



Case No: IPC-E-17-16

Contact: Matt Evans

(208) 334-0339

(208) 520-4763

www.puc.idaho.gov

Comment deadline set for Idaho Power proposal to establish recovery process for EIM-related expenses

BOISE (Feb. 7, 2018) – The Idaho Public Utilities Commission is taking comments through Feb. 21 on an Idaho Power Company proposal to create a method for recovering expenses related to joining the western Energy Imbalance Market (EIM).

The EIM is a wholesale power trading market that utilizes an automatic model to identify least-cost energy resources to serve real-time customer demand.

Idaho Power is set to join the EIM in April, a move it contends will lead to cost savings that will benefit customers in the long term.

In the short term, though, the utility expects to incur nearly \$14 million in incremental costs associated with joining the EIM.

To address this, the utility has asked the Commission to authorize a temporary rate component that would allow it to recover those expenses from customers.

The proposal would not immediately impact rates. If the proposal is approved by the Commission, Idaho Power's expenses would be reviewed for cost effectiveness and accuracy before being reflected on customer bills.

If approved by the Commission, the interim recovery method would end as soon as the benefits of EIM participation begin to accrue, or by the end of 2018.

At that point, the costs and benefits would be reflected through the existing Power Cost Adjustment, a true-up mechanism that is raised or lowered annually in order to ensure that forecasted expenses related to procuring and supplying power to customers match actual expenses.

Eventually, the utility plans to incorporate EIM-related costs and benefits into base rates.

The western EIM was implemented in late 2014 by PacifiCorp, which operates as Rocky Mountain Power in eastern Idaho, and the California Independent System Operator.

Several other utilities have joined since then, and six additional utilities are set to join by 2020.

In early 2017, the Commission approved Idaho Power's proposal to join the EIM and spread related expenses over 10 years, noting that the utility's EIM participation was reasonable and in the public interest.

The Commission also authorized the creation of a deferral account to capture Idaho Power's EIM-related costs.

The Commission denied the company's request for an assurance that the estimated EIM-related costs be eligible for recovery upon request, however.

Typically, costs are not included in rates until they have been confirmed and examined for prudence when a company files a rate case. The Commission also denied Idaho Power's request to apply a one-percent carrying charge on the deferred balance.

Idaho Power initially estimated its expenses for joining the EIM would be \$15.77 million.

That estimate has declined to \$13.71 million - \$1.73 million related to start-up, \$9.36 million in capital expenditures and \$4.68 million in incremental ongoing maintenance and operations costs through 2020 - primarily due to reductions in expenses for software and operations and maintenance.

In authorizing Idaho Power's participation in the EIM, the Commission found that the move "would provide an opportunity for benefits greater than costs."

That finding was based in part on an independent consultant's determination that Idaho Power's potential annual savings could be between \$4.1 million and \$5.1 million, before expenses - savings that will be passed along to customers.

The EIM claims it has generated nearly \$255 million in savings for participating utilities since its launch.

The EIM accomplishes this by allowing participants to pool their generation with other utilities, thus providing access to many more deployable resources and allowing participants to more efficiently balance generation and demand.

The EIM also allows participating utilities to balance the load and supply of energy at 5-minute intervals rather than hourly, which is Idaho Power's current approach. The utility

expects this change to provide a more economically efficient method for balancing load and supply.

In an EIM, all utilities begin the hour with generation that mirrors the forecasted load or demand for energy. As imbalances occur, EIM participants voluntarily provide bids to dispatch their generation resources to manage these imbalances. Market operators use an automated, real-time process to determine the least-cost mix of generation resources available and the system automatically dispatches those resources to resolve imbalances.

As a result, the EIM is expected to increase opportunities to sell surplus electricity on the utility's system, leading to reduced net power supply expenses, in addition to increasing Idaho Power's access to lower-cost generation.

Joining the EIM does not mean that Idaho Power will give up its control over its own generating resources, although it would no longer independently operate its own generation dispatch.

All documents related to this case are available on the Commission's web site. www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to the case number, IPC-E-17-16. Or go [here](#).

Written comments regarding the case are accepted via e-mail [here](#). You can also access the comment form through the Commission's web site, www.puc.idaho.gov. Once there, click on "Case Comment Form" under the "Electric" heading. Fill in the case number (IPC-E-17-16) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.