

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) **CASE NO. IPC-E-14-22**
CONFIRMATION OF THE CAPACITY)
DEFICIENCY PERIOD FOR) **NOTICE OF APPLICATION**
INCREMENTAL COST, INTEGRATED)
RESOURCE PLAN, AVOIDED COST) **NOTICE OF**
METHODOLOGY.) **MODIFIED PROCEDURE**
)
) **ORDER NO. 33116**

Idaho Power filed an Application with the Commission on August 13, 2014, requesting that the Commission issue an Order confirming the use of a July 2021 capacity deficiency period in the approved incremental cost, integrated resource plan, avoided cost methodology (IRP methodology) applicable to negotiated avoided cost rates for proposed PURPA qualifying facilities (QFs).

BACKGROUND

On December 18, 2012, the Commission issued Order No. 32697 authorizing the use of Idaho Power’s incremental cost IRP methodology. Solar and wind QF projects that exceed 100 kilowatts (kW) and all other QF generation that exceeds 10 average megawatts (aMW) negotiates avoided cost rates based on the approved incremental cost, IRP methodology. In its Order, the Commission stated “We further find it appropriate to identify each utility’s capacity deficiency based on load and resource balances found in each utility’s IRP.” Order No. 32697 at 16.

In calculating a QF’s ability to contribute to a utility’s need for capacity, we find it reasonable for the utilities to only begin payments for capacity at such time that the utility becomes capacity deficient. If a utility is capacity surplus, then capacity is not being avoided by the purchase of QF power. By including a capacity payment only when the utility becomes capacity deficient, the utilities are paying rates that are a more accurate reflection of a true avoided cost for the QF power.

Id. at 21. The Commission discussed the use of inputs from the Company’s integrated resource planning process in the calculation of avoided cost rates. The Commission directed that “when a utility submits its Integrated Resource Plan to the Commission, a case shall be initiated to

determine the capacity deficiency to be utilized in the SAR [Surrogate Avoided Resource] Methodology.” *Id.* at 23. With regard to the IRP Methodology, the Commission stated that “utilities must update fuel price forecasts and load forecasts annually – between IRP filings. . . . all other variables and assumptions utilized within the IRP Methodology remain fixed between IRP filings (every two years).” *Id.* at 22.

For purposes of the SAR methodology, the Commission recently determined that Idaho Power experiences its first capacity deficiency in July 2021. Order No. 33084. Although the Company’s 2013 integrated resource planning process showed a first deficit in July 2016, Idaho Power presented evidence that it had 400 MW of demand response program customers enrolled for the 2014 season. The addition of 400 MW of capacity pushed the Company’s deficit out to July 2021.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Idaho Power states that both the SAR and the IRP methodologies start with a default capacity deficit which is the same as that established by the most recent integrated resource planning process. For the 2013 planning process, a first deficit was identified as 2016 in the Company’s preferred resource portfolio. However, Idaho Power states that because of the suspension of the Company’s demand response programs in 2013, the first deficit of 2016 legitimately did not consider the approximately 400 MW of demand response.

YOU ARE FURTHER NOTIFIED that, because of the unique circumstances of demand response not being considered in the planning process and therefore also not being considered in the IRP Methodology calculation of avoided cost rates, Idaho Power has entered into contracts that contain capacity payments for the entire term of the 20-year agreements. Idaho Power believes the correct avoided cost pricing for all proposed PURPA projects should take into account the Commission’s finding that Idaho Power experiences its first capacity deficit in July 2021. The Company maintains that the IRP Methodology is meant to be a more flexible, negotiated process whereby a more accurate representation of avoided cost can be determined. Therefore, the IRP Methodology should reflect the capacity deficiency that the Commission determined based on the consideration of an additional 400 MW of capacity – provided through the Company’s demand response program. Idaho Power states that the Company has just over

529 MW of proposed new solar QF projects seeking pricing and contracts. The difference in price for all 529 MW of proposed solar when applying a capacity deficit of July 2021 (includes 400 MW of demand response) instead of July 2016 (Idaho Power's 2013 integrated resource planning process determination of capacity deficiency) is approximately \$170 million over the life of the projects.

YOU ARE FURTHER NOTIFIED that Idaho Power states that because the IRP Methodology is meant to be flexible and because the Company is obligated to ensure that avoided cost rates are an accurate reflection of the utility's avoided cost, the Commission should confirm use of a first capacity deficit of July 2021 for purposes of avoided cost prices determined through use of the IRP Methodology.

YOU ARE FURTHER NOTIFIED that Idaho Power requested that its Application be processed by Modified Procedure.

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 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, September 30, 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
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Idaho Power Company
PO Box 70
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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 Oregon-Idaho at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that reply comments may be filed **no later than Tuesday, October 7, 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.

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.

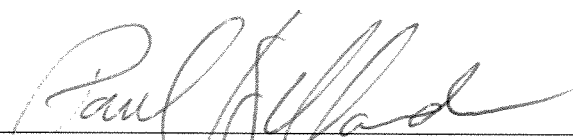
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

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 September 30, 2014.

IT IS FURTHER ORDERED that reply comments be filed no later than October 7, 2014.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4th day of September 2014.



PAUL KJELLANDER, PRESIDENT




MACK A. REDFORD, COMMISSIONER

Out of the Office on this Date

MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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