

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION ) CASE NO. PAC-E-17-11**  
**OF ROCKY MOUNTAIN POWER )**  
**COMPANY FOR AUTHORIZATION TO )**  
**REVISE THE WIND INTEGRATION RATE ) ORDER NO. 33937**  
**AND IMPLEMENT A SOLAR )**  
**INTEGRATION RATE FOR SMALL POWER )**  
**GENERATION QUALIFYING FACILITIES )**

On August 28, 2017, PacifiCorp dba Rocky Mountain Power (Rocky Mountain or the Company) applied to the Commission for an order authorizing it to (1) decrease its wind integration rate for power purchase agreements with wind-powered qualifying facilities (QF), from \$3.06 to \$0.57 per megawatt-hour (MWh), and (2) implement a solar integration rate for purchases from solar-powered QFs of \$0.60 per MWh. Application at 1.

The Commission issued an order providing Notice of the Application, setting a deadline for interventions, and directing the parties to confer about a proposed schedule and report their proposal to the Commission. Order No. 33871. The Commission received no petitions to intervene. After conferring with the Company, Staff proposed a comment schedule to the Commission, which the Commission adopted in a Notice of Modified Procedure. Order No. 33905. Commission Staff timely submitted comments. No other comments were received. The Commission now enters this Order approving the Application, as described further below.

**BACKGROUND**

Rocky Mountain’s wind integration charge offsets the published avoided cost rates (calculated under the surrogate avoidable resource methodology) the Company pays for power under the Public Utility Regulatory Policies Act (PURPA). The charge reduces published avoided cost rates to account for the costs of integrating wind QFs into the Company’s system. *See* Order No. 30497 at 6. When a utility has agreed to buy power from a QF under PURPA, the rates for such power must not exceed the utility’s “avoided cost”—what the utility would have incurred had it generated or acquired the power elsewhere. If the costs of integrating wind into the Company’s system are not calculated and properly allocated to the PURPA project developers, those costs will be impermissibly passed on to utility customers in the avoided cost rates.

This Commission first approved Rocky Mountain's wind integration charge in 2008. Order No. 30497. The charge was set forth in a settlement stipulation between parties in Case No. PAC-E-07-07, which the Commission approved. *Id.* at 6, 12-13. Rocky Mountain's current wind integration charge, \$3.06 per MWh, was last updated in 2016. Order No. 33475 (Case No. PAC-E-16-08).

### THE APPLICATION

The Company explained that "in compliance with Order No. 30497," it now applies to "update its wind integration rate and implement a solar integration rate that can be deducted from the published avoided cost rates to determine a purchase and sale price established for the duration of the power purchase agreement with a QF." Application at 2-3. The Company stated that reducing the avoided cost rates "is intended to reflect the cost of integrating wind and solar generation into the Company's electrical system." *Id.* at 3. The Company filed its 2017 Integrated Resource Plan (IRP) with this Commission on April 4, 2017, in Case No. PAC-E-17-03. *Id.* The Company attached IRP Appendix F, the Flexible Reserve Study (2017 Study), as Exhibit A to its Application. *Id.* The 2017 Study explained "the methodology used and results derived from PacifiCorp's analysis of wind and solar integration costs." *Id.*

The 2017 Study estimated the regulation reserve required to maintain PacifiCorp's system reliability and comply with North American Electric Reliability Corporation (NERC) reliability standards. *Id.* It also estimated the additional cost of this regulation reserve. *Id.* In addition, it compared PacifiCorp's overall operating reserve requirements, including both regulation reserve and contingency reserve, to its flexible resource supply over the IRP study period. *Id.* The Application further described the methodology used in the 2017 Study, including changes from the method used in the 2014 study of wind reserve requirements. *Id.* 4-6.

The 2017 Study was based on operational data for load, wind, and non-variable energy resources from January 2015 through December 2015, and used proxy base schedules for solar resources. *Id.* at 3; Exhibit A at 109. The Company explained that solar generation on its system was insignificant in 2015, but was expected to exceed 1,000 MW by the end of 2017. Application at 3. The Company also analyzed how varying levels of wind and solar affect its system. *Id.*; *see* Exhibit A at 108-116.

The 2017 Study produced an hourly forecast of regulation reserve requirements for the Company for a range of scenarios, to ensure the reliability of the transmission system and

compliance with NERC and Western Electricity Coordinating Council reliability standards. Application at 4-5. The forecast covered the combined deviations of the load, wind, solar, and other resources on the Company's system, and varied as a function of the wind and solar capacity on the system, as well as forecasted wind and solar output. *Id.* at 4. The 2017 Study also considered the impact of Energy Imbalance Market participation. *Id.* at 5.

The 2017 Study estimated two categories of flexible resource costs—one for meeting intra-hour regulation reserve requirements, and one for inter-hour system balancing costs (associated with committing gas plants using day-ahead forecasts of load, wind, and solar). *Id.* at 6. The proposed wind integration and solar integration charges are the sum of these two categories of costs for wind resources and for solar resources. *See id.* Table F.2.

Ultimately, the Company requested that the Commission issue an order (1) reducing the wind integration rate for the Company's purchases of electric power from wind-powered QFs from \$3.06 per MWh to \$0.57 per MWh and (2) implementing a solar integration rate of \$0.60 per MWh for the Company's purchases of electric power from solar-powered QFs. *Id.* at 7-8. The Company explained these amounts represent the wind and solar integration costs that will offset published avoided cost rates unless the QF developer agrees with the Company to schedule and deliver, via a transmission provider, the QF output to the Company on a firm hourly basis. *Id.* at 8.

#### **STAFF COMMENTS**

Staff reviewed the Application and the 2017 Study and recommended the Commission authorize the Company's proposed wind integration rate of \$0.57 per MWh and the proposed solar integration rate of \$0.60 per MWh. Staff Comments at 3.

Staff explained that several factors drove the reduction in the wind integration rate. *Id.* at 3-5. For example, a change in the NERC reliability standard regarding regulation reserves led to a greater supply of regulation reserves and a reduced cost of those reserves. *Id.* at 4. Similarly, the 2017 Study "used a portfolio wide approach to determine the overall regulation reserve requirements" and considered solar, non-variable energy resources, and wind. *Id.* The previous study, conducted in 2014, calculated reserve requirements for a smaller amount of wind only. *Id.* Looking at the entire portfolio reduces the total reserves needed because the "largest deviations in load, wind, and solar tend not to occur simultaneously" and sometimes occur in offsetting directions. *Id.*

The 2017 Study also accounted for the Company's participation in the Energy Imbalance Market, which reduced reserve requirements because participating balancing authority areas can pool variability amongst themselves and therefore carry less reserves individually than they would be required to otherwise. *Id.* Staff also explained that market prices have declined since the previous study, leading to a reduction in the cost of reserves and the integration charge. *Id.* at 5. Finally, according to the Company, transmission congestion has increased (primarily due to additional solar generation). *Id.* at 5. The Company assumed that if resources capable of providing regulation reserves are backed down (and unable to export electricity out of the Company's system) due to transmission congestion, then those resources can be used to balance wind and solar inside the Company's system at no additional cost. *Id.* Staff believed this assumption to be reasonable. *Id.*

Regarding the proposed solar integration rate, Staff explained that the Company used proxy data in its 2017 Study because solar data was limited. *Id.* Before 2015, solar generation on the Company's system was insignificant, but is expected to amount to over 1,000 MW by the end of 2017. *Id.* Staff believed that using proxy data in this study was reasonable, given the limited data, but recommends the Company to perform additional analysis as more actual solar data becomes available. *Id.* Finally, Staff recommended that in the future, the Company file any integration charge updates after the IRP has been acknowledged. *Id.*

### **COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and may fix the same by order. *Idaho Code* §§ 61-502 and 61-503. In addition, the Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

Based on our review of the record, we find that the Company's request to reduce its wind integration rate to \$0.57 per MWh and implement a solar integration rate of \$0.60 per MWh is reasonable. Regarding the wind integration rate, we find that the analysis in the

Company's 2017 Study supports the reduction. We appreciate the updated information the Company has provided. Regarding the solar integration rate, the record indicates that solar generation on PacifiCorp's system is expected to grow significantly and amount to over 1000 MW by the end of 2017. In these circumstances, we find the implementation of a solar rate based on proxy data to be reasonable. However, we expect the Company to update its analysis with actual solar data as it becomes available.

Finally, we find reasonable Staff's request that the Company file any future updates to its integration charges after the Commission has acknowledged the Company's IRP. Filing any updates after the IRP is acknowledged will be consistent with the stipulation approved in Order No. 30497. That stipulation said, in part, "[t]he integration charge will be equivalent to the calculated cost of wind integration on a per MWh [basis] provided in the Company's most recent Commission-acknowledged . . . IRP. . . ." Order No. 30497 at 6. Filing any updates after the IRP is acknowledged will allow Staff and other parties to review the factors impacting the integration rates as a part of their overall analysis of the IRP.

For the foregoing reasons, we approve the Application and the new wind integration rate of \$0.57 per MWh applicable to purchases of power from wind-powered QFs and the new solar integration rate of \$0.60 per MWh applicable to purchases of power from solar-powered QFs.

### **ORDER**

IT IS HEREBY ORDERED that the Company's Application, requesting authorization to (1) reduce the wind integration rate for the Company's purchases of electric power from wind-powered QFs from \$3.06 MWh to \$0.57 per MWh and (2) implement a solar integration rate of \$0.60 per MWh for the Company's purchases of electric power from solar-powered QFs, is approved. These rates apply against published avoided cost rates under PURPA, unless the QF developer agrees in the power purchase agreement to schedule and deliver, via a transmission provider, the QF output to the Company on a firm hourly basis.

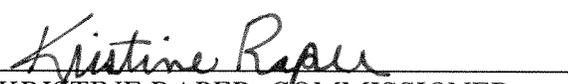
IT IS FURTHER ORDERED that the Company is to update its studies with actual solar data as such data becomes available.

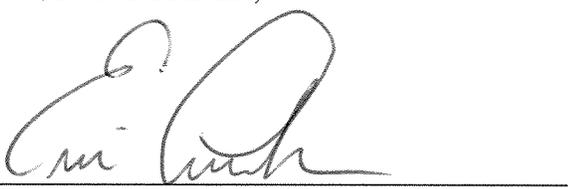
IT IS FURTHER ORDERED that the Company is to file any future updates to its integration rates after the Commission has acknowledged the IRP supporting the updates.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *27<sup>th</sup>* day of November 2017.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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