

RECEIVED

2020 SEP -3 PM 2: 50

IDAHO PUBLIC  
UTILITIES COMMISSION

**DONOVAN WALKER**  
Lead Counsel  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

September 3, 2020

**VIA ELECTRONIC FILING**

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Boulevard  
Building 8, Suite 201-A  
Boise, Idaho 83714

Re: Case No. IPC-E-20-02  
Idaho Power Company's Petition to Establish Avoided Cost Rates and Terms  
for Energy Storage Qualifying Facilities under PURPA

Dear Ms. Noriyuki:

Attached for electronic filing in the above matter is Idaho Power Company's Motion and Reply Comments. If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,

Donovan Walker

DEW/ cld  
Enclosures

DONOVAN E. WALKER (ISB No. 5921)  
Idaho Power Company  
1221 West Idaho Street (83702)  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-5317  
Facsimile: (208) 388-6936  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S PETITION TO ESTABLISH	)	CASE NO. IPC-E-20-02
AVOIDED COST RATES APPLICABLE TO	)	
PURPA ENERGY STORAGE QUALIFYING	)	IDAHO POWER COMPANY'S
FACILITIES.	)	MOTION AND REPLY
	)	COMMENTS
	)	
	)	
	)	

---

**I. MOTION**

Idaho Power Company ("Idaho Power" or "Company"), in accordance with RP 56 and RP 201, *et seq.*, as well as the Idaho Public Utilities Commission's ("IPUC" or "Commission") Notice of Modified Procedure in this matter, Order No. 34699, hereby respectfully moves the Commission to allow Reply Comments from Idaho Power, and submits the same herewith. Idaho Power, as the Petitioner, is traditionally allowed to respond to issues raised by the other party/parties. Because both Idaho Power and Commission Staff ("Staff") filed follow-up comments simultaneously on August 27, 2020, Idaho Power did not know what Staff's final recommendations would be and has not had an opportunity to respond to those final recommendations.

In Idaho Power's initial comments, filed on July 16, 2020, Idaho Power stated that it had no objection to Staff's recommended "enhanced" modified procedure (which called for initial comments from Idaho Power and Staff, solicitation of input from other parties, and then follow-up comments from Idaho Power and Staff) with the reservation that Idaho Power may seek leave to file Reply Comments to any new items raised by Staff in its August 27, 2020, follow-up comments. Idaho Power Comments, July 16, 2020, p 4, n 2. Idaho Power's Reply Comments, submitted herewith, are brief and have been submitted one week after the Follow-up Comments, which is the customary response timeline employed by the Commission in modified procedure cases.

Idaho Power respectfully requests the Commission grant leave for Idaho Power to file the accompanying Reply Comments to Staff's Revised Comments in order for the Commission to have a full and complete written record on Modified Procedure upon which to issue its Order.

### **I. INTRODUCTION, BACKGROUND, AND FACTS**

On January 21, 2020, Idaho Power filed a Petition to initiate a proceeding to determine the proper avoided cost rates, as well as contract terms and conditions applicable to, and to be included in PURPA<sup>1</sup> contracts requested by energy storage Qualifying Facilities ("QF" or "QFs"). Idaho Power's Petition, p 1. On July 16, 2020, Idaho Power filed initial comments, as did Commission Staff ("Staff"). On August 6, 2020, three parties: Renewable Northwest, Idaho Conservation League, and Clenera, LLC filed comments in response the request for public input and the Commission's Notice of Modified Procedure Order No. 34699. Idaho Power's initial comments from July 16, 2020,

---

<sup>1</sup> Public Utility Regulatory Policies Act of 1978 ("PURPA")

recite the procedural history and background underlying the request to determine the proper avoided cost rates and contract term applicable to energy storage PURPA QFs including the Memorandum Decision and Order issued January 17, 2020, in *Franklin Energy Storage One et al. v. Kjellander et al.*, Case No. 1:18-cv-00236-REB. Again, rather than repeat those facts and background here, Idaho Power incorporates herein by this reference the Introduction and Background from its initial comments filed on July 16, 2020, as well as the Background and facts from its initial Petition in this matter.

## II. REPLY COMMENTS

Staff filed Follow-up, Revised Comments on August 27, 2020, recommending adoption of a 100 kW published rate eligibility cap for battery storage QFs, as well as a 10 year contract term for battery storage QF above the 100 kW published rate cap. Staff Revised Comments, Aug. 27, 2020, p 26. Staff also recommends that the Commission direct revisions to the way in which capacity payments for battery storage QFs are made, and also recommends a follow-up case to align battery storage QF treatment across utilities and make additional refinements to the avoided cost methodology. *Id.* Idaho Power greatly appreciates Staff's consideration, investigation, discussion, and its recommendation to limit the application of the SAR<sup>2</sup> methodology to battery storage QFs below a published rate eligibility cap of 100 kW. This will require larger battery storage QFs to utilize the more accurate ICIRP<sup>3</sup> avoided cost pricing methodology and aligns with the Company's request to do the same to combat potential disaggregation, as well as arriving at a more accurate approximation of avoided costs - protecting customers.

---

<sup>2</sup> Surrogate Avoided Resource ("SAR") methodology.

<sup>3</sup> Incremental Cost Integrated Resource Plan ("ICIRP") methodology.

### Contract Term

Idaho Power believes it is premature to adopt a contract term longer than the current maximum of 2 years for projects that exceed the published rate eligibility cap. The Commission made the determination to limit the maximum contract term to two years for all QFs that exceed the published rate eligibility cap in order to protect customers given the restriction and inability to make adjustments to, or update, the avoided cost rates during the term of the contract:

Based upon our record, we find that 20-year contracts exacerbate overestimations to a point that avoided cost rates over the long-term period are unreasonable and inconsistent with the public interest. We find shorter contracts reasonable and consistent with federal and state law for multiple reasons. First, shorter contracts have the potential to benefit both the QF and the ratepayer. By adjusting avoided cost rates more frequently, avoided costs become a truer reflection of the actual costs avoided by the utility and allow QFs and ratepayers to benefit from normal fluctuations in the market...

This Order shortens the length of IRP-based PURPA contract in order to maintain a more accurate avoided cost ... This Order strikes a balance between just and reasonable rates for ratepayers, the public interest and interests of QFs, as is mandated by PURPA and FERC regulations.

Order No. 33357, p. 23, 32. As mentioned in Idaho Power's Follow-up Comments, FERC has now revised its rules and specifically authorized state Commissions to allow the energy rate to be updated throughout the term of the mandatory purchase or contract. FERC referred to, and quoted, the Idaho Commission in its order adopting this revision:

Further, the Commission [FERC] pointed to evidence that the desire to limit the effect of fixed QF contract rates had directly led to PURPA implementation issues that affected QF financing in other respects, particularly with respect to length of QF contracts. For example, a commissioner of the Idaho

Commission testified at the Technical Conference that the Idaho Commission's decision to limit QF contracts to a two-year term was based on the Idaho Commission's concern that longer contract terms at fixed rates would lead to payments above avoided costs.

172 FERC ¶ 61,041, *Qualifying Facility Rates and Requirements, Implementation Issues Under the Public Utility Regulatory Policies Act of 1978*, FERC Docket No. RM 19-15-000 and AD 16-16-000, Order No. 872, ¶ 243, p 145 (citing n384 (citing Technical Conference Tr. at 142-43 (Idaho Commission) ("No matter the starting point, allowing QFs to fix their avoided cost rates for long terms results in rates which will eventually exceed and overestimate avoided cost rates into the future. The longer the term, the greater the disparity. ... [The Idaho Commission] recently reduced PURPA contract lengths to two years in order to correct the disparity. We didn't reduce contract lengths to kill PURPA. We did it to allow periodic adjustment of avoided cost rates."))).

The IPUC made a hard and unpopular decision to implement two-year contracts and defended that decision all the way up to the national level in order to protect customers from being saddled with a long-term lock-in of rates and paying more than they otherwise should to comply with the mandates of PURPA. As Idaho Power stated in its Follow-up Comments, it may be appropriate to authorize contracts for a term longer than two years - **but only if** - there is an accompanying provision or mechanism that allows for the periodic update of avoided cost rates during the term of the contract. This would be consistent with the authority granted by FERC's revised rules, as well as the IPUC's determination to protect customers from the long-term lock-in of avoided cost rates for the entire duration of the contract or legally enforceable obligation required of PURPA's mandatory purchase requirements.

Staff's rationale of promoting battery storage QF development with a more favorable, financeable contract term does not outweigh the customer impact and harm that arises from the long-term lock-in of avoided cost rates estimated by imperfect methodologies at the time of contracting for the entire duration of the contract with no provision or ability to update or adjust those rates during the term of the contract. Idaho Power, given its size and total system load, has a very large penetration of QF development that operates daily on its system. Idaho Power has a total of 1,148 MW of PURPA generation under contract with a system that peaks at approximately 3,400 MW and has minimum loads around 1,100 MW. PURPA development on Idaho Power's system has not died. Renewable development in Idaho has not died. Idaho Power has a total of 134 individual contracts with PURPA QFs including 627 MW of wind, 319 MW of solar, 69 hydro QFs for 150 MW, and several various other QF technologies for 52 MW. Since 2010, Idaho Power has entered into 131 individual PURPA QF contracts, some of which have been terminated, were replacement contracts, or were not approved by the Commission. Since 2018, Idaho Power has entered into 30 contracts with PURPA QFs, which include new and replacement contracts, three of which are currently pending approval at the IPUC. Between Franklin and Black Mesa, Idaho Power has recently had over 165 MW of battery storage QF generation seeking PURPA contracts. Additionally, Idaho Power has currently had more than 2,000 MW of wind and solar generation apply for interconnection to its Idaho system as network resources, which eventually may seek to sell generation to Idaho Power.

Although Idaho Power has not entered into any PURPA QF solar contracts in Idaho since the implementation of two-year contract terms, the Company has entered into a

Commission-approved, non-PURPA contract with Jackpot Solar for the purchase of 120 MW of solar generation. Jackpot Solar was initially developed as a PURPA QF project, and Idaho Power was able to negotiate a non-PURPA energy sales agreement with a 20-year term containing nation-wide low rates, at that time, that were and are far below the approved avoided cost rates and methodologies in place today. The Company also has non-PURPA renewable energy contracts for 101 MW of wind and 35 MW of geothermal generation that were procured competitively and approved by the Commission.

Before the Commission considers extending the current maximum two-year contract term - particularly for reasons related solely to promotion of QF development and financing - the Commission should assure that a mechanism is also in place protecting customers to update or adjust the rates contained in those contracts during the extended term.

Further Proceedings

Staff also recommends a “follow-on docket to examine refinement or alteration of avoided cost rate methodologies for battery QFs for all electric utilities in Idaho ...” Staff Comments, p 3. Idaho Power believes that a follow-up docket should be opened, but the scope should be broadened to look at the possible revision, refinement, alteration, or abandonment of the existing avoided cost methodologies and establishment of a more refined and accurate avoided cost methodology applicable to all QFs that examines incorporation of the expressed expanded authority granted to state commissions by the recently directed FERC PURPA rule changes.

Staff’s recommendation for a longer contract term could be more appropriately considered along with a corresponding provision providing for the periodic update of the

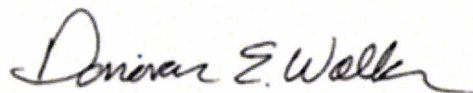


avoided cost rates. Staff's recommendations regarding changes to the capacity component of avoided cost rates could be considered holistically along with revisions to the avoided cost methodology/methodologies and their application to contractual provisions between utilities and QFs. This would also allow opportunity to potentially adopt and conform - or reject changes in implementation authorized by FERC's revision of its PURPA regulations.

### III. CONCLUSION AND REQUESTED RELIEF

To meet the current need for project pricing and requests for contract, Idaho Power requests that the Commission establish a 100 kW published rate cap and application of the current avoided cost pricing methodologies and two-year contract terms on an interim basis for energy storage QFs - and correspondingly open a general PURPA avoided cost methodology docket to examine possible revision of the avoided cost methodologies and incorporation of the new FERC PURPA rules. Idaho Power acknowledges that it may be appropriate to authorize contracts for a term longer than two years - **but only if** - there is an authorized provision that allows for the update of avoided cost rates during the term of the contract.

Respectfully submitted this 3<sup>rd</sup> day of September 2020.



---

DONOVAN E. WALKER  
Attorney for Idaho Power Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 3<sup>rd</sup> day of September 2020, I served a true and correct copy of the within and foregoing IDAHO POWER COMPANY'S MOTION AND REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Edward Jewell  
Deputy Attorney General  
Idaho Public Utilities Commission  
11331 W. Chinden Blvd., Bldg. No. 8  
Suite 201-A (83714  
PO Box 83720  
Boise, ID 83720-0074

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email  
[edward.jewell@puc.idaho.gov](mailto:edward.jewell@puc.idaho.gov)

Max Greene  
Sashwatt Roy  
Renewable Northwest  
421 SW Sixth Ave. #975  
Portland, OR 97204  
(no email indicated in Comments)

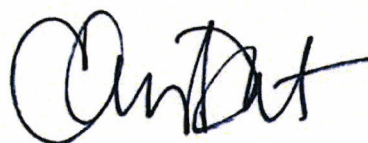
Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email

Benjamin J. Otto  
Idaho Conservation League  
710 N. 6<sup>th</sup> Street  
Boise, ID 83701

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email  
[botto@idahoconservation.org](mailto:botto@idahoconservation.org)

Clenera, LLC  
800 W. Main St., Suite 900  
Boise, ID 83702  
(no email or author indicated in  
Comments)

Hand Delivered  
 U.S. Mail  
 Overnight Mail  
 FAX  
 Email



---

Christy Davenport, Legal Assistant