

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 16, 2020

REGULAR _____ CONSENT X EFFECTIVE DATE June 17, 2020

DATE: June 8, 2020

TO: Public Utility Commission

FROM: Kimberly Herb

THROUGH: Bryan Conway, Michael Dougherty, and JP Batmale **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1730(5))
Idaho Power Update to Avoided Cost Rates, Schedule 85.

STAFF RECOMMENDATION:

Approve Idaho Power Company's (Idaho Power or the Company) update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, effective June 17, 2020.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Idaho Power's May 1 annual update to its Schedule 85 avoided cost rates.

Applicable Law or Rule

Commission Order No. 14-058 ordered an annual avoided cost update:

[W]e 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 [Integrated Resource Plan] acknowledgement order. We direct electric utilities to update their avoided cost rates 30 days after IRP acknowledgement, and on May 1 of 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 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

Analysis

Background

On May 1, 2020, Idaho Power filed its annual update to its Schedule 85 avoided cost rates, requesting an effective date of June 1, 2020. On May 14, 2020, the Company, after consultation with Oregon Public Utility Commission Staff (Staff), submitted a revision for a new effective date of June 17, 2020.

Staff hosted a video conference workshop on May 28, 2020, with representatives of Idaho Power and stakeholders. No parties raised objections to this Avoided Cost update.

Staff Review

Idaho Power's Schedule 85 avoided cost update reflects a decrease in avoided cost prices resulting from both lower natural gas prices and lower on- and off-peak forward-looking electricity market prices. The table below shows current versus proposed rates:

Table 1. Staff Calculated Current and Proposed Levelized Avoided Costs (2021 - 2035) combined on-peak, off-peak energy price (\$/MWh)²

	Baseload	Wind	Solar
Current	\$26.32	\$8.03	\$26.93
Proposed	\$22.57	\$5.29	\$22.97
Difference	-14.2%	-34.1%	-14.7%

¹ *In the Matter of the Public Utility Commission of Oregon Staff Investigation into Qualifying Facility Contracting and Pricing* (UM 1610), Order No. 14-058, pp. 25-26.

² Staff used workpapers provided by the Company to calculate levelized avoided costs using the Company's 2019 IRP discount rate of 7.12 percent.

Idaho Power's Schedule 85 avoided cost prices include three price streams: Baseload, Wind, and Solar, each adjusted for the resource type's relative capacity contribution. Idaho Power is not currently required by the Commission to offer Renewable Standard Avoided Cost Prices.

Wind Integration Charges

In Staff's review, Staff identified no concerns with the majority of the inputs used to derive the updated avoided costs. However, Staff noted that wind integration charges continued to be significantly higher than those of PAC and PGE and noted that the specific integration costs used did not reflect findings from a 2018 wind integration study the Commission directed Idaho Power to conduct in 2017.³

In the 2018 Annual and Post-IRP Avoided Cost update, Staff noted that wind integration charges for Idaho Power were significantly higher than those of PAC and PGE, but anticipated that the study, when complete, would result in significantly lower wind integration charges in future avoided cost filings.⁴ On July 31, 2018, Idaho Power submitted the *Variable Energy Resource Integration Analysis*, which resulted in substantially lower wind integration charges that are not reflected in the current filing.⁵ It is appropriate not to reflect them in this filing because updating wind integration charges does not fall under any of the four factors for May 1 updates described in the Applicable Law or Rule section described above. Rather, Staff intends to address updates to integration charges when the Company files to update its avoided cost rates 30 days after IRP acknowledgement, which is now scheduled to be in October 2020.

Conclusion

Staff concludes, based on its review of this filing and supporting work papers, that inputs and calculations are correctly applied to the updated avoided cost prices.

While the wind integration charges used for the calculations are higher than recent studies suggest are appropriate, the May 1 Annual Update is not the appropriate venue for changing this input. Idaho Power's Post-IRP Avoided Cost update, when filed, should reflect findings of the most recently approved wind integration study available.

Therefore, Staff concludes that Idaho Power's updates to its Schedule 85 as filed on May 1, 2020 are reasonable and meet the requirements of Order No. 14-058.

³ Order No. 17-075 in Docket no. UM 1793

⁴ Order 18-188 in Docket No. UM 1730 Appendix A pg 3

⁵ *Idaho Power's 2018 Variable Energy Resource Integration Analysis (2018 Wind Integration Study and Additional Analyses Compliance Filing)* in Docket No. UM 1793

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PROPOSED COMMISSION MOTION:

Adopt Idaho Power's revised Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.

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