

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN) CASE NO. PAC-E-24-05
POWER’S APPLICATION FOR APPROVAL)
OF \$62.4 MILLION ECAM DEFERRAL) ORDER NO. 36207
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On April 1, 2024, PacifiCorp dba Rocky Mountain Power (“Company”) applied for authorization to adjust its rates under the Energy Cost Adjustment Mechanism (“ECAM”). The Company seeks an order approving approximately \$62.4 million in ECAM deferred costs and a 10.5 percent increase to Electric Service Schedule No. 94, Energy Cost Adjustment (“Schedule 94”). If the adjustment is approved, the monthly bill of an average residential customer using 783 kilowatt-hours of electricity would increase by about \$7.39. The Company requested its proposed adjustment be processed by Modified Procedure and become effective on June 1, 2024.

On April 13, 2024, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing public comment and Company reply deadlines. Order No. 36153. P4 Production LLC., an affiliate of Bayer Corporation (“P4”), and PacifiCorp Idaho Industrial Customers (“PIIC”), intervened. Order Nos. 36161 and 36176.

Commission Staff (“Staff”), P4, PIIC, (collectively the “Parties”), and one member of the public filed comments. The Company responded to Staff’s, P4’s, and PIIC’s comments.

Having reviewed the record, the Commission approves the Company’s Application in part. Specifically, we disallow recovery of costs the Company incurred to comply with the Washington Climate Commitment Act and authorize a revised ECAM deferral amount of \$60,093,960.

BACKGROUND

The ECAM allows the Company to increase or decrease its rates each year to reflect changes in the Company’s power supply costs. These costs vary by year with changes in the Company’s fuel (gas and coal) costs, surplus power sales, power purchases, and associated transmission costs. Each month, the Company tracks the difference between the actual net power costs (“NPC”) it incurred to serve customers, and the embedded (or base) NPC it collected from customers through base rates. The Company defers the difference between actual NPC and base NPC into a balancing account for later disposition at the end of the yearly deferral period. At that time, the ECAM allows the Company to credit or collect the difference between actual NPC and

base NPC through a decrease or increase in customer rates. Neither the Company nor its shareholders will receive any financial return because of this filing.

THE APPLICATION

Besides the NPC difference described above, this year’s ECAM includes: (1) the Load Change Adjustment Revenues (“LCAR”); (2) an adjustment for coal stripping costs;¹ (3) a true-up of 100% of the incremental Renewable Energy Credit (“REC”) revenues; (4) Production Tax Credits (“PTC”); (5) reasonable energy price (“REP”) qualifying facility (“QF”) adjustment;² (6) wind availability liquidation damages; and (7) interest on the deferral.

With its Application, the Company seeks an order approving the Company’s: (1) request for a \$62.4 million ECAM deferral; and (2) a 10.5 percent increase for Schedule 94. The Company states that if its proposal is approved, prices for customer classes would *increase* as follows:

- Residential Schedule 1 – (7.6%)
- Residential Schedule 36, Optional Time-of-Day Service – (8.7%)
- General Service Schedule 6 – (10.7%)
- General Service Schedule 9 – (13.1%)
- Irrigation Customers – (9.5%)
- General Service Schedule 23 – (9.0%)
- General Service Schedule 35 – (10.3%)
- Public Street Lighting – (5.2%)
- Tariff Contract, Schedule 400 – (13.5%)

STAFF COMMENTS

1. ECAM Analysis and Calculation

Staff recommended the Commission authorize a lower 2023 ECAM deferral than the Company proposed. Staff noted that the Company included additional costs incurred to comply with Washington’s Climate Commitment Act (“WCCA”) in its proposed ECAM deferral. Staff believed inclusion of these costs was not fair, just, or reasonable because it effectively imposes a unilateral tax on Idaho customers. Accordingly, Staff recommended removing the WCCA costs

¹ The ECAM includes a “90/10 sharing band” in which customers pay/receive 90 percent of the increase/decrease in the difference between actual NPC and base NPC, LCAR, and the coal stripping costs; and the Company incurs/retains the remaining 10 percent. Application at 3.

² The REP QF adjustment flows from the 2020 Inter-Jurisdictional Allocation Protocol where, during the Interim Period, “energy output of New QF PPAs will be dynamically allocated . . . using the SG Factor, priced at a forecasted [REP] . . . and any cost of a New QF PPA above the forecasted [REP] will be situs assigned and allocated to the State of Origin.” Direct Testimony of Jack Painter at 10 (“Painter Direct”); Order No. 34640.

from the proposed ECAM deferral, reducing it by approximately \$2.3 million for a total revised deferral amount of about \$60.1 million.

Staff reviewed the other aspects of the Company's calculation of the 2023 ECAM for compliance with previous Commission orders and accuracy in reported actual loads, prudence in incurred actual costs and revenues, and correct application of loads, costs, and revenues embedded in base rates. Staff also reviewed the Company's hedge contracts to ensure they safeguard price and fuel stability.

The NPC to serve Idaho customers in 2023 was \$149 million but the revenue collected through base rates was only \$85.7 million—leaving a \$63.3 million under collected balance.³ After accounting for the 90/10 band, customers are responsible for \$57.2 million through the ECAM.

The Emerging Issues Taskforce (“EITF”)—an adjustment measuring the difference between coal stripping costs incurred and recorded—increased the deferral by \$60,594.

The LCAR adjusts for the over- or under-recovery of “fixed energy-classified production cost (excluding NPC) resulting from the difference between Idaho sales used to determine base rates and the sales from the deferral year.” Staff Comments at 4. A LCAR of \$8.74/MWh was set in Case No. PAC-E-21-07 and the Company collected approximately \$30.5 million through the LCAR. The difference between this amount and the \$30.8 million embedded in base rates increased the ECAM deferral by \$268,994.

Under Order No. 35277, the PTC true-up is \$4.16/MWh. In 2023, a \$13.6 million PTC benefit from the ECAM fell short of the \$14.6 million allocation to Idaho customers. The difference between embedded PTCs and actual PTCs results in a \$907,177 surcharge to customers collected through the ECAM.

A rate of \$0.07/MWh in REC revenues was set in Order No. 35277. In 2023, base rates included \$239,273 in benefits, but Idaho's actual share of REC revenues was \$357,308 higher than included in rates. This amount will offset the deferral balance.

³ The NPC embedded in rates is set at \$24.54 per megawatt-hour (“MWh”). To calculate the amount of revenue collected through base rates the Company multiplies the embedded per MWh cost by total MWhs sold. $\$24.54 \times 3,495,580 \text{ MWh} = \85.7 million .

Per the 2020 protocol, all QF contracts approved in 2020 and thereafter became subject to a REP adjustment.⁴ Idaho has 11 QF contracts that fall under the REP adjustment which resulted in a \$1.5 million increase to the Idaho deferral in 2023.

The ECAM also included a \$310,085 credit for a wind availability liquidated damages credit. This credit represents Idaho's share of the liquidated damages the Company receives from suppliers of repowered wind facilities failure to meet required specifications.

2. Analysis of Actual NPC

Staff reported that, on a system wide basis, actual NPC was 85.2 percent higher than base NPC in 2023. Focusing specifically on Idaho, actual NPC was 75.3 percent above base rate recovery. Despite these increases, Staff believed the Company generally operated prudently in the face of a difficult deferral period. Staff based this conclusion on its analysis of (1) the actual amounts of energy delivered and costs incurred relative to base amounts embedded in rates for the deferral period; and (2) the reasonableness of the unit downtime for Company's generation resources.

Staff's analysis led it to believe that the high NPC in 2023 arose largely from lower than forecast generation from the Company's lowest cost energy resources (*i.e.*, hydro, coal, and wind), resulting in heavier reliance on gas generation and market purchases to meet customer's demand for energy. Staff believed a lack of available wind and hydro resources during the deferral period caused the reduction in zero-fuel cost hydro and wind generation. Regarding coal generation, Staff believed coal supply issues and transmission constraints between the Bridger coal plant and loads to the west diminished generation.

The Company's reliance on gas generation and market purchases exacerbated matters as the actual prices for this energy were 47 percent and 64.1 percent higher than that forecasted in base rates. Furthermore, the shortfall in hydro, wind, and coal generation also resulted in diminished Company sales into the wholesale market—a traditional means of offsetting actual NPC to customers. However, Staff noted that some of the discrepancy between forecast and actual sales arose from inaccuracies in the modeling used for base rates, which the Company intends to improve during its next general rate case.

⁴ “The amount the Company paid for energy under each QF contract over a reasonable energy price would be SITUS (state) allocated to the state that approved the QF contract.” Staff Comments at 5; citing Painter Direct at 10.

According to Staff, the Company made prudent decisions in taking resources out of service for various reasons. Despite noting significant downtime for the “Prospect 3” hydro unit and five Swift hydro units, Staff believed the Company had legitimate reasons for the downtime its resources experienced and that they were out of service for a reasonable period.

3. Proposed Rates

The Company proposed raising Schedule 94 rates by approximately 101.1 percent, increasing base rate revenue by 10.5 percent. Staff verified that the Company’s underlying calculations for these rates are accurate and comply with prior Commission orders. However, Staff recommended a lower proposed rate increase that reflects the removal of the costs for complying with the WCCA. Specifically, Staff proposed a 93.7 percent increase in Schedule 94 rates, which would raise base rate revenue by 9.7 percent. Under Staff’s proposed rate, a typical Schedule 1 customer’s monthly bill would increase by \$6.85.

P4’S COMMENTS

P4 focused its comments on two costs the Company proposed for inclusion in the ECAM deferral and subsequent recovery from customers. First, like Staff, P4 opposed the recovery of costs for complying with the WCCA. Second, P4 also opposed the recovery of costs for compliance with the Ozone Transport Rule (“OTR”).

1. WCCA Costs

P4 presented essentially the same rationale as Staff for opposing recovery of costs associated with WCCA. That is, WCCA compliance costs arose from the actions of a single state (*i.e.*, Washington) and, therefore, that state should bear them. However, P4 cited some additional persuasive authority supporting this argument.

P4 noted that the Wyoming Public Service Commission (“WPSC”) recently denied the Company’s request to recover from Wyoming customers the cost of purchasing Greenhouse Gas allowances to comply with the WCCA.⁵ In doing so, the WPSC rejected an argument that the cost of complying with the WCCA were analogous to Wyoming’s wind tax and, therefore, subject to allocation to all states under the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (“2020 Protocol”). The WPSC determined that the WCCA is a state-specific initiative that was akin to a

⁵ See *In re the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately \$140.2 Million Per Year or 21.6 Percent and to Revise the Energy Cost Adjustment Mechanism*. WPSC Docket No. 20000-633-ER-23, Memorandum Opinion, Finding, and Order ¶ 211 (Jan. 2, 2024).

renewable portfolio standard (“RPS”) as the legislative intent behind the WCCA is to reduce fossil fuel generation. Because such portfolio standards are undisputedly situs under the 2020 protocol, the WPSC reasoned that the WCCA should be also.⁶

2. The OTR

P4 described the OTR as the final plan of the Environmental Protection Agency (“EPA”) to limit emissions of nitrogen oxides in 23 states, including Utah and Wyoming. However, according to P4, the Utah Attorney General sued the EPA, seeking to overturn the OTR, and the Tenth Circuit stayed the federal plan. Accordingly, P4 opposed recovery of what it considered unnecessary expenses to comply with the OTR, describing the costs as unrelated to any operating condition the Company had to satisfy addressing emissions of nitrogen oxides.⁷

PIIC’S COMMENTS

PIIC similarly focused its comments on two issues. First, like Staff and P4, PIIC opposed the recovery of costs for complying with the WCCA. Second, PIIC recommended amortizing the proposed rate increase over three years to mitigate any overlap between that increase and the Company’s next general rate case.

1. WCCA Costs

PIIC opposed the Company recovering costs it incurred to comply with the WCCA. However, according to PIIC, the WCCA resulted in more costs to the Company than the \$42 million spent to purchase greenhouse gas allowances. Specifically, PIIC asserted that the cost of the allowances affected the dispatch of energy from the Chehalis power plant, resulting in an inefficient dispatch of generation. Due to the time constraints of this case, PIIC could not perform the analysis necessary to estimate the effect of this inefficiency. However, PIIC noted that this dispatch cost was estimated to be \$9,559,205 on a company-wide basis in the Company’s 2023 general rate case in Wyoming.

In addition to the dispatch efficiency issue, PIIC also opposed the Company’s recovery of the cost of WCCA allowances, arguing that the Company included the expenses in the ECAM by improperly recording them in Federal Energy Regulatory Commission (“FERC”) Account 555,

⁶ P4 also noted that the Oregon Public Utility Commission denied recovery of WCCA costs from Oregon customers, reasoning that such costs are part of a state-specific initiative properly allocated to Washington. *See In re PacifiCorp, dba Pacific Power, 2024 Transition Adjustment Mechanism*, OPUC Docket No. UE 420, Order No. 23-404 (Oct. 27, 2023).

⁷ P4 indicated the Company is seeking recovery of approximately \$17 million for the OTR on a system basis.

Purchased Power. PIIC argued that the costs for the allowances have nothing to do with purchased power and should, therefore, be recorded in FERC Account 509, Allowances, which are not included in the ECAM. Thus, PIIC reasoned that, regardless of the reasonableness of purchasing the allowances, they cannot be included in the ECAM because the Company did not request inclusion of FERC Account 509 in the ECAM and any change to the mechanism can only be prospective.

Respecting the reasonableness of the allowances themselves, PIIC noted that the Commission's prior decision to exclude WCCA costs from rates in Order No. 36015 is consistent with other jurisdictions that have addressed the issue. The Oregon Public Utility Commission ("OPUC") did not allow the Company to include the cost of WCCA allowances in its 2024 Transition Adjustment Mechanism ("TAM") filing.⁸ As previously noted, the WPSC also denied recovery of the WCCA allowances in the Company's 2023 general rate case.

PIIC also noted that, because of the separate allocation framework applicable to Chehalis and no-cost allowances provided to Washington residents, the Company could potentially recover allowance costs covering 112 percent of the cost of Chehalis from other states. For all the above reasons, PIIC recommended that the Commission deny recovery of all costs incurred to comply with the WCCA.

2. Amortization Period

PIIC also requested that the Commission amortize the rate increase proposed in this case over three years. PIIC asserted that this will lead to more stable long-term rates by spreading the increase over a three-year period, mitigating both the immediate impact of the increase and diminishing any compounding rate effects from the Company's upcoming rate case. In support of this proposal, PIIC noted that not only will the base NPC be reset in the Company's upcoming rate case, but the price for natural gas has dropped and the issues the Company faced with its coal operations have largely been resolved. Thus, PIIC indicated that it expects a significant decline in the Company's ECAM deferrals going forward, reducing the likelihood of future rate pancaking if the increase is amortized over three years.

Additionally, PIIC noted that it was not seeking to amortize the entire \$62.4 million ECAM deferral amount. Rather, it sought only to amortize the *increase* in the ECAM. Thus, under PIIC's

⁸ PIIC describes the TAM as a docket that forecasts and establishes the NPC for the coming year. The OPUC's decision to denying recovery of the allowances is currently on appeal to the Oregon Court of Appeals.

proposal, the Company would recover \$43,133,607 beginning on June 1, 2024, an approximate 3.5% rate increase. The Company would then recover an additional \$10,886,666 in its next two ECAM filings.

PUBLIC COMMENTS

One member of the public commented requesting the Commission deny the Company's Application.

COMPANY REPLY COMMENTS

The Company disagreed with the other Parties' recommendation to disallow recovery of costs it incurred to comply with the WCCA. The Company argued that disallowing recovery of these costs would violate fundamental ratemaking and constitutional principles. Alternatively, the Company argued that the Commission should remove the generation benefits of Chehalis from the deferral balance if recovery of the WCCA compliance costs for operating the facility are disallowed.

The Company contended that disallowing recovery of WCCA costs from Idaho customers would violate the fundamental ratemaking principle of cost-causation. The Company reasoned Chehalis benefits Idaho customers despite the additional WCCA compliance costs to operate it. Because no party disputed the prudence of procuring WCCA allowances to operate Chehalis, the Company reasoned Idaho customers should bear the actual costs of Chehalis generation from which they benefit.

The Company also argued that the WCCA is like other taxes imposed by the federal and other state governments on the Company. The Company warned that if policy shifts to Idaho customers paying only for costs imposed by the state of Idaho, then it will become very difficult for the Company to serve its Idaho customers with out-of-state resources. In support of this argument, the Company cited the Wyoming wind tax, which is system allocated under the 2020 Protocol.

The Company further argued that denying recovery of the cost of complying with the WCCA violates the dormant Commerce Clause by discriminating against the Company for engaging in interstate commerce. Specifically, the Company contended that disallowing WCCA costs would give Idaho customers an advantage and burden interstate commerce to the Company's detriment.

The Company also reasoned that the WCCA costs were properly allocated to Idaho under the 2020 Protocol as a “System Resource.” The Company observed that, under the 2020 Protocol, generation resources are either “State Resources” or System Resources. Within the 2020 Protocol, a *Resource* includes Company-owned generating units, like Chehalis. Under Section 3.1.2.1 of the 2020 Protocol, a *Resource* can be a *State Resource* when the resource was acquired to comply with a “State-Specific Initiative.” Because the Company did not acquire the physical Chehalis plant in accordance with a State-specific initiative, the Company reasoned the subsequent acquisition of greenhouse gas allowances to operate it under Washington state law did not convert it to a State Resource.

The Company disagreed with PIIC’s argument that WCCA costs should be recorded in FERC Account 509. According to the Company, federal law currently in effect provides that only allowances for sulfur dioxide emission should be recorded into FERC Account 509. Although a recent change to federal regulations may require other allowances to be recorded into FERC Account 509, that change will not be effective until January 1, 2025, and is not intended to impact retail rates. *See Accounting and Reporting Treatment of Certain Renewable Energy Assets*, 183 FERC ¶ 61,205, Order No. 898 (2023).

The Company also opposed P4’s recommendation to disallow costs for complying with the OTR. The Company noted that in preparing to comply with the OTR (which was to take effect on August 4, 2023) it altered its thermal generating resources and dispatch through power purchases. The Company represented that these efforts led to approximately \$17 million in prudently incurred costs. Although a stay from Tenth Circuit Court of Appeals one week before the implementation date of the OTR relieved the Company the obligation to incur further compliance costs going forward, the Company asserted that did not render imprudent the \$17 million of costs already incurred to prospectively comply with the OTR.

Finally, the Company opposed PIIC’s three-year amortization proposal for two reasons. First, amortizing incurred fuel expenses would impose regulatory lag on the Company’s recovery of those costs. The Company noted that the ECAM was designed for single-year recovery and, despite the significant increase, that design should be honored. Second, extended recovery would impose additional interest expenses and future price uncertainty on customers. Currently, the ECAM imposes annual interest expenses on customers and, in the current environment, delaying recovery could result in significant costs to customers in the form of higher interest costs.

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* §§ 61-501, -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.

Based upon a review of the record, we find it fair, just, and reasonable to approve the Company's Application with some exceptions. First, the Commission is particularly concerned with, and ultimately rejects, the Company's request to recover WCCA compliance costs and hereby disallows the recovery of WCCA costs. Second, we also reject P4's and PIIC's recommendations to disallow recovery of the costs the Company incurred to comply with the OTR and to amortize recovery of the amount of the ECAM deferral exceeding that embedded in base rates over three years, respectively. Each of these contested issues are discussed more thoroughly below.

1. WCCA Compliance Costs

The WCCA establishes regulatory requirements reducing certain greenhouse gas ("GHG") emissions from generating plants in Washington State. One component of the WCCA is a Cap and Invest Program, which establishes an initial limit (or "cap") on GHG emissions in Washington State. RCW §§ 70A.65.005 through 70A.65.901. The Washington Department of Ecology ("WDE") maintains and enforces the cap through the auctioning and subsequent retirement of a limited number of "allowances." *See* RCW § 70A.65.090(7)(a) (requiring a compliance account through which allowances are transferred to the WDE for retirement); RCW § 70A.65.100 (requiring the WDE to distribute allowances via auctions). Each allowance authorizes the emission of one metric ton of carbon dioxide equivalent. *See* RCW § 70A.65.010(1). To ensure that certain legislative emissions limits are met, the WDE will issue a steadily decreasing number of allowances in coming years. *See* RCW § 70A.65.070.

Although the WDE must allow for secondary transfer of purchased allowances to the greatest extent possible, *see id.*, the auctions are considered the "linchpin" of the cap-and-invest program that will generate "substantial revenue that must, by law be invested in critical climate projects throughout" in Washington State. Dep't of Ecology State of Wash.,

<https://ecology.wa.gov/air-climate/climate-commitmentact/auction-proceeds> (last visited May 28, 2024); *see also* RCW §§ 70A.65.100, 70A.65.230, 70A.65.240, 70A.65.250, 70A.65.260, 70A.65.270, 70A.65.280.

The Company owns and operates a natural gas-fired generating facility in Chehalis, Washington, that exports a portion of the electricity it generates there to Idaho customers. The Chehalis facility emits carbon dioxide for which the Company must purchase and retire allowances through the WDE. Although the WDE provides some allowances to the Company for the Chehalis facility at no cost, these no-cost allowances must be allocated only to Washington State retail customers. *See* RCW §§ 70A.65.110, 70A.65.120, 70A.65.130. The Company seeks authorization to recover about \$2.3 million from Idaho customers—an amount representing Idaho’s jurisdictional share of the cost to purchase the remaining allowances necessary to operate the Chehalis facility and export electricity to customers outside of Washington.

We conclude that allowing recovery of costs incurred to comply with the WCCA from Idaho customers would violate the 2020 Protocol, which governs the allocation of costs and benefits of Company resources (including Company-owned generating facilities like the Chehalis facility) across the jurisdictions in which the Company operates.⁹

We reject the Company’s argument that the costs it incurred to comply with the WCCA are like other taxes imposed on the Company, like the Wyoming Wind Tax. *See Wyo. Stat. Ann.* § 39-22-104 (imposing a tax of \$1.00 on every MWh of wind energy generated in state). Rather, we conclude the WCCA is more akin to an RPS as it is designed to reduce the use of fossil fuel generation to serve load. The 2020 Protocol defines a “Portfolio Standard” as “a law or regulation that requires [the Company] to acquire . . . [r]esources in a prescribed manner.” 2020 Protocol, Section 3.1.2.1. Although the Company owned the Chehalis generating facility before the WCCA was enacted, it lost the right to operate it to generate electricity to serve customers outside of Washington State without purchasing allowances when the legislation became effective. The Company did not *acquire* that right again until after it obtained allowances as prescribed by the Washington State legislature. The costs of resource procurement standards like this are situs-assigned under the 2020 Protocol. Thus, costs the Company incurred to comply with the WCCA are appropriately assigned to customers in Washington State.

⁹ The 2020 Protocol was approved in Order No. 34640.

Other aspects of the WCCA buttress this conclusion. For example, the Washington State legislature does not fix the cost of allowances like other taxes. Rather, that cost is determined at an auction conducted by the WDE. Moreover, while isolated WCCA provisions might resemble a tax or generation-dispatch costs, the complete statutory scheme goes beyond this by providing no-cost allowances to Washington State retail customers alone.

The WDE discussed the rationale behind the provision of these no-cost allowances in federal district court litigation concerning the WCCA. Specifically, the WDE indicated that the no-cost allowances were linked to another Washington State climate initiative, stating:

[T]he Clean Energy Transformation Act (CETA), requires utilities serving Washington customers to reduce their greenhouse gas emissions to neutral by 2030 and to zero by 2045. Critically, these requirements do not apply to generation for out-of-state customers. Thus, the function of the no cost allowances in the Climate Commitment Act is to avoid double-charging Washington customers for the costs of the energy transition to non-emitting generation.¹⁰

The same year CETA requires the complete elimination of fossil-fuel generators from the portfolios of electric utilities, the provision of cost-free allowances under the WCCA ends. Thus, the CETA and WCCA work together to implement a state-specific initiative by creating portfolio standards under CETA and then distributing no-cost allowances to CETA-obligated utilities through the WCCA. The 2020 Protocol is designed and intended to isolate such state-specific policy costs and recover those costs from customers in the states where the policies are created.

2. OTR Compliance Costs

We find it fair, just, and reasonable to allow the Company to recover from Idaho customers Idaho's jurisdictional share of the costs incurred to comply with the OTR, a federal rule. Although the Company did not ultimately have to comply with the OTR, that does not retroactively render imprudent the costs it incurred preparing to comply. Nor does the record show that the Company's preparations to comply with the OTR were otherwise imprudent.

3. Amortization of Recovery

We also find it fair, just, and reasonable to allow the Company to recover the 2023 ECAM deferral in a single year. Although the deferral is substantial, amortizing its recovery is not without additional costs or additional risks for customers. For example, interest would continue to accrue

¹⁰ *Invenegy Thermal LLC, and Grays Harbor Energy LLC v. Laura Watson*, in her official capacity as Director of the Washington State Department of Ecology, Defendant, ("*Invenegy v. Ecology*") Defendant's Motion to Dismiss, (Feb. 16, 2023), Western District of Washington Case No. 3:22-cv-05967.

on the uncollected deferral over the course of the amortization period, increasing the total amount recovered from customers. Additionally, the Company could be faced with another substantial ECAM deferral in the next two years, while it is still recovering part of the 2023 deferral. If this hypothetical occurred, customers would incur additional interest costs only to obtain pancaking rates. Moreover, the ECAM was designed for single-year recovery of deferred costs. Considering the cost and risk a three-year amortization would entail, we find it reasonable to honor the original design of the 2023 ECAM in this case and allow the Company to recover the ECAM deferral allowed here in a single year.

In sum, we disallow recovery of the costs the Company incurred to comply with the WCCA, approve \$60,093,960 million in deferred costs from the deferral period beginning January 1, 2023, through December 31, 2023, and a corresponding increase to Electric Service Schedule No. 94, Energy Cost Adjustment. Because these amounts differ from those proposed in the Application, we direct the Company to submit as a compliance filing a revised Schedule No. 94 tariff reflecting the amounts approved in this Order within 15 days.

ORDER

IT IS HEREBY ORDERED that the Company's Application for deferred costs from the deferral period beginning January 1, 2023, through December 31, 2023, in a revised amount of \$60,093,960 (which excludes costs incurred to comply with the WCCA) is approved, effective June 1, 2024.

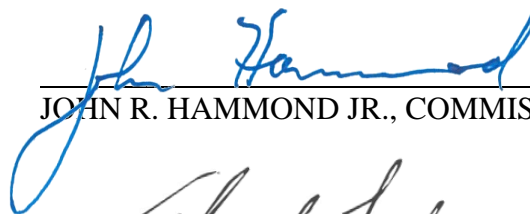
IT IS FURTHER ORDERED that the Company submit within 15 days of the issuance of this order a revised Schedule No. 94 tariff reflecting the amounts approved in this Order as a compliance filing.

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. *See Idaho Code* §§ 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of May 2024.



ERIC ANDERSON, PRESIDENT



JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Monica Barrios Sanchez
Commission Secretary

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