

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: DAPHNE HUANG
DEPUTY ATTORNEY GENERAL

DATE: MAY 26, 2017

SUBJECT: IDAHO POWER'S APPLICATION TO APPROVE OR REJECT ENERGY SALES AGREEMENT WITH SHINGLE CREEK LLC, CASE NO. IPC-E-17-08

On May 17, 2017, Idaho Power Company filed an Application asking the Commission to approve or reject its Energy Sales Agreement with Shingle Creek LLC. The Agreement falls under the Public Utility Regulatory Policies Act of 1978 (PURPA), and is a contract for the sale of electric energy purchased by Idaho Power, and generated by Shingle Creek's hydro project ("Facility") near Riggins, Idaho. Idaho Power asked that its Application be processed by Modified Procedure.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from "qualifying facilities" (QFs) at rates approved by this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The purchase or "avoided cost" rate shall not exceed the "'incremental cost' to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source." Order No. 32697 at 7, citing *Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6) (defining "avoided cost").

The Commission has established two methods of calculating avoided costs, depending on the size of the QF project: (1) the surrogate avoided resource (SAR) methodology, and (2) the integrated resource plan (IRP) methodology. See Order No. 32697 at 7-8. The Commission uses the SAR methodology – which applies to the Facility in this case – to establish "published" avoided cost rates. *Id.* Published rates are available for wind and solar QFs with a

design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10 average megawatts (aMW). *Id.* In this case, the Facility is a QF under the “all other resource type” (specifically “non-seasonal hydro”) category. Application at 2.

In calculating avoided costs, the Commission has found it “reasonable, appropriate and in the public interest to compensate QFs separately based on a calculation of not only the energy they produce, but the capacity that they can provide to the purchasing utility.” Order No. 32697 at 16. In calculating capacity, the Commission considers “each utility’s capacity deficiency based on load and resource balances found in each utility’s [Integrated Resource Plan] IRP,” as well as “a QF’s ability to contribute to a utility’s need for capacity.” *Id.* at 16, 21.

THE AGREEMENT

Idaho Power and Shingle Creek first entered into a PURPA agreement in 1982. Application at 2. That contract is set to expire July 31, 2017. *Id.* The Agreement at issue in this matter is a new contract that was entered into by Idaho Power and Shingle Creek on May 8, 2017. *Id.* Under the Agreement’s terms, Shingle Creek elected to contract with Idaho Power for a five-year term using the non-levelized, non-seasonal, hydro published avoided cost rates, as established by the Commission (Order No. 33538) for replacement contracts and energy deliveries of less than 10 aMW. *Id.* at 3-4.

The nameplate rating of the Facility is 222 kilowatts (kW), and Shingle Creek agrees it will not exceed 10 aMW on a monthly basis. *Id.* at 4. The Facility “is already interconnected and selling energy to Idaho Power.” *Id.* Nonetheless, the Agreement specifies its Scheduled First Energy Date and Scheduled Operation Date as August 1, 2017. *Id.* The terms and provisions of the Agreement include that “applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to [Shingle Creek].” *Id.* at 5. Also, PURPA QF generation “must be designated as a network resource (“DNR”) to serve Idaho Power’s retail load on its system.” *Id.*

Under the Agreement, to maintain DNR status, “there must be a power purchase agreement associated with [the Facility’s] transmission service request in order to maintain compliance with Idaho Power’s non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with [Federal Energy Regulatory Commission] FERC requirements.” *Id.* The Agreement provides that it will not become

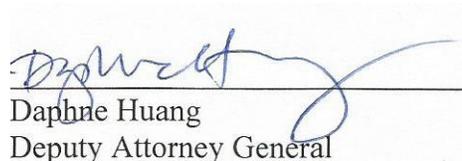
effective “until the Commission has approved all of [its] terms and conditions and declared that all payments Idaho Power makes to Shingle Creek for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.* at 5.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with a 21-day comment period, followed by a 7-day reply period for Idaho Power.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a 21-day comment period followed by a 7-day reply period for Idaho Power?



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