Idaho Public Utilities Commission
Case No. IPC-E-13-22, Order No. 32961
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Idaho Power wants to change methods, amounts of integration charges wind developers pay

Idaho Power Company is asking state regulators to update the rates it can assess wind developers to account for the cost of integrating wind into its system. The utility also seeks to change the way wind integration charges are calculated.

Idaho Power claims its capability to integrate wind generation into its system is nearing its limit. Wind developers pay a wind integration charge because wind generation is variable and intermittent, which forces the utility to modify its system operations to ensure transmission grid reliability. The utility must provide operating reserves from other resources -- such as hydro or natural gas -- that can increase or decrease generation on short notice to offset changes in wind generation. The effect of having to use other resources as operating reserve restricts those same resources from being economically dispatched to their fullest capability, resulting in higher power supply costs passed on to customers, Idaho Power claims.

The rate that wind developers are paid by the utility is discounted by a certain percentage to account for wind integration. The discount varies depending on when each of Idaho Power's 28 wind projects came online, but it cannot exceed $6.50 per megawatt-hour. (For example, a wind generator who signed a power purchase agreement in 2008 qualified for the commission's published rate of $68.66 per MWh, but that rate is discounted 8 percent in wind integration charges. The wind developer is thus paid $63.17 per MWh.)

While the wind projects pay varying rates, all of them combined result in a discount of $3.42 per MWh, even though, Idaho Power claims its 2007 wind integration study shows a wind integration cost of $7.92 per MWh. Idaho Power has about 678 megawatts of wind capacity on its system now, 505 MW of that coming online since 2010.

"This rapid growth has led to the recognition that Idaho Power's finite capability of integrating wind generation is nearing its limit," the utility claims. "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. This situation is expected to worsen as wind penetration levels increase, particularly during levels of low customer demand."

In this application to the Idaho Public Utilities Commission, Idaho Power presents an updated wind integration study that, for all existing and new projects, shows a cost of $6.83 per MWh at 800 MW of penetration; $10.22 per MWh at 1,000 MW; and $14.22 per MWh at 1,200 MW. (The cost of integrating wind increases as the amount of wind generation on an electrical system increases.)

Idaho Power proposes one of three options. The first is to not change the existing structure for current wind contracts, but charge new projects $8.67 at 800 MW of penetration, $24 at 1,000 MW and $34.70 at 1,200 MW.

A second option would be to implement a new integration tariff that is separate from the power sales agreement. Idaho Power claims that the current practice of assessing an integration charge based on a percentage of the published rate results in various payments and an inequitable contribution to overall wind integration costs. Further, setting the wind integration charge for the duration of a power sales agreement (typically 20 years) ensures under-collection of integration costs as costs rise. Under this tariff option, the charge to new contracts would be $6.89 per MWh at 700 MW penetration, $8.67 at 800 MW and progressing to $34.70 per MWh at 1,200 MW or greater.

A third option is to spread integration costs equitably across all wind generators, which would affect existing contracts. That would significantly reduce the size of increase and not penalize new wind generation, Idaho Power asserts. For example, at 700 MW, the charge would be $6.56 per MWh, $6.83 per MWh at 800 MW and building up to $14.22 at 1,200 MW or greater.

Parties seeking to intervene in the case must file a petition to intervene by no later than Jan. 21. After the deadline for intervention has passed, a pre-hearing conference will be held to determine a schedule for the case, including any hearing dates and comment deadlines. To read the company's application go to the Commission Website at www.puc.idaho.gov and click on "Open Cases," under the Electric heading. Scroll down to Case No. IPC-E-13-22.

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