

DECISION MEMORANDUM

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

FROM: DAPHNE HUANG
DEPUTY ATTORNEY GENERAL

DATE: FEBRUARY 3, 2015

SUBJECT: IDAHO POWER'S PETITION TO MODIFY TERMS AND CONDITIONS
OF PROSPECTIVE PURPA ENERGY SALES AGREEMENTS, CASE
NO. IPC-E-15-01

On January 30, 2015, Idaho Power Company filed a Petition with the Commission seeking an Order modifying the terms and conditions by which Idaho Power must purchase energy generated by qualifying facilities (QFs) under the Public Utility Regulatory Policies Act (PURPA). With its Petition, the Company filed supporting testimony by William H. Hieronymus, Randy Allphin, and Lisa Grow.

THE APPLICATION

Idaho Power's Petition asserts that, absent modification to the current terms and conditions under which it must contract with PURPA QFs, the new contracts that the Company will be obligated to enter will harm both its customers, and its system's reliability. Specifically, Idaho Power states that "the continued creation of 20-year term [PURPA] contracts places undue risk on customers at a time when Idaho Power has sufficient resources to meet customer demands." Petition at 2. Although the Company identifies several issues concerning PURPA implementation that this Commission could examine and possibly revise (*Id.* at 4-5), its requested relief specifies only that "the maximum required term for any Idaho Power PURPA energy sales agreement be reduced from 20 years to two years." *Id.* at 36.

According to Idaho Power, it currently has a total of 1,302 megawatts (MW) of PURPA QF projects under contract. *Id.* at 2 (*citing* Allphin Direct, Exh. 2.) Also, Idaho Power has "an additional 885 MW of PURPA solar capacity in the queue actively seeking PURPA

energy sales agreements to be on-line in 2016.” *Id.* (citing Allphin Direct, Exh. 1, 2). Idaho Power estimates that the addition of these proposed solar projects would represent a “long-term financial obligation to customers of approximately \$2.1 billion,” in addition to the existing \$2.6 billion obligation over the life of the Company’s projects already on-line and operational. *Id.* at 3 (citing Allphin Direct, Exh. 4).

Idaho Power notes that this Commission has, through the years, made changes to the maximum contractual term for the Company’s PURPA contracts. *Id.* at 8. The Commission initially estimated a maximum contract term of 35 years, which it shortened to 20 years in 1987. *Id.* (citing Order No. 21630). The term was reduced to five years in 1996 (Order No. 26576), but again raised to 20 years in 2002 (Order No. 29029). Petition at 8. The Commission has the authority to determine the proper terms and conditions of a PURPA contract before it is approved and effective, although it may not make adjustments to the contractual terms thereafter. *See Idaho Power Co. v. Idaho Pub. Util. Comm.*, 155 Idaho 780, 316 P.3d 1278 (upholding the authority and procedure by which the Idaho Public Utility Commission approves PURPA contracts).

Idaho Power has entered into PURPA QF projects since 1982. Petition at 17 (citing Allphin, Exh. 1). Although its first contracts were for relatively small amounts of PURPA generation, Idaho Power has seen a “dramatic increase in the number and size of PURPA projects . . . coming on-line and under contract.” *Id.* at 18. Idaho Power asserts it is reaching a point at which the capacity of proposed projects will exceed its operational need. *Id.* at 20, citing Allphin, Exh. 3, 4, 9. According to Idaho Power, if it is obligated to continue its acquisition of large amounts of unneeded intermittent PURPA generation, it will result in inflation of its power supply costs and the degrading of its system’s reliability. *Id.* at 20-27. Idaho Power contends that the 20-year lock-in of contractual rates is unjust, unreasonable, and contrary to the public interest. *Id.* at 27-34. In further support, Idaho Power cites this Commission’s recent decisions expressing concern about the consequences of the continued addition of extremely large amounts of intermittent QF generation onto Idaho Power’s system. *Id.* at 3, 21 (*see* Order Nos. 33198-33202, 33204-33209).

To address this negative impact to system reliability and customer rates, Idaho Power requests that this Commission reduce the currently authorized 20-year contract term to a maximum of two years.

COMMISSION DECISION

1. How does the Commission wish to proceed? Does the Commission wish to issue a Notice of Petition setting a 14-day deadline for intervention?
2. Based on the documents submitted to date, does the Commission wish to take any other action pending the outcome of this case?
3. Anything else?

/s/ Daphne Huang

Daphne Huang
Deputy Attorney General

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