

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH ARKOOSH HYDRO INC, FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY FROM THE LITTLE WOOD RIVER RANCH I HYDRO PROJECT))))))))	CASE NO. IPC-E-21-16 ORDER NO. 35125
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On May 18, 2021, Idaho Power Company (“Company”) applied for approval or rejection of its energy sales agreement (“ESA”) with Arkoosh Hydro Inc. (“Seller”) for energy generated by the Little Wood River Ranch I Hydro Project (“Facility”). The Facility is a qualifying facility under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The Facility is near Gooding, Idaho and has a 1,014 kilowatt (“kW”) nameplate capacity.

On June 16, 2021, the Commission issued a Notice of Application and set deadlines for public comments and the Company’s reply. Staff filed the only comments. The matter is now fully submitted.

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).

THE APPLICATION

The Seller has been delivering energy from the Facility to the Company under a firm energy sales agreement executed on June 11, 1985. The 1985 energy sales agreement expires on July 31, 2021. The new ESA has a 2-year term with non-levelized, non-seasonal hydro published avoided cost rates as set in Order No. 34683.

The Company 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 recommends 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 implementing the 90/110 performance band and the five-day advanced notice, eligibility for and amount of capacity payments, and the Facility's avoided cost rates proposed in the ESA.

Staff verified the ESA requires the Seller to give the Company at least five-day advanced notice if the Seller wants to adjust its Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements as authorized in Order Nos. 34263 and 34870.

This case is similar to the Black Canyon #3 project in Case No. IPC-E-19-04. The Facility in its original contract included avoided cost rates without a capacity payment as determined in Order No. 18190, because the Company was energy constrained, not capacity constrained at the time. After the year 2000, the Company has added significant capacity to meet its capacity needs, such as Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the Facility has operated since the mid-1980s and during the capacity deficiency periods, Staff is confident that the project has contributed to meeting the Company's need for capacity.

Staff reviewed the avoided cost rates proposed in the ESA and verified that the proposed rates are correct.

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 the Seller 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 30th day of July 2021.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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