



Case No. IPC-E-16-19, Order No. 33595

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Idaho Power seeks authority to join western EIM

BOISE (Sept. 20, 2016) – Idaho Power Company is taking the initial steps toward possible entry into an Energy Imbalance Market (EIM), which would allow it to pool its generation with neighboring entities to more accurately match production to demand. The move could reduce power supply costs to customers by as much as \$4 million to \$5 million annually, according to an independent estimate.

The utility is asking the Idaho Public Utilities Commission to make a finding that its participation in the EIM could benefit customers in the long-term, authorize a deferral account to track the costs and allow the company to recover those costs from customers in a future rate case. Idaho Power hopes to join the EIM in April 2018.

Utilities like Idaho Power typically begin each hour with generation to match its anticipated load. But during the hour, imbalances occur when the supply of energy does not equal demand. When that happens, Idaho Power relies on dispatches from its own generation and extra reserves to balance supply with demand. By joining the EIM, administered by the California Independent System Operator (CAISO), Idaho Power would have access to an automated five-minute energy dispatch service across a broader footprint in the West with many more deployable resources. Idaho Power would be joined with neighboring utilities, such as PacifiCorp and NV Energy, to balance supply and demand more efficiently and cost-effectively. Joining the EIM does not mean that Idaho Power would give up its control over its own generating resources, but it would no longer independently operate its own generation dispatch.

Idaho Power claims that participation in the EIM will likely result in cost savings that will benefit customers over the long-term. Moving from an hourly market to a five-minute imbalance market is expected to lead to increased surplus sales opportunities when Idaho Power is generating more electricity than it needs as well as cost savings from increased access to other suppliers' lower-cost generation.

Further, Idaho Power claims, the EIM would allow for more efficient integration of intermittent wind and solar resources, which currently make the management of energy imbalance more complex. The renewable energy could be dispatched to serve customers in other service territories helping to prevent curtailment of intermittent resources, which would benefit wind and solar operators.

According to Idaho Power, the increased sales and lower cost power supply would lead to lower net power supply expense for the company, 95 percent of which is passed on to customers. The company's supporting testimony also indicates that participation in the EIM may result in improved transmission congestion and enhanced reliability.

An independent consultant contracted by Idaho Power claims the potential cost savings of participation in the regional market could be between \$4 million and \$5 million per year.

But there are upfront costs, estimated to be about \$11.1 million, which includes start-up expense of \$1.7 million, software integration costs of \$7.9 million and metering investment of \$1.5 million. In addition to the upfront expense, is the ongoing operational expense of about \$836,000 annually for labor and ongoing market and hosted software fees of about \$786,000 per year beginning in April 2018.

Idaho Power claims the net decrease in power supply costs will more than offset start-up and operational expenses. Idaho Power is proposing to defer collection of start-up costs until after participation in the EIM begins and benefits start flowing to customers.

The Western EIM was created by CAISO and PacifiCorp in 2014. Since then, NV Energy has joined and Puget Sound Energy and Arizona Public Service Company will join next month. Portland General Electric is scheduled to join in October 2017.

The EIM is governed by a five-member body that is financially independent from market participants. Members are selected by a nominating committee that includes several stakeholders, including EIM participants, transmission owners, suppliers and marketers of generation, publicly owned utilities, state regulators and public interest and consumer advocate groups.

Parties who want to intervene in this case for the purpose of providing testimony, cross-examining witnesses and participating in settlement discussions must file a petition with the commission by no later than October 4. The commission will also take public comment on the application.

A copy of Idaho Power's application along with its supporting testimony is available on the commission's web site at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. IPC-E-16-19.

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