

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: SCOTT WOODBURY

DATE: FEBRUARY 12, 2007

**SUBJECT: CASE NO. IPC-E-07-04 (Idaho Power)
PETITION TO REVISE PUBLISHED AVOIDED COST RATES
(A) TO INCLUDE A DAILY LOAD SHAPE
(B) TO CLARIFY RULES REGARDING PUBLISHED RATE
ELIGIBILITY -- DISAGGREGATION**

On February 6, 2007, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to revise its published avoided cost rates for qualifying facilities (QFs) under Sections 201 and 210 of the Public Utility Regulatory Policies of 1978 (PURPA) to reflect Idaho Power's daily load shape and recognize the difference in value between energy delivered by QFs during heavy load hours and energy delivered during light load hours. As reflected in the Company's Application, this revision would not change the computation of avoided cost but it could change the total revenues received by QFs depending on when during the day they deliver energy.

The Company in its Application also seeks to clarify the rules governing the entitlement to published rates to prevent QF projects capable of delivering more than 10 aMW per month from artificially restructuring into smaller projects in order to qualify for the published avoided cost rates.

Daily Load Shape Adjustment

Idaho Power reports that since the early 1980s, when PURPA was first implemented in Idaho, the Commission shaped Idaho Power's QF purchase rates to address the difference in energy values between the various seasons of the year. The seasonalization of the avoided cost rates recognizes that energy delivered by QFs has different values based on when it is delivered.

Similar to seasonalization, Idaho Power contends that energy provided by QFs has different values based on how it can help meet the Company's daily peaks in load. This difference in value between heavy load hours and light load hours, the Company states, was the basis for the daily shape adjustment that was approved for Avista Corporation in Commission Order No. 30111 issued in Case No. AVU-E-06-04. The Company's proposed changes to the published rates to reflect the daily shape adjustment are reflected in Attachment 1 to its Application.

Disaggregation of Large QFs Into Smaller Projects

Addressing its concern that QF projects capable of generating more than 10 aMW per month will choose to create multiple legal entities to reconfigure themselves into multiple smaller projects in order to qualify for the historically higher published rates, Idaho Power proposes to clarify its rules for published rate eligibility to preclude disaggregation.

Idaho Power states that the disaggregation issue was recently addressed in the PURPA avoided cost rate proceedings before the Public Utilities Commission of Oregon (Docket No. UM-1129). The parties to that proceeding, it states, settled the issue by negotiating a stipulation which was approved by the parties and presented to the Oregon Commission for approval. The stipulation was signed by all of the utilities, the Oregon Department of Energy, the Staff of the Oregon Public Utilities Commission, Sherman County and the J.R. Simplot Company. No party to that case, it states, opposed the stipulation. In Order No. 06-538 and Order No. 06-586, the Oregon Commission approved the settlement stipulation that defined those small cogeneration facilities or small power production facilities eligible to receive Oregon "standard rates." Idaho Power submits a proposed rule set forth in Application Attachment 2 proposing language similar to that approved in Oregon.

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Idaho Power states that it has posted its pleading and two attachments on its website. It has sent e-mails to all the intervenors in Case No. IPC-E-05-22, the entities that participated in the workshops that followed the issuance of Order No. 29839 and to other interested parties advising them of this filing and providing a link to the website.

With Company concurrence, Staff recommends that the Commission issue a Notice of Petition in Case No. IPC-E-07-04 and process the case under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA

31.01.01.201-204. (The recommended procedure differs from the workshop recommended by the Company in its Petition.) Does the Commission find the recommended procedure in this case to be acceptable?

Scott D. Woodbury

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