

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION ) CASE NO. PAC-E-17-14**  
**OF ROCKY MOUNTAIN POWER FOR )**  
**APPROVAL OF POWER PURCHASE )**  
**AGREEMENT BETWEEN PACIFICORP ) ORDER NO. 33993**  
**AND THE CITY OF PRESTON, IDAHO )**

---

On December 22, 2017, Rocky Mountain Power, a division of PacifiCorp, applied to the Commission for an order approving or rejecting PacifiCorp’s proposed Power Purchase Agreement (PPA) with the City of Preston, Idaho. Rocky Mountain Power explained the proposed PPA would replace an agreement with an existing “qualifying facility” (QF) under the Public Utility Regulatory Policies Act (PURPA). Application at 3. The prior agreement expired on December 31, 2017. *Id.* at 3-4. Since the prior agreement has expired and the proposed PPA is not yet effective, the Company also sought permission to continue buying the QF’s power under the prior agreement until the Commission approves or rejects the proposed PPA. The Company stated it and the QF have agreed that the price the Company pays for power after 2017 will be trued-up to the price it would have paid if the proposed PPA had been in effect. *Id.* at 4.

The Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines. Order No. 33960. The Commission also granted the Company permission to buy power from the QF under the prior agreement until the proposed PPA is approved or rejected, with prices paid after 2017 being trued-up to the price that would have been paid under the proposed PPA. *Id.* at 4. Staff timely filed comments; no other comments were received. The Commission now issues this Order approving the PPA.

**BACKGROUND**

PURPA was enacted in 1978 “to lessen the country’s dependence on foreign oil and to encourage the promotion and development of renewable energy technologies as alternatives to fossil fuels.” Order No. 32580 at 3, *citing FERC v. Mississippi*, 456 U.S. 742, 745-46 (1982). PURPA and its implementing regulations require electric utilities to purchase the power produced by QFs. 16 U.S.C. § 824a-3(b); 18 C.F.R. § 292.303(a).

The rate that a QF receives for the sale of its power to a utility, called the “avoided cost” rate, is approved by the Commission, and represents “the ‘incremental cost’ to the purchasing

utility which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source.” Order No. 33419 at 3, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 627, 917 P.2d 781, 784 (1996); 18 C.F.R. § 292.101(b)(6) (defining “avoided cost”).

For QFs generating less than 10 average megawatts (aMW) of energy, the Commission calculates and publishes rates with a Surrogate Avoidable Resource methodology, using long-term natural gas price forecasts. Order No. 31092 at 3. These published avoided cost rates are periodically updated as new natural gas price forecasts are issued. *Id.* at 9.

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 APPLICATION**

Rocky Mountain Power explained the proposed PPA is a renewal contract with an existing 400 kilowatt hydroelectric QF under PURPA. *Id.* at 3. The proposed PPA would replace a prior agreement that was in effect from 1982 until it expired on December 31, 2017. *Id.* at 3-4.

The Company asked to continue buying power under the prior agreement’s terms until the Commission approves or rejects the proposed PPA. *Id.* at 4. The Company stated it and the QF “have agreed that the price paid after December 31, 2017, would then be trued-up to the price that would have been paid under the new [PPA], in order to hold [the Company’s] customers harmless from the extension.” *Id.*

Rocky Mountain Power indicated the proposed PPA complies with Commission Order Nos. 36297, 32737, and 32802. *Id.* at 3. Rocky Mountain Power further stated the QF elected to contract for a 20-year term with prices as set forth in Exhibit F to the proposed PPA, except as otherwise indicated. *Id.*

Rocky Mountain Power explained the proposed PPA will not take effect until the Commission approves it and determines:

the prices paid for energy and capacity are just and reasonable, in the public interest, and that costs incurred by the Company for purchasing energy and capacity are legitimate expenses, all of which the Commission will allow the Company to

recover in Idaho rates in the event other jurisdictions deny recovery of their proportionate share of said expenses.

*Id.*

### **STAFF'S COMMENTS**

Staff reviewed the proposed rates and confirmed they are correct and that all other terms contained in the proposed PPA are consistent with prior Commission orders. Staff Comments at 2. Staff thus recommended the Commission approve the PPA and declare that all payments made by Rocky Mountain Power to the City of Preston for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. *Id.*

### **COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority 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 may fix the same by order. *Idaho Code* §§ 61-502 and 61-503. In addition, the Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from qualified facilities and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Application, the PPA, and the comments and recommendations of Commission Staff. We find that the City of Preston's QF is qualified to receive the published avoided cost rates contained in the PPA. We further find that the PPA contains acceptable contract provisions consistent with PURPA, FERC regulations, and this Commission's prior orders. In addition, we find a true-up between 2017 prices and current prices just and reasonable. We therefore approve the PPA without change or condition. Finally, we find it fair, just and reasonable to allow payments made under the Agreement as legitimate and prudently incurred expenses for ratemaking purposes.

### **ORDER**

IT IS HEREBY ORDERED that the PPA between PacifiCorp and the City of Preston, Idaho is approved.

IT IS FURTHER ORDERED that all payments made by the Company for purchases of energy under the PPA are allowed as legitimate and prudently incurred expenses for ratemaking purposes.

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 with regard to 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. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this <sup>21<sup>ST</sup></sup> day of February 2018.



\_\_\_\_\_  
PAUL KJELLANDER, PRESIDENT



\_\_\_\_\_  
KRISTINE RAPER, COMMISSIONER



\_\_\_\_\_  
ERIC ANDERSON, COMMISSIONER

ATTEST:



\_\_\_\_\_  
Diane M. Hanian  
Commission Secretary

I:\Legal\LORDERS\PACE1714\_cc\_final order.docx