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PUC grants Rocky Mountain Power CPCNs for new wind and transmission projects, sets ratemaking treatment

BOISE (July 26, 2018) – State regulators have approved a Certificate of Public Convenience and Necessity for Rocky Mountain Power to build three new wind projects and associated transmission facilities.

The Idaho Public Utilities Commission's order also spells out a procedure for the utility to recover its investment in the projects, which have an estimated cost of $2 billion, and contains a number of conditions intended to protect ratepayers, including a cap on recoverable costs.

The case dates to July 2017, when Rocky Mountain Power asked the Commission to grant it a Certificate of Public Convenience and Necessity (CPCN) for the wind projects in Wyoming.

The company also requested CPCNs for transmission facilities associated with the wind projects, and for Commission approval to subject the expenditures to binding ratemaking treatment, meaning the company's investment in the projects would be recoverable from customers through rates.

Idaho Code requires a regulated utility to obtain a CPCN from the Commission before constructing certain facilities or infrastructure.

Rocky Mountain Power said in its application that the transmission projects would alleviate congestion on its transmission system and improve its ability to manage the intermittent load generated by the new wind turbines, which have a generating capacity of 1,150 megawatts.

Rocky Mountain's proposal calls for the wind projects to be subsidized by federal production tax credits for renewable energy if the turbines are operational by Dec. 31, 2020.

Those tax credits, the company said, would provide significant economic benefits to customers – about $137 million over 30 years.

Criticism of the proposal from intervening parties to the case – Monsanto, Pacificorp's Idaho Industrial Customers and the Idaho Irrigation Pumpers Association - focused on the fact that the projects' impetus was financial – tied to the federal production tax credits or PTCs - rather than related to a need for more energy to reliably meet customer demand.

The company contended that acquiring new wind generation is preferential to power purchases, or "uncommitted front office transactions (FOTs)," in meeting its resource needs.

Traditionally, the company said, FOTs are among the lowest costs resources available but the "availability of PTCs changes this dynamic."

The Commission said this was the crux of the case – determining whether Rocky Mountain Power had shown it "requires or will require the wind and transmission facilities in order to adequately, efficiently, justly and reasonably serve its customers and promote the public health, safety and convenience."

The Commission found that displacing FOTs with the new wind generation "is fair, just and reasonable because the costs passed on to customers will likely be demonstrably less."

The Commission directed the company to track the projects' costs and benefits through the Energy Cost Adjustment Mechanism until they can be incorporated into base rates. The resource tracking mechanism that will determine costs and benefits will include a 9.2 percent return on investment, which equates to a 6.96-percent return on investment after taxes.

The costs included in these mechanisms will not exceed benefits; as a result, customer rates will not increase due to these approved projects before the next general rate case.

The Commission's order also calls for Rocky Mountain Power to bear the risks associated with any portion of the wind projects that do not qualify for the production tax credits due to delays.

The cost cap implemented by the Commission limits the expenses passed on to customers to the company's estimated project costs.

In its order, the Commission said Rocky Mountain Power had offered "substantial and competent" evidence that "seizing this opportunity will result in a better outcome for its customers."

“However, because the justification is economic in nature, as opposed to purely reliable and safe service, we find that the risk inherent in this business decision should not be entirely borne by the ratepayers,” the Commission said.

Rocky Mountain Power provides electric service to approximately 75,400 customers in Idaho. That is approximately 7 percent of its customer base across a service territory that includes Utah and Wyoming.

The Commission’s order and all other documents filed in this case are available on the Commission's website, here. Or go to www.puc.idaho.gov, click on "Open Cases" under the "Electric" heading and scroll down to case number PAC-E-17-07.