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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)	
PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-09-07
POWER FOR AN ORDER REVISING THE)	
WIND INTEGRATION RATE FOR WIND-)	
POWERED SMALL POWER GENERATION)	COMMENTS OF THE
QUALIFYING FACILITIES)	COMMISSION STAFF
)	
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Petition, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on September 23, 2009 submits the following comments.

BACKGROUND

On September 11, 2009, PacifiCorp dba Rocky Mountain Power filed a Petition with the Idaho Public Utilities Commission (Commission) for an Order increasing the published avoided cost wind integration rate from \$5.10 to \$9.96 per MWh. Avoided cost rates are the purchase price paid to qualifying small power production facilities (QFs) for purchases of QF capacity and

energy.¹ The wind integration rate is an amount that is subtracted from the published avoided cost rates to account for the utility's cost of integrating intermittent wind generation. The proposed change will be applicable to purchases by Rocky Mountain Power of electric power from wind-powered QFs with Idaho contracts and points of delivery, except in those circumstances where the QF developer agrees in the power purchase agreement to deliver QF output to Rocky Mountain Power on a firm hourly schedule.

STAFF ANALYSIS

History of Wind Integration Charges

The issue of wind integration costs first arose in 2005 when Idaho Power Company filed a Petition with the Commission requesting a temporary suspension of Idaho Power's obligation under PURPA to enter into new contracts with QFs pending an investigation of the impacts of adding substantial amounts of wind-powered generation projects to the utility's system. (IPC-E-05-22). Based on the record developed in that case, the Commission found reason to believe that wind generation presents operational integration costs to a utility different from other PURPA qualified resources. Further, the Commission found that the unique supply characteristics of wind generation and the related integration costs provide a basis for adjustment to the published avoided cost rates, a calculated figure that may be different for each regulated utility. Reference Order No. 29839.

Further proceedings in that docket were ordered to determine the appropriate amount of adjustment and the identification of what studies, if any, needed to be performed to provide such a number. PacifiCorp and Avista were directed to participate in those proceedings. In accordance with the Commission's directive, four workshops and one settlement meeting were conducted over the next six months to try to develop consensus on some of the issues. The parties were unsuccessful in reaching mutual agreement on interim settlement issues. No further meetings were scheduled pending completion of wind integration studies by the three utilities.

In early 2007, nearly two years after the original docket was opened, PacifiCorp, Idaho Power, and Avista completed their respective wind integration studies and filed petitions recommending utility-specific wind integration adjustments to the published avoided-cost rates.

¹ Reference Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA) and the implementing regulations of the Federal Energy Regulatory Commission (FERC).

In Case No. IPC-E-07-03, Idaho Power proposed a wind integration adjustment of \$10.72/MWh. Later, in a Report Addendum filed with the Commission, Idaho Power presented an updated wind integration cost of \$7.92/MWh. Avista filed a similar Petition in Case No. AVU-E-07-02 proposing a wind integration adjustment to published avoided cost rates of 12 percent; and for QFs agreeing to deliver output on a firm hourly schedule, a percentage reduction of 6 percent. PacifiCorp, in Case No. PAC-E-07-07, proposed a wind integration adjustment of \$5.04/MWh.

PacifiCorp's Settlement Stipulation

In the wind integration cases for all three utilities, separate Settlement Stipulations were developed and submitted to the Commission for approval. The Settlement Stipulation approved for PacifiCorp in Order No. 30497 provided the following with regard to establishment of a wind integration charge:

Settlement Stipulation ¶ 3

- (a) [PacifiCorp's] published avoided-cost rates for Wind QFs will be adjusted to recognize an assumed cost of integrating the energy generated by Wind QFs as a part of the Company's generating resource portfolio. The integration charge will be equivalent to the calculated cost of wind integration on a per MWh provided in the Company's most recent Commission-acknowledged Integrated Resource Plan (IRP) . . . the estimated cost of wind integration in the 2007 IRP . . . is \$5.10/MWh. **[PacifiCorp] shall hereafter file notice with the Commission of any changes to its wind integration charge as reflected in subsequent changes to its IRP.** The integration charge will remain fixed throughout the term of the contract and will be applied as a decrement to the applicable published rate. (emphasis added)

The term "applicable published rate" means the applicable avoided-cost rate approved by the IPUC and updated periodically for purchases of power from QFs producing less than 10 aMW, for the relevant contract year and time period of energy generation.

- (c) **[PacifiCorp] will review its expected cost of wind integration in light of the best available scientific data and actual operating experience. Expected wind integration cost information will be included in the Company's integrated resource planning (IRP) process in the same way that costs for other generating resources are included in the IRP.** (emphasis added)

- (d) **[PacifiCorp] currently provides public input meetings for its IRP assumptions. Idaho wind developers will be notified as part of the public meeting process and can contribute their input at those meetings to discuss PacifiCorp's wind integration study and new data related to wind integration costs prior to the publishing of the Company's next (2009) IRP. (emphasis added)**

In accordance with the terms of the Settlement Stipulation, PacifiCorp has updated its study of wind integration costs as part of the development of its 2009 IRP. Rocky Mountain Power submits as Exhibit A to its Petition, an excerpt from PacifiCorp's 2009 IRP Appendix F – "Wind Integration Costs and Capacity Planning Contributions" in which PacifiCorp provides a description of the methodology used and the results derived from PacifiCorp's analysis of the wind integration cost issue. The Company's 2009 IRP wind integration cost analysis identifies its wind integration cost to be in the range of \$9.96 to \$11.85 per MWh depending on what assumption is used regarding the future cost of CO2 compliance.

The Company filed its 2009 IRP with the Commission on May 29, 2009 in Case No. PAC-E-09-06. A Notice of the Company's IRP filing was issued on June 24, 2009; the deadline for filing written comments was July 31, 2009. Commission Staff was the only party to file comments. Notably, no other party submitted comments regarding the wind integration appendix of the Company's IRP. On September 15, 2009, the Commission issued an acceptance and acknowledgement of the Company's 2009 IRP filing.

Throughout the development of its 2009 IRP, PacifiCorp conducted public input meetings just as it has done for past IRPs. However, Appendix F, the wind integration costs study, was not discussed in any of the public input meetings because it was not completed until just before the IRP was finalized and submitted to the Commission for approval. Nonetheless, on August 31, 2009, three months after the IRP was filed with the Commission, PacifiCorp conducted a public meeting to describe its wind integration study and to accept comments from interested parties. All of the interested parties in Case No. PAC-E-07-07, the Company's initial wind integration docket, were invited to participate. Staff participated in the meeting by telephone, but notes that few of the parties in Case No. PAC-E-07-07 participated.

Several participants in the meeting expressed concerns with some of the assumptions and analysis methods used by PacifiCorp in computing its wind integration costs. PacifiCorp, however, believes that its assumptions were reasonable and its analysis accurate, and stands by

the wind integration costs presented in the 2009 IRP. Nevertheless, the Company did agree to reexamine its assumptions and analysis in future studies as more information becomes available and better analysis techniques are developed.

Idaho Power's and Avista's Settlement Stipulations

Although the Settlement Stipulations of Idaho Power and Avista in their respective wind integration cases were very similar to PacifiCorp's, they differed on one key aspect. Unlike PacifiCorp's Stipulation that includes a fixed wind integration charge of \$5.10/MWh, Idaho Power's and Avista's Settlement Stipulations contain wind integration charges that are stated as a percentage of the published avoided cost rates. The percentage ranges from 7 percent to 9 percent and is based on three "tiers" representing levels of wind generation development on each utility's system. Most importantly, however, is the fact that Idaho Power's and Avista's wind integration charges are subject to a cap of \$6.50/MWh. Based on the avoided cost rates currently in place, the wind integration charges for Idaho Power and Avista range from about \$4.30/MWh to the maximum cap of \$6.50 depending on details of the specific contract.

PacifiCorp's Proposed Wind Integration Charge

The \$9.96/MWh wind integration cost proposed by PacifiCorp in this case is nearly double the \$5.10/MWh cost currently in place. In addition, it is significantly higher than the \$6.50 wind integration charge cap imposed on Idaho Power and Avista.

On the other hand, the \$9.96 is in the same general range as the wind integration costs identified in Idaho Power's and Avista's wind integration studies. Moreover, more recent studies completed by Portland General Electric and BPA also computed wind integration costs in a range closer to those in PacifiCorp's recent study.

Staff believes that PacifiCorp's most recent wind integration study is probably more accurate than its initial study. Furthermore, Staff believes that actual wind integration costs are likely greater than the \$5.10 currently in place for PacifiCorp. At the same time however, Staff acknowledges that there is still much uncertainty about the results of various wind integration studies, that wind integration costs are likely different for each utility, and that the results of various wind integration studies are not necessarily comparable. In addition, Staff is aware that there are regional efforts underway that may eventually decrease wind integration costs, but

conversely, that wind integration costs may increase as greater amounts of wind are added to utilities' systems.

In any case, Staff believes that some increase in PacifiCorp's wind integration charge is warranted based on the study described in its 2009 IRP, but that the wind integration charge should not be increased to \$9.96/MWh as requested by the Company. Although Staff is not suggesting that PacifiCorp's proposed wind integration cost is inaccurate, we do believe that the wind integration charge for PacifiCorp should be fairly close to the charges approved for Idaho Power and Avista. The charge proposed by PacifiCorp is in the same range as the charges initially proposed by Idaho Power and Avista, yet the charges ultimately adopted for Idaho Power and Avista were substantially below both companies' initial proposals. The current wind integration charges for all three utilities, including the caps of \$6.50/MWh for Idaho Power and Avista, were based on Settlement Stipulations developed after many months of contentious negotiations. Even then, not all parties could agree. In Staff's opinion, it would be unlikely that interested parties could agree on a negotiated wind integration charge based on PacifiCorp's most recent study, and that any attempt to reach consensus amongst interested parties could drag on for months.

In addition, there is currently an open docket (Case No. GNR-E-09-03) involving all three utilities in which the reasonableness of continuing to use a gas-fired combined cycle combustion turbine as the basis for computing avoided cost rates is being examined. One possible outcome of the case is that a wind SAR could be adopted, making determination of wind integration charges unnecessary.

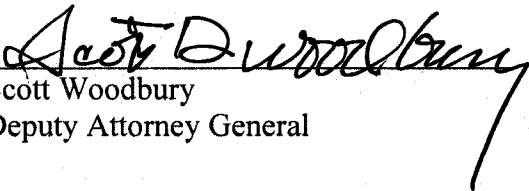
Because of the uncertainty associated with computation of wind integration costs, the contentiousness and delay likely if agreement of interested parties is sought, the possibility that determination of wind integration costs may not be necessary in the future, and for consistency with other utilities, Staff proposes that the Commission approve a wind integration charge for PacifiCorp of \$6.50/MWh, the cap currently applied to Idaho Power and Avista.

RECOMMENDATIONS

Staff recommends that the Commission not approve PacifiCorp's request to increase its wind integration charge from \$5.10/MWh to \$9.96/MWh. Instead, Staff recommends that the Commission approve a wind integration charge for PacifiCorp of \$6.50/MWh. A wind

integration charge of \$6.50/MWh is consistent with the cap for Idaho Power and Avista that was established through extensive negotiation between interested parties.

Respectfully submitted this 30th day of October 2009.


Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 30TH DAY OF OCTOBER 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-09-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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