

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-19-36
APPROVAL OR REJECTION OF AN)
ENERGY SALES AGREEMENT WITH)
SOUTH FORKS JOINT VENTURE, FOR) ORDER NO. 34574
THE SALE AND PURCHASE OF ELECTRIC)
ENERGY FROM THE LOW LINE CANAL)
HYDRO PROJECT)
)

On December 9, 2019, Idaho Power Company (“Idaho Power” or “Company”) applied for Commission approval of its Energy Sales Agreement (“ESA”) with South Forks Joint Venture (“South Forks” or “Seller”) for the Low Line Canal hydro project (“Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

On January 13, 2020, the Commission issued its Notice of Application and Notice of Modified Procedure. Order No. 34527. The Commission Staff (“Staff”) filed written comments on February 3, 2020, and was the only party to do so. The Company did not file reply comments.

Having reviewed the record, the Commission enters this Order approving the Company’s Application.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from QFs at purchase or "avoided cost" rates approved by the Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The Commission has established two methods for calculating avoided costs, depending on the size of the QF project: (1) the surrogate avoided resource (“SAR”) methodology, used to establish "published" avoided cost rates; and (2) the integrated resource plan (“IRP”) methodology, to calculate avoided cost rates for projects exceeding published rate limits. *See* Order No. 32697 at 7-22. Published rates are available for wind and solar QFs with a design capacity of up to 100 kilowatts (“kW”), and QFs of other resource types with a design capacity of up to 10 average megawatts (“aMW”). *Id.*; *see also* 18 C.F.R. § 292.304(c).

THE APPLICATION

The Facility owned by South Forks is an 8,200 kilowatt (“kW”) nameplate capacity hydroelectric facility near Gooding, Idaho. *Application* at 1. The Facility currently delivers energy to the Company under a PURPA energy sales agreement executed June 8, 1984. *Id.* at 2. This previous energy sales agreement expires on April 30, 2020. *Id.* The Company and South Forks intend the proposed ESA to replace the expiring energy sales agreement. The Company states the proposed ESA complies with Commission orders regarding this type of agreement. *Id.* at 2. The Company asks the Commission to process the Application before the current energy sales agreement expires. *Id.* at 6.

In the proposed ESA, South Forks has contracted for non-levelized, seasonal hydro published avoided cost rates as set by the Commission in Order No. 34350 for a 20-year term. *Id.* at 4. Because this is a replacement ESA, it contains capacity payments for the entire term of the Agreement. *Id.* at 3. The Company requests its Application be processed by Modified Procedure. *Id.* at 6.

STAFF COMMENTS

Staff recommends approval of the proposed ESA between Idaho Power and the Seller. Staff’s recommendation is based upon its review of the ESA, which was focused on: (1) the 90/110 rule with a five-day advanced notice for adjusting Estimated Net Energy Amounts; (2) eligibility for and the amount of capacity payments; (3) verification of non-levelized, seasonal hydro status; and (4) adherence to the capacity size threshold to qualify for published rates. *Staff Comments* at 2.

Staff verified that the 90/110 provision is included in the ESA. *Id.* Staff also noted the ESA adopted a five-day advance notice for adjusting Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. *Id.* Staff also verified that South Forks is being paid for capacity at the end of the original contract, and thus the proposed avoided cost rates include capacity payments for the full term of the replacement contract. *Id.* at 3.

Staff reviewed the avoided cost rates contained in the ESA. *Id.* Staff noted that except for a mistake in a price that falls outside the term of the ESA all other rates within the term of the ESA are correct. *Id.* Finally, Staff verified the Facility’s 8,200 kW nameplate capacity produces less than 10 aMW every month under normal or average conditions. *Id.* at 1. Accordingly, Staff verified the Facility is eligible for published avoided cost rates. *Id.*

Based on the foregoing, Staff recommended the Commission approve the ESA. *Id.* Staff also recommends the Commission declare Idaho Power's payments to the Seller for the purchase of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission also has authority under PURPA and Federal Energy Regulatory Commission (“FERC”) regulations to set avoided cost rates, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Application, the ESA, and the comments of Staff. Based on our review, we find it reasonable to approve the ESA because it contains Commission-approved terms that the Facility is eligible for based on its characteristics such as fuel source, project size, generation output profile, and renewal contract status. The Commission also finds that the prices listed in Appendix F of the ESA for the year of 2041 have no effect because they fall outside the 20-year term of the ESA that is approved by this Order. The parties to the ESA should correct Appendix F to reflect only prices for the 20-year term. We also find that the Company’s payments for purchases of energy and capacity under the ESA are prudently incurred expenses for ratemaking purposes.

ORDER

IT IS HEREBY ORDERED that the ESA between Idaho Power and South Forks is approved, effective on the service date of this Order.

IT IS FURTHER ORDERED that all payments made by Idaho Power for purchases of energy and capacity under the ESA are allowed as prudently incurred expenses for ratemaking purposes.

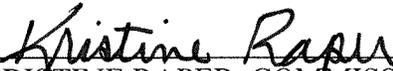
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about any matter

decided in 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 6th day of March 2020.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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