

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: JULY 18, 2014

**SUBJECT: IDAHO POWER'S APPLICATION TO IMPLEMENT SOLAR
INTEGRATION RATES AND CHARGES, CASE NO. IPC-E-14-18**

On July 1, 2014, Idaho Power Company filed an Application with the Commission seeking to implement solar integration rates and charges. The Company's Application includes a 2014 solar integration study as well as the supporting testimony of Philip DeVol and Michael J. Youngblood.

THE APPLICATION

Idaho Power's Application maintains that, 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.

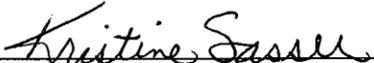
Idaho Power requests that its Application be processed by Modified Procedure.

STAFF RECOMMENDATION

Staff has reviewed Idaho Power's Application and recommends that the Commission allow parties who claim a direct and substantial interest to intervene. After the deadline for intervention has passed, Staff will convene an informal conference with the parties and recommend further procedure to the Commission.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application setting a 21-day deadline for intervention?



Kristine A. Sasser
Deputy Attorney General

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