MICHAEL DUVAL
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
IDAHO BAR NO. 11714

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

RECEIVED
2023 AUG -8 AM 11:09
IDAHO PUBLIC
UTILITIES COMMISSION

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** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 14, 2023, Idaho Power Company ("Company") filed an application ("Application") with the Idaho Public Utilities Commission ("Commission") for an order: "(1) acknowledging the potential for long-term cost savings associated with participation in the Western Resource Adequacy Program ("WRAP") and (2) allowing the Company to recover WRAP-associated costs in a future rate proceeding." Application at 1. The Company filed the Direct Testimony of Alison Williams and Nicole Blackwell in support of its Application. The Company requested its Application be processed under Modified Procedure.

The WRAP is a regional program in the western United States, administered by the Western Power Pool ("WPP"). The Company states, "[a]t its simplest . . . [the WRAP] is an insurance program of sorts that makes reserved resources available to participants during short-term periods of resource deficiency." Application at 2.

As the Company indicates, the WRAP is comprised of two programs ("Forward-Showing" and "Operations") which run across the summer and the winter season. As the Company indicates, the Forward-Showing program concerns aspects related to regional resource planning whereas the Operations program "facilitates the identification of real-time capacity needs and the sharing of energy and capacity between participants during the summer and winter seasons." *Id.* at 3.

The Company participated in the non-binding Forward-Showing program but also plans to participate in the Operations program this summer with the tentative goal of beginning "binding participation in the summer of 2027." *Id.* at 4.

The Company "estimates that the annual cost of WRAP participation will be between $537,420 and $744,555, along with a one-time charge of $152,856." *Id.* The Company asserts that participation in WRAP will result in significant cost-savings.

STAFF ANALYSIS

Staff recommends that the Commission acknowledge the likelihood of long-term cost savings associated with participation in the WRAP. Staff also recommends that the Commission allow the Company to recover WRAP-associated costs after it can show prudency and after customers begin receiving benefits from the program.

Long-Term Cost Savings

Staff believes that the Company's participation in the WRAP is likely to yield long-term cost savings for customers. The primary WRAP-related expense is the monthly administrative charge the program administrator, WPP, will use to cover the program's operating and administrative expenses. The Company states that the monthly charge will depend on the WRAP participant count and the Company's monthly 50^{th} percentile ("P50") peak load. Williams Direct at 13-14. Staff examined the WRAP tariff, the Company's assumptions, and its calculations for the annual expenses. Staff believes the estimated range of values is reasonable.

Other WRAP-related expenses are possible, but there are penalties that the Company would incur if it did not meet the program's obligations, or an exit fee if the Company opts to withdraw from WRAP. The Company states the likelihood of incurring these expenses is small, and the customer's responsibility for them would depend on the circumstances. Response to Production Request No. 21. Staff believes this is a reasonable assertion and therefore considered only the Administrative Charge in its analysis of cost-effectiveness.

The Company asserts that the primary WRAP-related benefit will be an avoided cost of generation capacity, which it estimates to be $2.1 million per year. Application at 4. This value was determined through three calculational steps. First, the Company used its Reliability and Capacity Assessment Tool to estimate the perfect generation avoided (14 MW) due to the WRAP resource. Second, the Company converted the perfect generation to the equivalent amount of natural gas generation (15.6 MW). Third, the Company converted the amount of avoided natural gas generation to a cost using the 2021 IRP surrogate resource cost and escalated it with two years of inflation at 2.3 percent, for a final estimate of $2.1 million. Williams Direct at 16.

Staff examined the Company's assumptions and calculations for deriving this value and believes they are reasonable. However, different assumptions would significantly alter the results. For example, if the Company assumed two WRAP events per year, the avoided costs would be over 60% greater. Assuming zero events would yield no avoided costs. Another example is the assumption of having 100 MW of available WRAP capacity on the highest-risk day of the year in its models. Assuming 50 MW, or 150 MW, of available capacity would yield different results. The Company asserts that it will assess the accuracy of its assumptions as it becomes more familiar with the WRAP.

Importantly, the Company's theoretical calculation is not the final determination of avoided cost. Staff believes that the theoretical calculation only becomes a real avoided cost when the Company officially reduces its resource capacity requirement by an equal amount.

Overall, Staff agrees that once the Company reduces its generation capacity requirement, the annual financial cost avoidance is likely to be 3 to 4 times greater than the annual expense, which would significantly benefit customers.

Non-Financial Benefits

In addition to the likely cost savings, the Company and customers should benefit in at least three ways through participation in the WRAP.

First, the fundamental purpose of the WRAP is to improve resource adequacy for all participants. WPP designed the WRAP to be an insurance program for participants who experience a short-term resource deficiency that would be used only after all other options were exhausted. Staff agrees that the availability of this type of insurance is likely to improve the overall reliability of the Company's system.

Second, the Company believes that participation will provide valuable insight into resource adequacy across the Western United States. As part of the Forward-Showing program within the WRAP, all participants must submit forecasts of their expected loads and resources for the upcoming summer or winter season. Staff agrees that consolidation and standardization of this information will provide the participants with important insights into regional resource adequacy.

Third, participation in the WRAP will expand the Company's options for buying and selling power. Although the WRAP is not a market, it requires participants to sell and buy power to one another if one of them has a short-term capacity shortfall. During a capacity shortfall event, some participants will sell and buy through the WRAP and therefore have limited availability in the bi-lateral market. During the highest risk days of each season, WRAP-mandated energy sales could be the only source of surplus energy. Therefore, Staff agrees that this is an important non-financial benefit.

Because of these non-financial benefits in combination with the likely financial benefits, Staff recommends the Commission acknowledge the likelihood of long-term cost savings associated with participation in the WRAP.

Recovery of Expenses

Staff recommends the Commission allow the Company to recover WRAP-associated costs *after customers begin receiving a benefit*, and after the Company demonstrates prudency.

The Company reports paying a one-time charge of $152,856 in early 2022 and has began paying the monthly administrative charge. The Company expects the monthly administrative charge to continue for as long as it participates in the program.

Despite the Company incurring costs now, customers will not see a financial benefit until the Company reduces its resource capacity requirement. However, the Company cannot make this reduction until the WRAP becomes binding on the Company and a critical mass of the participants. Currently, the Company anticipates the summer of 2027 will be the binding year, but it continues to evaluate whether an earlier binding date would be beneficial. Response to Production Request No. 8. Staff believes it would be premature to assume the customers will receive the benefit in the future and declare the action prudent now. Instead, Staff recommends 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 recommends that the Company include a report that details the historical season-by-season costs, benefits, and lessons learned when they file for recovery.

Other WRAP Concerns

Loss of Autonomy

Staff was concerned that the Company might lose planning and operational autonomy if the WRAP required it to provide a particular type of resource for other participants. For example, the WRAP has participants from states that have clean energy mandates. The Company stated that the WRAP tariff allows it to use any of its resources, and it would therefore not be subject to clean mandates. Staff verified the relevant language in the tariff. Given the Company's assertions, Staff believes the Company's participation in the WRAP will not unduly influence the Company's ability to conduct its own planning and operations.

Resource Availability

Staff was concerned about the likelihood of resource availability from WRAP participants if the Company has a capacity shortfall event. The Company did not formally assess the likelihood of resource availability during its capacity critical hours, but it believes the WRAP has a sufficient distribution of both winter-peaking and summer-peaking utilities as participants to ensure resource availability. The Company did provide data showing the historical peak demand of the two groups. Response to Production Request No. 10. Staff agrees that the Company's assumption is reasonable based on these historic patterns, but notes that summer peak demand is climbing sharply in the Pacific Northwest, which threatens to erode that region's traditional summer capacity surplus. Staff presumes the Company will monitor the WRAP summer Forward-Showing program data carefully to better assess surplus capacity.

Demand Response as a WRAP Resource

The Company maintains several demand response ("DR") programs across all classes with a combined nameplate capacity of 312 MW.[1] Inclusion of these resources in the WRAP represents a significant contribution to the Company's Forward-Showing capacity.

During the WRAP Forward-Showing program, participating utilities can include their DR resources in one of two ways, as a load modifier or, as a capacity resource. Load modifiers model the DR programs as a reduction to the P50 peak load forecast. The P50 load forecast is a fundamental input for the WRAP tariffs and WPP uses it to calculate many values such as administration charges and sharing requirements. Alternatively, utilities can choose to include their DR programs as capacity resources available for deployment into the WRAP and it would treat them in the same way as other qualifying resources. The Company stated that it intends to include its DR programs as load modifiers. Response to Production Request No. 19. Staff agrees with this approach because it retains the dispatch of DR programs for the needs of the Company's system and avoids several complications that may arise if included as a capacity resource, such as deploying DR for other utilities.

As the Forward-Showing program transitions to the Operations program, the WRAP automatically transfers the resources, including the DR-related load reduction, but with an important caveat. In its Response to Production Request No. 24, the Company noted that the Operations program considers the load reduction to be available all hours of each day. This assumption does not accurately reflect the dispatch parameters of the Company's DR programs, and therefore it overstates the amount of load reduction. Staff is concerned that this could create a situation where WPP tasks the Company to participate in a sharing event based on capacity that is not actually available. The Company can disregard this potential issue during the non-binding phase, but it might incur delivery failure charges once it is bound. When queried, the Company stated that WPP is aware of this issue and has communicated an intent to review it. Response to Production Request No. 24, footnote 2. Staff looks forward to a solution for this concern.

[1] As of the Company's 2022 DSM Annual Report

Binding Implementation of the WRAP

In its response to Production Request No. 18, the Company agreed to alert the Commission prior to committing to a WRAP binding period. Staff supports the Company's proposal.

Public Comments

As of August 7, 2023, no public comments have been received.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Acknowledge the likelihood of long-term cost savings associated with participation in the WRAP;
2. Direct the Company to seek recovery of WRAP-associated costs in a later filing after customers begin receiving the benefit; and
3. Direct the Company to include a report with its recovery filing that details the historical season-by-season costs, benefits, and lessons learned.

Respectfully submitted this 8th day of August 2023.

Michael Duval
Deputy Attorney General

Technical Staff: Matt Suess
Laura Conilogue
Leena Gilman
Jason Talford
Kimberly Loskot

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8th DAY OF AUGUST 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO IDAHO POWER COMPANY,** IN CASE NO. IPC-E-23-08, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

LISA D NORDSTROM
MEGAN GOICOECHEA ALLEN
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: lnordstrom@idahopower.com
mgoicoecheaallen@idahopower.com
dockets@idahopower.com

ALISON WILLIAMS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: awilliams@idahopower.com

Vera Elmason
SECRETARY