

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER TO APPROVE OR) CASE NO. IPC-E-17-14
REJECT ITS ENERGY SALES)
AGREEMENT WITH SHOROCK HYDRO,) ORDER NO. 33949
INC., FOR THE SALE AND PURCHASE OF)
ELECTRIC ENERGY FROM THE ROCK)
CREEK 1 HYDRO PROJECT)
_____)**

On September 28, 2017, Idaho Power Company applied to the Commission to approve or reject its Energy Sales Agreement with Shorock Hydro, Inc. (Shorock) under the Public Utility Regulatory Policies Act of 1978 (PURPA). The Agreement replaces a contract executed in 1981, and is for the sale of electric energy to Idaho Power from Shorock’s Rock Creek 1 Hydro project (“Facility”) near Twin Falls, Idaho. Application at 2-3. Idaho Power requested a final Commission decision before January 15, 2018, when the existing contract expires. *Id.* at 6.

The Commission issued a Notice of Application and Notice of Modified Procedure on October 12, 2017. Order No. 33912. Renewable Energy Coalition petitioned to intervene, to which the Company opposed. Shorock and the Company filed a stipulated motion, requesting a new comment schedule, and agreeing Shorock would initiate a separate case to address disputed issues in the Agreement. The Commission granted the motion and issued an amended schedule. Order No. 33918. Renewable Energy Coalition then withdrew its petition to intervene. Staff filed the only comments in the case, and Idaho Power 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 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.* In this case, the Facility is a QF under the “all other resource type” (specifically “non-seasonal hydro”) category. Application at 3-4.

In calculating avoided cost, the Commission 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 Shorock entered the Agreement on September 25, 2017. Application at 3-4. Under the Agreement, Shorock elected to contract with Idaho Power for a 20-year term using the non-levelized, non-seasonal, hydro published avoided cost rates, as established by the Commission (Order No. 33773) for replacement contracts and energy deliveries of less than 10 aMW. *Id.* at 4.

The Facility’s nameplate rating is 2,166 kW, and Shorock agreed not to exceed 10 aMW per month. *Id.* at 5. The Facility “is already interconnected and selling energy to Idaho Power” under the existing contract. *Id.* The Agreement specifies a Scheduled First Energy Date and Scheduled Operation Date of January 16, 2018. *Id.* The Agreement’s terms include that “applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to [Shorock].” *Id.* Also, PURPA QF generation “must be designated as a network resource (DNR) to serve Idaho Power’s retail load on its system.” *Id.* at 5-6.

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 (OATT) and maintain compliance with [Federal Energy Regulatory Commission] requirements.” *Id.* at 6. The Agreement provides that 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 [Shorock] for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.*

Shorock objected to the Company’s proposed inclusion in the Agreement of: (1) “90%/110%” provisions (relating to surplus energy); and (2) provisions relating to Operation and Maintenance (O&M) charges in the Generator Interconnection Agreement. *Id.* at 2. However, Shorock and Idaho Power submitted that the Agreement is fully executed, and they agreed that Shorock will file a separate case in which it will argue its objections to the Commission. Stipulation at 3. Shorock and Idaho Power stipulated that this Agreement will be subject to and conditioned on the Commission’s eventual determination of the 90%/110% and O&M provisions in that case. *Id.* Shorock and Idaho Power further stipulated they will be bound by the 90%/110% and O&M provisions in the Agreement until the Commission makes such a future determination that may change those provisions. *Id.*

STAFF COMMENTS

Staff reviewed the proposed rates and confirmed they are correct, and that the proposed Agreement is otherwise consistent with prior Commission orders. Staff thus recommended that the Commission approve the Agreement, and declare that Idaho Power’s payments to Shorock for energy from the Rock Creek 1 Hydro Project will 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, Agreement, and Commission Staff’s comments and recommendations. We find the Shorock hydro project is qualified to receive the non-levelized, non-seasonal, hydro published avoided cost rates

contained 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

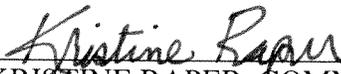
IT IS HEREBY ORDERED that the Agreement between Idaho Power and Shorock for a 20-year term is approved without change or condition. We further declare that Idaho Power's payments to Shorock for energy from the Rock Creek 1 Hydro Project will be allowed as prudently incurred expenses for ratemaking purposes.

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 13th day of December 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

I:\Legal\ORDERS\UPCE1714_djh3.doc