Office of the Secretary
Service Date
September 13, 2023

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR PARTICIPATION IN THE WESTERN RESOURCE ADEQUACY PROGRAM	)))))	**CASE NO. IPC-E-23-08** **ORDER NO. 35920**

On March 14, 2023, Idaho Power Company ("Company") applied to the Commission for an order acknowledging that participation in the Western Resource Adequacy Program ("WRAP") had potential for long-term savings and that associated costs could be recovered in a future rate proceeding.

On April 5, 2023, the Commission issued a Notice of Application and a Notice of Intervention Deadline. Order No. 35727. There were no intervenors in this case.

On May 11, 2023, the Commission set deadlines for public comments and the Company's reply. Order No. 35778. Staff filed comments to which the Company replied. No other comments were received. Having reviewed the record in this case, we now issue this Final Order.

THE APPLICATION

The WRAP is a regional program in the western U.S. which, can act as an insurance program that makes resource reserves available to participating utilities during periods of resource deficiency.

The Company explained that the WRAP is comprised of two programs—Forward-Showing and Operations—which run across the summer and the winter seasons. The Company indicated, the Forward-Showing program concerns aspects related to regional resource planning whereas the Operations program identifies real-time capacity needs and facilitates energy sharing between participants in both the summer and winter seasons.

The Company has participated in the non-binding Forward-Showing program but plans to participate in the Operations program this summer with the tentative goal of engaging in binding participation in the program in the summer of 2027.

The Company estimated it will cost between $537,420 and $744,555 annually to participate in the WRAP, in addition to a one-time charge of $152,856. The Company asserts that participation in the WRAP will ultimately result in significant cost-savings that are three to four times greater than the costs of WRAP participation.

STAFF COMMENTS

Staff recommended that WRAP-related expenses should only be recoverable after consumers begin receiving benefits from the program and the Company can show the expenditures are prudent. Staff noted that the Company agreed to notify the Commission before committing to a WRAP binding period.

a. Long-Term Cost Savings

Staff stated that the WRAP will likely be cost-effective for consumers in the long term. Staff explained that the main WRAP-related expense will be the monthly administrative payments to the Western Power Pool ("WPP") which oversees WRAP. Staff determined that the possibility of other potential WRAP-related expenses that the Company would be responsible for existed but suggested these were unlikely to occur. Therefore, Staff chose not to include the potential expenses in determining the WRAP's cost-effectiveness. The primary WRAP-related benefit is the avoided cost of additional generation capacity—which the Company estimates would be approximately $2.1 million in savings per year. Staff examined the information and data provided by the Company and believed that the calculations were reasonable. However, Staff noted that different assumptions could change theses potential results. While Staff noted that the projected cost savings were theoretical, Staff also agreed with the Company that once it reduces its generation capacity requirement WRAP's annual cost avoidance could be three to four times greater than the WRAP's annual expense.

b. Non-Financial Benefits

Staff also supported WRAP participation citing three non-financial customer benefits stemming from participation: 1) because the WRAP essentially acts as an insurance program, it will likely improve the Company's reliability in meeting its demand; 2) because all participants must submit forecasts of their loads and resources for summer and winter seasons, participation will allow greater insight into the regional resource adequacy and availability; and 3) WRAP participants will have greater options for buying and selling power. Despite the WRAP not being a market, Staff noted that functionally it requires participants to buy and sell to other participants should one of them have a shortfall. Therefore, during high-risk days, the only available power may be through WRAP mandated sales.

c. Recovery of Expenses

Staff recommended that WRAP-related costs not be recoverable until customers are receiving benefits and the Company can show benefits. Despite an anticipated binding around the summer of 2027, projected WRAP participants are currently expected to pay a monthly administrative charge. In 2022, the Company paid a (one-time) charge of $152,856. Staff recommended that the Company file for recovery after it has become bound to the WRAP and can demonstrate that the predicted avoided cost is real. Staff also recommended that the Company document and report the costs, benefits, and lessons learned when they file for recovery.

d. Other WRAP Concerns

i. Loss of Autonomy

Staff expressed its concern that the WRAP mandates and reliance could infringe on the Company's autonomy. Specially, Staff was concerned that other state's clean energy mandates for WRAP co-participants might functionally limit the Company's ability to buy and sell power. However, Staff reviewed the wording of the relevant WRAP tariffs and determined that clean energy mandates would not be imposed upon the Company. The Company would be able to utilize all its available resources.

ii. Resource Availability

Staff was also concerned about the possibility of the WRAP not having sufficient resources. Staff stated the Company did not formally address this issue in its filing. However, Staff noted that the Company did provide certain data that supported some of the Company's positions based upon historical trends. Staff explained that summer peak demand has been climbing in the Pacific Northwest which threatens the Company's traditional availability of power from market purchases during its summer peak. Staff also noted the importance of the Company carefully monitoring the WRAP summer Forward-Showing program to ensure the Company is best positioned to assess surplus capacity. Staff stated that the Company's assumptions are reasonable when compared to historic trends.

iii. Demand Response as a WRAP Resource

Staff expressed concerns about how the Company's demand response ("DR") programs would interface with the WRAP. Notably, Staff was concerned about the possibility that the WRAP could obligate the Company to implement DR programs for other utilities. However, this concern was alleviated due to the WRAP's option of participants listing DR programs as either a load modifier or as a capacity resource. Staff noted the Company plans to list its DR programs as a load modifier in the WRAP's Forward-Showing program which will negate the risk of being obligated to implement its DR programs for a different utility. Staff was concerned that the Operations program assumes that load reduction is available at all hours of the day (which the Company's DR programs are not). The Company said that it was communicating with WPP concerning this issue and Staff looks forward to potential resolution.

THE COMPANY'S REPLY

The Company noted that it and Staff generally agree that participating in the WRAP will be cost-effective in the long term and would provide both financial and non-financial benefits. However, the Company stated it disagreed with Staff concerning when WRAP-related costs should be recoverable. Citing Staff's position that costs should only be recoverable after customers begin benefiting, the Company argued the benefits of the WRAP were broader—and would be realized sooner—than Staff had articulated. Therefore, the Company argued that the initial costs associated with the WRAP should be recoverable through a regular rate proceeding after they are incurred. Specifically, the Company argued that the WRAP was like an insurance program and that its existence allowed the Company to plan more efficiently even before the WRAP delivered energy. The Company noted that it appreciated Staff's comments but offered additional perspectives on three areas as outlined below.

a. Non-Financial Benefits

The Company agreed with Staff that the projections of the WRAP's cost efficiency were largely favorable, but that cost-effectiveness could vary with different inputs. The Company noted Staff's estimate that the WRAP's cost avoidance could be three to four times greater than its annual expense. However, the Company took issue with Staff's description the WRAP's benefits as theoretical. The Company emphasized "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." Reply Comments at 4.

The Company argued the non-financial benefits of the WRAP like regional resource adequacy and reliability were equally as important to the WRAP's long-term success as the financial benefits stemming from participation. The Company explained that the WRAP's avoided costs benefits Idaho customers as soon as the WRAP enables the Company to make more efficient forward-looking plans to reduce its future capacity needs. Thus, the Company argues that customers will begin receiving benefits from the WRAP earlier than the first time energy is delivered.

b. Miscellaneous WRAP Concerns

The Company noted Staff's concern that the WRAP's efficiency could be mitigated as the Pacific Northwest has less summer surplus over time. The Company said that it would continue to monitor this situation—specifically the Forward-Showing summer data related to the WRAP. The Company also referenced Staff's concern that the WRAP and the Company used different dispatch perimeters than the Company does for its DR programs. The Company stated that it would continue to work with the WPP to find a solution for this issue during non-binding participation.

c. WRAP-Related Cost Recovery

Regarding Staff's recommendation that the WRAP's expenses should not be recoverable until after benefits are realized, the Company noted that the WRAP's benefits are broader than simply the number of occasions per season that WRAP energy is dispatched to its customers. The Company reiterated the WRAP being akin to insurance and that it would provide reliability and increased precision in planning for the future—even before energy is delivered. The Company noted that the WRAP is a last resort resource that may not be used for a particular peak operation season. However, its availability saves the Company from needing to invest in last resort resources that, but for the WRAP, it must invest in to meet its load obligations. Thus, the Company argued that its customers will benefit before the WRAP is used to meet the Company's load. The Company stated that cost recovery for WRAP-related expenses should therefore be permitted in a rate proceeding after the cost was incurred rather than waiting for the binding date.[1]

The Company also noted Staff's request for the Company to submit a report after customer benefits had been realized (as viewed by Staff) with its recovery filing that details the costs, benefits, and lessons learned from participating in the WRAP. The Company agreed to submit a report but suggested that some of this information might instead be provided in the next relevant Integrated Resource Plan ("IRP"), and the remaining information could be submitted as part of a "post-operational season report separate from a cost recovery filing." *Id*. at 9.

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[1] The Company also noted that the full benefits of the WRAP cannot be fully realized until all participants are known and bound. The Company stated that it would alert the Commission before committing to a binding period.

Alternatively, if the Commission accepts Staff's recommendation to only allow recovery after power is purchased from the WRAP, the Company asks that the Commission allow the Company to defer its WRAP-related costs incurred since January 1, 2023, for later amortization and recovery. The Company would be disincentivized to participate in programs that will benefit customers if it was not allowed to recover its costs in a timely manner or have them deferred.

d. Conclusion

The Company reiterated its position that the WRAP provided reliability, better planning, and other benefits before any WRAP-related purchases are made and that cost recovery should be allowed in a rate proceeding subsequent, but reasonably close in time, to the costs incurrence. If not, the Company stated that WRAP-related costs should be deferred for later recovery.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission has reviewed the record and approves the Company's request subject to certain conditions.

The Commission directs the Company to defer costs associated with the WRAP program into a regulatory asset account that may be amortized and recovered in a future cost recovery filing once the Company can show realized benefits. The Company's primary request related to cost recovery was for the Company to be able to recover WRAP costs shortly after the costs are incurred. The Company's alternative request was to defer the costs in a regulatory asset account for future recovery. Staff suggested cost recovery be determined after customers received benefits and the expenditures could be shown to be prudent in a subsequent rate proceeding. This is a cost recovery plan that incorporates elements of Staff's recommendations and the Company's alternative request. The Company may defer the costs associated with WRAP into a regulatory asset and seek recovery once financial benefits are realized. This allows the Company to recover costs when financial benefits are realized without exposing its customers to the risks inherent in a new program. Importantly, the Commission notes that benefits may be realized sooner than the Company's first usage of the WRAP to meet customer load. The Company argued that customers might realize savings as soon as the costs for additional generation are avoided relative to the

Company's contingency reserve. We feel a deferral allows the Company a reasonable opportunity to recover its costs. When the Company believes it has enough data to support the anticipated customer benefits, the Commission will review the information and determine if the Company's WRAP related expenditures were prudently incurred.

Staff recommended that the Company provide a report with its cost recovery filing that enumerated the costs, benefits, and lessons learned from its participation in the WRAP. The Company asked instead to include part of the requested information in its IRP and submit the rest of the information report separate from a cost recovery filing. The Commission believes there are benefits to including the relevant available information in the next applicable IRP. This will give Staff earlier access to some of the relevant data necessary to determine if the WRAP is providing benefits. However, the Commission is convinced that even if the remaining information is supplied in other reports as proposed in the Company's reply, it must also be included in a cost recovery filing as the record must be complete for the Commission to justify cost recovery.

We look forward to the Company's subsequent updates as the WRAP comes closer to realizing the anticipated benefits to the Company's customers.

ORDER

IT IS HEREBY ORDERED that the Company may defer costs for the WRAP into a regulatory asset account that may be amortized and recovered by the Company in a future cost recovery filing once the Company can show realized benefits to its customers.

IT IS FURTHER ORDERED that the Company shall include available information about the WRAP's costs, benefits, as well as lessons learned by the Company in its IRPs; the Company shall submit relevant information in a subsequent cost recovery filing.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this order about 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. *Idaho Code* § 61-626.

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DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 13th day of September 2023.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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