Idaho Public Utilities Commission
Case No. IPC-E-13-22, Order No. 33054
Contact: Gene Fadness (208) 334-0339, 890-2712
Website: www.puc.idaho.gov

Idaho Power seeks changes to amounts it pays small-power developers for wind generation

BOISE (June 20, 2014) – The Idaho Public Utilities Commission is taking comments regarding Idaho Power Company's application 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.

Parties to the case which include commission staff, Idaho Power and a number of wind and renewable energy groups are filing initial comments by July 2, which will likely be followed up by a settlement conference on July 9. Reply comments from the parties and also comments from the general public are accepted through July 22.

Idaho Power claims its capability to integrate wind generation into its system is nearing its limit. The utility has about 678 MW of wind capacity on its system now, 505 MW of that coming online since 2010.

The amount Idaho Power pays wind developers is currently discounted to account for expenses the utility incurs because wind generation is intermittent. That intermittency forces the utility to modify its system operations to ensure transmission grid reliability. Idaho Power must provide 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 amount Idaho Power discounts wind developers varies depending on when each of Idaho Power's 28 wind projects came online, but the wind integration charge cannot exceed $6.50 per megawatt-hour.

Idaho Power claims that the costs associated with wind integration are currently under-collected, passing on to customers costs that wind developers should pay. While the wind projects pay varying rates, all of them combined result in an average discount of about $3.42 per MWh, according to Idaho Power. That's significantly below a 2007 study the utility conducted that said wind integration costs are about $7.92 per MWh.

In this application, 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.)

The wind integration charge is calculated by using a percentage of the avoided-cost rate set by the commission. The avoided cost rate is the rate paid to renewable energy developers based on the cost the utility avoids by not having to generate the power itself or buy it from another source. However, Idaho Power is claiming that basing the integration charge on the avoided-cost rate has no relation to the actual costs of the additional reserves needed to integrate variable resources on its system. Instead, Idaho Power proposes a fixed integration amount based on wind penetration. That amount would be assessed as a stand-alone tariff charge and not be based on avoided-cost rates.

Idaho Power also claims that setting the wind integration charge for the entire duration of what is typically a 20-year contract results in an under-recovery of actual expense because integration costs increase over time.

Documents related to this case are on the commission's Website at www.puc.idaho.gov. Click on "Open Cases," under the Electric heading and scroll down to Case No. IPC-E-13-22. To file comments, click on "Case Comment Form," under the Electric heading and type in the above case number.

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