Office of the Secretary
Service Date
August 1, 2022

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** **ORDER NO. 35482**

On March 10, 2022, Idaho Power Company ("Company") applied to the Commission for an order approving a revised Special Contract for electric service between the Company and Micron Technology, Inc. ("Micron") and a 20-year Power Purchase Agreement ("PPA" or "Black Mesa PPA") between the Company and Black Mesa Energy, LLC ("Black Mesa") to facilitate the provision of energy to the Company under the revised Special Contract.

On April 6, 2022, the Commission issued Notice of the Company's Application and Notice of Modified Procedure setting deadlines for interested persons to comment and for the Company to reply.

Industrial Customers of Idaho Power ("ICIP") intervened in this case, Order No. 35406, but did not file comments. Staff filed comments to which the Company replied. No other comments were received.

With this Order we approve the Black Mesa PPA, and, subject to the modifications discussed herein, the Company's revised special contract (the "Micron ESA" or "ESA") for electric service between the Company and Micron.

APPLICATION

Micron, as a Large Power Service customer receiving in excess of 20 Megawatts ("MW") is, under Schedule 19, required to make special contract arrangements with the Company. The Company and Micron currently operate under a special contract executed in 2009.[1] The Company represented that the revised special contract for which it seeks Commission approval—the Micron ESA—is intended to fully replace the 2009 special contract. *Id.* The Company represented that the ESA contemplates the Company procuring an "initial Renewable Resource of 40 MW on behalf

[1] Schedule 26 of the Company's tariff contains a list of the monthly energy charges under the 2009 special contract.

of—and to be paid for by—Micron." *Id.* at 3. The Company further represented that the ESA is consistent with and reflects the regulatory framework set forth in the Clean Energy Your Way – Construction Option ("CEYW – CO") program for which approval is still pending in Case No. IPC-E-21-40.

The Company explained that under the CEYW – CO, future and existing special contract customers could work with the Company to develop a "Renewable Construction Agreement" which would control "all pricing for Company electric service and the customer's accompanying renewables." *Id.* at 3. The Company further explained that the Renewable Construction Agreement was incorporated into the Micron ESA. *Id.*

The Company stated that the ESA "envisions an initial Renewable Resource—the Black Mesa project—and provides flexibility for the [Company] to work with Micron to develop additional [r]enewable [r]esources in the [Company's] service area . . . ." *Id.* at 5. The Black Mesa project and additional renewable resources will not serve Micron directly but will be connected to the Company's transmission system. *Id.* Micron will pay for the renewable output at the PPA contract rate and will also be credited for any value the renewable resources bring to the Company's system. *Id.*

The Company represented that "[u]nder the terms of the Black Mesa PPA, Black Mesa will build, own, operate, and maintain a 40 . . . [MW] alternating current ("AC") solar photovoltaic generation facility ("Renewable Resource") and will supply the output to [the Company's system]." *Id.* at 2-3. The Company represented that all costs associated with the Black Mesa PPA would be paid for by Micron. *Id.* at 11. The PPA has a scheduled operation date of June 1, 2023.

The Company requested a Commission order approving: 1) the ESA; 2) the Black Mesa PPA; 3) modifications to Schedule 26 Electric Service Rate for Micron; "4) the derivation of the capacity credit associated with the Renewable Resource(s) and compensation structure for excess renewable energy generation; 5) authorization to treat bill credits provided to Micron under the proposed compensation structure as prudently incurred expenses for ratemaking purposes; and 6) the Company's proposed accounting treatment." *Id.* at 11.

STAFF COMMENTS

Staff's primary consideration in reviewing the Company's Application was ensuring that the Company's proposal did not shift costs to other customers. Staff focused its review in the following areas: (1) Rate Structure; (2) the Company's No-Harm Analysis; (3) Transmission

Facility Construction Cost; (4) Renewable Energy Credit ("REC") Ownership; (5) the ESA's Provisions; (6) Supply Chain Investigation; (7) Accounting Treatment in the Power Cost Adjustment ("PCA") and the next General Rate Case; and (8) Authorization of Renewable Resource PPAs by the Commission

I. Analysis of Rate Structure and Design

Staff evaluated whether the structure of the ESA, particularly its rate design, would prevent cost shifting to the Company's other retail customers.

A. Staff's Standard of Analysis

Staff noted the Black Mesa project together with future renewable resource(s) could meet 110% of Micron's annual energy requirements. That said, Staff observed that Micron would still need to rely on the Company's system when Micron's resource(s) cannot meet its demand.

Staff analyzed the Company's proposed rate design based on a "virtual behind the meter" framework. Staff believed this framework was appropriate because the structure of the ESA required 100% of the renewable PPA costs to be passed through to Micron before credits for Excess Generation and charges for Supplemental Generation were applied.[2] Staff further believed its proposed framework was appropriate because Micron's consumption and the production from its renewable resource(s) would be netted mathematically on an hourly basis using metered data. Staff Comments at 7.

Staff believed that a "virtual behind the meter" framework also allowed it to adequately analyze Supplemental Generation (i.e., consumption net of generation) based on principles of cost of service ("COS") and analyze Excess Generation (i.e., production net of consumption) based on principles of avoided cost.

B. Energy Treatment

Staff noted the Company's proposed treatment for energy was consistent with Staff's ideal rate framework because the amount of renewable generation and Micron's consumption were netted on an hourly basis. Staff believed that netting energy hourly was an effective way of capturing the significant differences in the value of energy depending on the time of day and whether energy was being imported to or exported from Micron.

[2] Excess Generation is the energy the renewable resource(s) produce(s) that exceeds the energy Micron consumes. Aschenbrenner Direct at 12-13. Supplemental Generation is the energy Micron consumes in excess of the energy the renewable resource(s) generate(s). *Id.* at 11.

1. Supplemental Energy

Staff believed the Company's method for determining Supplemental Energy rates was reasonable and recommended approval. *Id*. at 9.

2. Excess Energy Generation

Staff reviewed the Company's method for determining the rates for the Excess Generation credits[3] and recommended approval, provided there is an 85% adjustment consistent with Schedule 86 and that the credit rate was "backstopped" by actual market prices. *Id.*

Staff believed the reasons originally given for implementing the 85% adjustment in Case No. IPC-E-01-40 apply in this case. *Id.* at 10. First, Staff noted that the Company was obligated to take the Excess Generation from Micron's renewable resource(s). However, as Staff further observed, the amount of Excess Generation could be substantial given the potential that all of Micron's annual requirements could be offset by renewable resource(s). As a result, Staff anticipated the Company could have to sell energy in the market and incur additional transmission-related costs. Thus, Staff believed that incorporating the 85% adjustment would protect the Company's other customers.

Staff was also concerned that using biennial IRP-forecasted Mid-C prices to determine the Excess Generation Price instead of actual market prices could cause other customers to pay more than their avoided cost. *Id.* Therefore, Staff recommended the Company use "the lower of the Excess Generation Prices (with the additional 85% adjustment) and actual Mid-C high and low load hour market price on an hourly basis . . . ." *Id.*

C. Capacity Treatment

Staff believed the Company's "treatment for capacity is inconsistent with Staff's ideal framework because the capacity of Micron's renewable resource is not netted from the capacity needed to serve Micron's load." *Id.* at 11.

Staff noted the capacity treatment in the Micron ESA had "two components: (1) Renewable Capacity Credits; and (2) recovery of capacity-related cost consisting of demand charges and an Embedded Energy Fixed Cost Charge." *Id.* Staff believed that the Public Utility Regulatory Policies Act of 1978 ("PURPA") "provide[d] the most appropriate standard to evaluate the Company's capacity credit proposal." *Id.*

[3] The Company proposed the following Excess Generation Credit Rate: 82.4% (non-firm energy rate) x forecasted Mid-C energy rate.

1. Renewable Capacity Credit

In sum, Staff recommended that: (1) additional renewable resources acquired for Micron "should only begin receiving credits based on the PURPA first capacity deficiency date approved by the Commission at the time a PPA or a construction agreement is signed; and (2) the payments for the contribution of capacity should be based on the 'time of output' rate structure used for IRP-based energy storage PURPA projects." *Id.* at 12.

a. Establishment of the Renewable Capacity Credit Eligibility ("RCCE") Date

Staff noted the "Commission does not allow PURPA projects to receive capacity payments for avoided capacity cost until the Company's system first becomes capacity deficient." *Id.* (citing Order No. 33159 at 7). Staff analogized the Company's proposal to compensate Micron for 100% of its capacity contribution to how a qualifying facility ("QF") is compensated under PURPA. Staff noted that QF capacity payments under a PPA do not begin until the PURPA deficiency date approved in the Company's biennial PURPA deficiency filing.

Staff noted the Company's proposal that Micron begins receiving Renewable Capacity Credit ("RCC") payments for future renewable resources starting with the next capacity deficiency date in the most recently acknowledged IRP. Staff agreed that Micron should receive RCC payments for future renewable resources based on the capacity deficiency date authorized by the Commission "at the time a future PPA or construction agreement is signed." *Id.* at 13.

Staff agreed, however, that the July 1, 2023, date should be used for the RCCE date for the Black Mesa PPA even though it was signed prior to July 1, 2023, and does not align with its recommendation for future resource RCCE dates. Staff's justification for an exception was based on the Black Mesa PPA being "one of the resource proposals submitted and selected to meet the Company's 2023 deficit," through the Company's 2021 Request for Proposal ("2021 RFP") and that Micron's load will be served "regardless of whether Black Mesa is allocated to meet all customer needs or dedicated to Micron." *Id.* at 13,14.

b. Time of Output Rate Structure

Staff recommended "that the rate structure for capacity credits . . . be based on the avoided capacity cost rate and payment structure used to compensate PURPA IRP-based energy storage QF projects as approved in Order Nos. 34794 and 34913." *Id.* at 14. Staff believed the IRP-based implementation of this rate structure should be used "because the size of Micron's resources are

larger than the 100 kW published rate limit approved by the Commission for solar, wind, and energy storage QFs." *Id.* Staff noted this structure only permits capacity payments for generation during peak and premium peak hours. Staff further noted that by only allowing capacity payments for energy delivered during these hours (hours which determine incremental capacity need in the Company's system) resources are fairly compensated for capacity avoidance.

Staff also recommended that "the surrogate resource used to determine the capacity credit . . . be based on the lowest cost capacity resource included for selection within the Company's IRP[,]" and that "the type of resource and its avoided capacity cost should not change for the life of the ESA." *Id.* While Staff recommended that the surrogate resource and its capacity cost be based on the most recently acknowledged IRP at the time that the PPA or a resource construction agreement was signed, Staff noted that "the peak and premium peak hours authorized in the Load and Natural Gas Forecast Annual Update for PURPA could change the number of hours that the avoided cost of the surrogate resource is spread, necessitating a change in the per [kilowatt hour] ["kWh"] rates every year." *Id.* Staff recommended that the per kWh rate change every two years consistent with changes in other rate elements that would be updated after acknowledgment of the IRP and based on the peak and premium peak hours authorized at that time. *Id.* at 15.

Staff believed its proposed rate and payment structure were appropriate because it ensured accountability by only compensating Micron for the capacity avoidance it actually delivered and was developed to provide compensation for avoiding capacity cost, specifically for energy storage resources that the ESA mentions may be added in the future. *Id.* As Staff noted, "this structure can be applied regardless of its source because it is based on the output of the resources and not on the resource type." Thus, Staff posited this rate structure allowed for consistency among the Company's additional CEYW – CO offerings.

2. Recovery of Capacity-Related Costs

Staff reviewed the Company's method for recovery of capacity-related costs and recommended approval.

II. Company's No-Harm Analysis

Staff believed the Company's no-harm analysis was insufficient because it relied on a single set of input assumptions that could change over the life of the ESA. As such, Staff did not rely on the results of the Company's no-harm analysis in determining a recommendation for the Company's rate proposals. *Id.* at 16.

III. Transmission Facility Construction Costs

Staff believed that the costs necessary to receive electric service from Black Mesa, including transmission construction cost and ongoing operation and maintenance cost up to the point of delivery, would not be borne by other ratepayers. *Id.* at 15-16.

IV. REC Ownership and Treatment of System-Generated RECs

Staff reiterated its recommendation from Case No. IPC-E-21-42 that the Company hold a workshop with Staff and other interested parties to evaluate how REC benefits in the PCA should be allocated to Micron and other CEYW – CO customers before they begin generating renewable energy. *Id.* at 17.

V. Analysis of Provisions in the Special Contract to Mitigate Risk

Staff noted the ESA included parent guaranties from the Black Mesa PPA. Staff maintained that it was important that future CEYW-Construction contracts for new and existing customers continue to contain similar provisions and guaranties which could be reviewed and vetted by Staff. *Id.* at 17-18.

VI. Solar Supply Chain Investigation

Staff was concerned that Black Mesa would have a difficult time acquiring the necessary equipment before its scheduled commercial operation date. Staff inquired about the potential impact on the project from the Department of Commerce's investigation into the claim that certain Southeast Asian countries are selling Chinese-made solar panels in attempt to circumvent tariffs. Black Mesa reiterated its confidence that it would meet the commercial operation date of June 1, 2023. Staff recommended the Company update the Commission on any supply chain issues, cancellation or delays of supplies, and if force majeure is being considered. *Id.* at 18.

VII. Accounting Treatment in the PCA and the next General Rate Case

Staff agreed with the "Company's proposed accounting treatment in the PCA but recommend[ed] that the credits for excess energy and capacity included in net power cost be subject to 95% sharing." *Id.* Under this arrangement, Staff noted, "the Company will pay the contract rate for the PPA and will pay 100% of the output—matching these costs with corresponding revenue." *Id.*

Staff recommended, consistent with its recommendations in Case No. IPC-E-21-42, that the Company "provide the following items in its annual PCA filing: (1) the amount of consumption and generation from the renewable resource(s) serving Micron and other CEYW-Construction

projects; and (2) an annual Micron load forecast that is compared to Micron's annual generation forecast for all signed PPA's broken down on a monthly basis." *Id.* at 19. Providing this information, Staff believed, will enable the Commission to ensure that Micron does not become a net producer of energy with resulting cost shifting to other retail customers.

Staff reiterated its recommendation from Case No. IPC-E-21-42 that the Company schedule a meeting with Staff to discuss the treatment of Schedule 26 costs, revenues, and loads in base rates prior to the next general rate case. *Id.* at 19.

VIII. Prudence and Authorization of Renewable Resource PPAs by the Commission

Staff did not believe that the selection of renewable resources and rates in the Black Mesa PPA need to be authorized by the Commission because the entire cost of the PPA would be passed through to Micron. *Id.* at 19. Similar to its argument in Case No. IPC-E-21-42, however, Staff disagreed with the Company's proposal that *future* PPAs dedicated to Micron (and other CEYW – CO customers) not be required to be filed for review and approval by the Commission. Staff believed it was important to review every PPA to ensure that: (1) interconnection costs were not passed on to the general body of ratepayers; (2) CEYW – CO customers were not unduly favored with lower cost resources; and (3) the PPA contained provisions protecting customers from risks. Notably, after reviewing the Black Mesa PPA, Staff identified risks "associated with the operation dates included in the contract that could affect both the reliability and cost for the Company's customers." *Id.* at 20.

STAFF RECOMMENDATIONS

Staff recommended approval of the Company's Application subject to the following conditions outlined below:

1. The Company provide a separate filing for the approval of the Avoided Cost Averages and all other rate components determined from the IRP and it should be submitted for Commission approval soon after the IRP is filed so the Commission can process the application in parallel with the IRP filing and the Commission can authorize them soon after IRP acknowledgment;
2. The Excess Generation Price have an additional 85% adjustment applied to be consistent with Schedule 86;
3. The Excess Generation Credit rate should be the lower of the Excess Generation Price (with the 85% adjustment) and the actual high or low load hour Mid-C market price (without any adjustments) for each hour;

4. For RCCs, future Micron renewable resources RCCE date(s) should be based on the first capacity deficiency date approved by the Commission at the time the PPA or a resource construction agreement is executed by the Company;
5. The RCC should utilize the rate and payment structure for IRP-based energy storage projects (*See* Order No. 34913), which would provide Micron avoided capacity cost payments on a dollar per kWh basis and only for energy delivered to the Company's system during system peak and premium peak hours;
6. For RCCs, the resource(s) used as a surrogate to determine avoided capacity cost should be identified using the most recently acknowledged IRP at the time that the PPA (or a resource construction agreement) is signed and should use the lowest cost capacity resource included for selection within the IRP;
7. For RCCs, the peak and premium peak per kWh rate should be updated consistently with the authorized peak and premium peak hours in the annual load and natural gas forecast updates for PURPA and other IRP updates that use peak and premium peak hours;
8. The Company schedule a meeting with Staff to discuss the treatment of Schedule 26 costs, revenues, and loads in base rates prior to the next general rate case;
9. The Company hold a workshop to evaluate how system-generated REC benefits are passed on to CEYW-CO customers in the PCA;
10. Every current and future CEYW-CO customer associated PPA or similar resource construction agreement be reviewed and authorized by the Commission;
11. The Company provide the following items annually with the PCA filing: (1) the amount of consumption and generation from the renewable resources serving Micron and other CEYW – CO projects; and (2) an annual Micron load forecast that is compared to Micron's annual generation forecast for all signed PPA's broken down on a monthly basis[4]; and
12. Any change or issues regarding supply of solar cells and/or solar modules that the Company notify the Commission and provide an update and any known impacts to the project.

[4] While not enumerated in its list of recommendations, we note Staff's recommendation that excess energy and capacity credits included in net power cost be subject 95% sharing in the PCA.

COMPANY REPLY COMMENTS

The Company expressed its understanding that the CEYW – CO constitutes "a new framework" and departed from the special contracts the Commission has previously authorized, but that, based on the Company's thorough, IRP-based, "no-harm analysis[,] the pricing and compensation structure as proposed in the ESA does not shift costs to other customers." Company Reply Comments at 3.

The Company made general comments regarding the Black Mesa PPA, the Micron ESA and Schedule 26, and specifically replied to each of Staff's 12 enumerated recommendations.

I. Black Mesa PPA

The Company pointed out that while Staff is concerned that Excess Generation under the Micron ESA could be substantial, the Company evaluated Micron's load requirement and determined that the 40 MW Black Mesa resource as described in the *current* PPA filing was not projected to generate any Excess Generation.

II. Micron ESA and Schedule 26

The Company acknowledged that Staff's proposed modifications to the Micron ESA and the rationale used to support them aligned with Staff's recommended modifications in Case No. IPC-E-21-42 (the "Brisbie") and in Case No. IPC-E-21-40 (the "CEYW"). Though the Company has similar disagreements with Staff's comments in this case as it did in the Brisbie and CEYW cases, the Company noted its and Staff's general alignment on:

> overarching pricing philosophy which includes: 1) continued collection of system costs consistent with cost-of-service principles, 2) attribution of renewable resource REC to the CEYW participant, 3) provisions in the PPA to mitigate stranded-asset risk and financial ability to pay, and 4) recognition that a CEYW renewable resource provides system energy and capacity value for which the participant should be compensated.

Id. at 7. The Company agreed with Staff's desire "to apply some level of methodological consistency when valuing energy and capacity on the Company's system" but contended that the Micron ESA "is dissimilar to power purchases under PURPA." *Id.* The Company argued that, unlike the circumstances present in traditional PURPA projects, the resources under the Micron ESA would be "fully negotiated" and the customer [Micron in this case] under the CEYW framework will "financially support[] their accompanying renewable resources." *Id.* While the Company conceded that "certain aspects of PURPA pricing may be appropriately applied to the

Micron ESA and other CEYW – C[O] agreements" it maintained that "Staff's proposed changes to move the ESA compensation structure closer to a PURPA-like valuation methodology are misapplied." *Id.*

III. Specific Responses to Staff's Recommendations

The Company addressed each of the enumerated recommendations on pages 20-23 of Staff's Comments.

A. Pricing Updates – *Recommendation 1*

The Company agreed and supported Staff's first recommendation that all pricing components of the Micron ESA stemming from the Company's IRP be filed in parallel with, or shortly following, submission of the IRP.

B. Excess Energy Generation Credit – *Recommendations 2 and 3*

The Company disagreed with Staff's second recommendation that it apply an additional 85% adjustment consistent with Schedule 86 excess energy generation credit in the ESA. The Company argued that its analysis reveals that applying an 85% adjustment would unfairly benefit other customers at Micron's expense.

The Company also disagreed with Staff's third recommendation that the excess energy generation credit be based on the forecasted 2-year Mid-C price (with the 85% adjustment) or the actual Mid-C high and low load-hour market price, whichever is lower. *Id.* at 10. The Company pointed out that basing the excess generation credit on a forecasted price provided predictability and stability to Micron and the Company. The Company also mentioned that the forecasted Mid-C price would be updated biennially to align with "the most current forecast of the Mid-C market and to eliminate out-year variation and escalation that naturally occurs in a 20-year forecast." *Id.* at 11. The Company argued that if the Commission applied an 85% adjustment for the excess energy, implementing a "lesser of" Mid-C forecast or market recommendation would punitively reduce Micron's excess energy compensation by shifting all downside price risk to Micron." *Id.*

C. Renewable Capacity Credit – *Recommendations 4 – 7*

The Company agreed with Staff's fourth recommendation regarding the RCCE date for RCCs future resources.

The Company disagreed with Staff's fifth recommendation that the rate structure for the renewable capacity credit be based on the avoided capacity rate and payment structure used to compensate PURPA QF storage projects. The Company argued that CEYW resources should not

be likened to PURPA storage projects. The Company further argued that its method of calculating CEYW resources was consistent with the IRP process and methodology for calculating capacity contributions for non-dispatchable resources. The Company also contended that Staff's proposed method was "inconsistent with either the Surrogate Avoided Cost ("SAR"), or incremental Cost IRP method for payment of capacity value to solar or wind PURPA resources." *Id*. at 13.

The Company believed that Staff's sixth recommendation had merit, but the determination of a surrogate resource was best handled in the context of establishing the Demand-Side Management alternate cost in the IRP.

The Company disagreed with Staff's seventh recommendation to only provide Micron with capacity credit during peak and premium peak hours, consistent with PURPA QF storage projects. The Company argued, consistent with its response to Staff's fifth recommendation, that it would be inappropriate to credit CEYW - CO related resources under methods "developed to provide appropriate price signals to dispatchable storage resources." *Id.* at 14.

D. **Meetings with Staff and Workshops –** *Recommendations 8 and 9*

The Company supported Staff's eighth recommendation to schedule a meeting with Staff to discuss the treatment of Schedule 26 costs, revenues, and loads in base rates prior to the Company's next general rate case.

While the Company agreed with Staff's ninth recommendation to hold a workshop to evaluate the allocation of system-generated RECs to CEYW – CO customers, it disagreed with "Staff's inference that CEYW – CO customers should not receive the benefit of system-generated REC sales that pass through the [PCA]." *Id.* at 15. Nonetheless, the Company stated it would schedule a workshop consistent with Staff's recommendations.

E. Future Renewable Construction Agreements – *Recommendation 10*

The Company disagreed with Staff's tenth recommendation that each PPA should be individually reviewed and authorized by the Commission. The Company noted Staff's comment that since 100% of the PPA cost would be paid by Micron and due to this payment responsibility, selection of renewable resources and rates in the PPA do not need to be authorized by the Commission.

To Staff's first concern that CEYW – CO agreements should be reviewed to ensure interconnection costs were not passed on to ratepayers, the Company responded that "interconnection agreements do not live within PPAs and that, further, non-PURPA generation

interconnection agreements are not Commission jurisdictional." *Id.* at 16. The Company assured that "will require new resources to procure Network Resource Interconnection Service" which will protect customers from resultant cost shifts. *Id.*

To Staff's second concern that CEYW – CO customers may be favored with lower cost resources that could potentially be used as Company system resources, the Company responded that, during its competitive bidding process to obtain a new resource, the Commission and Staff have the opportunity to review bid competitiveness and the Company's methodologies in resource selection to ensure fairness among all customers as part of a CPCN filing.

The Company argued that reviewing every future PPA to ensure they contain risk provisions protecting customers from risk is unnecessary as this issue can be addressed in the Special Contract or Energy Service Agreement associated with the PPA.

F. Annual PCA Treatment – *Recommendation 11*

The Company supported Staff's eleventh recommendation that the Company include Micron's load, as well as its consumption and generation from the renewable resources serving Micron, in the PCA. The Company supported this recommendation for Special Contract customers, like Micron, and could provide the requested information in the PCA.

However, the Company strongly disagreed with Staff's unenumerated recommendation that the credits for excess energy and capacity credits included in net power supply cost collected through the PCA be subject to 95% sharing.

The Company claimed that it was "inappropriate to consider a sharing mechanism when the Company ha[d] no ability to influence the performance of power supply expense, as in the case of the excess energy and capacity credits." *Id.* at 17. The Company explained that implementing the sharing mechanism in this case was inconsistent with other instances where "the Company makes payments to customers at predetermined avoided cost . . . ." *Id.*

G. Solar Supply Chain Concerns – *Recommendation 12*

The Company agreed with Staff's final recommendation, and stated it would notify the Commission, at the time the Company "receive[d] information of any material supply chain disruptions or of the developer's inability to meet the terms of the Black Mesa PPA." *Id.* at 18.

FINDINGS AND DISCUSSION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502, and -503. *Idaho Code* § 61-501 authorizes the Commission to "supervise and regulate every public

utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law]." *Idaho Code* §§ 61-502 and -503 empower the Commission 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. Pursuant to its statutory duties, the Commission has the authority to determine reasonable rates and review and investigates contracts. *Empire Lumber Co. v. Washington Water Power Co.*, 114 Idaho 191, 192, 755 P.2d 1229, 1230 (1987).

The Commission has reviewed the record, including the Company's Application, the proposed Schedule 26, the supporting testimony, Staff's comments, and the Company's reply comments. Based on that review, and consistent with our authority under Title 61 we find it to be fair, just, and reasonable to approve the Black Mesa PPA, and the Micron ESA subject to the modifications discussed below.

We note the Company's willingness, consistent with Staff's recommendations, to meet with Staff to discuss the treatment of Schedule 26 costs, revenues, and loads in base rates prior to the next general rate case and to hold a workshop to evaluate how system-generated REC benefits are passed on to CEYW- CO customers in the PCA. We further note the Company agrees with Staff to provide specific information related to the Micron ESA and other CEYW- CO projects in its annual PCA filing and to update the Commission on any supply chain issues impacting the Black Mesa project. Last, we note the Company's alignment with Staff that all pricing components of the Micron ESA stemming from the Company's IRP be filed with, or shortly after, submission of the IRP. We find the above actions to be reasonable requirements for the Company that will result in increased transparency and understanding of the Micron ESA, the PPA, and other CEYW – CO projects' impact on the Company's system and other customers.

We note that, although the Company agreed with some of Staff's specific recommendations and was generally aligned with Staff on some pricing aspects and the goal for a standard of methodological consistency when valuing energy and capacity, the Company disagreed with Staff's application of a "PURPA-like valuation methodology" to the pricing and compensation elements under the Micron ESA and other CEYW – CO agreements. Company Reply Comments at 8.

The gist of the Company's argument against applying many of Staff's recommendations is that the Company's no-harm analysis validated that the pricing and compensation structure under

the Micron ESA would not harm other customers. However, the Company acknowledged that its analysis relied on a "single set of input assumptions" and did not, as Staff noted, provide a "range of values for different risk variables." *Id.* at 3. The Company explained that its analysis did rely on methods associated with the IRP forecast. *Id.*

We appreciate the Company's IRP-based analysis and its openness to working with Staff to understand its concerns. However, we find that traditional principles of COS and avoided cost based on historical data and approved by the Commission provide a reasonable and proven framework for analyzing the pricing and compensation structure under the Micron ESA and other CEYW – CO projects. As the Company collects additional data from these types of projects, we anticipate the Company working with Staff to refine a no-harm analysis that supports a fair and mutually agreeable pricing and compensation structure.

We now address the Company's specific disagreements with Staff's proposals on the treatment of Excess Generation Credits, RCCs, future PPAs, and cost-sharing under the PCA, and direct the Company to make specific modifications to its ESA and Schedule 26 consistent with our findings.

Excess Generation Credits

We find it fair just and reasonable for the Excess Generation rate under the Micron ESA to be the lower of the Excess Generation Price (with the 85% adjustment) and the actual high or low load hour Mid-C market price (without any adjustment) for each hour of excess energy delivered. We note the Company first proposed the 85% adjustment method in Case No. IPC-E-01-40 as a reasonable way to: (1) cover the purchase and transmission costs it incurs when it resells excess non-firm energy that it was obligated to purchase on the wholesale market and (2) conversely, to assure that it buys non-firm energy it wishes to retain at a price equivalent to what that energy would cost on the wholesale non-firm market. This adjustment has been utilized by the Company for the last 20 years and has struck a reasonable balance between compensating energy projects and protecting customers. We see no justification to abandoning the application of the 85% adjustment in this case. We further find that applying the "lower of" concept to the Excess Generation rate will prevent cost-shifting to other customers. While current technology may provide more accurate forecasts, we do not believe that potentially compensating Micron for energy at higher than the market rate is justified by the facts of this case.

Renewable Capacity Credits

We find it fair just and reasonable that the RCCE date for future Micron renewable resources be based on the first capacity deficiency date approved by the Commission at the time the PPA or a resource construction agreement is executed by the Company. Importantly, the Company and Staff both agreed with this treatment, and it is consistent with principles of avoided cost and Commission practice.

We note Staff's comments that, due to the unique circumstances surrounding the Company's 2021 IRP, the Micron ESA should receive capacity payments based on the July 1, 2023, capacity deficiency date ultimately proposed in Case No. IPC-E-21-09. Staff's recommendation was based on Staff's understanding that the 40 MW Black Mesa solar resource associated with the Black Mesa PPA was selected to meet the Company's 2023 capacity deficit. The Company asserted, however, that "Black Mesa's solar generation resource was not selected by [the Company] as a capacity resource to meet the 2023 deficit through the request for proposal process; only the 40 [MW] Black Mesa battery storage component was selected." *Id*. at 2. As the Company explained, the central premise undergirding Staff's rationale for applying a RCCE date of July 1, 2023, for the Black Mesa project no longer applies. Accordingly, because the Commission-authorized first deficiency date was July 1, 2026, (Order No. 33898) when the Black Mesa PPA was signed on February 16, 2022, it reasonably follows that its RCCE date should be July 1, 2026.

The Company argued that, even though the 40 MW Black Mesa solar project was not selected as a capacity resource to meet the Company's 2023 deficiency date, because Micron will pay for all of the output for a resource that "will fuel a [Company]-owned capacity resource (energy storage project)" and provide value to all the Company's customers, capacity payments should be based on the July 1, 2023, deficiency date. *Id.* We note, however, the Company's representation that the "Black Mesa PPA is not projected to generate Excess Generation." *Id.* at 6. Thus, while it may be true that the Black Mesa project may fuel energy storage resources if additional renewable energy projects are procured by Micron in the future, by the Company's own admission, there is no indication that any Black Mesa Excess Generation will be available to fuel the energy storage resources the Company selected through its 2021 RFP in time to meet the July 1, 2023, capacity deficiency date. In addition, the Company's rationale for implementing a July 1, 2023, RCCE date for the Black Mesa PPA is inconsistent with the reasoning that the RCCE date

should be based on the most recently authorized deficiency date when a PPA or other agreement is signed by both parties.

Therefore, based on the foregoing we find it fair, just, and reasonable that the RCCE date for the 40 MW renewable resource under the Black Mesa PPA be based on the first capacity deficiency date approved by the Commission at the time that agreement was signed by both parties: July 1, 2026.

We find it fair, just, and reasonable that the RCC utilize the rate and payment structure for IRP-based energy storage projects. Under this structure, avoided cost payments are based on actual energy delivered to the system during system peak and premium peak hours, regardless of the source of energy. This method aligns with established principles and ensures accountability in compensating resources for the capacity avoidance they deliver. In addition, applying this structure provides a consistent methodology for future, anticipated resource combinations (wind plus battery and/or solar plus battery) under the Black Mesa PPA and additional CEYW – CO projects.

We find it fair, just, and reasonable that the resource(s) used as a surrogate to determine avoided capacity cost be identified using the lowest-cost selectable resource from the most recently acknowledged IRP at the time of PPA execution. This treatment will ensure methodological consistency between CEYW – CO projects and fair compensation for capacity avoidance resources.

Finally, we find it fair, just, and reasonable that Micron receive capacity credits during peak and premium peak hours, consistent with PURPA QF storage projects. Similar to our reasoning in the preceding two paragraphs, this method will provide a consistent methodology between other CEWY – CO projects and ensure that resources are appropriately compensated for capacity avoidance actually delivered.

Review of Future PPAs

We find it fair, just, and reasonable that every future CEYW – CO project associated PPA agreement or resource construction agreement be first reviewed and approved by the Commission. The Company argues that, because the costs of the Black Mesa PPA and other CEYW – CO project PPAs will be fully covered by the customer, the PPA need not be reviewed and approved by the Commission. We are unpersuaded by the Company's argument against providing future CEYW – CO associated PPAs or construction agreements for Commission review and approval. We find that providing a PPA for review and approval is necessary to ensure that costs are not unfairly

shifted to other customers or classes of customers. We find it reasonable that if a special contract under the CEYW – CO program references an associated PPA and makes certain representations about that PPA's impact on other customers, then the PPA itself should be provided for Commission review and approval. For example, we find it reasonable that, if the resource under the PPA is directly connected and supplying output to the Company's transmission system, as it is in this case, the Commission review the PPA to ensure it has no deleterious effect on other customers.

PCA

Last, we find it fair, just, and reasonable that the credits for excess energy and capacity included in power supply expense be subject to 95% sharing in the PCA. The Commission is unpersuaded by the Company's argument that it has "no ability to influence the performance of power supply expense, as in the case of excess energy and capacity credits." *Id*. at 17. These credits are based on 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. Furthermore, the resources under CEYW – CO projects and associated agreements, unlike resources under PURPA, which the Company is mandated to take by the Federal Energy and Regulatory Commission, are freely negotiated by the Company with its customers.

ORDER

IT IS HEREBY ORDERED that the Black Mesa PPA is approved, as filed; all payments the Company makes to Seller for purchases of energy under the Black Mesa PPA will be allowed as prudently incurred expenses for ratemaking purposes.

IT IS FURTHER ORDERED that the Micron ESA and Schedule 26 are approved with the modifications discussed above. The Company shall file an updated Micron ESA and Schedule 26 addressing the Commission's modifications within 90 days from the service date of this Order.

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. *Idaho Code* § 61-626. ///

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st day of August 2022.

ERIC ANDERSON, PRESIDENT

JOHN CHATBURN, COMMISSIONER

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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