

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. IPC-E-14-15
OF IDAHO POWER COMPANY FOR)	
APPROVAL OR REJECTION OF AN)	NOTICE OF APPLICATION
ENERGY SALES AGREEMENT WITH)	
CLARK CANYON HYDRO, LLC, FOR THE)	NOTICE OF
SALE AND PURCHASE OF ELECTRIC)	MODIFIED PROCEDURE
ENERGY FROM THE CLARK CANYON)	
PROJECT.)	ORDER NO. 33064

On June 4, 2014, Idaho Power Company filed an Application requesting that the Commission accept or reject an Agreement between Idaho Power and Clark Canyon Hydro, LLC (Clark Canyon), for the sale and purchase of electric energy generated by the Clark Canyon hydroelectric Project. Idaho Power asks that its Application be processed by Modified Procedure.

BACKGROUND

On May 20, 2011, this Commission approved an agreement between Idaho Power and Clark Canyon for a 4.7 megawatt (MW) hydro project at a facility located near Dillon, Montana. Order No. 32294. The agreement contained a scheduled operation date of March 31, 2013. Idaho Power states that, for various reasons, the project was unable to meet the March 2013 scheduled operation date. Idaho Power agreed to extend the operation date until December 31, 2013, based on Clark Canyon's agreement to forfeit the posted delay security as liquidated damages. Idaho Power required that the project post an additional security amount as delay security associated with the revised, December 2013, scheduled operation date. The extension agreement was approved by the Commission on May 24, 2013. Order No. 32814. The project subsequently failed to meet its revised, December 2013, operation date.

Ultimately, Idaho Power and the project entered into a Memorandum of Understanding (MOU) that addressed termination of the previously approved agreement and execution of a new seasonal hydro QF agreement. The MOU provides for:

- Termination of the previously approved agreement;
- Collection of delay liquidated damages;

- Negotiation and execution of a new seasonal hydro agreement that retains the delay liquidated damages provision, requires the Project to post delay security for the new agreement at \$45 per kilowatt of nameplate, and allows the Project to offset this delay security by the previously forfeited delay security;
- Any energy deliveries to Idaho Power in the months of March or April will be paid the market value of energy and not the SAR published avoided cost rate;
- If the Project fails to meet the seasonal hydro requirements (i.e., 55% of generation delivered during the months of June, July and August), payments will be revised to reflect non-seasonal hydro SAR published avoided cost rates; and
- The provision in the approved/terminating contract with regard to ownership of renewable energy credits is retained for the new agreement (Idaho Power owns 50% and Clark Canyon owns 50%).

Idaho Power states that, “in negotiating these terms and conditions with Clark Canyon, Idaho Power adhered to its PURPA obligation to contract with this new proposed QF project, addressed the project’s previous lack of performance, satisfied the project’s requests to contract and purchase in a timely and reasonable manner, and maintained the value from the terminated [Agreement] for Idaho Power and its customers by requiring terms and conditions that would carry certain provisions from the terminated [Agreement] forward into the new [Agreement].” Application at 4.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that, on May 30, 2014, Idaho Power and Clark Canyon entered into a new Agreement pursuant to the terms and conditions of various Commission Orders applicable to PURPA agreements for seasonal hydro projects. Idaho Power states that Clark Canyon now proposes to operate and maintain a 7.55 megawatt (MW) seasonal hydro energy facility located near Dillon, Montana. The Company maintains that the project will be a qualified facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act (PURPA).

YOU ARE FURTHER NOTIFIED that, under the terms of the Agreement, Clark Canyon elected to contract with Idaho Power for a 20-year term using the non-levelized seasonal hydro published avoided cost rates as currently established by the Commission in Order No.

32817 for energy deliveries of less than 10 average MW (aMW). As defined in paragraphs 1.23 and 4.1.4 of the Agreement, Clark Canyon will be required to provide data on the facility that Idaho Power will use to confirm that under normal and/or average conditions, the facility will not exceed 10 aMW on a monthly basis. As described in paragraph 7.5 of the Agreement, should the facility exceed 10 aMW on a monthly basis, Idaho Power will accept the inadvertent energy that does not exceed the maximum capacity amount, but will not purchase or pay for inadvertent energy.

YOU ARE FURTHER NOTIFIED that, in its new Agreement, Clark Canyon has selected June 1, 2017, as the project's Scheduled Operation Date. Various requirements have been placed upon the project in order for Idaho Power to accept energy deliveries from this facility. Idaho Power will monitor compliance with these requirements. Idaho Power will continue to monitor the ongoing requirements throughout the term of the Agreement.

YOU ARE FURTHER NOTIFIED that the Agreement provides that all applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to Clark Canyon. A Schedule 72 Generator Interconnection Agreement (GIA) between Clark Canyon and Idaho Power was executed on August 10, 2011, for a 4.7 MW facility. Idaho Power maintains that the Company has constructed the required interconnection facilities pursuant to the executed GIA. With the increase in nameplate capacity from 4.7 MW to 7.55 MW, Idaho Power states that Clark Canyon has been advised that it will need to submit an additional interconnection request to accommodate the additional 2.85 MW, and execute a GIA increasing the interconnection capacity to 7.55 MW.

YOU ARE FURTHER NOTIFIED that Idaho Power states that PURPA QF generation must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. In order for the facility to maintain its DNR status and maintain compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and FERC requirements there must be a power purchase agreement (PPA) associated with its transmission service request.

YOU ARE FURTHER NOTIFIED that Idaho Power further explains that the recent hydro agreements are the first hydro-based agreements submitted for approval "that contain revised terms and conditions subsequent to the Commission's final and reconsideration orders from Case No. GNR-E-11-03. As such, the form of the [Agreement] has several terms and

conditions that vary from previously approved agreements in order to comply with the Commission's recent orders." Application at 4.

YOU ARE FURTHER NOTIFIED that Idaho Power and Clark Canyon also agreed to changes in some standard provisions that the parties now propose for Commission approval. In addition to the specifically negotiated provisions pursuant to the MOU, Idaho Power identifies the major changes as follows:

- Change to the definition of "Mid-Columbia Market Energy Cost" to replace reference to the Dow Jones index with reference to the Intercontinental Exchange (ICE) index and formula consistent with the proposed settlement in Case No. IPC-E-13-25¹;
- Addition of definitions and provisions, paragraphs 1.29, 1.41, 1.42, 3.4 and 7.6 to incorporate definitions of "non-seasonal hydro facility" and "seasonal hydro facility" as well as "seasonal hydro facility test periods" to incorporate and maintain separate rates for seasonal and non-seasonal hydro projects and to ensure that seasonal hydro projects perform within the requirements of generating 55 percent of their annual generation in the months of June, July and August;
- Change to paragraph 6.2 to allow Clark Canyon to adjust the "Initial Year Monthly Net Energy Amounts" on a monthly, rather than quarterly, basis;
- Revision to paragraph 12.4 relating to Scheduled Maintenance; and
- Several other minor revisions in an attempt to add clarity.

YOU ARE FURTHER NOTIFIED that Article 21 of the Agreement provides that the PPA will not become effective until the Commission has approved all terms and conditions and declared that all payments Idaho Power makes to Clark Canyon for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201-204. The Commission notes that Modified Procedure and

¹ This change is relevant to the 90/110 performance requirement. The settlement was approved by the Commission on June 10, 2014. Order No. 33053.

written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or in opposition with the Commission **no later than Tuesday, August 5, 2014**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application may be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary Idaho Public Utilities Commission PO Box 83720 Boise, ID 83720-0074	Donovan E. Walker Lead Counsel Idaho Power Company PO Box 70 Boise, ID 83707-0070 E-mail: dwalker@idahopower.com
Street Address for Express Mail: 472 W. Washington Street Boise, ID 83702-5918	Randy C. Allphin Energy Contract Administrator Idaho Power Company PO Box 70 Boise, ID 83707-0070 E-mail: rallphin@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that reply comments may be filed **no later than Tuesday, August 12, 2014**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. IDAPA 31.01.01.204.

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 33064

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Open Electric Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons and the parties may file written comments no later than August 5, 2014.

IT IS FURTHER ORDERED that reply comments be filed no later than August 12, 2014.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th
day of June 2014.



PAUL KJELLANDER, PRESIDENT




MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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