

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF IDAHO POWER</b>	)	
<b>COMPANY’S APPLICATION TO</b>	)	<b>CASE NO. IPC-E-14-18</b>
<b>IMPLEMENT SOLAR INTEGRATION</b>	)	
<b>RATES AND CHARGES.</b>	)	<b>ORDER NO. 33227</b>
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On July 1, 2014, Idaho Power Company filed an Application with the Commission seeking to implement solar integration rates and charges. The Commission issued a Notice of Application on July 23, 2014, setting an August 6, 2014, deadline for persons/parties requesting intervention. Order No. 33079. Idaho Conservation League, Snake River Alliance and Sierra Club petitioned for, and were granted, intervention. Order Nos. 33090 and 33097. Matt Vespa, attorney for Sierra Club, was granted pro hac vice admission. Order No. 33117. A Notice of Parties was issued on August 21, 2014. The parties proposed, and the Commission adopted, a procedural schedule. Order No. 33137.

On November 5, 2014, the parties filed a Joint Stipulation requesting that the Commission vacate the November 6, 2014 rebuttal deadline and the November 13, 2014 technical hearing. The Stipulation stated that the parties wished to suspend the remaining procedural schedule in order to pursue a resolution through settlement. On November 6, 2014, the Commission granted the parties’ request and vacated the procedural schedule, including the technical hearing originally scheduled for November 13, 2014. Order No. 33173. The parties met for settlement discussions on November 17, 2014.

On January 9, 2015, pursuant to Rules of Procedure 56 and 274 through 276, the parties filed a Joint Motion for Approval of a Settlement Stipulation. The parties agree that the Settlement Stipulation represents a fair, just, and reasonable compromise of the dispute(s) between the parties and that it is in the public interest. The parties maintain that the Settlement Stipulation as a whole and its acceptance by the Commission represent a reasonable resolution of all issues.

Based upon our review of Idaho Power’s Application, the testimony filed by the parties, and the terms of the Settlement Stipulation, we approve the Settlement Stipulation without material change or condition and as set out in greater detail below.

## THE APPLICATION

Idaho Power's Application maintains, due to the variable and intermittent nature of solar generation, the Company must modify its system operations to successfully integrate solar power without impacting system reliability, similar to wind generation. Idaho Power states that it must provide operating reserves from resources that are capable of increasing or decreasing dispatchable generation on short notice to offset changes in non-dispatchable solar generation. The Company asserts the effect of having to hold operating reserves on dispatchable resources is that the use of those resources is restricted and they cannot be economically dispatched to their fullest capability. Idaho Power states this results in higher power supply costs that are subsequently passed on to customers.

Idaho Power states that it is currently experiencing very high interest by, and rapid growth of, solar generation projects wishing to contract with and locate on Idaho Power's system. The Company maintains the rapid growth of wind and solar generation has led to the recognition that Idaho Power's finite capability for integrating variable and intermittent generation is nearing its limit. This situation is expected to worsen as wind and solar penetration levels increase, particularly during periods of low customer demand.

Idaho Power asserts the costs associated with solar integration are specific and unique for each individual electrical system based on the amount of solar generation being integrated and the other types of resources that are used to provide the necessary operating reserves. In general terms, Idaho Power explains that the cost of integrating solar generation increases as the amount of nameplate solar generation on the electrical system increases. The Company states that failure to calculate and properly allocate solar integration costs to solar PURPA generators when calculating avoided cost rates impermissibly pushes those costs onto utility customers, making them no longer indifferent to whether the generation was provided by a PURPA qualifying facility or otherwise generated or acquired by the Company.

Idaho Power proposes that a solar integration charge be established to collect the incremental cost of integration at each 100 MW of solar generation penetration. The Company proposes that the solar integration costs be set forth in a tariff schedule specifically established for intermittent generation integration charges. The solar project's scheduled operation date and nameplate capacity would determine the charge that would be imposed through the term of the proposed contract.

## THE STIPULATION AND SETTLEMENT

The parties met on November 17, 2014, for confidential settlement discussions. The parties reached agreement on all issues related to the underlying case in Case No. IPC-E-14-18. Based upon the settlement discussions, and as a compromise of the respective positions of the parties, the parties agreed to the following terms:

Implementation of Schedule 87, Variable Generation Integration Charges – The Parties agree to Commission approval and implementation of Schedule 87, Variable Generation Integration Charges, including the rates and charges as proposed and filed by Idaho Power in this proceeding to implement solar integration charges.

Initiation of a Second Solar Integration Study – The Parties acknowledge that there are disagreements with respect to the methodology used in the 2014 Solar Study. The Parties agree that Idaho Power will initiate a second solar integration study in January 2015. This second solar integration study should be completed as expeditiously as possible with the goal of not exceeding 12 months. Upon completion of the second solar integration study Idaho Power will file the same with the Commission seeking to update Schedule 87 with the results of said study.

Conduct of the Second Solar Integration Study – The Parties agree that the second solar integration study should utilize a Technical Review Committee ("TRC") that generally adheres to the *Principles for Technical Review Committee Involvement in Studies of Wind Integration into Electric Power Systems* authored by the National Renewable Energy Laboratory and the Utility Wind Integration Group. The TRC should include members with expertise in solar generation, variable energy integration, and electrical grid operations. The Parties also anticipate participation in the second solar integration study from the Idaho Public Utilities Commission Staff, the Public Utility Commission of Oregon Staff, the appropriate personnel from Idaho Power, and a technical expert designated by each of the Parties herein. The Parties agree that the TRC will assist in developing the scope of the second solar integration study and provide advice on the best available methods to analyze solar integration needs, strategies, and costs on Idaho Power's system. The Parties agree and acknowledge that Idaho Power is ultimately responsible for determining how the study is conducted, the content of the study, and any results therefrom. If Idaho Power declines TRC member suggestions for the conduct of the study, Idaho Power shall provide explanation and basis for the same in writing as part of the study process.

Consideration of Issues in the Second Solar Integration Study – The Parties agree that Idaho Power, together with the TRC, will consider

whether the second solar integration study should include the following, and if so, what would be the appropriate methodology to be used in connection with the following:

Alternative water-year types (e.g., low-type and high-type), range of water years or normalized water year;

Intra-hour trading opportunities;

Shortening the hour-ahead forecast lead time from 45 minutes to 30 minutes;

Clustered solar build-out scenarios;

Other solar plant technologies (e.g., tracking systems or varied fixed-panel orientation);

Correlation between solar, wind, and load variability, uncertainty, and forecasting error;

Improved forecasting methods;

Energy imbalance markets, or other market structures;

Voltage/frequency regulation;

Increased transmission capacity, changes in operation of hydroelectric facilities, addition of demand-side technologies;

Gas price forecast(s);

Modeling of sub-hourly scheduling of load and generation; and

Identification of the existence of low occurrence events that contribute to proportionately higher integration costs and possible remedies, including operational or contractual solutions to mitigate these events and reduce integration costs and charges.

The Settlement Stipulation contains a provision stating that all terms and conditions of the Settlement Agreement are subject to approval by this Commission and that only after such approval, without material change or modification, has been received shall the Settlement Agreement be valid. The parties state that the Settlement Stipulation is a fair, reasonable, and final resolution to this matter and others between the parties, and is in the public interest.

## FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, an electric utility, and the issues raised in this matter pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA). 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 (QFs) and to implement FERC rules. The Commission is also empowered to resolve complaints between QFs and utilities and approve QF contracts.

In this case, the parties entered into a Settlement Stipulation agreement. The parties assert that the Settlement Stipulation is fair and equitable. The parties maintain that the Settlement Stipulation is a reasonable resolution of all issues related to Idaho Power's Application to implement solar integration rates and charges. The parties further state that it is in the public interest for the Commission to approve the settlement.

Our Procedural Rule 276 recognizes that the Commission is not bound by the parties' settlement agreement. The Commission may accept, reject, or amend a proposed settlement. IDAPA 31.01.01.276. The Commission will independently review any settlement to determine whether it is fair, just and reasonable; in the public interest; or otherwise in accordance with law or regulatory policy. *Id.* Furthermore, the proponents of a proposed settlement have the burden of showing that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275.

Based upon our review of the record developed in this case and the Settlement Stipulation presented by the parties, we find that the settlement represents a reasonable compromise of the original positions of the parties. Specifically, we note that the terms of the Settlement Stipulation adopt the proposed solar integration schedule and set out parameters for participation and content in Idaho Power's next solar integration study. We commend the parties for agreeing to put a schedule in place while a second study is conducted. We also appreciate the willingness of all parties to collaborate and expedite the completion of the second solar integration study.

Idaho Power's Schedule 87 only contemplates solar integration charges at penetration levels not exceeding 700 megawatts (MW). If penetration levels for solar generation exceed 700

MW prior to the completion of the second study, the Company is directed to utilize the same process/methodology that it applied in its first study to extrapolate integration charges as solar penetration increases. We find these settlement terms fair, just and reasonable. We further find that the Settlement Stipulation is in the public interest.

**ORDER**

IT IS HEREBY ORDERED that the Settlement Stipulation between Idaho Power, Commission Staff, the Idaho Conservation League, Sierra Club and Snake River Alliance regarding Idaho Power's Application to implement solar integration rates and charges is approved.

IT IS FURTHER ORDERED that the parties shall comply with all of the terms and conditions contained in the Settlement Stipulation.

IT IS FURTHER ORDERED that Idaho Power's Schedule 87 be effective upon issuance of this Order. The Company shall file a conforming tariff within seven (7) days.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

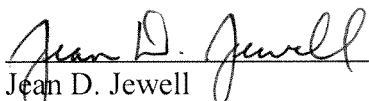
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 11<sup>th</sup>  
day of February 2015.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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