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DONOVAN E. WALKER
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May 6, 2016

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-11
Update to Solar Integration Rates and Charges – Idaho Power Company's
Application and Testimony

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application.

Also enclosed for filing are nine (9) copies each of the Direct Testimony of Philip B. DeVol and Michael J. Youngblood. One copy of each of the aforementioned testimonies has been designated as the "Reporter's Copy." In addition, a disk containing Word versions of Mr. DeVol's and Mr. Youngblood's testimonies is enclosed for the Reporter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION TO UPDATE) CASE NO. IPC-E-16-11
SOLAR INTEGRATION RATES AND)
CHARGES.) APPLICATION
_____)

In accordance with RP 052, Idaho Power Company ("Idaho Power" or "Company") hereby respectfully requests the Idaho Public Utilities Commission ("Commission") authorize Idaho Power to update its solar integration rates and charges consistent with its completed 2016 solar integration study ("Study" or "2016 Solar Study").

In support of this Application, Idaho Power represents as follows:

I. INTRODUCTION

1. On February 11, 2015, the Commission approved a settlement stipulation ("Settlement Stipulation") which implemented solar integration rates and charges for Idaho Power based upon the Company's 2014 solar integration study, its first solar integration study. Case No. IPC-E-14-18, Order No. 33227. The solar integration rates

and charges were set forth in a new tariff Schedule 87, Variable Generation Integration Charges, at the incremental cost of solar integration for each 100 megawatts (“MW”) of solar nameplate penetration. The Settlement Stipulation acknowledged that there were disagreements with respect to the methodology used in the 2014 solar integration study, and that Idaho Power would initiate a second solar integration study, to be completed as expeditiously as possible with the goal of not exceeding 12 months. Settlement Stipulation, p. 3. The Settlement Stipulation provides guidance regarding the conduct of the second solar integration study and sets forth a list of issues for consideration in that study. *Id.*, pp. 3-4. The Settlement Stipulation states that the second solar integration study should utilize a Technical Review Committee (“TRC”), and anticipated the participation of commission Staff from both the Idaho Public Utilities Commission and the Public Utility Commission of Oregon, the appropriate personnel from Idaho Power, and a technical expert designated by each of the parties to the Settlement Stipulation. *Id.*, p. 3.

2. Idaho Power initiated the first communications to parties for the 2016 Solar Study in January 2015, following the execution of the Settlement Stipulation by the parties. The process for the 2016 Study started with formation of the TRC. Subsequent to the Commission’s February 11, 2015, approval of the Settlement Stipulation, the TRC was selected and a kick-off phone conference was held on March 6, 2015. The intervening parties from the Settlement Stipulation (Idaho Conservation League, Sierra Club, and Snake River Alliance) requested the participation of Cameron Yourkowski, Renewable Northwest, and Michael Milligan, National Renewable Energy Laboratory (“NREL”), on the TRC. Idaho Power requested the participation of Brian Johnson, University of Idaho; Clint Kalich, Avista Utilities; and Kurt Myers, Idaho

National Laboratory. Rick Sterling from the Idaho Public Utilities Commission and Brittany Andrus and John Crider from the Public Utility Commission of Oregon participated as observers throughout the process of the 2016 Study and the TRC activities. During the 2016 Study, Barbara O'Neill became the NREL representative on the TRC. However, NREL funding did not permit its active TRC participation through the entire process, although Idaho Power continued to include NREL on electronic correspondence through study completion. A TRC Study Plan ("Study Plan") was developed and finalized by May 28, 2015, and the Study was subsequently conducted during the remainder of 2015 according to that Study Plan. The Study Plan is found in the Appendix to the 2016 Solar Integration Study Report ("2016 Study Report") at page 44. The TRC was involved from the outset and throughout the entire process of developing the Study Report. Prior to finalizing the Study Report, the TRC was provided with a draft report for its review and comment.

II. 2016 SOLAR INTEGRATION STUDY AND REPORT

3. In support of its Application, Idaho Power presents its current 2016 Study Report as Attachment 1 to this Application. The Direct Testimony of Philip B. DeVol, filed contemporaneously with this Application, discusses the 2016 Study and development of the Study Report. The 2016 Study was initiated in January 2015 and the Study Report was completed in April 2016.

4. 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, the average cost of integrating solar generation increases as the amount of nameplate solar generation on the electrical system

increases. Failure to calculate and properly allocate solar integration costs to solar Public Utility Regulatory Policies Act of 1978 (“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.

5. As stated in Mr. DeVol’s testimony, the 2016 Study determined solar integration costs for four solar build-out scenarios at installed capacities of 400 MW, 800 MW, 1,200 MW, and 1,600 MW. Idaho Power currently has 320 MW of solar generation under contract to be on-line by the end of 2016. The Study utilized geographically dispersed build-out scenarios with solar generation located across the Company’s service territory at Parma, Murphy Flats, Boise, Grand View, Orchard, Bliss, Twin Falls, and Aberdeen. Pages 3 through 6 of the 2016 Study Report provide additional information regarding the build-out scenarios. The 2016 Study Report shows the solar integration costs as indicated in the following tables:

**Average Integration Cost Per MWh
(2016 dollars)**

Build-out Scenarios	0-400 MW	0-800 MW	0-1,200 MW	0-1,600 MW
Integration Cost	\$0.27	\$0.57	\$0.69	\$0.85

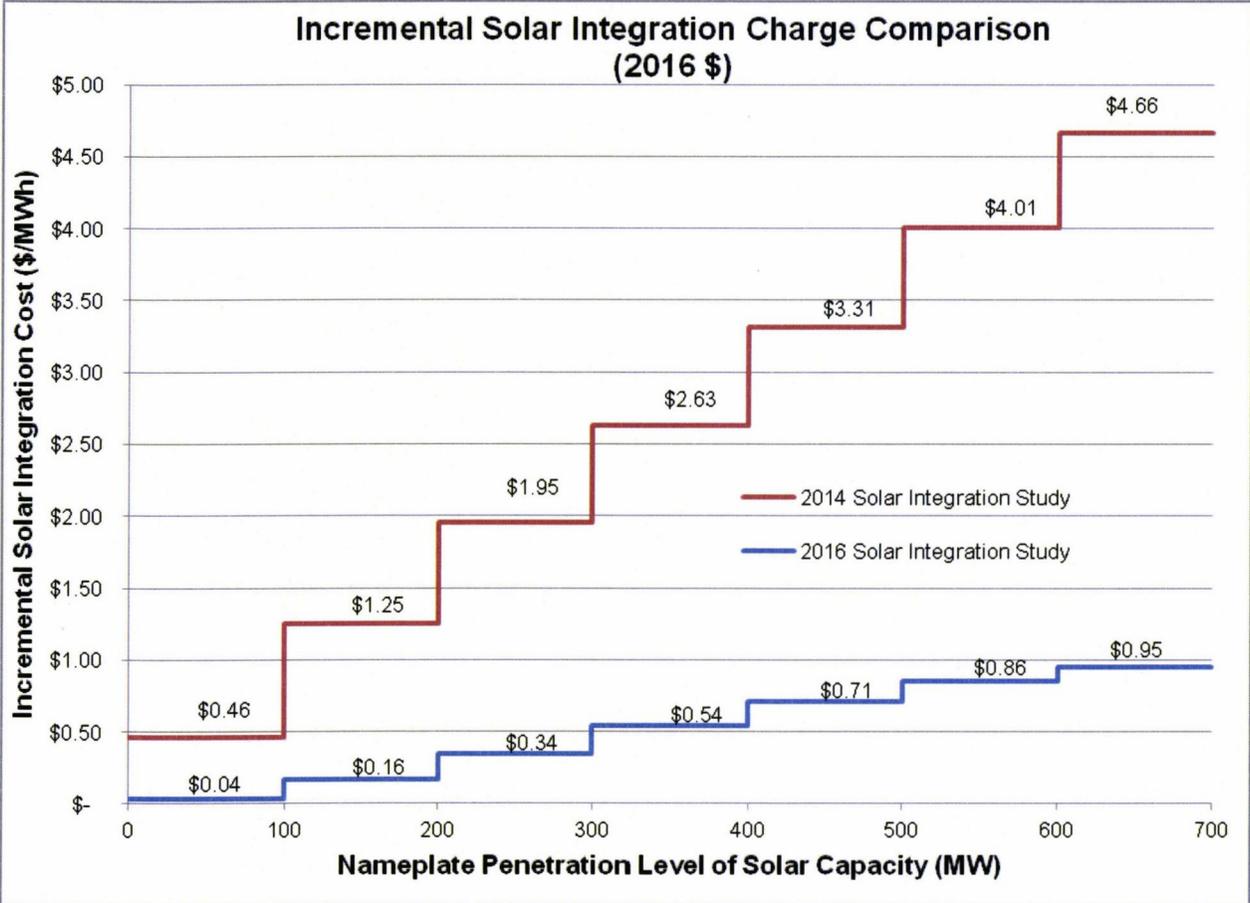
**Incremental Integration Cost Per MWh
(2016 dollars)**

Penetration Level	0-400 MW	400-800 MW	800-1,200 MW	1,200-1,600 MW
Integration Cost	\$0.27	\$0.88	\$0.92	\$1.31

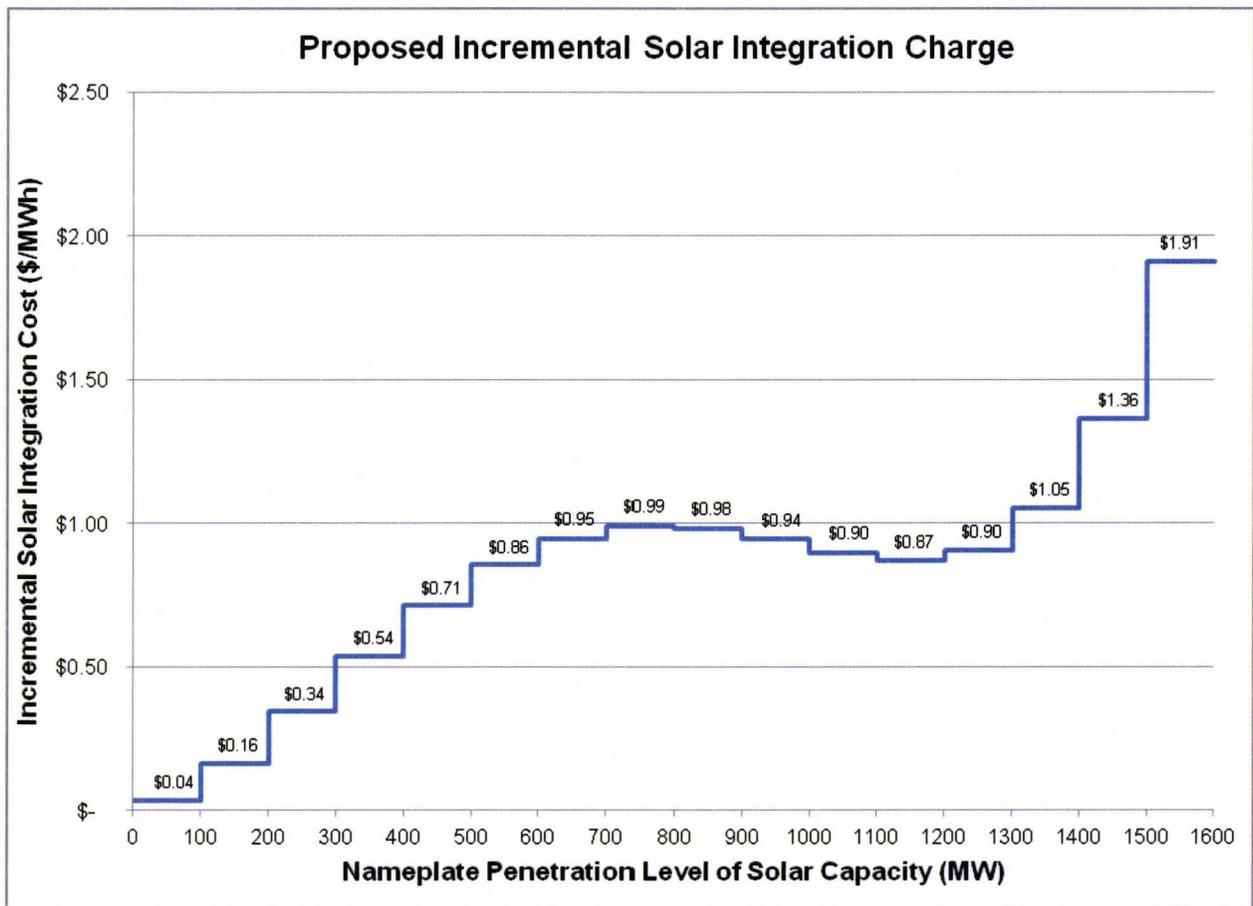
III. IMPLEMENTATION OF SOLAR INTEGRATION CHARGES

6. The Direct Testimony of Michael J. Youngblood, filed contemporaneously with this Application, sets forth the Company’s request and proposal to update solar

integration rates and charges based upon the costs identified in the 2016 Solar Study. Idaho Power presents updated incremental integration costs at each 100 MW of solar generation penetration, as currently set forth in Schedule 87, extending out to 1,600 MW. The updated solar integration charges from the 2016 Study, along with the corresponding solar integration charges currently in effect from the 2014 solar integration study, are illustrated in the following graph:



As can be seen above, the results of the 2016 Study are substantially less than those of the 2014 solar integration study. The 100 MW incremental cost of solar integration out to the highest penetration contained in the 2016 Study (1,600 MW) is depicted on the following chart:



7. Exhibit No. 4 to the Direct Testimony of Michael J. Youngblood contains 16 tables which would replace the tables in the current Schedule 87, Sheets 87-9 through 87-15, and would create new Sheets 87-16 through 87-24. The charges set forth in Schedule 87 are the amounts to be deducted from avoided cost rates, beginning in the year the project comes on-line, and based on the nameplate capacity penetration level of solar generation at the scheduled operation date of the proposed project. The integration charges set forth in Schedule 87 are formatted to appear in the same format as that used by the Commission to post published avoided cost rates. Each penetration level (each 100 MW increment) 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. Just like 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 accordingly. Idaho Power proposes that the solar integration costs in Schedule 87, Variable Generation Integration Charges, be updated to the corresponding values set forth in Mr. Youngblood's Exhibit No. 4 out to 1,600 MW of penetration, as identified by the 2016 Solar Study.

IV. MODIFIED PROCEDURE

8. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* Idaho Power has contemporaneously filed the Direct Testimony of Philip B. DeVol and the Direct Testimony of Michael J. Youngblood in support of this Application. Should the Commission determine that a technical hearing is required, the Company stands ready to present the testimony at hearing in support of this Application.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

9. Communications and service of pleadings with reference to this Application should be sent to the following:

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Regulatory Dockets
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Michael J. Youngblood
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VI. REQUEST FOR RELIEF

10. As described in greater detail above, Idaho Power respectfully requests that the Commission issue an order updating the Company's solar integration rates and charges as set forth in Schedule 87, Variable Generation Integration Charges, as indicated by the 2016 Solar Study presented herewith.

DATED at Boise, Idaho, this 6th day of May 2016.



DONOVAN E. WALKER
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-16-11

IDAHO POWER COMPANY

ATTACHMENT 1

2016 SOLAR INTEGRATION STUDY REPORT