IDAHO POWER®
An IDACORP Company

RECEIVED
2022 AUG 22 PM 3:33
IDAHO PUBLIC
UTILITIES COMMISSION

DONOVAN WALKER
Lead Counsel
dwalker@idahopower.com

August 22, 2022

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg 8,
Suite 201-A (83714)
PO Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-22-06
In the Matter of Idaho Power Company's Application for Approval of a Replacement Special Contract with Micron Technology, Inc. and A Power Purchase Agreement with Black Mesa Energy, LLC

Dear Ms. Noriyuki:

Attached for electronic filing is Idaho Power's Petition for Clarification and Reconsideration in the above-entitled matter.

Please feel free to contact me directly with any questions you might have about this filing.

Very truly yours,

Donovan E. Walker

Donovan E. Walker

DEW:cd
Enclosure

DONOVAN E. WALKER (ISB No. 5921)
MEGAN GOICOECHEA ALLEN (ISB No. 7623)
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
mgoicoecheaallen@idahopower.com

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OF A REPLACEMENT SPECIAL CONTRACT WITH MICRON TECHNOLOGY, INC. AND A POWER PURCHASE AGREEMENT WITH BLACK MESA ENERGY, LLC.	)	CASE NO. IPC-E-22-06 IDAHO POWER COMPANY'S PETITION FOR CLARIFICATION AND RECONSIDERATION

Idaho Power Company ("Idaho Power" or "Company"), pursuant to Idaho Code § 61-626 and RP 325 and 331, *et. seq.*, respectfully petitions the Idaho Public Utilities Commission ("Commission") for clarification and reconsideration of final Order No. 35482, issued on August 1, 2022 ("Order"), as articulated herein. Specifically, the Company seeks clarification regarding the Commission's determination that Renewable Capacity Credits ("RCC") be quantified utilizing the rate and payment structure for Public Utilities Regulatory Policies Act ("PURPA") Integrated Resource Plan ("IRP") based energy storage projects; and reconsideration of the Commission's finding that the credits for excess energy and capacity included in the Company's power supply expense be subject to 95 percent sharing in the Power Cost Adjustment ("PCA").

I. CLARIFICATION

Order No. 35482 approved the Micron Energy Services Agreement and Schedule 26 with certain modifications, which were consistent with some of the recommendations filed in Staff's Comments.[1] Specifically, Staff recommended, and the Commission ordered, that "the RCC utilize the rate and payment structure for IRP-based energy storage projects." However, both the Staff recommendation and the Commission order is silent on the method for determining the Capacity Contribution Factor, which is a necessary component of the RCC calculation in the ESA. As such, the Company requests the Commission clarify the following: Was it the Commission's intent to only modify the manner in which RCC payments are made to Micron through utilization of peak and premium peak hours (which will allow for payments to be provided on a dollar per kilowatt-hour ("kWh") basis, rather than a flat/fixed monthly amount) **or** did the Commission also intend for the Company to modify the determination of Capacity Contribution Factor.

Capacity Contribution Factor is defined in the proposed ESA as "the capacity contribution methodology and preferred portfolio resource addition timing of the most recently acknowledged IRP...," and differs from the PURPA IRP-based storage project methodology, which may not account for the diminishing capacity contribution of additional non-dispatchable resources. The PURPA IRP-based storage project methodology results in higher capacity contribution than either the NREL top 100 hours methodology utilized in the 2019 IRP or the Effective Load Carrying Capability

---

[1] Staff Comments, p. 21.

methodology utilized in the 2021 IRP. In the case of the Black Mesa PPA and consistent with the definition contained in the proposed ESA, Idaho Power would apply the NREL top 100 hours methodology to quantify the Capacity Contribution Factor.

Given the Company's uncertainty related to the Commission's modification relative to the RCCs under the ESA, it requested a meeting with Staff seeking clarification, which took place on August 17, 2022. During that call, Staff advised that their intent was for the Capacity Contribution Factor to be determined using the methodology from the most-recently acknowledged IRP, consistent with the filed ESA definition. Staff further clarified that their recommendation was only to apply "time of output" rate structure for payments. The result of this change to Micron's RCC would be that, instead of receiving twelve, equal monthly payments of $147,124.66 for an annual value of $1,765,496, the annual value would instead only be paid on a dollars-per-kWh basis for energy delivered in peak and premium peak hours as identified by the PURPA IRP-based storage project methodology.

The Company believes that the Commission's modification to the Micron RCC was intended to implement Staff's recommendation in this regard, and as such, it intends to only modify the rate and payment structure in the revised ESA. If, however, the Company is misinterpreting the Commission's Order with respect to this issue, it respectfully requests that clarification be issued. The Company believes this clarification is important not only in how it will determine Micron's RCC as part of this filing, but to ensure a consistent approach that could be applied in other agreements.

II. RECONSIDERATION

In addition to seeking clarification of the Commission's Order No. 35482 pursuant to RP 325 related to the RCC structure under the Micron ESA, Idaho Power is requesting reconsideration pursuant to RP 331 of the Commission's finding relative to the annual PCA treatment. Specifically, the Company believes the Commission's determination that the credits for excess energy and capacity included in power supply expense be subject to 95 percent sharing in the PCA is unreasonable, erroneous, and inconsistent with other Commission orders. In accordance with Rule 331, in the event the Commission determines that excess generation and capacity payments being subject to 95 percent sharing is appropriate for reconsideration, Idaho Power believes that the evidentiary record could be augmented, if necessary, by written comments or oral argument at the discretion of the Commission.

In determining that credits for excess energy and capacity should be subject to 95 percent sharing in the PCA, the Commission indicated it was not persuaded by the Company's statement that it has "no ability to influence the performance of power supply expense, as in the case of excess energy and capacity credits."[2] Rather it concluded that those "credits are based on an avoided cost and therefore an integral part of the Company's overall power supply expense cost structure, which the Company has the responsibility to manage."[3] However, it is important to note that the Company has no control over the two components that comprise excess energy payments: excess energy volumes and market prices at the time excess energy occurs. Excess energy exists when the intermittent renewable generation exceeds consumption at Micron's facility, however the Company has no control over the operating characteristics at Micron's facility, nor does it possess the ability to manage the quantity and timing of intermittent generation

[2] Order No. 35482, p. 18 (citing Idaho Power Company's Reply Comments, p. 17).
[3] *Id.*

from the Black Mesa solar project. Because the Company does not have the ability to manage when excess generation occurs, it has no control over the subsequent market conditions that occur coincident with this generation. In its order, the Commission approved contract terms that ensures customers and the Company will be held harmless by quantifying the compensation to Micron based on the lower of a forecasted non-firm market price or the actual market price in each hour. This structure ensures that Micron is compensated at a market-based price for excess energy whenever it may occur, while eliminating the risk of compensation exceeding the market value of the generation. The application of a 95 percent sharing provision to this amount results in Idaho Power either under-recovering 5 percent of the excess energy payments (regardless of the Company's actions), or Micron is only compensated for 95 percent of the market-based value of its excess generation. In either case, the Commission's order does not create an incentive for the Company to responsibly manage its overall power supply expense cost structure, but rather creates a recovery shortfall for prudently incurred expenses that are entirely outside of the Company's control.

Further, in all other arrangements where the Company utilizes avoided costs as a basis for establishing pricing or compensation for contracted energy and capacity, the Company is permitted to collect these costs – in their entirety – from all customers. This is the case for all PURPA compensation, demand response incentive payments, and energy efficiency incentive payments. Similarly, the Commission has approved a prescribed avoided cost-based method for capacity compensation in the Micron ESA which is based on resource values from the IRP. Authorizing cost recovery assurance in this case, as it does with other avoided cost-based pricing, is critically important to ensure those customers who receive the benefits are responsible for the costs necessarily incurred to procure them. As these situations demonstrate, there is no basis for disallowing recovery of the avoided-cost based energy and capacity payments from all customers.

III. CONCLUSION

The Company appreciates the opportunity to clarify that the determination of the annual RCC value is unchanged through incorporation of payment methodology used for PURPA IRP-based energy storage projects as ordered by the Commission. Idaho Power requests clarification that the Commission's intent is to only include a performance mechanism to provide payment for capacity on a dollars-per-kWh basis for energy delivered in peak and premium peak hours as identified by the PURPA IRP-based storage project methodology, and not change the underlying Capacity Contribution Factor definition.

Idaho Power also respectfully requests that the Commission reconsider its directive to apply the PCA's 95 percent sharing mechanism to excess energy and capacity payments. Avoided cost-based payments for PURPA, demand response incentive payments, and energy efficiency incentive payments are all avoided-cost based, and the Commission has approved 100 percent recovery of those costs. The Commission's application of the 95 percent sharing mechanism only creates a recovery shortfall for prudently-incurred expenses that are entirely outside of the Company's control, it does not create an incentive for the Company to responsibly manage its overall power supply expense cost structure. The Company requests the Commission reconsider Order No. 35482 on this issue and, further, that it consistently applies the same recovery standard for excess energy and capacity payments in similar situations.

Respectfully submitted this 22nd day of August 2022.

Donovan E. Walker

DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 22nd day of August 2022, I served a true and correct copy of the foregoing Idaho Power Petition for Clarification and Reconsideration upon the following named parties by the method indicated below, and addressed to the following:

Riley Newton Deputy Attorney General Idaho Public Utilities Commission Po Box 83720 Boise, Idaho 83720-0074	Emailed to: riley.newton@puc.idaho.gov
Industrial Customers of Idaho Power Peter J. Richardson RICHARDSON ADAMS, PLLC 515 North 27th Street (83702) Boise, Idaho 83707	Emailed to: peter@richardsonadams.com
Dr. Don Reading 6070 Hill Road Boise, ID 83703	Emailed to: dreading@mindspring.com

Christy Davenport
Legal Administrative Assistant