

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER'S	)	CASE NO. IPC-E-20-22
APPLICATION FOR APPROVAL OR	)	
REJECTION OF AN ENERGY SALES	)	ORDER NO. 34711
AGREEMENT WITH BRIGGS CREEK	)	
HYDRO, INC., FOR THE SALE AND	)	
PURCHASE OF ELECTRIC ENERGY FROM	)	
<u>THE BRIGGS CREEK HYDRO PROJECT</u>	)	

On April 21, 2020, Idaho Power Company applied for an order approving or rejecting its Energy Sales Agreement ("ESA") with Briggs Creek Hydro, Inc. ("Briggs Creek") for energy generated by the Briggs Creek Hydro project ("Facility"). The Facility is a qualifying facility ("QF") under the Public Utility Regulatory Policies Act of 1978. The Facility's scheduled First Energy Date under the ESA is October 1, 2020. Idaho Power asks the Commission to review its Application under Modified Procedure and issue a final order before September 30, 2020.

On May 15, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure setting public comment and Idaho Power reply comment deadlines. Staff submitted the only comments and supported Idaho Power's Application. Idaho Power did not respond.

Having reviewed the record, we now approve Idaho Power's Application as discussed below.

### 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 method, used to establish "published" avoided cost rates; and (2) the integrated resource plan method, 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 has been delivering energy to Idaho Power under a firm energy sales agreement dated June 21, 1984 (“Initial Agreement”), which expires September 30, 2020. Idaho Power states that the ESA contains non-seasonal, non-levelized hydro published avoided cost rates for a 20-year term. Idaho Power requests the Commission declare all payments for purchase of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

## **STAFF COMMENTS**

Staff recommended the Commission approve the Application. In making its recommendation, Staff focused on: (1) using the 90/110 rule with a five-day advanced notice for adjusting Monthly Net Energy Amounts; (2) the eligibility for and amount of immediate capacity payments; and (3) verification of non-seasonal hydro avoided cost rates.

Staff verified that the 90/110 rule was included in the ESA. Staff noted that the ESA had adopted a five-day advance notice for adjusting the Estimated Net Energy Amounts for purposes of 90/110 rule compliance. Staff believes the five-day advanced notice is appropriate and recognizes the Commission has approved the same notice period in other cases while citing that adjustments made closer to the period of delivery improve accuracy and short-term operational planning for Idaho Power.

Staff noted Briggs Creek is not being paid for capacity payments under the Initial Agreement. Staff believed Briggs Creek should be eligible for and paid capacity payments during the term of the ESA. Staff noted that although the Initial Agreement does not include capacity payments, Idaho Power became capacity constrained during the life of the Initial Agreement.<sup>1</sup> Staff expressed its confidence that the Facility contributed to offsetting Idaho Power’s need for additional capacity during the Initial Agreement and should therefore be eligible for immediate capacity payments under the ESA. Staff also noted that the total nameplate capacity for the Facility in the ESA is less than the amount approved in the Initial Agreement (600 Kilowatts vs. 650 Kilowatts) and believes that capacity payments for the nameplate capacity listed in the ESA is appropriate.

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<sup>1</sup> Idaho Power has added significant amounts of capacity since the year 2001, including: Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012).

Staff recommended the Commission approve the ESA and declare Idaho Power's payments to Briggs Creek for the purchase of energy generated under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

### **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. In addition, the Commission has authority under PURPA and Federal Energy Regulatory Commission ("FERC") regulations to set avoided costs, 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.

Having reviewed the record, including Idaho Power's Application, the ESA, and Staff's comments, the Commission finds it reasonable to approve the ESA. The ESA contains Commission-approved terms for which the Facility is eligible based on characteristics like fuel source, project size, generation output profile, and renewal contract status. Additionally, the Facility has helped offset Idaho Power's need for additional capacity investments. The Commission thus finds it just and reasonable to include capacity payments for the nameplate capacity listed in the ESA for the duration of the agreement. Lastly, the Commission finds that Idaho Power's payments for purchases of energy and capacity under the ESA are prudently incurred expenses for ratemaking purposes.

### **ORDER**

IT IS HEREBY ORDERED that Idaho Power's ESA with Briggs Creek is approved.

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.

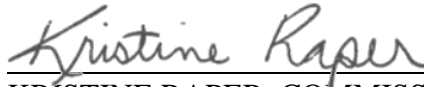
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for

reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

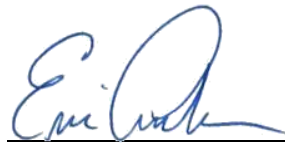
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 26<sup>th</sup> day of June 2020.



PAUL KJELLANDER, PRESIDENT

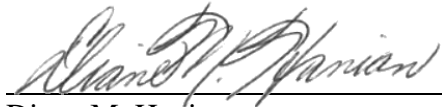


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian  
Commission Secretary

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