP and the Company's received benefits of participation.

As noted in the introduction of these Reply Comments, WRAP will be comparable to an insurance program—available to provide support when needed but beneficial regardless of use. The non-financial benefits identified by Staff are consistent with this view of WRAP, and the Company, by extension, argues that these non-financial benefits are very real and show up as avoided costs through reduction in the Company's forecasted capacity need.

Because the Company accounts for WRAP benefits early on in the planning process, it is important to note that those benefits aren't realized in the exact moment that the Company leverages WRAP during an operating season. Rather, the benefit of WRAP in the form of true avoided cost occurs when the Company reduces its forward-looking capacity need. This reduction in forward-looking capacity need occurs well before the Company would leverage WRAP during an operating season. More precisely, the Company has accounted for WRAP in the forthcoming 2023 Integrated Resource Plan reliability analyses, in which the Company's capacity need has already been reduced to

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<sup>6</sup> Staff Comments p. 4. ("Because of these non-financial benefits in combination with the likely financial benefits, Staff recommends the Commission acknowledge the likelihood of long-term cost savings associated with participation in the WRAP.")

account for WRAP participation. This is a clear demonstration of WRAP's present usefulness in Idaho Power's resource planning beyond costs avoided in the future when the Company may need to leverage WRAP during the operations program.

Considering the above, the Company respectfully requests the Commission take into account the benefits already being realized from WRAP when deciding on the issue of cost recovery.

### **Miscellaneous WRAP Concerns**

Staff specifically noted its initial concern regarding resource availability and demand response assumptions as a participant in the WRAP operations program. Idaho Power appreciates Staff's outreach to the Company on these issues through Production Requests and in informal meetings and email. The Company is encouraged to learn that its discovery responses and other follow-up helped alleviate some of Staff's concerns and questions.

Regarding resource availability, the Company acknowledges Staff's note "...that summer peak demand is climbing sharply in the Pacific Northwest, which threatens to erode that region's traditional summer capacity surplus."<sup>7</sup> Staff is further correct in presuming that "...the Company will monitor the WRAP summer Forward-Showing program data carefully to better assess surplus capacity"<sup>8</sup> as a means to proactively identify resource availability threats.

Staff also had concerns about what assumptions the WRAP operations program makes regarding demand response in a participant's forward showing. Specifically, Staff

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<sup>7</sup> Staff Comments p. 5.

<sup>8</sup> *Id.*

identified that WRAP assumes all demand response load modifiers<sup>9</sup> are available during every hour of every day. Yet, this does not accurately reflect the dispatch parameters of Idaho Power's demand response programs.<sup>10</sup> Overstating the availability of demand response dispatch could potentially overstate Idaho Power's capacity availability for WRAP operations and eventually lead to a delivery failure charge. The Company appreciates Staff raising this concern and reiterates its efforts to work with the Western Power Pool ("WPP") toward a solution during non-binding participation.

### **WRAP-Related Cost Recovery**

As introduced above, Staff believes it would be premature for the Company to assume customers receive the benefit of WRAP participation in the future while declaring prudence now. Therefore, Staff recommended the Company file for cost recovery after it is a binding WRAP participant and can demonstrate that the predicted avoided cost is real.<sup>11</sup> Further, Staff recommended that the Company include a report that details the historical season-by-season costs, benefits, and lessons learned when filing for cost recovery.<sup>12</sup>

While Staff's comments imply that avoided cost benefits associated with WRAP participation may not be realized until (or after) Idaho Power's estimated binding date, the

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<sup>9</sup> Idaho Power's Response to Request for Production No. 19. ("Demand response programs can be accounted for in a Forward-Showing submittal in one of two ways: either as a load modifier or as a capacity resource. Demand response programs that are registered as a load modifier are listed as a separate line item in a participant's Forward-Showing submittal and will be subtracted directly from the participant's P50 load responsibility. Meanwhile, demand response programs that are registered as a capacity resource are considered resources that serve the participant's load and can be separately identified from load or metered. Because Idaho Power's demand response programs are used during the summer season to reduce peak load, the Company registered its demand response programs as load modifiers".)

<sup>10</sup> Staff Comments p. 6. ("This assumption does not accurately reflect the dispatch parameters of the Company's DR programs, and therefore it overstates the amount of load reduction.")

<sup>11</sup> Staff Comments p. 5.

<sup>12</sup> *Id.*

Company offers a different perspective to the purpose and function of incurred WRAP costs and how they should be recovered.

WRAP is intended to be used as a resource of last resort and, therefore, may not be called on by Idaho Power in a given operational season. However, regardless of whether the Company calls on WRAP, it is vital to participate in WRAP (and pay the associated costs) to have the backstop of additional energy and capacity from WRAP in the event that Idaho Power needs it. More specifically, paying WRAP participation costs gives Idaho Power access to the non-financial benefits of reliability, regional transparency, and resource availability associated that Staff identifies as an important consideration of potential long-term savings.<sup>13</sup>

As such, the costs incurred to participate in WRAP actively benefit customers much like the cost of insurance. To expand this analogy, WRAP participation costs are like an insurance premium that provides capacity coverage in emergency and unexpected events during peak operating seasons. The next best alternative to paying WRAP costs for this “insurance” purpose would be to pay the costs of a new peak generation plant. Such a resource would likely be dispatched infrequently and only for heavy load events, yet the costs of this resource would still be recovered by customers. Despite infrequent dispatch, it is well understood that the reliability benefit of having a peaking plant available for heavy load conditions is worth the associated costs. Idaho Power makes this comparison to demonstrate that WRAP costs, regardless of when avoided cost benefits are realized, serve this same purpose and at a more economic cost to customers. As

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<sup>13</sup> Staff Comments p. 4. (“Because of these non-financial benefits in combination with the likely financial benefits, Staff recommends the Commission acknowledge the likelihood of long-term cost savings associated with participation in the WRAP.”)

such, Idaho Power argues that WRAP participation costs are prudently incurred for the ongoing reliability and resource adequacy insurance benefit to customers and, therefore, should be eligible for recovery before the first instance when the Company calls upon WRAP for energy or capacity needs.

With respect to binding participation, Idaho Power reaffirms that the value of WRAP cannot be fully realized until all participants are binding. To this end, Idaho Power is working with its counterparts, WPP, and other stakeholders to accelerate a collective binding date and reasserts that the Company will alert the Commission prior to committing to a binding period.<sup>14</sup>

Staff also recommended the Commission direct the Company to seek recovery of WRAP-associated costs in a later filing after customers begin receiving the benefit and include a report with its recovery filing that details the historical season-by-season costs, benefits, and lessons learned.<sup>15</sup> The Company can certainly provide such a report but, as an alternative, suggests that some of this information will be provided in future Integrated Resource Plans while other information can be supplied to Staff and the Commission, as well as other interested parties, in a post-operational season report separate from a cost recovery filing.

Because WRAP costs serve a function and purpose that actively benefits customers regardless of individual instances of using WRAP to purchase additional

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<sup>14</sup> Staff Comments, p. 7. (“In its response to Production Request No. 18, the Company agreed to alert the Commission prior to committing to a WRAP binding period. Staff supports the Company’s proposal.”)

<sup>15</sup> *Id.* (“2. Direct the Company to seek recovery of WRAP-associated costs in a later filing after customers begin receiving the benefit; and 3. Direct the Company to include a report with its recovery filing that details the historical season-by-season costs, benefits, and lessons learned.”)

energy or capacity, WRAP costs are most appropriately recovered in a future rate proceeding<sup>16</sup> not contingent on when the Company leverages the program.

If, however, the Commission decides that WRAP costs are only eligible for recovery after the Company engages in a WRAP purchase, the Company respectfully requests that the Commission issue an order authorizing the Company to defer, for later amortization, the Idaho jurisdictional share of WRAP costs incurred beginning January 1, 2023. The Company proposes to record such expenses in accordance with the Code of Federal Regulations to the Federal Energy Regulatory Commission Account 182.3 (Other Regulatory Assets) until a future rate proceeding. This request comes in addition to the Company's original Application requests. Absent any authorization to defer these costs or seek recovery in a timely fashion, the Company would effectively be disincentivized to participate in a program that produces real benefits to customers.

## **II. CONCLUSION**

The Company appreciates Staff's thoughtful feedback and supportive comments regarding Idaho Power's participation in WRAP. While Idaho Power is largely aligned with Staff's comments and recommendations, the Company offers a different perspective regarding the purpose and function of WRAP costs and how—and when—they should be recovered. As stated above, Idaho Power views WRAP as a reliability and resource adequacy insurance policy of sorts – an insurance policy that comes at a cost much more economic than alternatives such as a peaking plant. Therefore, the Company argues that WRAP costs should be eligible for cost recovery in a future rate proceeding.<sup>17</sup>

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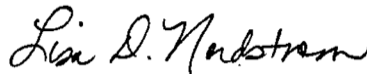
<sup>16</sup> IPC-E-23-11, Larkin DI Testimony, Exhibit No. 26, p. 7-8.

<sup>17</sup> *Id.*

If, however, the Commission supports Staff's recommendation with respect to delayed cost recovery, the Company respectfully requests that the Commission issue an order authorizing the establishment of a regulatory deferral account to track necessary incremental costs associated with WRAP participation starting January 1, 2023, and after.

Finally, Idaho Power is especially grateful for Staff's thorough evaluation of WRAP and both the financial and non-financial benefits associated with Idaho Power's participation. The compositive view of WRAP, both quantitative and qualitative, best characterizes the niche and unparalleled role WRAP will play in helping Idaho Power (and the region) economically maintain resource adequacy and system reliability amidst an evolving energy landscape.

DATED at Boise, Idaho, this 22nd day of August 2023.

A handwritten signature in cursive script, reading "Lisa D. Nordstrom".

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Lisa D. Nordstrom  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 22nd day of August 2023, I served a true and correct copy IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

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