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IDAHO PUBLIC
UTILITIES COMMISSION

MEGAN GOICOECHEA ALLEN
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April 1, 2024

Monica Barrios-Sanchez, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-24-15
Idaho Power Company's Application for its Annual Update to Marginal Pricing
Used in Certain Schedules

Dear Ms. Barrios-Sanchez:

Attached for electronic filing, please find Idaho Power Company's Application in the above-entitled matter.

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

Sincerely,



Megan Goicoechea Allen

MGA:sg
Attachments

MEGAN GOICOECHEA ALLEN (ISB No. 7623)
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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR ITS)	CASE NO. IPC-E-24-15
ANNUAL UPDATE TO MARGINAL)	
PRICING USED IN CERTAIN)	APPLICATION
SCHEDULES)	
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Idaho Power Company ("Idaho Power" or "Company"), pursuant to Idaho Code § 61-502 and 503 and Idaho Public Utilities Commission's ("Commission") Rule of Procedure ("RP") 52, submits its Application to update the marginal cost-based energy prices in Schedule 20, Speculative High-Density Load ("Schedule 20") and Schedule 34, Lamb Weston Special Contract ("Schedule 34"). The proposed tariff schedules are provided in Attachment No. 1 to the Application.

In further support of this Application, Idaho Power represents as follows:

I. BACKGROUND

Case No. IPC-E-21-37 - Schedule 20, Speculative High-Density Load

1. On November 4, 2021, Idaho Power filed Case No. IPC-E-21-37 seeking authority to establish a new schedule to serve speculative high-density customers, Schedule 20, Speculative High-Density Load.¹ In its application, the Company explained that the rates included in Schedule 20 incorporate certain modifications to Schedule 9's and Schedule 19's existing rate design including a proposal to price energy at a marginal cost in all pricing periods, based on Avoided Cost Averages ("ACA") as contained in Technical Report Appendix C of the Company's Integrated Resource Plan ("IRP").² In its comments, Commission Staff ("Staff") noted that, while it agreed in principle with using a marginal energy rate under the circumstances, it was concerned with using an IRP-derived avoided cost in customer rates.³ Accordingly, Staff recommended that the Company be authorized to rely on ACA from the Company's Integrated Resource Plan as the initial basis for the cost of marginal energy in the proposed Schedule 20, but that it be directed to evaluate that method against other methods, "including a marginal energy cost rate derived from a test year in preparation of the next general rate case."⁴

2. On June 15, 2022, the Commission issued Order No. 35428 approving Schedule 20 as filed and ordering the Company, in pertinent part, "to evaluate and compare other methods for determining a marginal cost of energy in addition to the use

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

² *Id.* at 14-15.

³ *Id.*, Staff Comments at 6 (Apr. 12, 2022).

⁴ *Id.*

of ACA in the IRP for setting the Schedule 20 energy rate” before its next general rate case.⁵

3. As directed by the Commission, the Company collaborated with Staff following its evaluation, meeting with Staff on January 20, 2023, and again on February 2, 2023, to discuss the results of Idaho Power’s evaluation and to solicit Staff’s feedback. Following these two discussions, Staff provided a memo (“Staff Memo”), which is included as Attachment No. 2 to this Application, that memorializes the discussions between the Company and Staff regarding the basis for marginal pricing of energy and outlines five general criteria that should be considered when developing marginal cost-based customer energy rates:

- (i) The resources used in a model for determining marginal cost should be based on the resources that are highly likely to exist during the rate period.
- (ii) The amount of incremental load used to determine the marginal cost rate should reflect the amount of incremental load for the portion of load that will be priced at marginal cost.
- (iii) The marginal cost rates should have enough granularity to reflect time difference (e.g., seasonality, time of day) value of Marginal Cost within the Company’s system to provide accurate price signals.
- (iv) If the marginal cost rates are based on a forecast, due to the lack of marginal costs being trued-up in the PCA, they should be updated often enough that they reflect current conditions or find a way to true up the marginal cost to actual marginal cost.
- (v) If market costs are used, cost of transmission transaction and wheeling costs should be included.

⁵ *Id.*, Order No. 35428 at 7 (Jun. 15, 2022).

Case No. IPC-E-23-18 - Lamb Weston Special Contract

4. Around this same time, the Company had been exchanging information and negotiating the terms, conditions, and rates with an existing retail customer, Lamb Weston, relative to a new Special Contract (“Lamb Weston Special Contract”) necessitated by the customer expanding its operations to include new manufacturing lines, raw and cold storage, and ancillary facilities.

5. After the parties reached agreement on the terms and conditions of the Lamb Weston Special Contract, Idaho Power filed Case No. IPC-E-23-18 on May 23, 2023, requesting Commission approval of the same.⁶ In its application the Company explained that it was proposing a two-block pricing structure, which contemplated an embedded-cost pricing block, Block 1, and a marginal energy cost pricing block, Block 2.

6. The Company’s proposed “Block 2 Energy Charge” was based on the per kilowatt-hour (“kWh”) marginal cost of energy based on the simulated hourly operation of the Company’s power supply system over expected hydro conditions.⁷ Under this method, net power supply expenses are first quantified using the Company’s expected load for the test year, then an incremental load increase is added to determine the resulting increase in power supply expenses and generation. The difference in monthly power supply expenses between the initial and subsequent simulation is divided by the incremental generation to produce a marginal cost per kWh.

7. The Company’s proposed method for determining the marginal cost of energy in the Lamb Weston Special Contract was consistent with those principles

⁶ *In the Matter of Idaho Power Company’s Application for Approval of Special Contract and Tariff Schedule 34 to Provide Electric Service to Lamb Weston, Inc.*, Case No. IPC-E-23-18, Application (May 23, 2023).

⁷ *Id.* at 9-10.

identified by Staff as best practices that should be considered when evaluating marginal pricing methodologies as set forth in the Staff Memo.

8. In the application, the Company further explained that to ensure the marginal energy price applied to Lamb Weston's Block 2 usage keeps pace with conditions experienced on the Company's system, the pricing should be updated annually. More specifically, the Company proposed to submit an annual update to the marginal energy price that would be filed around the time of the Company's annual Power Cost Adjustment ("PCA") filing, with the updated marginal energy price proposed to be effective June 1, consistent with PCA rates.⁸

9. On September 21, 2023, the Commission issued Order No. 35929 approving the Lamb Weston Special Contract and proposed pricing methodologies, including the proposed marginal price method for the Block 2 Energy Charge and the annual update to the marginal energy prices to be effective June 1st.

Case No. IPC-E-23-11 – 2023 General Rate Case

10. On June 1, 2023, Idaho Power filed its application in Case No. IPC-E-23-11 ("2023 GRC"), requesting authority to increase its rates and charges for electric service.⁹ As part of its case, the Company proposed changes to Schedule 20 rates to reflect the principles contained within the Staff Memo including the Company-proposed updating of the marginal energy component basis of Schedule 20 and aligning to the time-of-use periods with those proposed for Schedules 9 and 19.¹⁰ More specifically, the Company

⁸ *Id.* at 10.

⁹ *In the Matter of the Application of Idaho Power Company for Authority to Increase its Rates and Charges for Electric Service in the State of Idaho and for Associated Regulatory Treatment*, Case No. IPC-E-23-11, Application (June 1, 2023).

¹⁰ *Id.*, Goralski Direct Testimony at 50-51.

proposed replacing the current ACA-based marginal rates with an AURORA-based method to be updated annually on June 1 using a forward test year consisting of the 12-month period April through the subsequent March, consistent with spring power cost filings.¹¹

11. As part of the 2023 GRC, the Company also described its rate design proposals for the Company's existing special contract customers, which seek to move the rate design components toward class cost-of-service ("CCOS") informed amounts when increasing forecast collections to recover the revenue requirement. This includes reestablishing or updating the contract demand charge based on the same methodology the Company recently employed for pending special contract customers, which at that time included Lamb Weston. The Company explained that the marginal energy cost portion of Lamb Weston's two-block pricing structure is based on an annual power supply cost forecast consistent with the PCA test year, with proposed marginal cost rate updates to occur at an annual interval in the spring with updated effective marginal energy rate each June 1st.

12. The parties agreed to resolve and settle all the issues in the 2023 GRC following a series of settlement discussions, and as a result, on October 27, 2023, the Company filed a Motion for Approval of a Stipulation and Settlement ("Settlement Stipulation"). With respect to CCOS, the Settlement Stipulation provided that the parties did not agree on any particular cost-of-service methodology and specified that it was not requesting that the Commission approve a particular CCOS methodology.¹² It further stated, however, that the Company's filed CCOS methodology, updated to reflect the

¹¹ *Id.* at 52-53.

¹² *Id.*, Stipulation and Settlement at 9 (Oct. 27, 2023).

settled revenue requirement, was utilized on a limited basis to update certain rates, including special contract rates, which included rates contained within the Schedule 34, Lamb Weston Special Contract, that had been approved by the Commission effective September 21, 2023.¹³

13. On December 28, 2023, the Commission issued Order No. 36042 approving the Settlement Stipulation and authorizing the Company to implement its revised tariff schedule with the terms of the Settlement, effective January 1, 2024. Thereafter, the Commission issued Order No. 36067, approving the Company's compliance filings.

II. REQUEST

14. Pursuant to the Company's proposals in Case Nos. IPC-E-23-11 and IPC-E-23-18, as informed by the Company's evaluation and collaboration with Staff identifying key considerations when developing marginal cost based customer energy rates, the Company makes the instant filing requesting to update the marginal energy price component of Schedules 20 and 34 to be effective June 1, 2024, more fully described as follows. Attachment 1 to the Application contains the clean and legislative versions of the tariff schedules proposed to take effect June 1, 2024.

15. The method used to calculate the marginal cost of energy is as follows: Idaho Power determined the marginal cost of energy by simulating the hourly operation of the Company's power supply system over expected streamflow conditions for the April 2024 – March 2025 test year. Base case net power supply expenses were quantified, and then the model was run with 15 megawatts ("MW") of load added across all hours. The difference in power supply expenses between the base run and the base-plus-15-MW run

¹³ Case No. IPC-E-23-18, Order No. 35959 (Oct. 13, 2023).

was divided by the difference in megawatt-hours to produce a marginal cost of energy.

16. The resulting annual and time-differentiated marginal costs are included in as Attachment 3 to the Application.

17. To the extent that service is provided under Schedule 20 or Block 2 of Schedule 34, all associated energy sales will be tracked in the PCA and included as an offset to power supply expenses.

18. During the discussion between Idaho Power and Staff regarding the timing and approach of the Company's proposed updates to Schedules 20 and 34 in preparation for this case, the parties agreed that there would be value in continued discussions regarding marginal cost methods considering the Company's ongoing growth in its service area. Idaho Power appreciates Staff's continued collaboration and looks forward to additional discussions that it anticipates scheduling in the next several months.

III. MODIFIED PROCEDURE

19. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201, *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to prepare and present testimony in support of this Application in such hearing.

IV. COMMUNICATIONS AND SERVICE OF PLEADINGS

20. Communications and service of pleadings, exhibits, orders, and other documents relating to this proceeding should be served on the following:

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V. REQUEST FOR RELIEF

The method underlying the Company's proposal to update marginal cost-based customer energy rates in this case is consistent with that previously approved by the Commission, and therefore, Idaho Power Company respectfully requests that the Commission issue an order authorizing it to update the marginal energy price component of Schedules 20 and 34 effective June 1, 2024.

DATED at Boise, Idaho, this 1st day of April 2024.



MEGAN GOICOECHEA ALLEN
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 1st day of April, 2024 I served a true and correct copy of IDAHO POWER COMPANY'S APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

<p>Commission Staff Dayn Hardie Chris Burdin Deputy Attorney General Idaho Public Utilities Commission 11331 W. Chinden Blvd., Bldg No. 8 Suite 201-A (83714) PO Box 83720 Boise, ID 83720-0074</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email Dayn.Hardie@puc.idaho.gov Chris.burdin@puc.idaho.gov</p>
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Stacy Gust, Regulatory Administrative Assistant

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-24-15

IDAHO POWER COMPANY

ATTACHMENT NO. 1

PROPOSED TARIFF SCHEDULES

SCHEDULE 20
SPECULATIVE HIGH-DENSITY LOAD
 (Continued)

MONTHLY CHARGE

The Monthly Charge is the sum of the following charges, and may also include charges as set forth in Schedule 91 (Energy Efficiency Rider), and Schedule 95 (Adjustment for Municipal Franchise Fees).

Large General Service Rates

<u>PRIMARY SERVICE</u>	<u>Summer</u>	<u>Non-summer</u>
Service Charge, per month	\$340.00	\$340.00
Basic Charge, per kW of Basic Load Capacity	\$1.73	\$1.73
Demand Charge, per kW of Billing Demand	\$8.39	\$7.98
Energy Charge, per kWh		
On-Peak	5.0270¢	6.1154¢
Mid-Peak	4.3068¢	7.2451¢
Off-Peak	5.4498¢	6.5609¢
 <u>TRANSMISSION SERVICE</u>	 <u>Summer</u>	 <u>Non-summer</u>
Service Charge, per month	\$340.00	\$340.00
Basic Charge, per kW of Basic Load Capacity	\$1.03	\$1.03
Demand Charge, per kW of Billing Demand	\$7.45	\$6.59
Energy Charge, per kWh		
On-Peak	4.9534¢	6.0172¢
Mid-Peak	4.2332¢	7.1467¢
Off-Peak	5.3702¢	6.4623¢

SCHEDULE 20
SPECULATIVE HIGH-DENSITY LOAD
 (Continued)

MONTHLY CHARGE (Continued)Large Power Service Rates

<u>PRIMARY SERVICE</u>	<u>Summer</u>	<u>Non-summer</u>
Service Charge, per month	\$415.00	\$415.00
Basic Charge, per kW of Basic Load Capacity	\$2.09	\$2.09
Demand Charge, per kW of Billing Demand	\$9.97	\$8.64
Energy Charge, per kWh		
On-Peak	4.8496¢	5.9333¢
Mid-Peak	4.1294¢	7.0623¢
Off-Peak	5.2737¢	6.3775¢
 <u>TRANSMISSION SERVICE</u>	 <u>Summer</u>	 <u>Non-summer</u>
Service Charge, per month	\$415.00	\$415.00
Basic Charge, per kW of Basic Load Capacity	\$1.76	\$1.76
Demand Charge, per kW of Billing Demand	\$10.11	\$8.77
Energy Charge, per kWh		
On-Peak	4.8329¢	5.9046¢
Mid-Peak	4.1127¢	7.0335¢
Off-Peak	5.2541¢	6.3486¢

PAYMENT

The monthly bill for service supplied hereunder is payable upon receipt, and becomes past due 15 days from the date on which rendered.

SCHEDULE 34
IDAHO POWER COMPANY
ELECTRIC SERVICE RATE
FOR
LAMB WESTON, INC.
(Continued)

BLOCK 2

MONTHLY CHARGE

The Monthly Charge is the sum of the following charges, and may also include charges as set forth in Schedule 91 (Energy Efficiency Rider), and Schedule 95 (Adjustment for Municipal Franchise Fees).

Daily Excess Demand Charge

\$1.244 per each kW over the Contract Demand.

Monthly Contract Demand Charge

\$3.11 per kW of Contract Demand.

Monthly Billing Demand Charge

\$22.85 per kW of Billing Demand but not less than Minimum Monthly Billing Demand.

Energy Charge

4.689¢ per kWh of Block 2 Energy.

Minimum Monthly Billing Demand

The Minimum Monthly Billing Demand will be 20,000 kilowatts.

SCHEDULE 20
SPECULATIVE HIGH-DENSITY LOAD
 (Continued)

MONTHLY CHARGE

The Monthly Charge is the sum of the following charges, and may also include charges as set forth in Schedule 91 (Energy Efficiency Rider), and Schedule 95 (Adjustment for Municipal Franchise Fees).

Large General Service Rates

<u>PRIMARY SERVICE</u>	<u>Summer</u>	<u>Non-summer</u>
Service Charge, per month	\$340.00	\$340.00
Basic Charge, per kW of Basic Load Capacity	\$1.73	\$1.73
Demand Charge, per kW of Billing Demand	\$8.39	\$7.98
Energy Charge, per kWh		
On-Peak	8.877 <u>95.0270</u> ¢	
Mid-Peak	11.597 <u>04.3068</u> ¢	
Off-Peak	6.576 <u>55.4498</u> ¢	
<u>TRANSMISSION SERVICE</u>	<u>Summer</u>	<u>Non-summer</u>
Service Charge, per month	\$340.00	\$340.00
Basic Charge, per kW of Basic Load Capacity	\$1.03	\$1.03
Demand Charge, per kW of Billing Demand	\$7.45	\$6.59
Energy Charge, per kWh		
On-Peak	8.803 <u>44.9534</u> ¢	
Mid-Peak	11.523 <u>44.2332</u> ¢	
Off-Peak	6.496 <u>95.3702</u> ¢	

SCHEDULE 20
SPECULATIVE HIGH-DENSITY LOAD
 (Continued)

MONTHLY CHARGE (Continued)

Large Power Service Rates

<u>PRIMARY SERVICE</u>	<u>Summer</u>	<u>Non-summer</u>
Service Charge, per month	\$415.00	\$415.00
Basic Charge, per kW of Basic Load Capacity	\$2.09	\$2.09
Demand Charge, per kW of Billing Demand	\$9.97	\$8.64
Energy Charge, per kWh		
On-Peak	8.69964 <u>8.8496¢</u>	
Mid-Peak	6.27905 <u>9.9333¢</u>	
Off-Peak	8.02007 <u>7.0623¢</u>	
	6.72296 <u>6.3775¢</u>	
 <u>TRANSMISSION SERVICE</u>	 <u>Summer</u>	 <u>Non-summer</u>
Service Charge, per month	\$415.00	\$415.00
Basic Charge, per kW of Basic Load Capacity	\$1.76	\$1.76
Demand Charge, per kW of Billing Demand	\$10.11	\$8.77
Energy Charge, per kWh		
On-Peak	8.68294 <u>8.8329¢</u>	
Mid-Peak	6.25035 <u>9.9046¢</u>	
Off-Peak	7.99127 <u>7.0335¢</u>	
	6.69406 <u>6.3486¢</u>	

PAYMENT

The monthly bill for service supplied hereunder is payable upon receipt, and becomes past due 15 days from the date on which rendered.

SCHEDULE 34
IDAHO POWER COMPANY
ELECTRIC SERVICE RATE
FOR
LAMB WESTON, INC.
(Continued)

BLOCK 2

MONTHLY CHARGE

The Monthly Charge is the sum of the following charges, and may also include charges as set forth in Schedule 91 (Energy Efficiency Rider), and Schedule 95 (Adjustment for Municipal Franchise Fees).

Daily Excess Demand Charge

\$1.244 per each kW over the Contract Demand.

Monthly Contract Demand Charge

\$3.11 per kW of Contract Demand.

Monthly Billing Demand Charge

\$22.85 per kW of Billing Demand but not less than Minimum Monthly Billing Demand.

Energy Charge

~~5.86944~~.689¢ per kWh of Block 2 Energy.

Minimum Monthly Billing Demand

The Minimum Monthly Billing Demand will be 20,000 kilowatts.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-24-15

IDAHO POWER COMPANY

ATTACHMENT NO. 2

STAFF MEMO

Memorandum

Date: 2/16/2023

From: Yao Yin, Utilities Analyst, Idaho Public Utilities Commission

To: Connie Aschenbrenner, Idaho Power Company

Subject: Investigation in Methods to determine Marginal Cost of Energy for Schedule 20.

Background

Order No. 35428 directed Idaho Power to evaluate and compare other methods for determining a marginal cost of energy in addition to the use of Avoided Cost Averages in the Integrated Resource Plan for setting the Schedule 20 energy rate, before the next general rate case is developed and filed.

On January 31, 2013, Idaho Power met with Staff and discussed potential methods for determining marginal cost of energy for the Schedule 20 energy rate and possibly for other customers using marginal cost of energy for their energy rates. As a result of the meeting, Staff agreed to develop some criteria for the Company to consider for developing a method.

Criteria

Although this list may not be exhaustive, Staff identified the following criteria that could be used for determining the final method:

- The resources used in a model for determining marginal cost should be based on the resources that are highly likely to exist during the rate period.
- The amount of incremental load used to determine the marginal cost rate should reflect the amount of incremental load for the portion of load that will be priced at marginal cost.
- The marginal cost rates should have enough granularity to reflect time difference (e.g. seasonality, time of day) value of Marginal Cost within the Company's system to provide accurate price signals.
- If the marginal cost rates are based on a forecast, due to the lack of Marginal Costs being true-up in the PCA, they should be updated often enough that they reflect current conditions or find a way to true up the marginal cost to actual marginal cost.
- If market costs are used, cost of transmission transaction and wheeling costs should be included.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-24-15

IDAHO POWER COMPANY

ATTACHMENT NO. 3

MARGINAL COSTS

NPSE - Marginal Price Differentials

2024 Marginal Cost Update

Summer (June - September)

	Total Hours	% of Total	\$/MWh	Price Ratio
Off-Peak	1,992	68%	\$ 39.11	1.12
Mid-Peak	520	18%	\$ 22.41	0.64
On-Peak	416	14%	\$ 29.61	0.85
Summer Average	2,928	100%	\$ 34.79	1.00

<i>Check</i>
\$ 34.79 \$ -

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SONP
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Non-Summer (October - May)

	Total Hours	% of Total	\$/MWh	Price Ratio
Off-Peak	3,324	57%	\$ 53.73	1.01
Mid-Peak	1,254	22%	\$ 58.74	1.11
On-Peak	1,254	22%	\$ 45.17	0.85
Non-Summer Average	5,832	100%	\$ 52.97	1.00

<i>Check</i>
\$ 52.97 \$ -

NS
WONP
WMP
WOFP

Updated Marginal Cost of Energy for Schedule 20

SONP (\$/kWh)	\$ 0.029608
SMP (\$/kWh)	\$ 0.022406
SOFP (\$/kWh)	\$ 0.039107
NSONP (\$/kWh)	\$ 0.045172
NSMP (\$/kWh)	\$ 0.058744
NSOFP (\$/kWh)	\$ 0.053726

Updated Marginal Cost of Energy for Schedule 34

Annual (\$/kWh)	\$ 0.046891
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