

ENTERED JUN 26 2017

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1793

In the Matter of

IDAHO POWER COMPANY,

Application for Approval of Solar
Integration Charge.

ORDER

DISPOSITION: PETITION FOR CLARIFICATION OF ORDER NO. 17-075
GRANTED IN PART AND DENIED IN PART

I. SUMMARY

In this order we grant, in part, Idaho Power Company's request to clarify Order No. 17-075. We accept the company's interpretation of our order that solar integration charges in Schedule 85 should be implemented in 16 tiers of 100 MW each. We reject, however, the company's interpretation of our order with respect to the timing and process for Technical Review Committee (TRC) participation in a revised Wind Integration Study (WIS), Western Energy Imbalance Market (EIM) participation study, and Joint Solar and Wind Feasibility Study and with respect to the update schedule for new WIS and solar integration studies (SIS).

II. BACKGROUND

In Order No. 17-075, we granted Idaho Power's application to adopt its 2016 SIS and directed the company to file amendments to Schedule 85 setting forth new charges identifying and reflecting the incremental costs of integrating solar and wind generation into its operations. We also directed Idaho Power to conduct a new WIS, assess the effects of its participation in the EIM on variable resource integration costs, and evaluate the feasibility of estimating the wind and solar integration costs jointly prior to the submission of its 2019 Integrated Resource Plan (IRP).

On May 1, 2017, Idaho Power filed a Petition for Clarification seeking our guidance with respect to the interpretation of three aspects of our order. First, Idaho Power asks that we confirm that the appropriate tiered pricing increment for implementation of solar integration charges in Schedule 85 had 16 tiers of 100 MW each. Second, the company seeks clarification regarding the process and timing for the new WIS, assessment of EIM, and assessment of the feasibility of joint wind and solar integration charges. Finally, Idaho Power seeks clarification on the timing on updates to the new WIS and SIS.

On May 16, 2017, the Commission Staff filed a response to Idaho Power's petition and on May 24, 2017, Renewable Northwest (Renewable NW) filed a response.¹

III. DISCUSSION

A. Schedule 85 Tier Pricing Increments

In its application approved in Order 17-075, Idaho Power sought, among other things, approval of a solar integration charge that would vary by tiers to reflect the impact of additional Qualifying Facility (QF) contracts on the company's avoided costs as those new contracts were executed. To determine the tiered prices, Idaho Power studied the cost to integrate solar generation at four different build-out scenarios: 0—400 MW, 400—800 MW, 800—1200 MW, and 1200—1600 MW. All of the parties' comments related to the study of those four scenarios and how each subsequent tier caused an incremental increase in Idaho Power's purchasing costs. The net effect, derived from the studies, was that the total avoided costs (and thus the prices paid to QFs) were reduced with each increment of purchased QF solar power.

We adopted Idaho Power's request. With regard to the tiered prices, we stated at page 5 of our order that Idaho Power's "[s]chedule 85 tariff should reflect and clearly identify the incremental (tiered) pricing results using the same methods as those reflected in the company's Schedule 87 filing* * *." Among the reasons we provided was that "consistency between jurisdictions will remove the incentive to arbitrage the regulatory environment in making investment and siting decisions." We concluded by ordering the company to "file revisions to Schedule 85 as each capacity threshold is passed—400 MW, 800 MW, 1200 MW—in order to promptly provide notice to interested parties."

The four build-out scenarios, as noted in our order, provided the following incremental cost data:

**Incremental Integration Cost per MWh
(2016 cost and dollars)**

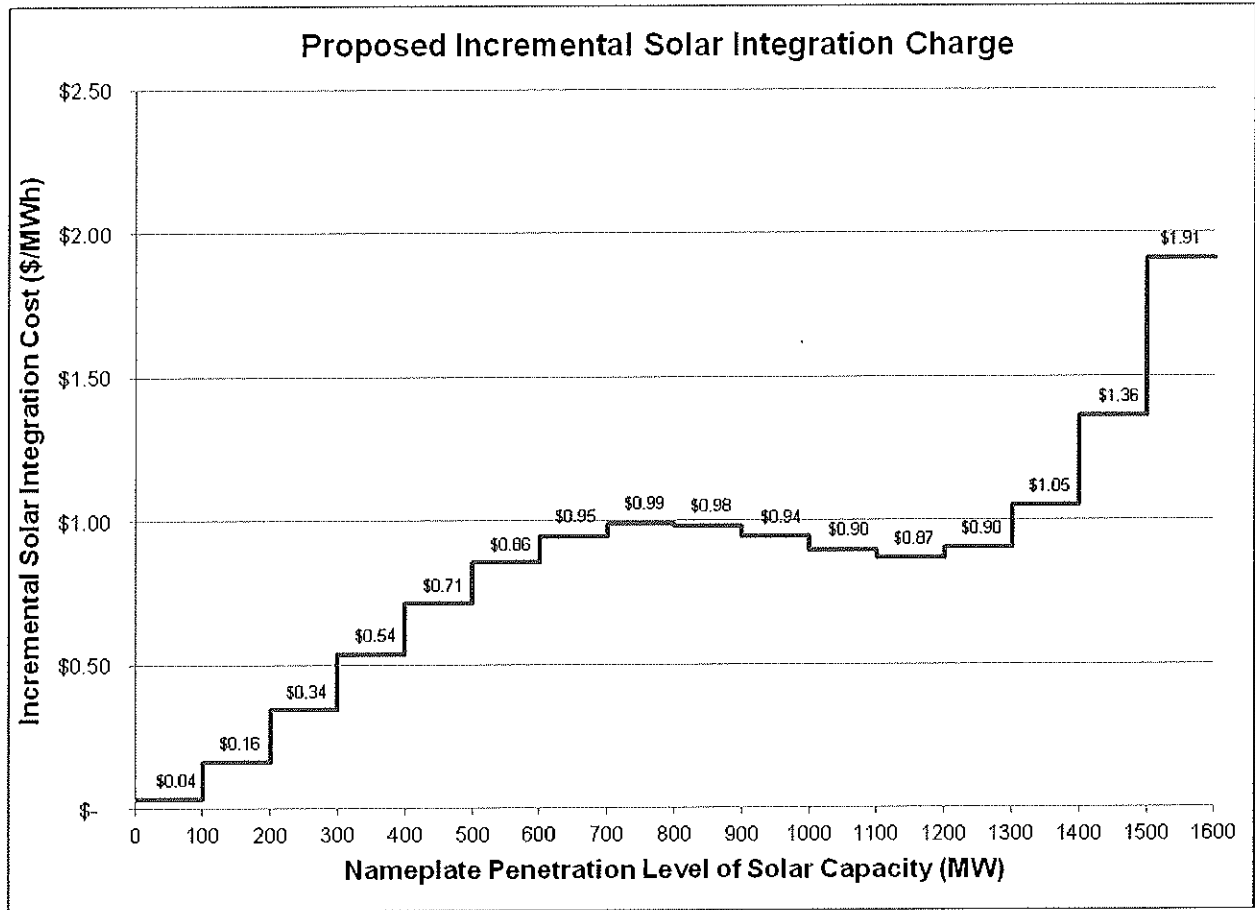
Build-out Scenarios	0-400 MW	400-800 MW	800-1,200 MW	1200-1600 MW
Integration Cost	\$0.27	\$0.88	\$0.92	\$1.31

1. *Positions of the Parties*

Idaho Power asks us to clarify that the 400, 800, and 1200 tier steps are not the only tiers at which the company may set prices, but merely served as data points of the results of the studies. Idaho Power believes that we had intended to adopt the more granular pricing of the 16 tiers that are provided in the Schedule 87 on file with the Idaho Public Utilities Commission (IPUC). This pricing appears in Idaho Power's initial application at page 11.

¹ We grant the request of Renewable NW for a waiver of OAR 860-001-0720(4) and take its response, which was filed beyond the fifteen day period specified in our rules, into consideration in this order.

Unlike the curve representing the relationships between the four different build-out scenarios², Idaho Power's requested solar integration charge schedule, did not follow a progressively upward cost path:



The use of 100 MW tiers produces a steady increase up to 700 MW, but flattens and declines between 700 and 1200 MWh. Thus, a later arriving QF would actually be subject to a lower integration charge within a band before beginning to increase at 1,200 MW.³

Staff supports Idaho Power's petition in this regard and believes that we intended to adopt the IPUC schedule. Staff relies on the fact that our order stated that we adopted the proposed methodology in part to mirror the solar integration charge schedule on file with the IPUC, and did not offer reasons to differentiate Oregon's schedule from Idaho.

² See Idaho Power/200, Youngblood/4 (chart at II 9-19).

³ According to Idaho Power, this is explained by the fact that "[t]he Solar Study estimates the costs of the operational modifications necessary to integrate the intermittent generation from solar plants, where the operational modifications are in the form of differing system reserve requirements. Depending on the various resources that are required to be run at various levels of integration, the cost of those resources has an impact on the incremental cost of integration at any given level. * * * While the average cost per MWh is still increasing, it is increasing at a slower rate through that portion of the chart. It steepens once again after the 1200 MW level, just as does the incremental cost per MWh." *Id.* at 6.

Renewable NW takes no position on Idaho Power's request that the Commission clarify that Order 17-075 adopted solar integration charges like those used in Idaho.

2. Resolution

We affirm Idaho Power's interpretation and grant its petition with respect to this issue. As noted, at page 5 of our order, we indicated that the Oregon schedule should be based on the same methods as were used in the Idaho proceeding. The methodology used by Idaho Power resulted in the step tiered pricing submitted in the initial application.

B. Timing and Process for Technical Review Committee (TRC) Participation in WIS, EIM Study, and Joint Solar and Wind Feasibility Study

The SIS we approved in our order was developed through a process that involved the active participation of a TRC with representatives from IPUC and OPUC Staff, QF representatives, and others. Having approved the SIS, we addressed the timing of implementing the SIS and integration studies generally. At page 7 of our order, we affirmed our intent that integration studies, as well as the additional factor of EIM participation, should be addressed in the annual IRP update and IRP acknowledgement processes. We therefore ordered Idaho Power, as soon as the 2017 IRP had been filed, to work with the TRC to conduct a new wind integration study, perform an analysis of the impact of participation in the EIM and thoroughly evaluate whether to conduct a joint wind and solar integration cost study. We also ordered the company to, as part of this assessment, examine different methods for allocating jointly determined costs between wind and solar and to submit a study report and recommendation to us no later than April 30, 2018, well ahead of the beginning of the 2019 IRP.

1. Positions of the Parties

Relying on ordering paragraph 4 of Order 17-075, Idaho Power asks that we confirm its belief that the company must establish the TRC only after completion of the WIS and the EIM Report, giving the TRC no input into those studies. According to Idaho Power, the TRC's role would be limited to evaluating the feasibility of estimating the unified costs of integrating wind and solar into its system and evaluating methods for sharing out those estimated costs between wind and solar resources.

Staff and Renewable NW both disagree with Idaho Power's assertion that its requested clarification is consistent with the order.

Staff notes that the Commission, at page 7 of the order, adopted its recommendation that the company "work with the TRC to thoroughly evaluate whether to conduct a joint wind and solar integration cost study." Establishing a TRC only after the wind integration study had been completed would, Staff asserts, defeat the very purpose of the TRC.

Renewable NW states that the company's approach would make it difficult for the TRC participants to assess the effects of different approaches and assumptions in the WIS on the

benefits of doing a joint study, thus running counter to the TRC's purposes. Renewable NW further states that the solar integration study approved in this docket represented a major improvement in the process of developing integration cost studies for renewable resources. Not having a TRC involved in developing the WIS would be a step backward from established best practices and a rejection of all of the benefits achieved by the process recently used.

2. Resolution

We reject Idaho Power's petition with respect to its interpretation of ordering paragraph 4. The participation of the TRC in the solar integration study had a positive impact on our processes, giving credibility and acceptance of the results, making parties' participation in this docket less contentious and Commission review of the study output more efficient. Idaho Power provides no compelling reason to address the WIS and EIM participation in any fashion other than to involve a TRC from the outset of the study process. Accordingly, we clarify that it was our intention to order that a TRC with a broadly representative constituency of participants be created and involved from the beginning of the WIS process and the impact study regarding EIM participation.

C. Update Schedule for new WIS and SIS

Our order establishes a framework for developing the integration studies and provides a due date with respect to the company's responsibility to submit those studies. Ordering Paragraph 5 of Order 17-075 states as follows:

Idaho Power Company shall submit the updated Solar Integration Study, new Wind Integration Study, and assessment of joint integration cost study to the Commission no later than April 30, 2018, in advance of filing its 2019 Integrated Resource Plan, along with a Report and recommendations from the Technical Review Committee described above.

1. Positions of the Parties

Idaho Power asks that we affirm its position that, although the company will be required to file its most recent WIS and SIS with each new IRP, the company is not required to perform new integration studies with each IRP and IRP update.

Staff and Renewable NW both assert that our order is silent on the issue of how often new integration studies should be required. Staff argues, and Renewable NW concurs, that Order No. 17-075 only addresses what actions the company must take prior to the 2019 IRP. The resolution via clarification sought by Idaho Power is really an open question neither addressed in the order nor to be resolved at this time. Staff and Renewable NW agree that the Commission should neither impose the requirement now nor preclude that possibility in a future order.

2. Resolution

Idaho Power's request that we affirm its view that we do not intend to require the company to perform new integration studies with each IRP and IRP update is denied. We concur with Staff and Renewable NW that we have not yet addressed the policy of how frequently renewable resource integration studies should be undertaken and an order on petition for clarification is not the appropriate means to address the issue.

IV. ORDER

IT IS ORDERED that the Petition for Clarification of Order No. 17-075 filed by Idaho Power Company is granted to the extent indicated and denied in all other respects.

Made, entered, and effective JUN 26 2017.



Lisa D. Hardie
Chair



Stephen M. Bloom
Commissioner



Megan W. Decker
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.