

ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 7, 2016

REGULAR CONSENT EFFECTIVE DATE June 22, 2016

DATE: May 31, 2016

TO: Public Utility Commission

FROM: Brittany Andrus 

THROUGH: Jason Eisdorfer and Michael Dougherty 

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1730) Updates Qualifying Facilities Avoided Cost Payments, Schedule 85.

STAFF RECOMMENDATION:

Staff recommends that the Commission issue an order approving Idaho Power Company's (Idaho Power) update avoided cost payments for Qualifying Facilities (QFs) contained in Schedule 85, filed on May 2, 2016, with an effective date of June 22, 2016.

Because Idaho Power's May 2, 2016 update incorporates the changes proposed in a different filing made just one week before on April 25, 2016, Staff recommends that the Commission issue an order denying the April 25, 2016 request to update avoided cost prices.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's post-Integrated Resource Plan (IRP) acknowledgment avoided cost price update (filed April 25, 2016) and Idaho Power's May 1 annual avoided cost update.

Applicable Orders

Commission Order No. 14-058 in Docket UM 1610, investigation into QF contracting and pricing, directs utilities to file limited annual updates to avoided cost prices. The Commission stated,

[a]fter reviewing the parties' proposals, we adopt a new requirement for an annual update on a specific day each year, in addition to the current complete avoided cost update following each IRP acknowledgement order. We direct electric utilities to update their avoided cost rates 30 days after IRP acknowledgement, and on May 1 every year. In the event that an IRP is acknowledged within 60 days of May 1 in a particular year, the Commission will use its discretion at that time to direct a utility to waive its 30-day post IRP update.

Annual updates, filed every May 1, will include the following four factors:

- (1) Updated natural gas prices;
- (2) On- and off-peak forward-looking electricity market prices;
- (3) Changes to the status of the Production Tax Credit [PTC]; and
- (4) Any other action or change in an acknowledged IRP [integrated resource plan] update relevant to the calculation of avoided costs.

Electric utilities' annual updates will be presented at a public meeting, with a rate effective date within 60 days of the May 1 filing.¹

Background

Idaho Power's Schedule 85 for avoided cost prices includes three price streams: Baseload, Wind, and Solar, each adjusted for the resource type's relative capacity contribution. Idaho Power is not required to meet Oregon's Renewable Portfolio Standard and therefore does not have renewable avoided costs.

On April 12, 2016, Idaho Power filed proposed changes to Schedule 85 implementing two changes authorized by Order No. 16-129 in Docket No. UM 1725: the deficiency period start change from 2016 to 2021, and the lowered eligibility cap for solar QF standard pricing from 10 MW to 3 MW. The Commission approved these changes at the May 3, 2016 public meeting, with an effective date of May 12, 2016.²

¹ Order No. 14-058 at 25-26.

² Order No. 16-169.

This Staff report addresses Idaho Power's two avoided cost filings subsequent to the April 12 avoided cost filing. The first is the post-2015 IRP acknowledgment update, filed on April 25 (within 30 days of the Commission's acknowledgement of the Company's 2015 IRP).³ The avoided cost prices in the post-IRP filing are updated to take into account a deficiency period beginning 2024, updated resource costs from the 2015 IRP, and updated electric market prices. This filing included a request for an effective date of May 25, 2016.

The second filing is the May 1 annual update in which Idaho Power updates avoided cost prices for new gas prices and forward electricity prices.⁴ The May 1 annual update incorporates the post-IRP acknowledgment changes that Idaho Power proposed in its April 25, 2016 filing. The Company requests an effective date of June 1, 2016, for these avoided cost prices.

Discussion and Analysis

The current Schedule 85 avoided cost prices have only been in effect since May 12, 2016, when the change in price resulting from the postponed deficiency period start date became effective. Because of this short window, Staff analyzed the difference between the proposed Schedule 85 prices and the prices that were in effect from June 24, 2015 to May 11, 2016. Staff estimates that the levelized cost of a baseload resource⁵ for 15 years at Idaho Power's authorized rate of return changes from \$60.16 to \$34.99 per megawatt-hour. This significant reduction is due primarily to three factors: the change in deficiency period start from 2016 to 2024, lower natural gas and forward market electricity prices during the sufficiency period, and reduced fixed and variable costs for the proxy resource based on the 2015 IRP.⁶

On May 25, 2016, Staff notified the parties in Docket No. UM 1610 that Idaho Power had filed its annual update to avoided cost prices and that Staff intended to place the filing on the June 7, 2016, public meeting agenda. No comments have been received as of the date of this Staff report.

With respect to the effective dates for its two updates to Schedule 85, the Company requested May 25, 2016, and June 1, 2016. Neither date was feasible due to the time

³ Order No. 16-160.

⁴ Idaho Power does not update avoided cost prices to take into account changes to Production Tax Credits because Idaho Power does not have a renewable avoided cost price stream.

⁵ The baseload resource is used for comparison due to differences in the capacity payments currently in place.

⁶ Combined cycle combustion turbine.

required for review of the inputs and calculation. And, Idaho Power's post-IRP acknowledgement update was essentially mooted by its May 1 annual update to avoided cost prices because the schedules filed on May 1 incorporate the changes proposed in Idaho Power's April 25 filing.

QFs generally plan for these May 1 updates to be effective at the public meeting immediately prior to the 60-day requirement in Order No. 14-058. Because the public meeting scheduled for June 21, 2016, was cancelled, Staff recommends that the effective date for Idaho Power's May 1, 2016, avoided cost update be June 22, 2016, the day following the cancelled meeting.

Staff's review of the two Schedule 85 filings and supporting work papers did not identify any concerns with inputs or calculations. Therefore, Staff concludes that the most recently filed Schedule 85 avoided cost prices, filed on May 2, 2016, meets the requirements contained in Order No. 14-058, and that the avoided cost prices in this filing are reasonable. Staff recommends that Schedule 85 as filed on May 2, 2016, be approved effective June 22, 2016.⁷ Staff recommends that Schedule 85 as filed on April 25, 2016, be denied.

PROPOSED COMMISSION MOTION:

Idaho Power's annual update to Schedule 85 Cogeneration and Small Power Production Standard Contract Rates filed May 2, 2016, be allowed to go into effect on June 22, 2016. Idaho Power's Integrated Resource Plan Acknowledgment Update Avoided Cost Update—Schedule 85, Cogeneration and Small Power Production Standard Contract Rates filed April 25, 2016, be denied.

⁷ Sixty days from May 1 is June 30; however, Idaho Power requested a July 1, 2015 effective date.