BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR ITS ANNUAL UPDATE TO MARGINAL PRICING USED IN CERTAIN SCHEDULES	)))))	**CASE NO. IPC-E-25-17** **ORDER NO. 36619**

On April 1, 2025, Idaho Power Company ("Company"), applied to the Idaho Public Utilities Commission ("Commission") to update the marginal cost-based energy prices in the Company's Schedule 20, Speculative High-Density Load ("Schedule 20"), and Schedule 34, Lamb Weston Special Contract ("Schedule 34").

On April 23, 2025, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a May 15, 2025, deadline for public comments and a May 22, 2025, deadline for the Company to file reply comments. Order No. 36568. Commission Staff ("Staff") filed comments on May 15, 2025. One public comment was filed on May 15, 2025. The Company did not file any reply comments.

BACKGROUND

Schedule 20

In June 2022, the Commission issued Order No. 35428 approving Schedule 20 as a new schedule by which the Company could serve speculative high-density customers. Order No. 35428 allowed the Company to price energy at a marginal cost in all pricing periods, based initially on Avoided Cost Averages ("ACA") as contained in the Company's Integrated Resource Plan ("IRP"). However, the Commission directed the Company to work with Commission Staff ("Staff") "to evaluate and compare other methods for determining a marginal cost of energy in addition to the use of ACA in the IRP for setting the Schedule 20 energy rate" prior to its next general rate case. Order No. 35428 at 7.

Following subsequent discussions in early 2023 between Staff and the Company regarding the basis for marginal pricing of energy, Staff created a memo outlining the general criteria that should be considered when developing marginal cost-based customer energy rates. Attachment No. 2 to the Application. Staff's memo stated that the factors that should be considered by the Company include: (1) the resources that are highly likely to exist during the rate period; (2) the amount of incremental load used in the calculation should reflect the amount of incremental load for the portion of load that will be priced at marginal cost; (3) the marginal cost rates should be granular enough to accurately reflect time difference (e.g., seasonality, time of day) values; (4) if marginal cost rates have not been trued-up to actual marginal cost, rates based on forecasts should be updated enough to reflect current conditions; and (5) if market costs are used, cost of transmission transaction and wheeling costs should be included. *Id.*

<u>Schedule 34</u>

Schedule 34 was created pursuant to a special contract between the Company and one of its retail customers, Lamb Weston, using a two-block pricing structure, which contemplated an embedded-cost pricing block, Block 1 and a marginal energy cost pricing block, Block 2. Order No. 35929.

THE APPLICATION

The Company requested to update the marginal energy price component for Schedule 34 using a Two Run Method because the contract prescribes use of that method. Application at 8. The Company represented that in the Two Run Method, the marginal cost of energy is determined by simulating the hourly operation of the Company's power supply system under expected resources, streamflow conditions, and fuel prices for the test year. *Id.* at 7. The base case net power supply expenses are quantified, then the model is rerun with an additional 15 megawatts ("MW") of load. *Id.* The difference in power supply expenses between the base and the base-plus-15 MW scenario is then divided by the difference in megawatt-hours to calculate the marginal cost of energy. *Id.* at 7–8.

The Company requested to update the marginal energy price component for Schedule 20 using a Single Run Method because the Company stated that the results of a Two Run Method did not provide accuracy at the hourly level. *Id.* at 8–9. The Company represented that in the Single Run Method, the Company simulated the hourly operation of the Company's power supply system under expected resources, streamflow conditions, and fuel prices for the April 2025–March 2026 test year. *Id.* at 9. The hourly marginal resource price was determined based on the Company's expected load (net of the marginal cost-priced load) for the test year, plus an incremental load increase added in 100 MW increments, and then a weighted average marginal cost-based rate was calculated based on the total marginal cost-priced load expected to be operational during the test year. *Id.* at 9–10.

Finally, the Company represented that 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 Power Cost Adjustment and included as an offset to power supply expenses. *Id.* at 11.

STAFF COMMENTS

Staff reviewed the Company's Application, the attachments to the Application, and responses to production requests. Staff Comments at 2. Based on Staff's review, Staff recommended that the Commission approve the updated marginal cost component of Schedule 20 and Schedule 34 with an effective date of June 1, 2025. *Id.* Staff also recommended that the Commission approve the tariff updates of Schedule 20 and Schedule 34 contained in Attachment No. 1 of the Application as filed. *Id.* Finally, Staff recommended that the Commission order the Company to work with Staff to evaluate methods to verify the current marginal cost forecasting methods against the Company's actual marginal costs prior to the next annual update to marginal pricing. *Id.*

Staff reasoned that the Two Run Method was still reasonable to use for Schedule 34 marginal cost rates because it does not have time-of-use-period rates like Schedule 20 that are influenced by the hourly marginal cost inaccuracies seen when using the Two Run Method. *Id.* at 3. Additionally, Staff believed the Company's proposed Single Run Method for determining the marginal cost of energy for Schedule 20 was reasonable because it more accurately reflects the hourly marginal cost of energy during the time-of-use periods included in Schedule 20. *Id.* Staff believed the proposed method both reflects the marginal cost of energy guidelines provided by Staff to the Company and directly addresses Staff's criteria that marginal cost rates should have enough granularity to reflect the time-differentiated values of marginal cost within the Company's system to provide accurate price signals. *Id.*

PUBLIC COMMENTS

The Commission received one public comment filed by Clean Energy Opportunities for Idaho ("CEO") on May 15, 2025. CEO opposed the rate design proposed in Case No. IPC-E-25-17 for Lamb Weston in Schedule 34. CEO Comments at 1. CEO requested that the Company be directed to revise Schedule 34 to reflect the fact that marginal costs vary by hour, and to adequately inform customer choices, which could help mitigate future costs. *Id.* In the event the Commission denied CEO's request to revise Schedule 34 within this docket, CEO requested that the Company be directed to propose such a revision to Schedule 34 as a part of the Company's next general rate case. *Id.* at 3.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503. The Commission has reviewed the Application, all submitted materials, and all submitted comments. Based on its review of the record, the Commission finds it fair, just, and reasonable to approve the proposed updates in this docket. Any changes to the methods used to calculate the marginal cost-based energy prices need to occur in a separate docket or general rate case.

ORDER

IT IS HEREBY ORDERED that the updated marginal energy cost component of Schedule 20 and Schedule 34 and the associated tariffs are approved as filed with an effective date of June 1, 2025.

IT IS FURTHER ORDERED that the Company shall work with Staff to evaluate methods to verify the current marginal cost forecasting methods against the Company's actual marginal costs prior to the next annual update to marginal pricing.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding 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 30th day of May 2025.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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