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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

BACKGROUND

On March 10, 2022, Idaho Power Company (“Company” or “Idaho Power”) applied to the Commission for an order approving a revised Special Contract for electric service (“ESA” or “Micron ESA”) 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 ESA.

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. Staff filed comments to which the Company replied. No other comments were received.

On August 1, 2022, the Commission issued Order 35482, therein approving the Black Mesa PPA, as filed, and directing the Company to file an updated ESA and Schedule 26 addressing the Commission’s modifications to the methodologies used for calculating Excess Generation Credits

and Renewable Capacity Credits (“RCC”). In addition, the Commission found “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 [Power Cost Adjustment (“PCA”).” Order No. 35482 at 18.

On August 22, 2022, the City of Boise City (“Boise City”) filed a petition for reconsideration arguing that the Commission improperly made “programmatically changes” in Order No. 35482 to the Clean Energy Your Way program, which is the subject of Case No. IPC-E-21-40. Boise City further argued that the Commission lacked adequate justification for disregarding the pricing structure of the ESA negotiated by Micron and the Company and that the Commission imposed discriminatory pricing components.

On August 22, 2022, the Company filed a petition for clarification and reconsideration. The Company requests the Commission clarify how Renewable Capacity Credits (“RCC”) under the Micron ESA are to be quantified. The Company requests the Commission reconsider its finding that excess renewable energy and capacity credits included in the Company’s power supply expenses be subject to 95% sharing in the PCA.

In this answer to the petitions for reconsideration, Staff responds to Idaho Power’s petition for clarification and reconsideration (“Petition”), and briefly addresses Boise City’s petition for reconsideration.

STAFF ANALYSIS

- I. **Staff believes the RCC should be based on a resource’s actual generation during peak and premium peak hours and that Staff and the Company should work together to develop a new RCC rate structure to be filed as a compliance filing.**

The Company points to the Commission’s directive that the RCC utilize the rate and payment structure for Public Utility Regulatory Policies Act of 1978 (“PURPA”) Integrated Resource (“IRP”)-based energy storage projects. Petition at 2. The Company had proposed that the rate structure for the RCC be based on the capacity contribution of all variable energy limited resources in the Company’s 2021 IRP. Company Reply Comments at 12. The Company mentions that to calculate the RCC it is necessary to determine the Capacity Contribution Factor (“CCF”). However, the Company notes that both Staff and the Commission were silent on the method for determining the CCF. Thus, the Company requests the Commission clarify whether it intended the Company modify just the manner in which RCC payments are made or whether it intended the Company modify both the RCC calculation and the method for determining the CCF.

Staff generally agrees with the Company's representations regarding Staff's position on the IRP-based methodology for determining the CCF and application of a "time of output" rate structure for payments for the RCC. Petition at 3. Staff also agrees with the Company's statement that the annual value of Micron's RCC would 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." *Id.*

Staff acknowledges that it did not consider the specific calculations of the RCC rates and the determination of the CCF. Staff understands that the PURPA energy storage payment structure—the structure which Staff recommends the Company implement—departed from previous PURPA rate structures when it was initially developed in Case No. IPC-E-20-02. The hallmark of this payment structure is its pricing for production delivered during "peak" and "premium peak hours."

Peak and premium peak hours are, essentially, the hours within time periods that define the need for future capacity on the Company's system. To determine the avoided capacity cost requires a survey of the fixed costs of future capacity resources through the Company's IRP process. Since the energy storage payment structure was implemented, new methods in the IRP process for determining the amount of capacity resources can contribute to the system and identifying critical times of need have been developed. Staff believes that the RCC rate structure that it recommends the Company implement in this case constitutes a synthesis of the new information and methods developed in the Company's most recent IRP with the methods for determining the PURPA energy storage capacity rate structure. Because this approach requires integration with the updated IRP methods and information, Staff believes the Company should work with Staff to develop a RCC rate structure which it can then provide to the Commission as a compliance filing in this case.

II. Staff believes the records supports the Commission's determination regarding the PCA.

Staff believes the record, including Staff's comments, supports the Commission's finding that credits for excess energy and capacity included in power supply expenses be subject to 95% sharing in the PCA. However, Staff is willing to submit written comments if the Commission wishes to reconsider this issue.

III. Boise City's Petition for Reconsideration

Staff has no comment on Boise City's assertion that the Commission "chose the wrong docket to make programmatic decisions for the Clean Energy Your Way program." Boise City Petition at 2. Staff reiterates its conclusion that the Company's No-Harm Analysis was insufficient. *Id.* at 3. Staff maintains its belief that the pricing components under the Micron ESA are fair and reasonable. *Id.* at 5. However, Staff is prepared to file additional comments should the Commission grant reconsideration of the issues raised by Boise City's Petition.

IV. Conclusion

Staff recommends the Company work with Staff to develop an RCC rate based on the PURPA energy storage capacity rate structure and the methods used in the Company's most recent IRP then file a compliance filing. Staff believes the Commission's decisions on the issues in the Company's and Boise City's petitions for reconsideration were adequately supported by the record. However, Staff is prepared to fill additional comments on any issues the Commission wishes to reconsider.

Respectfully submitted this 29th day of August 2022.



Riley Newton
Deputy Attorney General

i:umisc/comments/ipce22.6rn answer to petition

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29th DAY OF AUGUST 2022, SERVED THE FOREGOING **COMMISSION STAFF'S ANSWER TO PETITIONS FOR RECONSIDERATION**, IN CASE NO. IPC-E-22-06, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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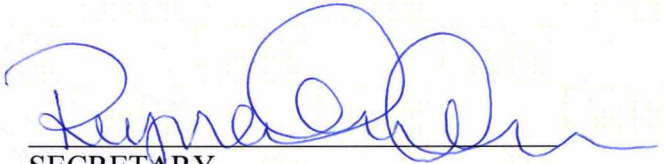
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