

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF IDAHO POWER</b> <b>COMPANY'S PETITION TO TEMPORARILY</b> <b>SUSPEND ITS PURPA OBLIGATION TO</b> <b>PURCHASE ENERGY GENERATED BY</b> <b>SOLAR-POWERED QUALIFYING</b> <b>FACILITIES (QFs)</b>	) ) ) ) ) ) )	<b>CASE NO. IPC-E-14-09</b>  <b>ORDER NO. 33078</b>
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On June 2, 2014, the Idaho Conservation League (ICL) filed a Petition requesting that the Commission "clarify" its final Order No. 33043 issued on May 28, 2014. In that final Order, the Commission denied Idaho Power Company's request to temporarily suspend the utility's obligation to purchase energy from solar-powered qualifying facilities (QFs) under the federal Public Utility Regulatory Policies Act (PURPA). In its Petition, ICL requested that the Commission clarify final Order No. 33043 by simply striking the sentence "We believe the benefits and value of solar generation are reflected in the solar avoided cost rates and not part of [sic] consideration when developing the costs of integrating solar [resources]." Petition at 1.

On June 9, 2014, Idaho Power filed an answer to ICL's Petition. The utility asked the Commission to deny the Petition and not remove the sentence. After reviewing the Petition and the answer, we clarify our Order but deny ICL's request to delete the sentence as set out in greater detail below.

### BACKGROUND

On May 13, 2014, Idaho Power filed a Petition requesting the Commission immediately issue an Order temporarily suspending the utility's obligation to purchase energy from solar-powered QFs under PURPA. In the alternative, Idaho Power requested the Commission require any subsequent solar power purchase agreements (PPAs) between a solar developer and Idaho Power "contain an appropriate solar integration charge." Petition at 1-2. The Commission issued a Notice of Petition and scheduled a public hearing on May 21, 2014. Order No. 33039. In response to the Notice, the Commission received about 30 written comments and testimony from 14 individuals at the public hearing. Order No. 33043 at 5.

On May 28, 2014, the Commission issued an Order denying Idaho Power's request to suspend its purchase obligation but partially granting and modifying Idaho Power's alternative request. The Commission directed "Idaho Power and its solar counterparties to negotiate solar

integration provisions in their PPAs. . . .” Order No. 33043 at 2. More specifically, the Commission found that the more “reasonable course of action . . . is for parties to consider and negotiate a solar integration provision in their PPAs.” *Id.* at 7. The Commission encouraged the negotiating parties to consider several possible options for including a solar integration provision in their PPAs.

The Commission’s Order also responded to the written comments and testimony that addressed the adoption of a solar integration charge.<sup>1</sup> In recognition and response to the testimony provided by the public, the Commission stated its belief that “the benefits and value of solar generation are reflected in the solar avoided cost rates and not part of the consideration when developing the costs of integrating solar resources” into the utility’s resource stack. *Id.* at 8. There were no Petitions for Reconsideration filed regarding final Order No. 33403.

### **PETITION FOR CLARIFICATION**

In its Petition for clarification, ICL requests the Commission simply strike the sentence “We believe the benefits and value of solar generation are reflected in the solar avoided cost rates and not part of [sic] consideration when developing the costs of integrating solar [resources].” Petition at 1. ICL generally asserts that the information contained in the statement “goes beyond the narrow issues before the Commission and . . . does not comport with the Commission’s description of the IRP methodology in Order No. 32976, GNR-E-11-03.” *Id.* The two issues raised by ICL are examined below.

1. Scope of Proceeding. ICL first maintains the subject sentence goes beyond the scope of the “two narrow questions,” that the Commission asked to be addressed in its public hearing Notice. In its Notice, the Commission asked: (1) should Idaho Power’s obligation to purchase power generated by solar QFs be temporarily suspended; or alternatively, (2) should the Commission direct Idaho Power to include a solar integration charge in its solar PPAs? Order Nos. 33039 at 2; 33043 at 1. The Notice stated that testimony and comments regarding the amount and “type of solar integration charge . . . will occur at a later date in a subsequent proceeding.” Order No. 33039 at 2; *see also* Order No. 33043 at 1.

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<sup>1</sup>‘Integration charge’ represents the utility’s increased costs of integrating an intermittent generating resource into its system and acts as a discount to reduce the avoided cost rate paid to QFs. Typically, intermittent resources cause a utility to operate its own dispatchable “resources differently in order to successfully integrate the intermittent QF power without compromising [the] reliability” of its own system. Order No. 33043 at 3.

ICL asserts that the Commission “specifically excluded consideration of ‘whether and what type of integration charge may be appropriate.’ By opining on the types of benefits and values to include or exclude from an integration charge, the Commission went beyond the scope of the narrow issues noticed for hearing in Order No. 33039.” Petition at 1 (citations omitted). While ICL concedes the sentence does not represent “a finding of fact,” it is “concerned that [the sentence] could be interpreted by some as precluding exploring that question in subsequent proceedings. Striking the sentence will avoid confusion and possible further litigation before the Commission.” Petition at 2.

In its answer to ICL’s Petition, Idaho Power acknowledges that the scope of the hearing was limited but observed that several witnesses made various statements addressing solar integration charges. Idaho Power maintains the testimony about solar integration charges “opened the door to [the solar integration] issue,” thus, it was appropriate for the Commission to respond to those comments. Answer at 2. Idaho Power also maintains that the subject sentence correctly portrays that the “benefits and value of solar generation are reflected in the solar avoided cost rates provided to solar projects.” Answer at 2.

***Commission Findings:*** We find ICL’s first argument to strike the sentence because it is beyond the scope of the proceeding unpersuasive. We agree with ICL and Idaho Power that the primary focus of the Commission’s public hearing was whether Idaho Power’s obligation to purchase power from solar QFs should be suspended. Our hearing notice specifically stated that the merits of a solar integration charge “will be the subject of a subsequent proceeding.” Order No. 33043 at 1. In addition, we requested that public witnesses at the hearing “limit your comments to the two issues [set out in the Order]. This is not the time and place where the Commission will be considering [solar integration charges].” Tr. at 2. Despite our attempts to limit the scope of the hearing, several commenters and witnesses discussed the issue of solar integration charges.

Having addressed solar integration charges, we found it appropriate to respond to the tenor of the comments. We simply observed that “[s]everal commenters and witnesses offered conflicting testimony about solar integration charges in general. In particular, some commenters and witnesses recognized that there are costs associated with integrating solar generation with the utility’s resources, and others said there were no costs or that the benefits outweighed the costs.” Order No. 33043 at 6. We were careful to not address “the merits of a specific

integration charge.” *Id.* at 7. Moreover as ICL acknowledges, the Commission made no specific findings regarding a solar integration charge. Petition at 2. Thus, we believe that it was reasonable for the Commission to respond to the statements concerning solar integration charges.

2. Is the sentence contrary to the IRP methodology? ICL next asserts that the subject sentence is inconsistent “with the Commission’s description of the IRP methodology in Order No. 32976, GNR-E-11-03.” Petition at 1. In December 2012, the Commission explained in the GNR-E-11-03 case, that the IRP methodology “recognizes the individual generation characteristics of each project by assessing when the QF is capable of delivering its resources against when the utility is most in need of such resources. We find that the resultant [avoided cost] pricing is reflective of the value of the QF energy being delivered to the utility.” Petition at 2 *quoting* Order No. 32697 at 20 (emphasis added); n.1. ICL asserts that the avoided cost rates “are clearly from the utility or systemic perspective and are not developed based on the characteristics of the QF.” Petition at 2. ICL also argues that avoided cost rates do not capture location and project specific attributes.

For its part, Idaho Power challenges ICL’s statement that avoided cost rates “do not reflect the value of the QF; they reflect the value of a generic avoided resource.” Answer at 3. Idaho Power maintains that this is simply not true under the IRP methodology. It argues that ICL “appears to be confusing the Surrogate Avoided Resource (SAR) published avoided cost rate methodology with the approved incremental cost IRP methodology applicable to all solar projects over 100 kilowatts.” *Id.* at 2-3.

Idaho Power explained that a proposed solar QF “receives a much higher avoided cost price than most other resource types. The value of the solar generation is reflected with the higher avoided cost rate paid to the project.” Answer at 3. Idaho Power maintains this is based upon two factors. First, solar generation is typically greater “when the Company needs [generation] most during summer peak and heavy load hours.” *Id.* Second, solar QFs naturally do not “provide generation during light load hours at night.” *Id.*

Idaho Power characterizes ICL’s main reason for wanting the sentence stricken as “a motivation to argue about purported additional benefits regarding integration that solar may provide. This motivation and rational is ironically the very thing that ICL objects to in the first place. . . .” Answer at 4. Idaho Power insists that nothing in the Commission’s Order, including the subject sentence, “precludes ICL from making such arguments in a future proceeding

addressing the solar integration charge.” *Id.* Idaho Power concludes that the sentence accurately portrays the fact the avoided cost pricing model assigns added value to a proposed solar project based upon the individual generation characteristics of that proposed project. Consequently, Idaho Power requests that ICL’s Petition be denied.

**Commission Findings:** After reviewing ICL’s Petition and our prior Order No. 32697 from our generic PURPA investigation, we do not find the subject sentence inconsistent with the prior Order. ICL maintains that avoided cost rates “are not developed based upon the characteristics of the QF.” Petition at 2. We disagree with this statement. Consistent with Order No. 32697, we believe the economic “value of solar generation [is] reflected in the solar avoided cost rates. . . .” By that we mean simply that the economic value of QF generation “is reflective of the value of the QF energy being delivered to the utility.” Order No. 32697 at 20. For example, Idaho Power’s avoided cost rates are lower for power delivered when the utility’s need for the power is lowest, and conversely rates are higher when the utility’s need for such energy is the greatest. In addition, intermittent solar QF generation has a higher value during heavy load hours (late afternoon in summer) than intermittent wind generation. For illustrative purposes, the following table of recently approved published avoided cost rates for various types of QF resources demonstrates this differential:

<b>Type of QF Generation</b>	<b>Levelized Avoided Cost Rate for 20-year Contract Beginning in 2014</b>
Wind	\$46.02
Solar	\$75.35
Non-seasonal Hydro	\$72.50
Seasonal Hydro (summer)	\$92.45

Source: Order No. 33041, IPCo Atch. 1-4.

As is evident, even SAR avoided cost rates distinguish the value of energy supplied to the utility based upon the type of QF generation.

More importantly, we expressly acknowledged in our final Order that this case was not about “addressing the merits of a specific integration charge.” Order No. 33043 at 7. Our Notice of Hearing and the final Order both recognize that the details of establishing a solar integration charge for Idaho Power “will be the subject of a subsequent proceeding.” Order No. 33039 at 2; Order No. 33043 at 1. Indeed, on July 1, 2014, Idaho Power filed an application to implement solar integration charges, Case No. IPC-E-14-18. The opportunity to address the merits of the appropriate solar integration charge is the new case. In summary, the important

point is that this case was about suspending Idaho Power's obligation to purchase – not determining the value of integration charges. Having clarified our prior Order, we deny ICL's request to delete the sentence.

**ORDER**

IT HEREBY ORDERED that Idaho Conservation League's Petition to Clarify final Order No. 33043 is partially granted as set out above. ICL's request to strike the subject sentence is denied.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21<sup>st</sup> day of July 2014.

  
PAUL KJELLANDER, PRESIDENT

  
MACK A. REDFORD, COMMISSIONER

  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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