

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER’S) CASE NO. IPC-E-20-36
APPLICATION FOR APPROVAL OR)
REJECTION OF AN ENERGY SALES)
AGREEMENT WITH J.M. MILLER) ORDER NO. 34910
ENTERPRISES, INC, FOR THE SALE AND)
PURCHASE OF ELECTRIC ENERGY FROM)
THE SAHKO HYDRO PROJECT)

On October 29, 2020, Idaho Power Company (“Idaho Power” or “Company”) applied for approval or rejection of the Company’s Energy Sales Agreement (“ESA”) with J.M. Miller Enterprises, Inc. for the sale and purchase of electric energy generated by the Sahko Hydro Project. The Sahko Hydro Project is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

On December 7, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 34860.

On December 28, 2020, Commission Staff filed comments.

Now, the Commission approves the ESA.

BACKGROUND

Under PURPA, electric utilities must purchase the power produced by QFs. 16 U.S.C. § 824a-3(b); 18 C.F.R. § 292.303(a). The utility must purchase the energy at the avoided cost rate. 18 C.F.R. § 292.304(a). The avoided cost represents “the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source.” 18 C.F.R. § 292.101(b)(6). State utilities commissions have broad discretion to set avoided cost rates within their respective jurisdictions. *Rosebud Enterprises, Inc. v. Idaho PUC*, 128 Idaho 624, 627, 917 P.2d 781, 784 (1996). FERC regulations require state regulatory commissions to establish published avoided cost rates for all QFs 100 kW and smaller. 18 C.F.R. § 292.304(c)(1). The Commission, in its discretion, may establish published avoided cost rates for QFs above 100 kW. 18 C.F.R. § 292.304(c)(2). In Idaho, published avoided cost rates are available for hydro QFs up to 10 aMW. Order No. 32697 at 14.

In Idaho, published avoided cost rates are determined by the surrogate avoided resource method (“SAR Method”). The SAR Method uses a natural gas fired combined-cycle combustion turbine as the proxy resource to calculate the avoided costs. *Id.* at 17. SAR Method rates are updated annually to reflect updated natural gas forecasts. Order No. 32802. QFs are eligible for capacity payments after the utility reaches the first capacity deficit date established at the time the QF enters its first contract with the utility. Order No. 32697 at 21. The first capacity deficit date is determined through a proceeding following the utility’s submission, and Commission acknowledgment, of the utility’s Integrated Resource Plan. Order No. 34649. If a QF renews its contract with the utility, the first capacity deficit date determined at the time of the first contract continues to apply, so long as the QF continues to contribute to the utility resource stack. Order Nos. 33419 at 26; Order No. 32737 at 5.

THE APPLICATION

Idaho Power states that the parties entered into an ESA on November 1, 2010, which will expire on January 31, 2021. The QF is already interconnected and selling energy to Idaho Power and the ESA specifies a First Energy Date and Scheduled Operation Date of February 1, 2021. The nameplate capacity of the QF continues to be 500 kW. The replacement ESA contains capacity payments for the entire 20-year term of the Agreement. The rates are published avoided cost rates calculated by the SAR Method for a QF in the “Non-Seasonal Hydro” category. The ESA states that the QF must provide the Company with Net Energy Amount monthly adjustments by 5:00 p.m. on the 25th day of the month before the month to be revised.

STAFF COMMENTS

Staff recommends the Commission approve the ESA. Staff confirmed the ESA contains the 90/110 Rule as required by Commission Order No. 29632. Staff states that the monthly adjustment to the Net Energy Amount complies with prior Commission orders. Staff verified that the QF is being paid for capacity under its current contract and the amount of capacity has not changed. Therefore, under Order No. 32697, the QF is eligible for capacity payments for the full term of the replacement contract, without a sufficiency period. Staff verified the ESA’s Non-Seasonal Hydro rates are correct and comply with existing orders.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -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 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.

Pursuant to this authority, we have reviewed the record, including the Application and comments. We find that the provisions of the ESA comply with our requirements for SAR Method contracts and the rates were calculated correctly. Therefore, we approve the ESA.

ORDER

IT IS HEREBY ORDERED that the ESA between Idaho Power and J.M. Miller Enterprises, Inc. is approved.

IT IS FURTHER ORDERED that Idaho Power's payments for the purchase of energy and capacity generated by the QF are prudently incurred expenses.

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 with regard to 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.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th
day of January 2021.



PAUL KJELLANDER, PRESIDENT

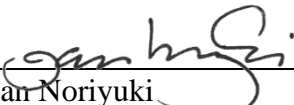


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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