

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER TO APPROVE OR) **CASE NO. IPC-E-17-08**
REJECT ITS ENERGY SALES AGREEMENT)
WITH SHINGLE CREEK LLC FOR THE)
SALE AND PURCHASE OF ELECTRIC)
ENERGY FROM THE SHINGLE CREEK) **ORDER NO. 33814**
HYDRO PROJECT)

On May 17, 2017, Idaho Power Company filed an Application asking the Commission to approve or reject its Energy Sales Agreement with Shingle Creek LLC. The Agreement falls under the Public Utility Regulatory Policies Act of 1978 (PURPA), and is a contract for the sale of electric energy purchased by Idaho Power, and generated by Shingle Creek’s hydro project (“Facility”) near Riggins, Idaho. The Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33774. Commission Staff filed the only comments in the case, and the Company did not reply. The Commission now approves the Application.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from “qualifying facilities” (QFs) at rates approved by this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The purchase or “avoided cost” rate shall not exceed the “‘incremental cost’ to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source.” Order No. 32697 at 7, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6) (defining “avoided cost”).

The Commission has established two methods of calculating avoided cost, depending on the size of the QF project: (1) the surrogate avoided resource (SAR) methodology, and (2) the integrated resource plan (IRP) methodology. *See* Order No. 32697 at 7-8. The Commission uses the SAR methodology—which applies to the Facility in this case—to establish “published” avoided cost rates. *Id.* Published rates are available for wind and solar QFs with a design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10 average megawatts (aMW). *Id.* Here, the Facility is a QF under the “all other resource type” (specifically “non-seasonal hydro”) category. Application at 2.

In calculating avoided cost, the Commission has found it “reasonable, appropriate and in the public interest to compensate QFs separately based on a calculation of not only the energy they produce, but the capacity that they can provide to the purchasing utility.” Order No. 32697 at 16. In calculating capacity, the Commission considers “each utility’s capacity deficiency based on load and resource balances found in each utility’s IRP,” as well as “a QF’s ability to contribute to a utility’s need for capacity.” *Id.* at 16, 21.

THE AGREEMENT

Idaho Power and Shingle Creek first entered a PURPA agreement in 1982. Application at 2. That contract is set to expire July 31, 2017. *Id.* The Agreement is a new contract entered into by Idaho Power and Shingle Creek on May 8, 2017. *Id.* Under the Agreement’s terms, Shingle Creek elected to contract with Idaho Power for a five-year term using the non-levelized, non-seasonal, hydro published avoided cost rates, as established by the Commission (Order No. 33538) for replacement contracts and energy deliveries of less than 10 aMW. *Id.* at 3-4.

The nameplate rating of the Facility is 222 kilowatts (kW), and Shingle Creek agreed it will not exceed 10 aMW on a monthly basis. *Id.* at 4. The Facility “is already interconnected and selling energy to Idaho Power.” *Id.* Nonetheless, the Agreement specifies its Scheduled First Energy Date and Scheduled Operation Date as August 1, 2017. *Id.* The terms and provisions of the Agreement include that “applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to [Shingle Creek].” *Id.* at 5. Also, PURPA QF generation “must be designated as a network resource (“DNR”) to serve Idaho Power’s retail load on its system.” *Id.*

Under the Agreement, to maintain DNR status, “there must be a power purchase agreement associated with [the Facility’s] transmission service request in order to maintain compliance with Idaho Power’s non-discriminatory administration of its Open Access Transmission Tariff and maintains compliance with [Federal Energy Regulatory Commission] FERC requirements.” *Id.* The Agreement states it will not become effective “until the Commission has approved all of [its] terms and conditions and declared that all payments Idaho Power makes to Shingle Creek for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.* at 5.

STAFF COMMENTS

Upon its review, Staff confirmed that the proposed rates are correct, and that all other terms and conditions in the proposed Agreement are consistent with prior Commission Orders. Staff recommended that the Commission approve the Agreement and find that all payments from Idaho Power to Shingle Creek for the purchase of energy from the Facility be allowed as prudently incurred expenses for ratemaking purposes.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power, an electric utility, and the issues raised in this matter under the authority and power granted it under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and Federal Energy Regulatory Commission (FERC) regulations to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules.

The Commission has reviewed the record, including the Application and Agreement, and the comments and recommendations of Commission Staff. We find that the Shingle Creek hydro project is qualified to receive the non-levelized, non-seasonal, hydro published avoided cost rates in the Agreement. We further find that the proposed Agreement contains acceptable contract provisions consistent with PURPA, FERC regulations, and this Commission's prior Orders. We find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER

IT IS HEREBY ORDERED that the May 8, 2017 Energy Sales Agreement between Idaho Power Company and Shingle Creek for a five-year term is approved without change or condition. We further declare that all payments made by Idaho Power to Shingle Creek for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this
day of July 2017.

14th



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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