

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	CASE NO. IPC-E-21-11
COMPANY’S APPLICATION FOR)	
APPROVAL OR REJECTION OF AN)	
ENERGY SALES AGREEMENT BETWEEN)	ORDER NO. 35093
IDAHO POWER COMPANY AND LEMHI)	
HYDRO COMPANY)	
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On April 19, 2021, Idaho Power Company (“Company”) applied to the Commission for approval or rejection of an energy sales agreement (“ESA”) with Lemhi Hydro Company (“Seller”) for the energy generated by the Lemhi Hydro Project (“Facility”). The Facility has a nameplate capacity of 500 kilowatt (“kW”) and is near Salmon, Idaho.¹

On May 14, 2021, the Commission issued a Notice of Application and set deadlines for public comments and the Company’s reply. Staff filed the only comments. On June 7, 2021, the Company filed a Notice of No Comments.

Having reviewed the record, we now approve the Company’s Application as discussed below.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from Qualifying Facilities (“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).

¹ At the time of construction in 1986, a generator with 450 kW nameplate capacity was installed. The Seller plans to continue operating and maintaining the 450 kW generator.

THE APPLICATION

The Facility has been delivering energy to the Company in accordance with an energy sales agreement dated December 20, 1985, which expires July 31, 2021. The Company stated that the ESA contains published non-seasonal, non-levelized avoided cost rates for a 20-year term. The Company requested 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 ESA and declare all payments for purchases of energy under the ESA be allowed as prudently incurred expenses. Staff's review of the ESA focused on the implementation of the 90/110 performance band and the five-day advanced notice, the eligibility for and amount of capacity payments, and the Facility's non-seasonal hydro avoided cost rates.

Staff verified that the non-levelized, non-seasonal hydro avoided cost rates contained in the ESA are correct and comply with existing orders. Staff also verified the five-Day Ahead monthly generation forecast provision is consistent with comparable provisions approved by the Commission in prior orders. *See* Order Nos. 34263 and 34870.

Staff noted the Facility is not receiving capacity payments under its existing contract but asserts the Facility should receive immediate payment for capacity based on the recent approval of the energy sales agreement for the Black Canyon #3 hydro project in Case No. IPC-E-19-04. *See* Order No. 34295 at 5. Staff believed the rationale used in Commission Order No. 34295 also applies to the Facility. During the term of the Facility's existing contract the Company has procured additional capacity and included the Facility's capacity in the utility's load and resource balance. Therefore, Staff recommended the Facility be granted capacity payments for the full term of the ESA.

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 the Company'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 the Company'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 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 Company's ESA with Lemhi Hydro Company is approved.

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

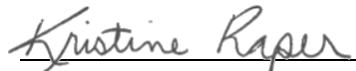
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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