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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Idaho Power Company

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) REPLY COMMENTS OF
) IDAHO POWER COMPANY
)

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to the comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), and the joint comments filed by the Idaho Conservation League and Renewable Northwest ("ICL/RN") on June 30, 2016. In these Reply Comments, Idaho Power will address recommendations made by Staff and correct some assumptions and recommendations made by ICL/RN.

I. INTRODUCTION

On May 6, 2016, Idaho Power filed its Application with the Commission requesting the Commission authorize Idaho Power to update its solar integration rates and charges consistent with its completed 2016 Solar Integration Study Report ("Study")

or “2016 Solar Study”). In support of its Application, Idaho Power presented its 2016 Solar Study and the Direct Testimonies of Philip B. DeVol and Michael J. Youngblood. The Company asked that its Application be processed by Modified Procedure.

On June 2, 2016, the Commission issued Order No. 33530 ordering the Application be processed by Modified Procedure, with written comments due no later than June 30, 2016, and reply comments by Idaho Power, if any, due July 7, 2016.

On June 8, 2016, the Idaho Conservation League petitioned to intervene, which the Commission granted on June 21, 2016, in Order No. 33544.

On June 30, 2016, comments in this matter were submitted by Staff and ICL/RN.

II. REPLY COMMENTS

A. Staff Comments and Recommendations.

Idaho Power appreciates Staff’s analysis and recommendations and agrees, in particular, with Staff’s recommendation to approve the solar integration charges as proposed by Idaho Power in its Schedule 87. The Company also agrees with Staff’s recommendation that clarifying language be added to Schedule 87 in order to:

1. Clarify that the tariff rates will be included in qualifying facility contracts at the time those contracts are executed and, once added, shall remain unchanged in the contract for its duration. Subsequent changes to the tariff rates only apply to new contracts at the time those contracts are executed.

2. Clarify that the tariff rates will be applied to all Public Utility Regulatory Policies Act of 1978 (PURPA) contracts, both Surrogate Avoided Resource (SAR)-based and Integrated Resource Plan (“IRP”)-based.

The Company’s proposed revision of Schedule 87, Sheet No. 1, is attached and includes the Company’s proposed clarifying language.

B. ICL/RN Comments and Recommendations.

Idaho Power also agrees with ICL/RN's recommendation that the Commission adopt Schedule 87. However, the Company does not agree with ICL/RN's recommendation to develop an average cost approach rather than the incremental cost approach presented by the Company. The Company also does not agree with ICL/RN's recommendation to expand on the Energy Imbalance Market ("EIM") sensitivity with a complete review in the 2017 IRP or the recommendation to apply the improved methodology and analysis used in the 2016 Solar Study to update the wind integration study. These issues are discussed below.

1. Average Cost Approach Versus Incremental Cost Approach.

On page 2 of their Comments, ICL/RN recommend using an average integration cost approach based on the cumulative nameplate solar and to apply an equal cost to each operating project. ICL/RN state that "applying an average integration rate to all projects is more fair and accurate." ICL/RN Comments p. 2. They acknowledge that as new projects join the system, there would be a change in the average integration cost, which would result in an update to all operating projects. ICL/RN also recognize that adopting a full average integration cost approach may not be feasible at this time, based on their understanding of existing power purchase contracts and the fact that the Commission would have to reopen those contracts to adjust the integration charge.

The Company does not agree with ICL/RN's recommendation to use an average integration cost approach in setting the solar integration rates. The Company continues to advocate that the incremental integration cost approach proposed by the Company is more appropriate.

The 2016 Solar Study determines an average integration cost per megawatt-hour (“MWh”) for each of the solar build-out scenarios. In fact, Table 9 on page 21 of the Study shows the average integration costs, in 2016 dollars. If the Commission were to use an average integration cost per MWh for all solar contracts, the average cost per MWh for all projects up to the 1,600 megawatts (“MW”) build-out level would be \$0.85 per MWh. This average cost approach would mean that earlier projects would pay more in integration costs than what the Company actually incurs in order to integrate the intermittent resource and that projects coming on at higher levels of solar penetration would pay less than the costs incurred to integrate the additional intermittent resource.

If the average cost of integration shown on Table 9 were broken down into smaller segments, the average cost of integration would be less for the earlier projects coming on-line at lower penetration levels and higher for later projects at higher penetration levels. Table 10 on page 22 of the Study shows the average cost per 400 MW block for each of the solar build-out scenarios. The integration costs for each of these blocks are averaged across the 400 MW block. The Company uses these benchmark numbers to develop even smaller average blocks and the 100 MW incremental integration costs proposed by the Company. As shown in Exhibit No. 1 of Mr. Youngblood’s Direct Testimony, both the average dollars per MWh and the incremental dollars per MWh recover the same amount of integration costs from the intermittent resource. However, with the costs being allocated on an incremental basis, the individual costs per MWh are more closely aligned with the cause of those costs; thus, the initial generation is assigned a lower cost than the later generation, which is more costly to integrate.

The Company recommends the Commission adopt the incremental pricing as proposed by the Company in Schedule 87, which uses the same incremental cost methodology as is currently included in Schedule 87, both for solar and wind integration costs.

2. EIM Sensitivity Review in the 2017 IRP.

ICL/RN recommend the Commission instruct Idaho Power to expand on EIM sensitivity with a complete review in the 2017 IRP of the costs and benefits of joining the EIM.

The California Independent System Operator and Idaho Power have signed an agreement for the Company to participate in the western EIM beginning April 2018, contingent upon necessary regulatory approvals. Idaho Power believes it is appropriate to provide the Commission with timely information regarding potential benefits of EIM participation; however, the Company does not believe the recommended cost-benefit analysis should be included in the 2017 IRP or evaluated within the context of the IRP process. While EIM participation will ultimately impact the dispatch of the Company's resources, the evaluation of the costs and benefits of participation is not directly related to the long-term resource plan of the IRP. As noted in the 2016 Solar Study on page 22, the Study did incorporate an EIM sensitivity analysis. The Study recognized both: (1) the potential benefit of wholesale energy market trading on a 15-minute window instead of hourly to potentially reduce required operating reserves and thus integration costs and (2) the fact that the contemplated EIMs are not expected to trade capacity products (i.e., operating reserves) and thus the potential capability to satisfy all or part of the INC/DEC reserve requirements through EIM participation is not anticipated. Any benefit or cost associated with EIM participation as related to integration costs of

intermittent resources would be more appropriately included in future integration cost studies, not the IRP planning process.

3. Apply Solar Integration Study Methodology to New Wind Study.

ICL/RN recommend the Commission direct the Company to apply the improved methodology and analysis used in the 2016 Solar Study to update the wind integration study. The Company disagrees with this recommendation.

The Company discusses the comparison of solar integration to wind integration within the Study itself. The Study states that the lower integration costs associated with solar are fundamentally the result of less variability and uncertainty and the related effect on operating reserve requirements arising because of the lesser variability and uncertainty exhibited by solar. On page 23, the Study states:

Compared to wind, system operators managing a balancing authority integrating solar would have the benefit of at least 6 hours at the start of day with no or little solar production. During this period of no or little solar production, system operators could evaluate the day-ahead solar production forecast using information from updated weather forecast products and begin to plan for necessary actions to manage deviations from the day-ahead solar production forecast.

Qualitatively, the Study data suggests solar is more predictable than wind generation connected to Idaho Power's system. Sunrise and sunset times, as well as the time of solar noon, are a certainty. The theoretical maximum level of production can be readily derived, reflecting patterns on daily, monthly, and seasonal time scales. In addition, land requirements for a solar power plant are likely to promote a relatively high level of dispersion, which is critical to the mitigation of impacts from severe and abrupt ramps in production exhibited by individual panels in response to passing clouds.

While the Company continually strives to develop the best and most appropriate analysis possible, and incorporates new techniques and lessons learned from previous

studies, the assumption that the techniques used in the 2016 Solar Study are appropriate for a wind integration study is not correct. The Company does not recommend the Commission direct the Company to apply the improved methodology and analysis used in the 2016 Solar Study to update the wind integration study.

III. CONCLUSION

Idaho Power agrees with Staff's and ICL/RN's recommendation that the Commission approve the solar integration charges as proposed by Idaho Power in its Schedule 87, including Staff's recommendation for clarifying language. The Company's proposed revision of Schedule 87, Sheet No. 1, is attached and includes the Company's proposed clarifying language.

The Commission should reject ICL/RN's recommendation to develop an average cost approach to apply to new solar projects and retain the existing and more equitable incremental cost distribution for every 100 MW of solar penetration. The Commission should also reject ICL/RN's recommendations to expand EIM sensitivity in the 2017 IRP and to apply the 2016 Solar Study methodology and analysis to update the wind integration study.

Idaho Power respectfully requests the Commission authorize Idaho Power to update its solar integration rates and charges consistent with its completed 2016 Solar Integration Study Report and as set forth in the proposed Schedule 87.

DATED at Boise, Idaho, this 7th day of July 2016.



DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 7th day of July 2016 I served a true and correct copy of the REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

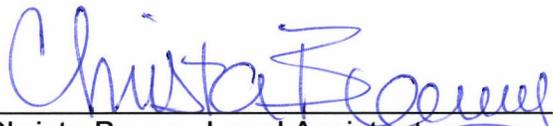
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Christa Bearry, Legal Assistant

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-16-11

IDAHO POWER COMPANY

ATTACHMENT 1

SCHEDULE 87, SHEET NO. 1

SCHEDULE 87
INTERMITTENT GENERATION INTEGRATION CHARGES

APPLICABILITY

This schedule is applicable to all qualifying facility ("QF") generators interconnected to the Company that have generation of an intermittent nature, such as wind and solar generation. The initial charges within this schedule are to be assessed to intermittent generation based upon the total nameplate capacity of a specific type of intermittent generation interconnected to the Company's system.

The appropriate charges within this schedule will be included in all QF contracts, both published and negotiated, at the time those contracts are executed and, once added, shall remain unchanged in the contract for its duration. Subsequent changes to the charges within this schedule will only apply to new QF contracts at the time those contracts are executed.

PART 1 – WIND INTEGRATION CHARGES

The following tables are applicable to all QF wind generation contracts that come online after October 10, 2014:

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