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-26-08** **ORDER NO. 37125**

On April 1, 2026, Idaho Power Company ("Company") applied ("Application") to the Idaho Public Utilities Commission ("Commission") requesting acknowledgement that the updated marginal cost calculations provided in the Application were correctly quantified, a finding that the Company complied with Order No. 36619 by meeting with Commission Staff ("Staff") in advance of this Application, and authorization to maintain the currently in-effect marginal energy price components of Schedule 20, Speculative High-Density Load ("Schedule 20") and Schedule 34, Lamb Weston Special Contract ("Schedule 34").

On April 17, 2026, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting a deadline for interested parties to file a petition to intervene. Order No. 37007. Intervention was granted to Idaho Irrigation Pumpers Association, Inc. ("IIPA") and Micron Technology, Inc. ("Micron"). Order Nos. 36999 and 37055.

On June 8, 2026, the Commission issued a Notice of Modified Procedure, establishing deadlines for public comments and for the Company to file reply comments. Order No. 37061. No public comments were received.

Based on our review of the record, the Commission now issues this Final Order acknowledging that the updated marginal cost calculations provided in the Application were correctly quantified, finding that the Company complied with Order No. 36619 by meeting with Staff in advance of this Application, authorizing the Company to maintain currently in-effect marginal energy price components of Schedule 20 and Schedule 34, and directing the Company to open a separate docket to reevaluate the methodology for determining marginal cost rates.

THE APPLICATION

The Company calculated updated marginal energy prices using two Commission-approved methodologies—the Two Run Method and the Single Run Method—with results provided in Attachment 3 to the Application. Application at 11-12. As directed in Case Nos. IPC-E-23-18 and

IPC-E-25-17, the Company implemented the Two Run Method by conducting two AURORA model simulations: a base case reflecting expected system conditions and a second scenario incorporating an incremental 15 megawatts ("MW") of load. *Id.* at 12. The marginal cost of energy was then derived by calculating the difference in total system costs between these two simulations and expressing that difference on a per-MW-hour basis. *Id.*

The Company applied the Commission approved Single Run Method by performing a single AURORA simulation for the test year. *Id.* This simulation incorporated the Company's projected system load, excluding load already priced under the Single Run Method, and included an additional 100 MW to approximate marginal conditions. *Id.* The Company represented that, at present, this methodology is applied solely to Schedule 28, Micron Semiconductor Manufacturing ("Micron FAB") (IPC-E-24-44), as there are no active customers under Schedule 20. *Id.*

Upon evaluating the outcomes of both methodologies, the Company stated that the resulting marginal cost-based energy rates were lower than the embedded power supply cost rates projected for the 2026-2027 Power Cost Adjustment ("PCA") test year. *Id.* The Company argued that without mitigation, customers billed under marginal cost-based rates would, on average, pay less than customers charged under embedded cost-based rates. *Id.* The Company believed that the observed disparity raised concerns that current methodologies may not fully capture all relevant incremental costs, particularly long-run marginal costs such as those associated with power purchase agreements. *Id.* at 12-13.

The Company recommended that the Commission direct the Company to maintain the currently effective marginal cost-based energy rates for Schedules 20 and 34 as a mitigation measure. *Id.* Alternatively, should the Commission determine that updated rates should be implemented based on the approved methodologies and supporting analysis in Attachment 3, the Company indicated that it would file revised tariff sheets reflecting those updated rates in a subsequent compliance filing.

STAFF COMMENTS

Staff verified that the Company correctly calculated the updated marginal cost rates using the Commission-approved methodology and confirmed that the resulting marginal cost energy rates were lower than the corresponding embedded cost rate. Staff Comments at 2. Although the Company's calculations were accurate, it proposed to continue using last year's marginal cost rates because the updated rates produced an unexpected result that was inconsistent with the principle that marginal cost rates should generally exceed embedded cost rates. *Id.* Staff agreed with the recommendation of maintaining last year's marginal cost rates and believed that the current approved methodology likely contains flaws that warrant further review. *Id.* Accordingly, Staff recommended that the Commission direct the Company to open a new docket to reevaluate the methodology for calculating marginal cost rates, with the timing coordinated alongside the cost-of-service/New Large Load methodology case (Case No. IPC-E-26-07). *Id.* Staff also recommended extending last year's marginal cost rates until a revised methodology is approved and new rates can be calculated. *Id.*

Staff noted that while embedded cost rates are typically lower than marginal cost rates because they reflect average system costs rather than the cost of the marginal resource, the forecast for the April 2026 through March 2027 test year shows the opposite relationship, reinforcing the need to reevaluate the current methodology. *Id.* at 2-3.

Table No. 1: Comparison of Forecasted Marginal Cost Rates and Forecasted Embedded Cost Rates

Forecasted Marginal Cost Rates ($/MWh)		**Forecasted Embedded Cost Rate ($/MWh)**
Single-Run	Two-Run	
31.63	32.83	38.85

Id. at 3.

Staff reviewed the Company's forecasted marginal cost rates, which were produced using the AURORA model, and compared them to the forecasted embedded cost rate developed through the Company's Operating Plan. *Id.* Although both forecasting methods rely on generally consistent assumptions, including projected hydro conditions and natural gas prices, Staff noted that the two models respond differently to those inputs. *Id.* Specifically, marginal cost rates are more sensitive to natural gas prices, while embedded cost rates are more influenced by hydro generation. *Id.* For the April 2026 through March 2027 test year, forecasts of below-normal hydro generation and low natural gas prices contributed to higher embedded cost rates and lower marginal cost rates. *Id.* However, Staff believed that these factors do not fully explain why embedded cost rates exceed marginal cost rates, suggesting that broader issues, such as inflation, significant capital investments, or potential flaws in the current methodology, may be contributing to the unexpected outcome. *Id.* at 3-4. As a result, Staff recommended a comprehensive review of the marginal cost methodology in a separate docket, with coordination alongside the ongoing cost-of-service/New Large Load methodology case (Case No. IPC-E-26-07). *Id.* at 4.

Staff verified that the updated marginal cost rates in the Company's Application were calculated correctly under the currently approved methodology and recommended that the Commission acknowledge the accuracy of those calculations. *Id.* Nevertheless, because of the concerns surrounding the existing methodology, Staff did not recommend approving the updated rates. *Id.* In addition, Staff believed that the Company complied with Order No. 36619 by working with Staff to evaluate methods for validating marginal cost forecasts before this annual update. *Id.* During that process, the Company explained that actual marginal cost rates cannot be directly observed because doing so would require tracking hourly, counterfactual system data that it does not currently collect. *Id.* at 5. To provide a reasonable level of validation, the Company instead compared its forecasted marginal cost rates against four proxy measures: 1) Day-Ahead Mid-C Price, 2) Hourly Energy Load Aggregation Point ("ELAP") Price, 3) Actual Gas Dispatch Rate, and 4) AURORA Backcast Price. *Id.* Staff believed the proxy measures offered limited but useful support for assessing the reasonableness of the forecasts in the absence of directly measurable marginal cost data. *Id.*

Table No. 2: Forecasted Marginal Cost Rates vs. Proxy Marginal Cost Rates

Forecasted Marginal Cost Rates ($/MWh)		**Proxy Marginal Cost Rates ($/MWh)**				
AURORA Two-Run (4.1.2025-3.31.2026)	AURORA Single-Run (4.1.2025-3.31.2026)	Day-Ahead Mid-C Price (4.1.2025-3.25.2026)	Hourly ELAP Price (4.1.2025-3.24.2026)	Gas Dispatch Rate (1.1.2025-12.31.2025)	AURORA Backcast Single-Run (1.1.2025-12.31.2025)	AURORA Backcast Single-Run (4.1.2025-3.31.2026)
42.64	40.84	35.68	29.55	33.76	30.86	29.71

Id.

Staff's review of the Company's validation analysis found that the forecasted marginal cost rates were consistently higher than all four proxy measures used for comparison. *Id.* The Company attributed this difference primarily to the gas price assumptions used in the models, explaining that forecasted marginal cost rates rely on forward market gas prices from trading hubs such as Sumas, Stanfield, and the Rockies, while the backcast uses actual gas procurement costs across all procurement hubs. *Id.* Based on these findings and the broader concerns with the current methodology, Staff recommended that the Commission direct the Company to open a new docket to reevaluate the methodology for determining marginal cost rates, coordinated with the ongoing cost-of-service/New Large Load methodology case (Case No. IPC-E-26-07). *Id.* at 6. Staff also recommended extending last year's marginal cost rates until a revised methodology is approved, while acknowledging that the updated marginal cost rates were correctly calculated under the existing methodology and that the Company has complied with the requirements of Order No. 36619. *Id.*

MICRON COMMENTS

Micron supported the Company's requested relief and agreed that the case should proceed under Modified Procedure without a hearing, arguing that the proceeding was narrow in scope and limited to the annual update of marginal energy prices rather than changes to the underlying pricing methodology. Micron Comments at 1-2. Micron noted that the Company was not proposing any modifications to the approved methodology and was instead requesting that the Commission maintain the currently effective marginal cost-based energy rates that were previously approved. *Id.* at 2. Consistent with discussions during the Micron FAB Special Contract proceeding (Case No. IPC-E-24-44), Micron maintained that any review or revision of the marginal energy pricing methodology should occur in a separate, standalone docket where stakeholders can conduct a comprehensive evaluation. *Id.* at 3. Accordingly, Micron urged the Commission to continue processing this annual update without a hearing and defer any methodology issues to a future proceeding dedicated to that purpose. *Id.* at 4.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company's Filing and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. 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, -502, and -503.

The Commission has reviewed the Company's Application, including all submitted materials, Staff Comments, and the Company's Reply Comments. Based on our review of the record, we find it fair, just, and reasonable to acknowledge that the Company correctly calculated the updated marginal cost energy rates using the Commission-approved Two Run Method and Single Run Method. The record demonstrates, and Staff verified, that the Company accurately applied the currently approved methodologies in developing the updated marginal cost rates. Accordingly, we find that the calculations contained in the Application are correct under the Commission's existing approved methodology.

We also find that the Company complied with the requirements of Order No. 36619. As directed by that Order, the Company worked with Staff to evaluate methods for validating its marginal cost forecasts before filing this annual update. We find that these efforts satisfy the requirements established in Order No. 36619.

Although the calculations were correctly performed, the resulting marginal cost rates are lower than the corresponding forecasted embedded cost rates. As Staff explained, this outcome is inconsistent with the general expectation that marginal cost rates should exceed embedded cost rates because marginal costs reflect the cost of serving incremental load rather than average system costs. While the record suggests that forecast assumptions regarding hydro conditions and natural gas prices contributed to this outcome, those factors alone do not adequately explain the disparity. The record instead raises legitimate questions regarding whether the current methodology fully captures all relevant incremental costs or otherwise warrants refinement.

Given these concerns, we find that it is not appropriate at this time to implement the newly calculated marginal cost rates. Rather, we find it reasonable to direct the Company to maintain the currently effective marginal cost-based energy rates for Schedules 20 and 34 until the Commission has had an opportunity to more fully evaluate the methodology used to produce those rates.

Accordingly, we direct the Company to open a separate docket to comprehensively reevaluate the methodology used to determine marginal cost rates. We agree with Staff that this review should be coordinated, where appropriate, with the ongoing cost-of-service/New Large Load methodology proceeding in Case No. IPC-E-26-07. However, the purpose of the new docket should not be limited to considering potential methodological revisions. Rather, the docket should first develop a thorough understanding of how and why the existing Commission-approved methodology produced the results observed in this case. That review should examine the interaction of the methodology's underlying assumptions, modeling inputs, and design, identify the factors that caused the calculated marginal cost rates to fall below embedded cost rates, and evaluate whether those results accurately reflect the incremental cost of serving new load.

After developing that understanding, the parties should evaluate whether modifications to the methodology are appropriate and, if so, what changes would ensure that future marginal cost calculations accurately reflect the costs they are intended to measure while remaining consistent with sound ratemaking principles. The Commission expects the proceeding to provide a complete record explaining both the performance of the current methodology under present system conditions and any recommended changes for future application.

For these reasons, we acknowledge that the Company's updated marginal cost calculations were correctly performed under the currently approved methodology, find that the Company complied with Order No. 36619, direct the Company to maintain the currently effective marginal cost-based energy rates for Schedules 20 and 34 pending further Commission action, and direct the Company to initiate a separate docket to reevaluate the methodology for determining marginal cost rates consistent with this Order.

ORDER

IT IS HEREBY ORDERED that the Company shall maintain the currently effective marginal cost-based energy rates for Schedules 20 and 34.

IT IS FURTHER ORDERED that the Company shall initiate a separate docket to reevaluate the methodology for determining marginal cost rates consistent with this Order

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within 21 days of the service date of this Order regarding any matter decided in this Order. Within 7 days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 11th day of August, 2026.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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