Office of the Secretary
Service Date
July 22, 2025

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION TO MODIFY ITS ENERGY RISK MANAGEMENT STANDARDS	)))))	**CASE NO. IPC-E-25-02** **ORDER NO. 36677**

On January 31, 2025, Idaho Power Company ("Company") submitted a request for approval to revise its Energy Risk Management Standards ("ERMS").

On March 12, 2025, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting a deadline for interested parties to intervene. Order No. 36499.

On April 23, 2025, the Commission issued a Notice of Modified Procedure, establishing public comment and Company reply deadlines. Order No. 36570. Staff filed the only comments.

Having reviewed the record, the Commission issues this Order approving the Company's annual update.

BACKGROUND

The Company uses the ERMS to identify and manage financial risks of potential power supply deals that customers will pay for through their rates. The ERMS implements the Company's Energy Risk Management Policy. Together, these systems form the Company's broader Energy Risk Management Program ("ERMP").

The existing ERMP was previously approved by the Commission in Final Order No. 29102. The ERMP includes rules explaining when and how the Company would use hedging. The Risk Guidelines are split into three sections, called "Tiers." Tier One deals with financial risks from low water levels and high prices. Tier Two covers risks from expected power shortages or surpluses. Tier Three aims to take advantage of low market prices.

THE APPLICATION

The Company proposes updating the ERMS in response to changes in the natural gas market since the standards were first implemented. The Company claims, since the initial approval of the ERMS, it has grown more dependent on natural gas over hydro and coal generation. The Company seeks to revise the ERMS to ensure they do not hinder its ability to carry out hedging transactions.

The proposed updates make hedging under Tier One mandatory when the monthly forward market price goes above a set high-price threshold. Tier Two would be revised to allow more flexibility in hedging strategies that address either power surpluses or shortages while limiting exposure to price swings. Finally, Tier Three would be revised to allow a wider variety of low-risk financial tools. According to the Company, these revisions will aid it in responding to its growing dependence on natural gas generation, which has increased its exposure to energy market risks.

STAFF COMMENTS

Staff believed that the proposed ERMS updates are reasonable and will likely benefit customers and, therefore, recommended Commission approval. However, Staff emphasized that approval and compliance with these standards does not automatically result in prudent power supply costs. Staff encouraged thoughtful application of these standards that account for current and future market conditions when decisions are made.

Staff agreed that, historically, coal-fired generation provided a natural hedge against volatile electricity prices because coal was sourced through stable, long-term contracts or mine-mouth plants. The combined pressure of the retirement or conversion of coal resources and load growth have made the Company increasingly dependent on energy market purchases. This increased the need for hedging transactions to manage price risks effectively.

Staff also supported the proposed extension of the hedging timeframe, believing that the proposed extension will help reduce exposure to price spikes. Most financial hedging—about 90%—is linked to natural gas trades, where long-term contracts and trades now extend several years into the future. Because the current ERMS limits the window in which hedging transactions can occur, the Company risks missing out on more stable pricing options unless the ERMS is adjusted. Staff believed this limitation disadvantages the Company relative to other utilities that already engage in longer-term trades.

Accordingly, Staff supported the proposed expansion of the Tier Two volumetric limit by expanding the time window, using a base-case hydro forecast to define both deficit and surplus positions, and implementing a stair-step approach to gradually adjust these positions. After reviewing examples of the application of this proposed method with the Company, Staff agreed that these changes are reasonable and should reduce risk while improving hedging outcomes. Staff further noted that other regulated utilities take a similar approach in their risk management systems.

Staff also found the proposed changes to the high price limits under Tier One reasonable. Tier One is designed to protect against extreme price spikes, especially during low water conditions. Hedges trigger when forward market prices exceed a set limit. Staff believed the proposed updates will help limit financial risk from high power prices and align with the changes to Tier Two.

The proposed changes to Tier Three are designed to integrate it with the proposed revisions to Tier Two. The proposed Tier Three floor price limit manages risk when the chance of rising energy prices outweighs the chance of prices falling. Hedges would be triggered if forward market prices fall below set limits, using a longer evaluation window. Staff reviewed the Tier Three method and found the changes reasonable and result in better risk management.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -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 the law, and to fix the same by order. *Idaho Code* §§ 61-502 and -503. The Commission may enter any final order consistent with its authority under Title 61, Idaho Code.

The Commission originally approved the ERMS more than two decades ago to ensure that the Company's hedging practices limit the growth of the Power Cost Adjustment balance, protect customers from wholesale price changes, and ensure cheaper power during shortages. *See* Order No. 29102. Since that time, the composition of the Company's resource stack has changed substantially—becoming much more reliant on natural gas-fired generation. Energy markets have also evolved, offering more products and longer-term options. The existing version of the ERMS is ill-suited to meet the demands of these changed conditions. Accordingly, we find it reasonable to grant the Company's application to modify the ERMS as discussed more thoroughly below.

Revising Tier Two is the centerpiece of the Company's proposed modifications to the ERMS. Specifically, the Company proposes (1) expanding the period for evaluating the portfolio; (2) establishing deficit and surplus positions from a baseline hydro forecast; and (3) instituting a stepped approach for satisfying or reducing those positions over time. These adjustments are intended to facilitate systematic hedges, helping to minimize deficit or surplus positions and lessen exposure to market risks at any one moment.

The proposed revisions to Tiers One and Three are intended to align their functions with the changes made to Tier Two. The proposed revisions to Tier One update the high price calculation, incorporating the changes to Tier Two. These proposed changes aim to reduce the Company's financial risk. The proposed revisions to Tier Three are intended to open the Company's access to a wider variety of hedging transactions with more stable prices. Given the Company's growing dependence on natural gas-fired generation, it often engages in longer-term, price-volatile natural gas hedging contracts. Accordingly, we find it reasonable to approve the proposed ERMS revisions to prevent the Company from being disadvantaged in the competitive hedging market.

Despite approving the proposed revisions to the ERMS, we do not believe that strict, mechanical adherence to these standards will invariably result in prudent power supply costs. As the hedging market and the Company's resource stack continue to evolve, some flexibility in the application of the ERMS may be necessary to manage power costs prudently. Accordingly, we encourage the Company to follow the ERMS while accounting for the current and future power purchasing landscape when making decisions going forward.

ORDER

IT IS HEREBY ORDERED that the Company's proposed revisions to its Energy Risk Management Standards are approved as filed.

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. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 22nd day of July 2025.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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