Office of the Secretary
Service Date
November 6, 2014

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH MOUNTAIN HOME SOLAR, LLC FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY.	)	**CASE NO. IPC-E-14-26** **NOTICE OF APPLICATION** **NOTICE OF MODIFIED PROCEDURE** **ORDER NO. 33162**

On October 17, 2014, Idaho Power Company filed an Application with the Commission requesting acceptance or rejection of a 20-year Energy Sales Agreement (Agreement) between Idaho Power and Mountain Home Solar, LLC (Facility, Project). The Application states that Mountain Home Solar would sell and Idaho Power would purchase electric energy generated by the Project's solar photovoltaic facility located in Elmore County, Idaho.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Application states that the proposed Project expects to use mono crystalline solar modules with Tier 1 inverters and utilize a single axis tracking system for its 19.98 megawatt (MW) solar project. Application at 3. The Facility will be a QF under the applicable provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA). The Agreement is for a term of 20 years and contains incremental, integrated resource planning (IRP) avoided cost rates applicable to solar projects that exceed 100 kilowatts (kW). Idaho Power states that prices were determined on an incremental basis with the inclusion of this Project in its queued position of proposed projects on Idaho Power's system. Over the 20-year terms of the Agreement, the monthly rates vary from approximately $33/megawatt-hour (MWh) for light load hours in early months of the Agreement to as high as $115/MWh for heavy load hours in the latter years of the Agreement based on linear escalations of light load and heavy load monthly rates. The equivalent 20-year levelized avoided cost rate is approximately $61.96/MWh.

YOU ARE FURTHER NOTIFIED that the Agreement also contains negotiated solar integration charges as directed by the Commission in Order No. 33043. The solar integration

charge starts at a charge of $1.18/MWh for the first year of the Agreement (2017) and escalates to $3.65/MWh in 2036 in the same manner as the monthly energy rates (linear escalation). The equivalent 20-year levelized solar integration charge is approximately $2.01/MWh. The 20-year estimated contractual obligation based upon the estimated generation levels applied to the avoided cost rates and solar integration charges is approximately $81,013,156.

YOU ARE FURTHER NOTIFIED that the Project has selected December 31, 2016, as its Scheduled Operation Date. *Id.* at 4. Idaho Power asserts that various requirements have been placed upon the Facility in order for Idaho Power to accept the Project's energy deliveries. Idaho Power states that it will monitor the Facility's compliance with initial and ongoing requirements through the term of the Agreement.

YOU ARE FURTHER NOTIFIED that Idaho Power explains that the Agreement contains several terms and conditions that vary from previously approved agreements in order to comply with the Commission's recent Orders and in order to properly implement the negotiated rates and integration charges. In addition, Idaho Power and Mountain Home Solar have agreed to changes in some provisions that the parties propose for Commission approval.

YOU ARE FURTHER NOTIFIED that the Agreement contains provisions for a 90/110 firmness requirement, solar integration charge and pricing adjustment. Idaho Power states that the 90/110 requirement addresses the Commission's definition of firmness for entitlement to avoided cost rates determined at the time of contracting for the duration of the contract. The solar integration charge addresses the increased system operation costs (holding reserves, upward and downward regulation) because of the variable and intermittent nature of the generation. The parties further negotiated and agreed to provisions that provide for a new type of price adjustment that is uniquely applicable to contracts that utilize the incremental IRP pricing methodology. The purpose of this price adjustment mechanism is to require that the Project performs in conformance with the generation profile that the Project submits, which forms the basis for the avoided cost pricing that is contained in the Agreement and locked in for the 20-year term. If the Project does not perform in conformance with the generation profile as submitted, then a corresponding adjustment is made to the price paid for that month of generation. The Agreement allows for a 2% deviation in the monthly Adjusted Estimated Net Energy Amount from the generation profile estimates before a price adjustment is applied.

Consistent and material deviations from the hourly energy estimates in the generation profile will be considered a material breach of the Agreement.

YOU ARE FURTHER NOTIFIED that new provisions providing for actual delay damages as opposed to liquidated damages are included in the Agreement, consistent with Order No. 32697. The parties negotiated a 50/50 split of environment attributes (aka renewable energy credits). As with all PURPA QF generation, the Project must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. Consequently, the Agreement contains provisions requiring completion of a Generator Interconnection Agreement (GIA), compliance with GIA requirements, and designation as an Idaho Power network resource as conditions of Idaho Power accepting delivery of energy and paying for the same under the Agreement. In order for the Project to maintain its DNR status, there must be a power purchase agreement associated with its transmission service request that maintains compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with FERC requirements.

YOU ARE FURTHER NOTIFIED that all terms and conditions have been negotiated and agreed to by the parties, with the exception of the appropriate applicable capacity deficit period. The parties have agreed to submit two alternative pricing schedules to the Commission with the remainder of the Agreement, and have further agreed that each party will accept, abide by, and be bound by the Commission's determination as to the appropriate pricing schedule for this Agreement.

YOU ARE FURTHER NOTIFIED that, by its own terms, the Agreement will not become effective until the Commission has approved all of the Agreement's terms and conditions and declares that all payments made by Idaho Power to Mountain Home Solar for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. Agreement ¶ 21.1.

YOU ARE FURTHER NOTIFIED that Idaho Power requests 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 Friday, December 19, 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 Friday, December 26, 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 December 19, 2014.

IT IS FURTHER ORDERED that reply comments be filed no later than December 26, 2014.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 6th day of November 2014.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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