

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY’S APPLICATION TO UPDATE)	CASE NO. IPC-E-13-22
ITS WIND INTEGRATION RATES AND)	
CHARGES.)	ORDER NO. 33150
)	

On November 29, 2013, Idaho Power Company filed an Application with the Commission seeking to update its wind integration rates and charges. The case was processed by Modified Procedure through the use of comments and reply. By this Order, the Commission approves updated wind integration rates and charges as more fully set out below.

BACKGROUND

Idaho Power reports rapid growth in wind generation over the past several years. Idaho Power maintains that it currently manages a total of 678 megawatts (MW) of wind generation capacity on its system – 577 MW of capacity are provided by Public Utility Regulatory Policies Act (PURPA) projects and an additional 101 MW of wind generation capacity is provided by a non-PURPA project (Elkhorn Valley Wind Farm). Idaho Power states that 505 MW of its total wind generation capacity has been added to the Company’s system during 2010, 2011 and 2012.

Idaho Power’s Application maintains that due to the variable and intermittent nature of wind generation the Company must modify its system operations to successfully integrate wind projects without impacting system reliability. Idaho Power explains 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 wind generation. 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 that this results in higher power supply costs that are subsequently passed on to customers.

Idaho Power asserts that its capability to integrate wind generation is nearing its limit. The Company maintains that, even at the current level of wind generation capacity penetration, dispatchable thermal and hydro generators are not always capable of providing the balancing reserves necessary to integrate wind generation. Idaho Power states that this situation is

expected to worsen as wind penetration levels increase, particularly during periods of low customer demand.

Idaho Power maintains that the costs associated with wind integration are specific and unique for each individual electrical system based on the amount of wind being integrated and the other types of resources that are used to provide the necessary operating reserves. The Company explains that, in general terms, the cost of integrating wind generation increases as the amount of nameplate wind generation on the electrical system increases. Idaho Power asserts that the costs associated with wind integration are currently under-collected.

Wind integration costs are assessed on a percentage basis of various avoided cost rates. The Company states that the use of a percentage of avoided cost rates really has no relation to actual costs of the additional reserves necessary to integrate variable and intermittent resources on the system. Idaho Power further maintains that setting the amount of wind integration charge for the entire duration of the power sales agreement assures further under-collection of integration costs as those costs rise. The under-collection from existing wind QFs results in an additional allocation to new wind QFs.

The Company's Application discusses three separate methods by which wind integration costs could be accounted for in avoided cost rates.

- 1) Maintaining current allocation;
- 2) Current allocation with an integration tariff; and
- 3) Equitable allocation of costs.

The Company's Application proposes two overall changes, which have been incorporated into each of the three methods offered above, to address the collection of wind integration costs. Change one abandons the use of percentage of avoided cost rate allocation and instead allocates a fixed amount based upon penetration level. Change two decouples the wind integration charge from the avoided cost rate contained in the power sales agreement and instead has wind integration costs assessed as a stand-alone tariff charge.

PROCEDURAL HISTORY

A Notice of Application was issued on December 31, 2013, allowing 21 days for intervention. Idaho Winds, LLC; Snake River Alliance; Cold Springs Windfarm, LLC; Desert Meadow Windfarm, LLC; Hammett Hill Windfarm, LLC; Mainline Windfarm, LLC; Ryegrass Windfarm, LLC; Two Ponds Windfarm, LLC; Renewable Northwest Project; America Wind

Energy Association; Cassia Windfarm, LLC; Hot Springs Windfarm, LLC; Bennett Creek Windfarm, LLC; Cassia Gulch Wind Park, LLC; Tuana Springs Energy, LLC; High Mesa Energy, LLC; Rockland Wind Farm, LLC; Idaho Wind Partners I, LLC; and Meadow Creek Project Company, LLC, petitioned for, and were granted, intervention. A Notice of Parties was issued on January 31, 2014.

Twelve intervenors¹ (all qualifying facilities “QFs”) represented by the firm of Richardson Adams filed a Motion to Dismiss on January 31, 2014 (hereafter, “Petitioners”). Petitioners argued that federal preemption principles should apply that would prohibit the Commission from considering the Application of Idaho Power. On February 7, 2014, pursuant to Rule of Procedure 256.04, the remaining Intervenors² filed motions in response to the Motion to Dismiss. Idaho Power filed an Answer to the Motion to Dismiss and additional motions on February 21, 2014. The Petitioners filed a Reply to Idaho Power’s Answer on February 28, 2014.

The Commission issued Order No. 33030 on April 30, 2014, denying Petitioners’ Motion to Dismiss. The Commission stated that “[a] Commission proceeding commenced to consider a request by a utility to update its wind integration rates and charges does not conflict with federal statutes.” Order No. 33030 at 7. However, we clarified that “any Commission approved modifications to Idaho Power’s wind integration rates and charges will apply only prospectively – to new contracts as they are entered into by the parties and submitted to the Commission for approval.” *Id.* at 8.

The Commission allowed parties 14 days to withdraw as intervenors if any party believed that, based on its ruling in Order No. 33030, the intervenor no longer had a direct and substantial interest in the underlying proceeding. Several parties withdrew from the case. An Amended Notice of Parties was issued on May 20, 2014. Thereafter, the parties proposed, and the Commission adopted a procedural schedule that included an opportunity for settlement discussions. Order No. 33054.

¹ Cold Springs Windfarm, LLC; Desert Meadow Windfarm, LLC; Hammett Hill Windfarm, LLC; Mainline Windfarm, LLC; Ryegrass Windfarm, LLC; Two Ponds Windfarm, LLC; Cassia Wind Farm, LLC; Hot Springs Windfarm, LLC; Bennett Creek Windfarm, LLC; Cassia Gulch Wind Park, LLC; Tuana Springs Energy, LLC; and High Mesa Energy, LLC.

² American Wind Energy Association; Idaho Wind Partners I, LLC; Idaho Winds, LLC; Renewable Northwest Project; Rockland Wind Farms, LLC; Snake River Alliance; and Meadow Creek Project Company, LLC.

Although the parties were unable to resolve their differing positions during settlement negotiations, the parties requested additional time for discovery and comment in order to develop a more thorough record. The Commission approved the amended schedule which allowed for supplementary comments and supplementary reply. Order No. 33075.

COMMENTS

Commission Staff

Based upon the results of Idaho Power's 2013 updated wind integration study, Staff believes that the costs currently being assessed for wind integration no longer represent the actual costs to integrate wind and should be revised. Staff explained that the current method of computing wind integration costs as a percentage of avoided costs, and the \$6.50 per MWh cap, were outcomes of negotiation and compromise in a settlement process. The current integration costs and the method under which they are applied were never expected to be a precise quantification of the costs, but instead were intended to represent a reasonable approximation of costs that are somewhat difficult to determine. Consequently, Staff supports establishing wind integration charges at specific dollar figures that increase with wind penetration level.

Staff stated that integration costs will invariably change over time as a variety of other changes occur. Integration costs will likely increase as more intermittent resources are added to the utility's system, as fuel costs increase, and as electric market prices increase. On the other hand, downward pressure on integration costs will occur as forecasting improves, as shorter real-time markets develop (e.g., intra-hour trading, 15-minute scheduling, 5-minute dispatch), as energy imbalance markets develop, and as new technologies evolve, including energy storage. Staff admitted that not only is it difficult to accurately determine integration costs now, but it is even more difficult to predict what those costs may be over the duration of a 20-year PURPA contract.

Idaho Power's first proposed method to implement integration charges maintains the existing structure but only updates the rates and penetration levels. Under this method the Company proposes that the integration charges be set based on the assumption that all incremental integration costs be recovered from new wind projects. Staff supports this proposal because it maintains the use of three tiers and specifies costs within each tier rather than percentages of avoided cost rates. The primary advantage to this proposal is that it would provide certainty to wind project developers because integration charges would remain fixed

throughout the duration of the contract. The primary disadvantage to this approach, however, is that new projects would bear an increasingly larger share of integration costs because as intermittent energy is added to the utility's system, without the aid of new technology and/or storage options, the costs to integrate wind sharply increase. However, Staff believes that applying an increasing burden for each wind project that comes online is reasonable because the intermittent energy produced creates an increasing burden for the utility. Staff believes that new projects should be responsible for the full incremental cost of integration.

The second alternative method proposed by Idaho Power—Current Allocation with Integration Tariff—is a slight modification to the first method. Under this method, rather than embedding the integration charges as part of the avoided cost prices in the contract rates, as is currently done, the Company would implement a new integration charge tariff which would identify the integration charges at the respective levels, separately from the power sales agreement. Under this method, the current deduction of \$6.50/MWh would be used until total nameplate wind generation reached 700 MW. Once 700 MW is reached, the wind integration charge would be increased to \$6.89/MWh. Subsequent increases would occur as each incremental 100 MW of wind generation is added. Staff believes that the primary benefit to a tariff-based integration charge is that it would allow integration charges to be changed over time as the costs of integration change. However, making integration charges subject to change over the course of a long-term contract, while it may more accurately reflect actual integration charges, presents uncertainty that Staff believes QFs would find unacceptable.

The third method proposed by Idaho Power —Equitable Allocation of Costs—would spread the integration costs equitably across all PURPA wind generators. In this way, all wind generators would be sharing equitably in the current costs of integrating wind onto the Company's system. Staff believes that the Commission's decision in Order No. 33030 would preclude this method from being adopted.

Renewable Northwest and American Wind Energy Association

Renewable Northwest and American Wind Energy Association (AWEA) (collectively “Intervenors”) filed joint comments. The Intervenors’ comments focus on what they describe as “fundamental flaws” in Idaho Power’s 2013 wind integration study. Comments at 3. “The primary shortcomings of the 2013 study are that it does not accurately portray Idaho Power’s actual operating procedures or best practices by (1) using the day-ahead wind forecast error

instead of the hour-ahead forecast error in calculating the reserve requirement for wind; and (2) calculating reserve requirements based on the outdated assumption that reserves accommodate wind variability on a stand-alone basis, when in reality, grid operators balance the deviations of net load (load minus wind and other generation).” *Id.* The Intervenors contend that Idaho Power’s methodological errors result in an incremental reserve requirement that is three times greater than what is actually necessary.

The Intervenors noted that Idaho Power’s 2007 wind study relied on hour-ahead forecast errors and netted the variability of load, wind and conventional generation. Renewable Northwest and AWEA oppose the use of day-ahead forecasting in the 2013 study. The Intervenors describe hour-ahead wind forecasts as “inherently more accurate” than day-ahead forecasts. *Id.* at 5. “Indeed, it is a well-established scientific fact that wind energy forecast error is greatly reduced as one moves closer to real-time, as one would expect for any forecast.” *Id.* The Intervenors maintained that the effect of using day-ahead forecasts “is to greatly inflate the amount and cost of balancing reserves needed to integrate wind.” *Id.* at 7.

Renewable Northwest and AWEA agree that Idaho Power must set up its system a day ahead to be able to provide sufficient balancing reserves to manage the hourly forecasting error from wind and load, “but that is not the same thing as needing to determine the hour-by-hour wind schedules a day in advance of real time and hold reserves based on that larger forecast error.” *Id.* at 10. The Intervenors contended that unit commitment decisions based on day-ahead forecasts do not equate to a requirement to hold a fixed amount of balancing reserves based on the day-ahead forecast. The Intervenors maintained that “the common practice in utility wind integration studies (and for most Northwest utilities) is to determine the maximum (90th percentile) amount of hour-ahead balancing reserves needed (based on a 45-, 30-, 15-, or 10-minute-ahead persistence forecast) and hold that amount every hour of the year.” *Id.* Renewable Northwest and AWEA state that this approach would reduce costs significantly and is consistent with Idaho Power’s approach in its 2007 wind study.

The Intervenors argued that another primary source of error in Idaho Power’s 2013 wind study is the study’s failure to account for the netting between the forecasting/scheduling errors of load and wind – especially considering the deviations of other generators. The Intervenors go so far as to state that “all wind integration studies that reflect best practices in the field calculate reserves based on net load (load minus wind), as it is widely understood that

calculating reserves for wind alone results in an incorrect answer.” *Id.* at 13. Renewable Northwest and AWEA also maintained FERC has stated that a failure to account for net load results in an incorrect calculation of total reserve needs.

Finally, the Intervenors state that wind integration costs are largely caused by obsolete grid operating practices. They argue that regions with efficient grid operating practices see much smaller integration costs. “Wind integration rates and charges should be going down to reflect the efficiency improvements resulting from [Idaho Power’s] forecasting tool and other operation tools available to the Company.” *Id.* at 18. “Because integration costs are largely caused by outdated grid operating practices, it is unreasonable to allocate these costs to wind generators.” *Id.* at 17.

The Intervenors advocate use of the 2007 wind study for guidance in this case because of the “methodological errors” in Idaho Power’s 2013 study. Renewable Northwest and AWEA believe that \$5.30/MWh is a reasonable integration cost for Idaho Power and is consistent with what other transmission providers in the region have calculated. *Id.* at 19. At a minimum, the Intervenors encourage the Commission to refrain from approving Idaho Power’s proposed wind integration rates and charges until the Company revises its 2013 wind study.

Idaho Power Reply

On reply, Idaho Power proposed a new tariff – Schedule 87, Intermittent Generation Integration Charges. The charges set forth in Schedule 87 are the amounts to be deducted from avoided cost rates each year, beginning in the year the project comes on-line and based on the nameplate capacity of installed wind generation at the scheduled operation date of the proposed new project. Each penetration level (for each 100 MW increment of wind penetration) has its own table clearly identified and set forth in Schedule 87 and discloses both the levelized integration charge as well as the non-levelized stream of integration charge amounts listed by year. As with published avoided cost rates, the scheduled operation date for the proposed generation project is used as the starting point in the table and each yearly amount through the term of the proposed contract is set out. Idaho Power explained that these amounts would be included in the PURPA energy sales agreement for a new project and would remain as set forth in that agreement for the entire term. The cost of wind integration increases as the penetration level of wind increases on the system.

In response to the comments of Renewable Northwest and AWEA, Idaho Power maintained that it is precisely the experience that the Company has gained since the 2007 wind study “that specifically informed the Company’s conscious decisions to change to the day-ahead wind forecast and to not net the reserve requirements of load and wind in its 2013 study.” Reply at 11. Idaho Power pointed out that “AWEA admittedly advocated for general policy considerations for integration studies on the whole, and from a national perspective.” *Id.* Idaho Power argued that the decision about how to conduct a proper wind integration study is not a one-size-fits-all endeavor that works for every utility across the country. The Company stated that because its wind is PURPA generation, Idaho Power does not have the operational flexibility that it might have with non-PURPA wind. “Because the PURPA generation is a designated network resource to serve load on the Company’s system, and the Company must accept delivery whenever it is delivered by QF projects, the decisions must be made about the designation/undesignation of Idaho Power’s other resources in order to keep the system balanced and reliably serving load. These decisions incur costs.” *Id.*

Idaho Power explained that it consciously chose to use day-ahead wind forecast data and to not use net load and wind reserves. The Company stated that this was done primarily because it is reflective of Idaho Power’s actual operations. “Because of the non-liquidity in hour-ahead and real-time markets that exist in Idaho Power’s region and to which Idaho Power has access to, the Company is not able to reliably recover these sunk day-ahead costs as it balances its system in real time.” *Id.* at 12.

Idaho Power maintained that Renewable Northwest and AWEA’s objections to the wind study methodology might be fair criticisms of studies in general and from a nationwide perspective, but they are without merit as it pertains to the use of day-ahead forecast data and the netting of reserves for Idaho Power because of the way costs are actually incurred in the operation of Idaho Power’s system on a day-ahead basis.

SUPPLEMENTARY COMMENTS

Commission Staff

Staff reviewed the calculations performed by Idaho Power to translate the incremental wind integration charges from the 2013 wind study into the proposed Schedule 87 tariff. In its computations, the Company assumed a 3 percent inflation rate to convert real into nominal charges, and applied a discount rate of 6.7 percent to levelize the charges. In response to Staff

production requests, Idaho Power states that both of these rates were chosen because they were the percentage rates used in the 2013 Integrated Resource Plan. Staff believes that use of a 3 percent inflation rate is reasonable. However, Staff recommended that the Company use a discount rate consistent with that used for levelizing avoided cost rates computed in the Surrogate Avoided Resource (SAR) methodology – currently that rate is 8.18 percent. These rates are comparable to, but slightly lower than those proposed by Idaho Power in its Schedule 87.

Staff supports the tariff-based approach proposed by Idaho Power in its reply comments. Staff believes that incremental increases in wind integration charges as wind penetration levels increase is reasonable. Staff further supports the proposal that once integration charges are set forth in an agreement, the charges remain unchanged for the term of the agreement. Staff further recommended that Idaho Power be expected to periodically conduct new wind integration studies as electric markets, technologies and operating practices evolve, and to update its wind integration charges accordingly as they are contained in any approved tariffs such as Schedule 87.

Renewable Northwest and American Wind Energy Association

The Intervenors maintain that the majority of costs identified in Idaho Power’s 2013 wind study are not wind integration costs, but rather costs associated with remarketing must-take PURPA energy when the utility is surplus on energy. As such, Renewable Northwest and AWEA contend that these costs should be included in the Company’s avoided cost methodology. “A true ‘wind integration study’ would not use the methodologies employed in the Company’s 2013 Study and would instead focus on the within-hour balancing needs of the net load and wind variability.” Intervenor Supplementary Comments at 2. The Intervenors admit that all power systems are unique, but they dispute that unique circumstances on a given system would warrant abandonment of standard statistical analysis and industry standards on wind integration analysis. They further disagree that the system circumstances described by Idaho Power translate to costs that are inherently attributable to the costs of integrating wind energy.

The Intervenors argue that the avoided cost methodology already produces an hourly forecast and an hourly avoided cost value for every MWh of energy integrated into Idaho Power’s system for the life of the project. Therefore, Renewable Northwest and AWEA contend that there is no evidence to suggest the AURORA model’s hour-by-hour avoided cost calculation

does not already capture the costs that Idaho Power characterizes as day-ahead forecasting error costs in the 2013 study.

Idaho Power's treatment of these day-ahead costs in its 2013 Study methodology is incorrect from a wind integration perspective, but in the context of excess must-take PURPA energy, we understand that Idaho Power may have difficulty remarketing surplus PURPA energy on a day-ahead basis. If the Company believes the AURORA model does not capture all the costs associated with excess must-take PURPA energy when the utility is surplus, it should reexamine and adjust the avoided cost methodology.

Id. at 4.

The Intervenors dispute Idaho Power's explanation of not netting its load and wind forecasts. "Idaho Power and other utilities already integrate hundreds of thousands of different loads on a daily basis, each with unique properties for variability and uncertainty." *Id.* at 11. The Intervenors argue that Idaho Power could easily follow the standard practice employed by every other utility and use basic statistical techniques to combine sources of variability and uncertainty that have different normally distributed shapes to determine the optimal reserve levels.

Finally, the Intervenors expressed concern about application of Idaho Power's 2013 wind study beyond the PURPA context. Renewable Northwest and AWEA also recommended that the Commission require regular updates to the Company's wind integration studies to ensure that the most current data and methodologies are being used.

Idaho Power Reply

On reply, Idaho Power accepted Staff's recommendation to use a discount rate of 8.8 percent instead of 6.7 percent – consistent with the levelization of published avoided cost rates. The Company also reiterated its explanation of Renewable Northwest/AWEA's objections to the methodologies used in the 2013 wind study. Idaho Power stated that the Intervenors' comments "not only demonstrate a lack of understanding of Public Utility Regulatory Policies Act of 1978 (PURPA), but also a lack of understanding of what the Company's request is in this case." Idaho Power's Supplementary Reply at 8.

First, Idaho Power stated that its Application for wind integration charges is limited to PURPA QF generators. Second, the Company argued that a QF is responsible for paying the costs caused by its generation because the Company is required to integrate the variable and intermittent generation that the QF provides. Idaho Power asserted that "[t]he 2013 Study

identifies costs associated with the modified operation of Idaho Power's system because of the must-take addition of PURPA generation, which is not scheduled, not dispatchable, and is delivered in any amount at any time and in any quantity that the QF chooses." *Id.* at 10.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power, 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. FERC regulations grant the states latitude in implementing the regulation of sales and purchases between QFs and electric utilities. *See Federal Energy Regulatory Commission v. Mississippi*, 456 U.S. 742, 102 S.Ct. 2126, 72 L.Ed.2d 532 (1982).

The Commission has reviewed the record in this case, including Idaho Power's Application and testimony, initial comments and reply, and supplemental comments and reply filed by the parties. This Commission has already recognized that "the costs of wind integration are real, not illusory. A wind integration adjustment recognizes that variable wind generation presents operational integration costs to a utility that are different from other PURPA qualified resources." Order No. 30488 at 12. Consequently, it is not a matter of whether a wind integration charge is appropriate, but rather, what costs reasonably represent Idaho Power's additional operational efforts to balance out wind's intermittent, must-take generation.

Renewable Northwest and AWEA seem to acknowledge that there are additional costs associated with must-take PURPA wind energy, but the Intervenor resist classifying the costs as integration costs. We find that if a utility incurs additional operational costs as a result of having to balance intermittent, must-take PURPA generation, those costs are reasonably classified as integration costs. This finding is consistent with PURPA and FERC regulations that require avoided cost rates to be just and reasonable to the utility's ratepayers. 18 C.F.R. § 292.304(a)(1). It is also in accord with this Commission's position that PURPA transactions should not harm ratepayers. Order No. 32697 at 13.

The Intervenor urge the Commission to disregard the analysis provided by Idaho Power's 2013 wind study because (1) it utilizes day-ahead forecasts versus hour-ahead forecasts

and (2) the study does not account for netting of reserves associated with load and wind. Renewable Northwest and AWEA argue that these methodological errors were not present in the Company's 2007 study. Idaho Power admits that the methodology used in the 2013 study differs from the methodology of the 2007 study based on experience that the Company has gained since the 2007 study. Idaho Power explained that, at the time the 2007 study was accomplished, the Company had very little wind on its system. The Company maintains that knowledge gained over the past seven years about how to successfully integrate wind generation onto its system specifically led to the changes in methodology.

We find the methodology used in Idaho Power's 2013 wind study just and reasonable. Idaho Power makes decisions on a day-ahead basis regarding the designation/undesignation of its resources. However, despite the Company's day-ahead forecast, it is bound by a must-purchase obligation with regard to PURPA generation. To keep its system balanced and reliably serving load, the Company must make last-minute adjustments in order to accommodate the must-take PURPA generation. Adjustments are made and costs are incurred as a direct result of having to integrate the intermittent wind energy.

Indeed, upon approval of the current wind integration charges, the Commission recognized that "as experience and data increases, the ability to calculate wind integration costs will improve." Order No. 30488 at 13. We directed Idaho Power to monitor and regularly review its data and propose adjustments to wind integration rates and charges as warranted. We find that the changes in methodology between the Company's 2007 and 2013 wind studies are consistent with knowledge and experience acquired as Idaho Power learned to successfully integrate increasing amounts of wind on its system.

We find that the current mechanism for recovery of integration costs has resulted in under-collection of the actual costs required to integrate wind onto Idaho Power's system. We recognize that the previous method for determining integration charges was the result of compromise and settlement. The Commission accepted and approved a formula to calculate integration that loosely represented the actual costs of the additional reserves necessary to integrate a variable and intermittent resource. To be sure, the formula was approved without a full appreciation for the amount of PURPA wind generation that is currently under contract with Idaho Power.

We find use of the Company's proposed tariff schedule fair, just and reasonable. Schedule 87 charges illustrate the amounts to be deducted from avoided cost rates, beginning in the year the project comes on-line, based on the nameplate capacity of installed wind generation at the scheduled operation date of the proposed new project. If the project fails to come on-line as scheduled, integration charges should be adjusted accordingly. As might be expected, the cost of wind integration increases as the penetration level of wind on Idaho Power's system increases.

As part of a tariff schedule, the integration charges can be updated as integration costs change, as new studies are completed and as technologies improve. Staff recommended, and Idaho Power accepted, applying a discount rate of 8.18 percent to levelize the integration charges – as opposed to the 6.7 percent initially proposed by the Company. An 8.18 percent discount rate is consistent with the discount rate used for levelizing avoided cost rates under the SAR methodology. Consequently, we approve Idaho Power's proposed Schedule 87, utilizing a discount rate of 8.18 percent. We find that utilizing tariffed charges/rates as a decrement to the published avoided cost rate for wind QFs results in net rates that represent the full avoided cost of wind generation; rates that are fair, just, reasonable and in the public interest. 18 C.F.R. §§ 292.304.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Schedule 87 be approved, as more fully described herein.

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 10th
day of October 2014.



PAUL KJELLANDER, PRESIDENT

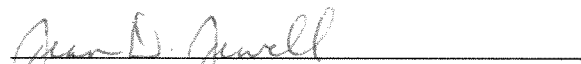


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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