



Case No. IPC-E-16-19, Order No. 33706

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Commission Oks part of Idaho Power request related to benefits, expense of joining EIM

BOISE (February 2, 2017) – State regulators have approved a portion of an Idaho Power Company application regarding treatment of costs associated with joining an Energy Imbalance Market. Joining the EIM would allow the utility to pool its generation with neighboring entities to more accurately match production to demand.

Idaho Power asked the Idaho Public Utilities Commission to 1) make a finding that its participation in the EIM could benefit customers in the long-term, 2) authorize a deferral account to track the costs and 3) allow the company to recover those costs from customers in a future rate case. Idaho Power hopes to join the EIM in April 2018.

The commission approved the deferral account, but declined to make a finding at this point that EIM participation could benefit customers in the long-term. However, the commission did say “there is a possibility of a net benefit to the company’s customers.” The commission is asking Idaho Power to provide evidence of customer benefit beyond what the company originally proposed, which was a quarterly benefits report provided by the entity that administers the EIM, the California Independent System Operator (CAISO). In addition to the CAISO report, the commission directed Idaho Power to work with commission staff “to determine what other information may be available to demonstrate benefits.” Further, the commission directed Idaho Power to provide a report one year after joining the EIM that delineates the costs and benefits of participation.

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, Idaho Power would have access to an automated five-minute energy dispatch service across a broader footprint in the West with

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 Idaho Power would give up control over its own generation and transmission resources.

Idaho Power claims that 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.

An independent consultant contracted by Idaho Power claims the potential cost savings, before expenses, 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, there is an \$836,000 annual operational expense for labor as well as ongoing market and hosted software fees of about \$786,000 per year beginning in April 2018.

The commission adopted Idaho Power's proposal to spread costs related to joining the EIM over a 10-year period. But the commission denied Idaho Power's request for an assurance from the commission now that the estimated upfront costs associated with EIM participation be eligible for recovery when requested. Typically, expenses are not included in rates until after they are known (rather than estimated) and examined for prudence when the company files a rate case. The commission said pre-approval for estimated costs "would remove the incentive for the company to implement the project in a prudent, least-cost manner." The commission also declined the company's request to apply a one percent carrying charge on the deferred balance.

The Western EIM was created by CAISO and PacifiCorp in 2014. Since then, NV Energy, Puget Sound Energy and Arizona Public Service Company have joined. 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.

A copy of the commission's order and other documents related to this case are 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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