

153 FERC ¶ 61,212
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

Idaho Power Company

Docket No. ER15-2292-000

ORDER DENYING REQUESTS FOR VERIFICATION OF AUTHORITY TO
CHANGE INPUTS TO FORMULA RATE AND WAIVER OF TARIFF PROVISIONS

(Issued November 19, 2015)

1. On July 28, 2015, Idaho Power Company (Idaho Power) submitted a filing asking the Commission to verify that the demand inputs to its transmission formula rate (Formula Rate) for the service year beginning October 1, 2015, may reflect changes to transmission service arrangements that are expected to become effective sometime after October 1, 2015, upon closing of a transaction with PacifiCorp discussed further below (Transaction). Specifically, Idaho Power asks that it be allowed to reflect: (1) the cancellation of 1,836 megawatts (MW) of demand under legacy agreements with PacifiCorp (Legacy Agreements), and (2) the addition of 310 MW of demand associated with Long-Term Firm Point-To-Point Transmission Service reservations with PacifiCorp that replace the cancelled Legacy Agreements (Point-To-Point Agreements).¹ In the event that the Commission determines that Idaho Power does not have existing authority under its Formula Rate to reflect the changes to transmission service arrangements in its Formula Rate upon closing of the Transaction, Idaho Power requests that the Commission: (1) authorize Idaho Power to make a one-time adjustment of the inputs to the demand portion of its Formula Rate to reflect the cancellation of the Legacy Agreements and/or the addition of the Point-to-Point Agreements, and (2) grant a limited, one-time waiver of several provisions within its Formula Rate necessary to effect the adjustment(s). As discussed further below, we deny Idaho Power's requests, finding that its proposals are inconsistent with its Formula Rate and that waiver of the Formula Rate provisions is not justified.

I. Background

2. Idaho Power states that, on December 19, 2014, Idaho Power and PacifiCorp sought Commission authorization pursuant to section 203 of the Federal Power Act

¹ Idaho Power Transmittal at 1.

(FPA)² to exchange assets and reallocate ownership interests and operational responsibilities between Idaho Power and PacifiCorp for certain transmission facilities in Idaho, Oregon, Washington, and Wyoming. According to Idaho Power, these changes will better align asset ownership with the parties' respective load service obligations and improve operational efficiency. Idaho Power further states that, on that same date, Idaho Power and PacifiCorp sought Commission approval pursuant to section 205 of the FPA³ of certain agreements including a Termination Agreement and associated notices of cancellation of the Legacy Agreements between Idaho Power and PacifiCorp.⁴

3. Idaho Power states that on June 17, 2015, the Commission authorized the exchange of electric transmission assets⁵ and accepted the proposed agreements and notices of cancellation to terminate the Legacy Agreements between Idaho Power and PacifiCorp.⁶ According to Idaho Power, as of the date of the instant filing, the public utility commissions in Idaho and Oregon have also approved the Transaction, and regulatory requirements in Utah have been met.⁷ In its filing, Idaho Power states that it anticipates that the Transaction would close prior to October 1, 2015.⁸

4. Idaho Power states that the Transaction also requires PacifiCorp to purchase point-to-point transmission service from Idaho Power to replace, in part, the transmission service provided under the cancelled Legacy Agreements. Idaho Power states that Idaho Power and PacifiCorp entered into three Point-To-Point Agreements totaling 310 MW that will be effective upon closing of the Transaction. According to Idaho Power, on April 23, 2015 and June 30, 2015, the Commission approved the Point-To-Point Agreements.⁹

² 16 U.S.C. § 824b (2012).

³ 16 U.S.C. § 824d (2012).

⁴ Idaho Power Transmittal at 3-4. The Legacy Agreements pre-date Order No. 888, and required Idaho Power to provide various long-term transmission services to PacifiCorp.

⁵ *Idaho Power Co. and PacifiCorp*, 151 FERC ¶ 61,233 (2015).

⁶ *Idaho Power Co. and PacifiCorp*, 151 FERC ¶ 61,234, at PP 19-21 (2015).

⁷ Idaho Power Transmittal at 4.

⁸ *Id.*

⁹ *Id.* at n.6 (citing *Idaho Power Co.*, Docket No. ER15-1133-000 (Apr. 23, 2015) and *Idaho Power Co.*, Docket No. ER15-1595-000 (June 30, 2015) (delegated letter orders)).

5. Idaho Power states that the methodology used by its Formula Rate to determine its annual Total Transmission Revenue Requirement (TTRR) is set forth in Attachment H of its Open Access Transmission Tariff (OATT), and the equations that establish the billing determinants and resulting rates for transmission service are set forth in Appendix A to Schedules 7, 8 and 9 of its OATT. Idaho Power reached a settlement on the design of its Formula Rate in 2007.¹⁰ Idaho Power states that the annual TTRR determination is based upon a historic period rather than a forecast, meaning that costs are based upon the prior calendar year's actual costs. Idaho Power states that, pursuant to Attachment H, by June 1st of each year or as soon as practical thereafter, Idaho Power posts a draft informational filing on its Open Access Same-Time Information System (OASIS) with updated inputs to the formula and holds an open meeting to explain and clarify the draft informational filing. Idaho Power states that transmission customers may submit requests for information and comment on the draft informational filing. Idaho Power states that within 90 days after posting the draft informational filing, it submits to the Commission the informational filing, including any modifications made after the draft informational filing, and posts this informational filing on its OASIS. Idaho Power states that updated rates then go into effect on October 1 of each year.¹¹

6. Idaho Power states that, in 2009, the Commission found that the demand associated with the Legacy Agreements (Contract Demand) should be included as a part of Idaho Power's total firm load in the divisor of the Formula Rate. According to Idaho Power, the Commission found that the revenue Idaho Power receives from PacifiCorp under the Legacy Agreements should not be credited against Idaho Power's annual TTRR because the transmission service provided under the Legacy Agreements is firm service that must be accounted for in Idaho Power's Formula Rate.¹²

7. According to Idaho Power, the Commission also found that the full Contract Demand under the Legacy Agreements should be used as the appropriate measure of the load under the Legacy Agreements, rather than the historical 12 coincident peak demands. Therefore, states Idaho Power, the Commission directed Idaho Power to include all Contract Demand in the divisor of the Formula Rate calculation. Idaho Power states that, in compliance with the aforementioned directive, the Contract Demand, which

¹⁰ *Idaho Power Co.*, 120 FERC ¶ 61,144 (2007) (order approving uncontested partial settlement).

¹¹ Idaho Power Transmittal at 4-5.

¹² *Id.* at 5 & n.23 (citing *Idaho Power Co.*, 126 FERC ¶ 61,044, at P 12 (2009) (2009 Order)).

is an input to variable E in the Formula Rate,¹³ has been included in the load divisor. Idaho Power asserts that Contract Demand is treated differently than costs and other inputs to the Formula Rate variables, which are updated based on actual data reported in the FERC Form 1 and Idaho Power's books and records.¹⁴

II. Notice and Responsive Pleadings

8. Notice of Idaho Power's filing was published in the *Federal Register*, 80 Fed. Reg. 45,970 (2015), with interventions and protests due on or before July 28, 2015. Timely motions to intervene and protests were filed by Bonneville Power Administration (Bonneville Power), the City of Seattle (Seattle) and Northwest & Intermountain Power Producers Coalition (NIPPC). On August 28, 2015, Idaho Power filed an answer.

III. Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept Idaho Power's answer and will, therefore, reject it.

B. Substantive Matters

1. Idaho Power's Filing

10. Idaho Power requests Commission verification that it may, upon closing of the Transaction, reflect in its Formula Rate for the service year beginning October 1, 2015 the cancellation of the 1,836 MW of Contract Demand and the addition of the 310 MW in the Point-To-Point Agreements – a net reduction in the demand portion in the Formula Rate divisor of 1,526 MW. Idaho Power argues that this exception to the normal workings of its Formula Rate should be allowed because the Commission expressly approved the termination of the Legacy Agreements and because if these items are not included as inputs to the Formula Rate, which is based on historic data, there will be regulatory lag and the composition of its customers may change.

¹³ Variable E is the average of the Transmission Provider's twelve monthly Transmission System loads as defined in section 34.3 (Determination of Transmission Provider's Monthly Transmission System Load) of Pacificorp's OATT.

¹⁴ Idaho Power Transmittal at 5-6 (citing *Idaho Power Co.*, 137 FERC ¶ 61,235, at PP 103-107 (2011)).

11. In this regard, Idaho Power points out that assuming the Legacy Agreements are terminated in October 2015, it would not be until the 2017-2018 rate year that the Contract Demand is completely eliminated from the load divisor.¹⁵ Idaho Power argues that, as a consequence, it would be overstating its Contract Demand for two full additional rate years after the Legacy Agreements are actually terminated, even though it is neither offering service nor receiving revenue under the Legacy Agreements during the 2015-2016 and 2016-2017 rate years. Thus, it argues that it would be nonsensical and inconsistent with the Commission's cost allocation principles to require this "ghost" demand from the Legacy Agreements to dilute Idaho Power's cost recovery from the actual users of Idaho Power's system during those rate years. Idaho Power states that this degree of regulatory lag is unreasonable and would unjustly prevent Idaho Power from recovering its full costs of service, while allowing the wholesale users of its system to pay less than their fair share.¹⁶

12. Idaho Power further argues that such a result would be inconsistent with the finding in the Commission's 2009 Order that required Idaho Power to recover its costs from those actually obtaining service from Idaho Power in proportion to their actual usage or contractual rights, in accordance with the cost-causation principle. Idaho Power also argues that the additional demand created by PacifiCorp's purchase of 310 MW of point-to-point transmission service from Idaho Power should be immediately and fully reflected in the inputs to the demand portion of the Formula Rate. Idaho Power states that, unless this is done, the Formula Rate will not reflect the actual demands upon Idaho Power's transmission system.¹⁷

13. In addition, Idaho Power requests that, if the Commission determines that Idaho Power does not have existing authority under its OATT to implement its proposal, the Commission grant waiver of the OATT to allow a one-time adjustment to the demand portion of the Formula Rate. Idaho Power maintains that its waiver request is of limited scope because it seeks to make a one-time adjustment to two discrete inputs to the demand portion of the Formula Rate for only a limited period of time. Idaho Power contends that its request addresses a concrete problem that needs to be remedied because the "ghost" demand from the Legacy Agreements will unjustly prevent Idaho Power from recovering its full costs of service. Idaho Power also argues that requiring customers to pay rates that reflect the termination of the Legacy Agreements, in accordance with cost

¹⁵ *Id.* at 6-7.

¹⁶ *Id.* at 7.

¹⁷ *Id.*

causation principles, is entirely appropriate and should not be viewed as either an undesirable consequence or a legally cognizable harm.¹⁸

2. Protests

14. Bonneville Power, NIPPC, and Seattle filed protests raising objections to Idaho Power's proposals. Protesters oppose allowing Idaho Power to deviate from the formula rate design set forth in the OATT.

15. Bonneville Power states that, in the type of rate design that Idaho Power obtained Commission approval to implement, costs are calculated based on a company's costs during a past period and actual costs incurred in one year are not reflected in the annual rate update until the following year. According to Bonneville Power, Idaho Power's Formula Rate, unlike a forward-looking formula rate, has no true-up mechanism to protect transmission customers from differences between the inclusion of the changes being requested and the actuals that would be captured with a true-up mechanism.¹⁹ This normally is not a problem because the recoverable costs have already been incurred and are measurable, but would be a problem if Idaho Power's request is granted, as there is no mechanism in place to ensure that Idaho Power does not overestimate its costs. In fact, Bonneville Power points out that, while PacifiCorp's annual rate update is on a similar timeline to Idaho Power's annual rate update, and PacifiCorp's formula rate allows for

projecting forward, PacifiCorp did not include any projections associated with the Transaction in its 2015 formula rate update,²⁰ because the timing for the closing and the effects of the Transaction were uncertain.²¹ Bonneville Power adds that the changes associated with Idaho Power's Transaction with PacifiCorp are still not in effect as of the date of the protest.²²

16. Bonneville Power argues that its position is supported by the Commission's precedent in *Entergy Services, Inc.*,²³ where the Commission rejected a proposal to include out-of-period costs in a formula rate that was based on previous year costs. According to Bonneville Power, the Commission rejected the adjustments, finding that

¹⁸ *Id.* at 14-16.

¹⁹ Bonneville Power Protest at 8.

²⁰ *Id.* at 9, n.20.

²¹ *Id.* at 9.

²² Seattle makes similar points. Seattle Protest at 2-4.

²³ *See infra* n.51.

“[t]he fact that the bandwidth formula does not mention out-of-period revenues and expenses does not mean that the formula is ambiguous with regard to out-of-period costs; instead it means that the formula does not provide for any adjustments for out-of-period revenues and expenses.”²⁴

17. Bonneville Power asserts that, like the formula rate at issue in the *Entergy Services, Inc.* case, Idaho Power’s Formula Rate for the service year beginning October 1, 2015 is explicitly based on the previous year 2014 FERC Form 1 data and does not contain a provision allowing for out-of-period adjustments such as the termination of the Legacy Agreements that will occur when the Transaction is closed. Bonneville Power states that, consistent with the *Entergy Services, Inc.* case, the Commission should find that out-of-period adjustments in contravention of Idaho Power’s filed Formula Rate are not allowed.²⁵

18. According to Bonneville Power, the proper time to reflect the removal of the Legacy Agreements will be the annual update that begins after the Transaction closes.²⁶

NIPPC adds that Idaho Power could have applied for a forward looking formula rate but chose to seek approval, and did obtain approval, for a formula rate based on historic costs.²⁷

19. Bonneville Power also disputes Idaho Power’s assertion that “this change in transmission rates is not caused by a change to the Formula Rate, it is caused by a change to the Formula Rate’s inputs.”²⁸ According to Bonneville Power, the Formula Rate for the service year beginning October 1, 2015 calls for the use of 2014 data, a period in which the Legacy Agreements were still in effect.

20. Bonneville Power also argues that the Commission has in the past rejected requests to recognize a change to a single component of an annual formula rate while ignoring changes in others. In this regard it points to the Commission’s findings in *Ocean State Power II*,²⁹ where the Commission denied Ocean State Power’s request to

²⁴ Bonneville Power Protest at 13-14.

²⁵ *Id.* at 14.

²⁶ *Id.*

²⁷ NIPPC Protest at 9.

²⁸ Bonneville Power Protest at 17, n.41. *See also* NIPPC Protest at 7.

²⁹ Bonneville Power Protest at 18 (citing *Ocean State Power II*, 69 FERC ¶ 61,146, at 61,552 (1994)).

reformulate the ROE, stating “[w]ith formula rates, the formula itself is the rate...” and noted that “Ocean State, of course, retains the right to make a section 205 filing if it prefers to calculate its ROE on some other basis or otherwise modify its formula rate.” According to Bonneville Power, the Commission also ruled that if Ocean State Power files to change the ROE component of its formula rate, it must have the formula rate as a whole reviewed. Likewise, Bonneville Power adds, if Idaho Power wishes to calculate its rate divisor based on something other than previous year actual data as reflected in FERC Form 1, it is free to file an FPA section 205 filing to change its Formula Rate; however, at that time the Formula Rate as a whole must be open to review.³⁰

21. Bonneville Power also contends that Idaho Power’s reliance on the concept of “known and measurable” is out of context. According to Bonneville Power, there is nothing in Idaho Power’s Formula Rate that allows adjustments for known and measurable differences between the prior calendar year and the rate year. Bonneville Power maintains that the Formula Rate is unambiguous and simply does not allow for extraneous adjustments.³¹ Bonneville Power claims that, even if Idaho Power’s rate design did allow for adjustments for current year data that are known and measurable, Idaho Power has improperly sought to only reflect select changes that will have a significant net upward effect on the transmission rate, while ignoring any changes that will bring about reduced costs. NIPPC also argues that the inputs to the Formula Rate are fixed and recovery of items not recognized by the Formula is not permitted. Seattle, likewise, adds that the fact that the effects of the Transaction may be known and measurable is irrelevant to the calculation of Idaho Power’s Formula Rate.³²

22. Bonneville Power adds that Idaho Power has granted 200 MW of new point-to-point transmission service to Bonneville Power starting in July of 2016, which will have a downward impact on Idaho Power’s Formula Rate. Bonneville Power asserts that Idaho Power should not be allowed to pick and choose inputs to its Formula Rate in contravention of the established rate process. According to Bonneville Power, allowing these select changes would be arbitrary and inconsistent with Idaho Power’s filed rate, and would result in an unjust and unreasonable rate.³³ NIPPC, likewise, argues that Idaho Power is attempting to cherry pick one increasing expense without recognizing numerous other known and measurable changes that would reduce rates.³⁴ Seattle also

³⁰ *Id.*

³¹ *Id.* at 20.

³² Seattle Protest at 2.

³³ Bonneville Power Protest at 21.

³⁴ NIPPC Protest at 5.

objects to Idaho Power selectively focusing only on particular elements of costs, while avoiding scrutiny of other rate inputs.³⁵

23. Bonneville Power also disagrees with Idaho Power's argument that it is unreasonable for Idaho Power to have to wait until the 2017-2018 rate year for the demand from the Legacy Agreements to be eliminated from the rate divisor. Bonneville Power states that it is reasonable for Idaho Power to follow its Formula Rate design, which has a built-in lag in costs being recovered.³⁶

24. Bonneville Power asserts that, for the most part the Legacy Agreements resulted from Idaho Power and PacifiCorp's joint venture to develop the Jim Bridger power plant, and have been in place for over forty years.³⁷ Bonneville Power states that the Commission's 2009 Order regarding cost causation recognizes that historic fact.³⁸ Bonneville Power adds that Idaho Power's retail customers have been receiving benefits from Idaho Power obtaining the low cost Jim Bridger resource for over 40 years, and providing PacifiCorp low cost transmission access through the Legacy Agreements was a cost of that benefit and was recognized as such in the 2009 Order.³⁹

25. Bonneville Power states that Idaho Power's proposal will result in an immediate 42 percent rate increase and will cause an unwarranted rate shock to customers that would not occur if the other variables affecting Idaho Power's revenue requirement and increase in transmission system usage are accounted for. Bonneville Power adds that these other in-period changes may lower the impact on Idaho Power's transmission customers.⁴⁰

26. NIPPC's protest also addresses the rate shock that could result from Idaho Power's proposal and notes that, in 2014, when Idaho Power sought approval for the Transaction, it acknowledged that implementing the Transaction would raise third-party rates by about

³⁵ Seattle Protest at 2.

³⁶ Bonneville Power Protest at 23.

³⁷ *Id.* (citing 2009 Order, 126 FERC ¶ 61,044 at P 3).

³⁸ *Id.* (citing 2009 Order, 126 FERC ¶ 61,044 at PP 212, 213). The Commission found that Idaho Power's transmission customers should not be required to subsidize Idaho Power's revenue short-fall that resulted from Idaho Power's decision to enter into the Legacy Agreements in pursuit of a long-term major generation resource to serve its retail customers.

³⁹ *Id.* at 24.

⁴⁰ *Id.*

47 percent.⁴¹ NIPPC states that Idaho Power tried to assuage concerns about this increase by stating it would only update these rates at the next update after the close of the Transaction. NIPPC states that the Commission referenced the fact that third-party customers would have an opportunity to object to this increase in response to a formula rate update following the close of the transaction as part of its basis for approving the swap transaction. NIPPC argues that under Idaho Power's instant proposal this opportunity would be lost.

27. Bonneville Power adds that Idaho Power does not meet the Commission's criteria for granting a tariff waiver. For example, Bonneville Power states that Idaho Power omits the good faith factor from its analysis and does not meet its burden of proving the other factors.⁴² Further, Bonneville Power asserts that: Idaho Power's request addresses neither an emergency nor a concrete problem to correct;⁴³ its proposed rate treatment does not follow its filed Formula Rate; and the waivers it seeks are fundamentally different than the waivers involved in the cases it cites. According to Bonneville Power, none of the cases cited by Idaho Power are related to a formula transmission rate and all are inapposite.⁴⁴

28. Bonneville Power asserts that Idaho Power's own arguments at best only show that the recovery of the costs at issue will not happen for several years, which is not the same as recovery being denied. It argues that postponement of benefits does not amount to elimination of benefits.⁴⁵

29. Bonneville Power also points out that Idaho Power must have been well aware of the consequences when it entered its Transaction with PacifiCorp and that Idaho Power entered into the Transaction freely, with full knowledge of the impact this would have on calculating demand under its Formula Rate. Yet, Bonneville Power notes, the waiver request focuses almost solely on the elimination of the load from the Legacy Agreements and omits discussion of any other impacts caused by the Transaction. Bonneville Power adds that Idaho Power's waiver analysis provides little support for its assertion that the "ghost" demand will cause a violation of cost-causation principles. Bonneville Power

⁴¹ NIPPC Protest at 4.

⁴² Bonneville Power Protest at 25.

⁴³ *Id.* at 26, n.65.

⁴⁴ *Id.* at 27.

⁴⁵ *Id.* at 28.

emphasizes that Idaho Power, therefore, has not met its burden of proof that there is a concrete problem to be addressed.⁴⁶

30. Bonneville Power next argues that Idaho Power's proposal, if approved, would allow it to avoid keeping promises it made when it entered its settlement in 2007 with Bonneville Power and other parties on the Formula Rate design by obtaining a one-time exception that would result in a premature 42 percent rate increase to the other settling parties without their having an opportunity to bring in offsetting factors. In Bonneville Power's view, this contradicts the Commission's determination with regard to formula rates that "any change in the formula requires a section 205 rate filing, whereupon the Commission must review anew the rate as a whole,"⁴⁷ as well as the Commission's precedent holding that a utility with a formula rate may not change one component of its rate without opening up the entire rate for review.⁴⁸

31. NIPPC argues that Idaho Power has failed to justify a waiver that would allow recovery of an item not authorized for recovery by the formula.⁴⁹ NIPPC argues that Idaho Power's argument that, absent recovery through the formula, regulatory lag would prevent Idaho Power from recovering its full cost of service, is irrelevant because, once the Commission approved the formula, the only remaining question became whether the formula was properly implemented.⁵⁰ In this regard, NIPPC cites Commission cases it argues did not allow tariffs to be read to allow deviations from the use of prescribed data to reach an arguably more reasonable result, as this would make the tariff language superfluous.⁵¹ NIPPC adds that regulatory lag is a known factor and that if Idaho Power had preferred a more forward looking Formula Rate, rather than the formula it has, it could have sought one.⁵² But NIPPC argues that, until its Formula Rate is changed, Idaho Power must abide by the formula it has.⁵³ NIPPC also objects to Idaho Power

⁴⁶ *Id.* at 29.

⁴⁷ *Id.* at 31 (citing *Ocean State Power II*, 69 FERC at 61,552).

⁴⁸ *Id.* at 30-31.

⁴⁹ NIPPC Protest at 10.

⁵⁰ *Id.* at 9.

⁵¹ *Id.* (citing *Entergy Services, Inc.*, 139 FERC ¶ 61,105 (2012) (Opinion No. 518), *order on reh'g*, 145 FERC ¶ 61,047 (2013), *aff'd*, *Louisiana Public Service Commission v. FERC*, 771 F.3d 903 (2014)).

⁵² *Id.*

⁵³ *Id.*

seeking rates far in excess of what it is due to receive under the Legacy Agreements.⁵⁴ NIPPC argues that Idaho Power is attempting to shift costs from Idaho Power to its OATT transmission customers, contrary to what was agreed-upon in the Legacy Agreements.⁵⁵

C. Commission Determination

32. We find that Idaho Power's proposal to reflect the cancellation of the Legacy Agreements and new Point-To-Point Agreements in the rates for the service year beginning on October 1, 2015 is not consistent with its filed Formula Rate. Accordingly, we deny Idaho Power's request for verification that it is permitted to do so under the Formula Rate. We find that Idaho Power's proposal to reflect changes to the demand inputs to reflect the results of the Transaction in the October 1, 2015 rates is inconsistent with the historic, or backward-looking, Formula Rate that Idaho Power agreed to in the settlement proceedings that established its Formula Rate and protocols. Idaho Power's historic formula rate does not have a true-up mechanism that would allow Idaho Power's customers to review or dispute Idaho Power's new rate calculation during the current service year.

33. We agree with protesters that to make selected exceptions to the Formula Rate inputs because Idaho Power believes there have been known and measurable changes is fundamentally inconsistent with the express terms of Idaho Power's Formula Rate methodology. Idaho Power's Formula Rate, for which it sought and obtained Commission approval, was the product of negotiations among the parties wherein they reached agreement on a comprehensive methodology that would be the sole means by which Idaho Power would recover its costs. Allowing Idaho Power to continue to use a historic formula rate methodology for recovering all its other expenses, with the certainty and protections that provides to Idaho Power, while allowing it to deviate from the prescribed methodology in this one instance would favor Idaho Power's interests over that of its customers.

34. Additionally, by requiring Idaho Power to apply its historic Formula Rate as filed, its wholesale transmission customers will avoid the sudden application of a 42 percent rate increase that would result under Idaho Power's proposal. We agree with protesters that correctly applying the Formula Rate and implementing the rate increase in steps over a two-year period will allow all other changes in Idaho Power's revenue requirement and in transmission system usage to be incorporated into the rate updates, which is consistent with the terms of Idaho Power's Formula Rate and may lessen the sudden rate impact on Idaho Power's transmission customers.

⁵⁴ *Id.*

⁵⁵ *Id.* at 9-10.

35. Accordingly, we find that the appropriate application of Idaho Power's historic Formula Rate is to reflect the 1,836 MW of Contract Demand from the Legacy Agreements, which existed during calendar year 2014, in the rates for the service year beginning October 1, 2015 rate. Then, to the extent that the Transaction closes during calendar year 2015, Idaho Power may pro-rate the Contract Demand and new Point-To-Point Agreements for the service year beginning October 1, 2016, and reflect the full impact of the Transaction in the service year beginning October 1, 2017.⁵⁶

36. Finally, we do not find good cause to grant to Idaho Power a waiver of its OATT provisions so that it could implement its proposal via a one-time rate adjustment. As discussed above, we find that Idaho Power has not demonstrated that its proposal would not have undesirable consequences, such as harm to third parties.

The Commission orders:

(A) Idaho Power's request for verification that it has authority to implement its proposal is hereby denied, as discussed in the body of this order.

(B) Idaho Power's request for a one-time adjustment and associated waiver is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵⁶ As the Commission stated in *Ocean State Power II*, with formula rates, the formula itself is the rate. *Ocean State Power II*, 69 FERC at 61,552. If Idaho Power wishes to calculate its rate divisor based on something other than actual data from the previous year as reflected in FERC Form 1, it may file an FPA section 205 filing to change its Formula Rate.