

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: AUGUST 5, 2014

SUBJECT: IDAHO POWER'S REQUEST FOR A DETERMINATION REGARDING
AN ENERGY SALES AGREEMENT WITH GRAND VIEW PV SOLAR
TWO, CASE NO. IPC-E-14-19

On July 25, 2014, Idaho Power filed an Application with the Commission for approval or rejection of an Energy Sales Agreement with Grand View PV Solar Two, LLC, for the sale and purchase of electric energy. Idaho Power requests that its Application be processed by Modified Procedure.

THE APPLICATION

Idaho Power requests that the Commission accept or reject the Energy Sales Agreement between Idaho Power and Grand View PV Solar Two, LLC (Grand View) under which Grand View would sell and Idaho Power would purchase electric energy generated by Grand View's 80 megawatt (MW) solar photovoltaic project located approximately 20 miles southwest of Mountain Home, Idaho. The Agreement between the parties was executed on July 17, 2014.

The Agreement is for a term of 20 years. Idaho Power states that the Agreement was executed in compliance with the Commission's Orders directing the implementation of PURPA for the State of Idaho and contains negotiated avoided cost rates based upon the incremental cost, integrated resource plan pricing methodology available to solar projects whose generation will exceed 100 kilowatts (kW). Idaho Power explains that the Agreement also contains negotiated solar integration charges as directed by the Commission in Order No. 33043, as well as several other negotiated provisions requiring specific Commission approval.

The proposed project is expected to consist of approximately 340,480 polysilicon photovoltaic panels installed on a single axis tracking system, supported by a fixed post and beam structure. Grand View selected July 1, 2016, as its Scheduled Operation Date. Various

requirements have been placed upon Grand View in order for Idaho Power to accept energy deliveries from the project. Idaho Power states that it will continue to monitor compliance with these requirements throughout the term of the Agreement.

Idaho Power explains that this Agreement is the first of its type submitted for approval that contains negotiated avoided cost rates based upon the incremental cost, integrated resource plan pricing methodology. Prices were determined on an incremental basis with the inclusion of this project in its queued position of proposed projects on Idaho Power's system. Over the 20-year term of the Agreement, monthly rates vary from approximately \$31/megawatt-hour (MWh) for light load hours in early months of the Agreement to as high as \$159/MWh for heavy load hours in the later years of the Agreement. The equivalent 20-year levelized avoided cost rate would amount to approximately \$73.41/MWh.

The Agreement also contains a solar integration charge that was negotiated and agreed to by the parties. Although the integration charge is based on Idaho Power's solar integration study, the study was not yet complete during contract negotiations. However, the most currently available data and analysis from the study was used by the parties in the course of negotiations. The negotiated solar integration charge starts at \$0.99/MWh for the first year of the Agreement (2015) and escalates to \$1.84/MWh in 2036. The equivalent 20-year levelized solar integration charge would amount to approximately \$1.28/MWh. Idaho Power states that the 20-year estimated contractual obligation based upon estimated generation levels, including avoided cost rates and solar integration charges, is approximately \$310,237,634.

The Agreement does not contain a 90/110 firmness requirement; instead it contains provisions for a Mechanical Availability Guaranty (MAG), solar forecasting fees, solar integration charge, and a pricing adjustment. Idaho Power states that it prefers that 90/110 firmness be included in all PURPA QF agreements. The project preferred a MAG and forecasting costs. Idaho Power maintains that the use of a MAG is not a replacement for the firmness determinations of the 90/110 provisions; however, based on negotiations and an agreed to price adjustment, the Company states that it is comfortable and confident that the Agreement contains provisions to reasonably assure that the project performs in conformance with its generation estimates and, if not, the project receives a reduced price for the non-conforming month's generation. The Agreement allows for a five (5) percent deviation in the monthly net energy deliveries from the generation profile estimates without assessing a price adjustment. If the project's actual generation deviates downward by more than 5% of its generation estimates, then a corresponding percentage adjustment to the monthly price is imposed. However, the

adjustment is limited to a maximum price reduction of 10 percent. Idaho Power states that consistent and material deviations from the hourly energy estimates in the generation profile will be considered by Idaho Power to be a material breach of the Agreement.

New provisions providing for actual delay damages as opposed to liquidated damages are included in the Agreement, consistent with Order No. 32697. The parties negotiated a 50/50 split of environment attributes (aka renewable energy credits). As with all PURPA QF generation, the project must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. Consequently, the Agreement contains provisions requiring completion of a Generator Interconnection Agreement (GIA), compliance with GIA requirements, and designation as an Idaho Power network resource as conditions of Idaho Power accepting delivery of energy and paying for the same under the Agreement. In order for the project to maintain its DNR status, there must be a power purchase agreement associated with its transmission service request that maintains compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with FERC requirements.

Article 21 of the Agreement provides that the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declared that all payments Idaho Power makes to Grand View for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

STAFF RECOMMENDATION

Staff has preliminarily reviewed the Application and recommends that the case be processed by Modified Procedure.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure?



Kristine A. Sasser
Deputy Attorney General

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