

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 21, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** September 22, 2023

DATE: September 14, 2023

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1730(10))
Update to Standard Avoided Cost Schedule for Qualifying Facilities.

STAFF RECOMMENDATION:

Approve Idaho Power Company's (Idaho Power or Company) filing in compliance of the Oregon Public Utility Commission's (OPUC) Order No. 23-179, establishing a solar plus storage avoided cost rate as part of its Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's filing in compliance of the Oregon Public Utility Commission's (OPUC) Order No. 23-179, establishing a solar plus storage avoided cost rate for use on an interim basis while Docket No. UM 2000 establishes policies for avoided cost rates moving forward.

Applicable Orders and Rules

OPUC Order No. 23-179 adopting Staff's solar plus storage interim rate proposal and directing IPC to file standard avoided cost rates using the methodology adopted.

Overview of the Inputs for the Commission’s Approved Methodology

Methodology	Standalone Solar	Solar Plus Storage
Proxy Resource for calculation of capacity contribution	Solar resource modeled in IRP	Solar resource modeled in IRP with 1:1 storage ratio and 4-hour battery.
Capacity Contribution	LOLP/ELCC Model based on expected generation	LOLP/ELCC Model based on expected generation and storage dispatch during premium peak hours when possible
“Peak” Hours	6 AM – 10 PM Mon-Sat	4 Hours/Day based on LOLP need
Capacity Payment	On-peak hours after sufficiency period	Premium Peak hours after sufficiency period
Energy Payment	On-peak/Off Peak Pricing	On-peak/Off Peak Pricing
Avoided Capacity Resource	Combined-cycle combustion turbine	Combined-cycle combustion turbine
Update Process	May 1 and 30 days following IRP acknowledgement	May 1 and 30 days following IRP acknowledgement
Premium Peak Hour Update Process	N/A	30 days following IRP or IRP Update acknowledgement
Availability	Unlimited	50 MW First Tranche

Analysis

Background

On July 31, 2023, in compliance with the above stated order, rules, and statutes, Idaho Power filed its revised Schedule 85, Cogeneration and Small Power Production Standard Contract Rate. This filing includes new inputs of a capacity contribution for a solar plus storage proxy resource and Premium Peak Hours. The Natural Gas Forward Prices and Electric Forward Prices are the same inputs used in the Company’s May 1 updates in UM 1730(9). At the time of filing, the Company anticipated that the Power Purchase Agreement (PPA) included in the filing would be approved by the Commission for use, through UM 2299, before the filing’s effective date. As the PPA remains unapproved by the Commission, Idaho Power’s proposed changes to the PPA proposed in UM 2299 are moot for purposes of this proceeding. Staff recommends that only the rate schedule be adopted for use, and that the PPA portion of the filing be disregarded.

Filing Overview

Staff has reviewed the Company's application and workpapers and finds that they are in compliance with the Commission approved methodology for Idaho Power's avoided cost rates. Staff believes the Company followed the requirements for establishing an interim solar plus storage avoided cost rate, implementing the methodology appropriately. Staff finds that overall, the rates were properly calculated and recommends that the rates be allowed to go into effect. Staff's review included verifying the accuracy of new inputs, and scrutiny of the workpaper calculations for accurate references and outputs. Staff held a workshop with the Company and stakeholders on August 10, 2023, and it is Staff's understanding that no stakeholder has an objection to the inputs Idaho Power used to calculate the avoided cost prices or the calculations themselves.

Premium Peak Hours

IPC used six years of historical hourly load data for Loss of Load Expectation ("LOLE") analysis and identified the four hours in each month that have the highest average LOLE risk. These four hours determine the hours of greatest capacity need and constitute the Premium Peak Hours used to signal expected high value dispatch of battery storage in alignment with grid capacity needs. The initial monthly Premium Peak Hours identified by the Company for this filing are as follows: 6 a.m. –8 a.m. and 5 p.m.–7 p.m. for the months of November through April, and 7 p.m.–11 p.m. for the months of May through October.

Solar + Storage Proxy Resource

IPC used six years of historical PV hourly output data to optimize the output of a PV solar plus battery energy storage system to discharge during the identified premium peak hours. The storage component was modeled with the same capacity as the PV solar component and is four hours in duration. The Company then estimated the solar plus storage resource's electric load carrying capacity (ELCC) at 65 percent and used this to calculate the capacity payment for solar plus storage QFs.

Price Comparison

The Company's proposed standard fixed levelized avoided cost for a 15-year contract (2023 through 2037) is as follows in Table 1. The \$19.70 difference in \$/MWh, an increase of roughly 39.3 percent, between the proposed solar plus storage rate and the current PV solar rate reflects the increased contribution to peak (CTP) of the solar plus storage resource of 65 percent, compared to PV Solar's 10.2 percent CTP.

Table 1: 15-Year Levelized Price Comparison (2023-2037)		
Proposed Solar + Storage Rate (\$/MWh)	Current PV Solar Rate (\$/MWh)	Difference (\$/MWh)
\$69.79	\$50.09	\$19.70

Conclusion

Staff believes Idaho Power followed the requirements for establishing a solar plus storage avoided cost rate, implementing methodology appropriately and using appropriate inputs, consistent with its obligations under Oregon statutes ORS 757.205 and ORS 758.525. Staff finds that the filed rates are just, fair, and reasonable.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.