

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 15, 2021

REGULAR  X  CONSENT       EFFECTIVE DATE  June 16, 2021

DATE: June 7, 2021

TO: Public Utility Commission

FROM: Michelle Scala

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: IDAHO POWER COMPANY:  
(Docket No. UM 1730(6))  
Updates Schedule 85, Cogeneration and Small Power Production  
Standard Contract Rates to Reflect the 2021 Annual May and post-IRP  
Update of Avoided Cost Rates.

**STAFF RECOMMENDATION:**

Suspend the filing of Idaho Power Company's (Idaho Power or Company) update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, for a period no more than 60 days; and grant a waiver of OAR 860-029-0085(4)(c), which requires that avoided cost rates take effect within 60 days of the Company's filing.

**DISCUSSION:**

Issue

Whether the Commission should approve Idaho Power's update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates.

### Applicable Orders and Rules

OAR 860-029-0040(4)(a) requires utilities to file updated avoided cost prices for qualifying facilities (QF) under PURPA<sup>1</sup> within 30 days of Commission integrated resource plan (IRP)<sup>2</sup> acknowledgment.<sup>3</sup>

OAR 860-029-0080(7)(a) specifies that on May 1 of each year, a public utility must file with the Commission updates to the avoided cost information filed under section (2) of this rule to be effective within 60 days of filing to reflect:

- (A) Updated natural gas prices;
- (B) On- and off-peak forward-looking electricity market prices;
- (C) Changes to the status of the Production Tax Credit [PTC]; and
- (D) Any other action of change in an acknowledged IRP update relevant to the calculation of avoided costs.

### Analysis

#### *Background*

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 has no requirement to meet Oregon's Renewable Portfolio Standard at this time, and therefore has no avoidable renewable resource avoided cost.

Idaho Power filed its initial 2019 IRP on June 28, 2019. Subsequently, the Company submitted three additional iterations of the 2019 IRP, among which the Company made modifications to modeling inputs, Idaho Power's preferred portfolio, and to correct cost errors related to the Jim Bridger Power Plant.<sup>4</sup> On April 15, 2021, the Commission acknowledged Idaho Power's 2019 IRP.<sup>5</sup>

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<sup>1</sup> Public Utility Regulatory Policies Act of 1978.

<sup>2</sup> Integrated Resource Plan and least-cost plan are synonymous.

<sup>3</sup> "In the same manner as rates are published for electricity sales each public utility shall file with the Commission, within 30 days of Commission acknowledgement of its least-cost plan pursuant to Order No. 89-507, standard rates for purchases from qualifying facilities with a nameplate capacity of one megawatt or less, to become effective 30 days after filing. The publication shall contain all the terms and conditions of the purchase. Except when a public utility fails to make a good faith effort to comply with the request of a qualifying facility to wheel, the public utility's standard rate shall apply to purchases from qualifying facilities with a nameplate capacity of one megawatt or less."

<sup>4</sup> See Docket No. LC 74 Staff Report at p. 7.

<sup>5</sup> The Commission issued its written order regarding acknowledgment on June 4, 2021 (Order No. 21-184).

On May 1, 2021, Idaho Power filed a combined post-IRP acknowledgment avoided cost update and annual avoided cost update, requesting an effective date of June 16, 2021.

Idaho Power's May 1, 2021, updates reflect the adjustments made in the acknowledged 2019 IRP, and updated natural gas and forward market price curves. Idaho Power's avoided cost update did not include an update to integration charges to QFs that offset the additional cost incurred by the Company to integrate Variable Energy Resources (VER) such as wind and solar into Idaho Power's system. Staff had anticipated Idaho Power's wind integration charges to change in this update to reflect substantially lower estimates evidenced in a 2018 VER Analysis.<sup>6</sup> Idaho Power addressed the 2018 VER study in its 2019 IRP stating:

While the 2018 VER study provided valuable information regarding the rules for reserve requirements, the modeling performed for the 2019 IRP provides more information on how VERs affect Idaho Power's system and the ability to maintain sufficient reserves.<sup>7</sup>

In 2020, Idaho Power engaged Energy and Environmental Economics, Inc. (E3) to conduct a second VER analysis. Idaho Power presented the study's final integration costs to the Technical Review Committee (TRC) on November 6, 2020, and subsequently requested E3 to further verify the integration results against real-world transaction data from the EIM market. On May 19, 2021, Idaho Power reached out to the TRC, informing members that the additional review did not result in any changes to the previously presented integration costs. In this same correspondence, the Company indicated that it regarded the study work to be finalized and issued the "IPC VER final report" for any final thoughts or feedback from the committee.

At present, Staff does not know the specific impact updated inputs from the E3 report would have on Idaho Power's VER integration charges. However, for illustrative purposes only, if Staff were to assume that wind integration charges in 2023 moved from their current value of \$20.29 to the E3 High Wind case 5<sup>8</sup> total integration cost of \$0.77,<sup>9</sup> on- and off- peak avoided cost prices for a wind resource would increase by 125 percent and 423 percent, respectively.

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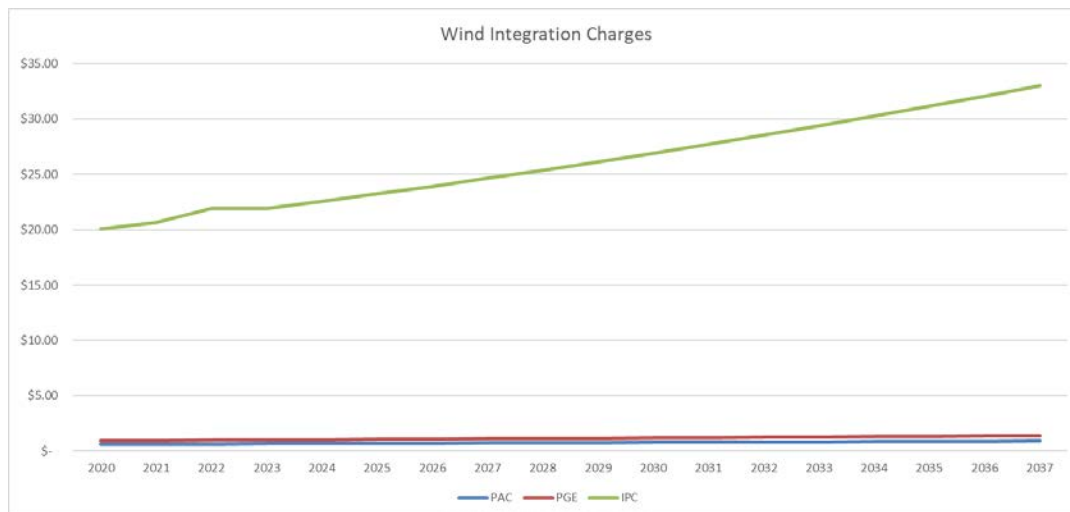
<sup>6</sup> See Docket No. UM 1730(5) Staff Report at p. 3.

<sup>7</sup> Idaho Power Second Amended 2019 IRP at p. 27.

<sup>8</sup> Energy and Environmental Economics, Inc., December 2020, Variable Energy Resource Integration Analysis, Idaho Power Company, at p. v.

<sup>9</sup> Staff notes this value is comparable to wind integration charges currently in place with PAC and PGE; additionally E3 notes the range of integration costs produced in its study were also lower than those generated in the 2018 VER Study performed by Idaho Power.

The chart below is a comparison of current wind integration charges for Pacific Power, Portland General Electric and Idaho Power between 2021 and 2038.



### *Staff Review*

Staff does not take issue with the inputs used to derive the updated avoided cost prices. The updates are reflective of the acknowledged 2019 IRP, including resource costs, resource performance, capacity contribution factors, and financial parameters. Further, Staff met with the Company via teleconference and corresponded electronically to verify certain calculations and assumptions in the workpapers and not find error in the Company's calculations or deviations in updated forecasts.

However, Staff is continuing to investigate whether the VER integration charges to QFs should be updated with inputs from the recently concluded E3 study. While Staff acknowledges that the VER study was not vetted through Idaho Power's 2019 IRP, Staff also notes that the study was conducted by an independent entity and is complete. As discussed earlier, the study report has been circulated to Idaho Power Company's TRC in its final form. If the E3 study report inputs are incorporated into Idaho Power's IRP Update, the change to the integration charges would be significant.

Because Staff is unable to complete its review of the integration charge in time to make a recommendation for the June 15 public meeting, Staff asks the Commission to "suspend" Idaho Power's avoided cost update for 60 days to allow time for additional investigation. Because OAR 860-029-0080(7)(a) specifies that May 1 updates to avoided cost prices are effective 60 days from filing, which is June 30, 2021, Staff asks that the Commission waive this rule to allow this additional investigation.

Staff did not receive comment from stakeholders on this filing.

Conclusion

Based on Staff's ongoing concerns with the inclusion of existing wind integration charges in the May 1, 2021 update, Staff is requesting additional time be allotted to review the May 1, 2021, avoided cost filing. Because OAR 860-029-0080(7)(a) requires May 1 updates to take effect within 60 days of a utility's filing, Staff is also requesting a waiver of OAR 860-029-0080(7)(a) to allow for the additional time.

**PROPOSED COMMISSION MOTION:**

Suspend the filing of Idaho Power Company's update of Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, for a period no more than 60 days; and grant a waiver of OAR 860-029-0080(7)(a), which requires that May 1 annual updates are effective within 60 days of the Company's filing.