

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR)	CASE NO. IPC-E-15-20
APPROVAL OF CAPACITY DEFICIENCY)	
TO BE USED FOR AVOIDED COST)	
CALCULATIONS)	ORDER NO. 33377
)	

On July 2, 2015, Idaho Power Company filed an Application with the Commission for an Order approving the capacity deficiency period to be used for the Company's avoided cost calculations under the Public Utility Regulatory Policies Act (PURPA). As explained in greater detail below, a PURPA project is eligible for avoided cost "capacity payments" when the utility is capacity deficient. The Company asked that the Application be processed under Modified Procedure.

On July 24, 2015, the Commission issued a Notice of Application and Notice of Modified procedure with a 28-day comment period. Staff filed the only written comments. The Company did not file a reply.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from qualifying facilities (QFs) at rates approved by the applicable state regulatory agency – in Idaho, this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The purchase or "avoided cost" rate shall not exceed the "'incremental cost' to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source." Order No. 32697 at 7, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6) (defining "avoided cost").

The Commission has established two methods of calculating avoided cost, depending on the size of the QF project: (1) the surrogate avoided resource (SAR) methodology, and (2) the integrated resource plan (IRP) methodology. *See* Order No. 32697 at 7-8. The Commission uses the SAR methodology to establish what is commonly referred to as "published" avoided cost rates. *Id.* Published rates are available for wind and solar QFs with a design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10

average megawatts (aMW). *Id.* For QFs with design capacity above the published rate eligibility caps, avoided cost rates are “individually negotiated by the QF and the utility using the [IRP methodology].” Order Nos. 32697 at 2; 32176. In 2012, the Commission authorized the use of revisions to the IRP methodology which “focus on identifying the incremental costs that [Idaho Power’s] system would incur.” Order No. 32697 at 21.

In calculating avoided cost, the Commission found it “reasonable, appropriate and in the public interest to compensate QFs separately based on a calculation of not only the energy they produce, but the capacity that they can provide to the purchasing utility.” *Id.* at 16. As to the capacity calculation, the Commission found it appropriate “to identify each utility’s capacity deficiency based on load and resource balances found in each utility’s IRP.” *Id.* The Commission elaborated:

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 directed that “when a utility submits its [IRP] to the Commission, a case shall be initiated to determine the capacity deficiency to be utilized in the SAR Methodology.” *Id.* at 23. The Commission also stated “utilities must update fuel price forecasts and load forecasts annually – between IRP filings. . . . We find it reasonable that all other variables and assumptions utilized within the IRP Methodology remain fixed between IRP filings (every two years).” *Id.* at 22.

In 2014, the Commission determined that Idaho Power’s eligibility for capacity deficiency will occur in July 2021 and that this deficiency period shall be used to determine capacity payments under the avoided cost IRP methodology. Order No. 33159 at 9.

THE APPLICATION

The Company notes that it filed its 2015 IRP (Case No. IPC-E-15-19) with the Commission on June 30, 2015. According to Idaho Power, its 2015 IRP “identifies the first capacity deficit occurring in July 2025.” *Id.* Idaho Power’s Application here includes Table 1, which “shows a first capacity deficiency of 14 [MW] occurring in July 2025.” *Id.* at 3. Table 1

“includes 461 MW of PURPA solar that was under contract when the analysis of Table 1 was completed for the 2015 IRP.” *Id.* However, after Table 1 was developed in the 2015 IRP, “four PURPA Energy Sales Agreements (“ESAs”) were terminated due to failure of the projects to perform” per their terms and provisions. *Id.*, *citing* Case Nos. IPC-E-14-28, IPC-E-14-29, IPC-E-14-30, and IPC-E-14-31. Idaho Power reports that the “total amount of capacity for these four terminated ESAs was 141 MW.” *Id.* at 3-4.

Idaho Power’s Application also includes Table 2, which shows an “updated peak-hour surplus/deficit chart,” reflecting removal of the 141 MW of PURPA. *Id.* at 4. Idaho Power states, “Removal of the 141 MW of terminated PURPA solar projects results in a first capacity deficit of 47 MW in July 2024, one year earlier than that shown in Table 1 and the 2015 IRP.” *Id.* The Company asks that “a first capacity deficit of July 2024 be utilized for avoided cost calculations for both the SAR and IRP methodologies.” *Id.*

STAFF COMMENTS

Staff reviewed the capacity deficiency updated for the removal of 141 MW of solar projects. Staff confirmed that the new first capacity deficiency occurs in July 2024, and has updated the SAR model and avoided cost rates (attached to comments). Staff recommended that the Commission approve the new rates to reflect the removal of the 141 MW of solar projects.

DISCUSSION AND FINDINGS

The Commission has jurisdiction over Idaho Power and the issues raised in this matter under the authority and power granted it under Title 61 of the Idaho Code and PURPA. The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric utilities to enter into fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules. We have reviewed the record in this case, including the Application, its attachments, and Staff comments.

We find Idaho Power’s recalculated capacity deficiency period, reflecting removal of 141 MW of terminated PURPA solar projects, to be reasonable and appropriate. We further find Staff’s updated SAR model and recalculated SAR-based avoided cost rates to be just, reasonable, and appropriate. We therefore approve the new rates and confirm July 2024 as the Company’s capacity deficiency period for use in the avoided cost IRP methodology.


ORDER

IT IS HEREBY ORDERED that Idaho Power's Application is approved. We confirm that the Company's capacity deficiency period for use in the avoided cost IRP methodology will run to July 2024.

IT IS FURTHER ORDERED that Commission Staff's updated SAR model and SAR-based avoided cost rates, attached hereto, are also approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of September 2015.



PAUL KJELLANDER, PRESIDENT

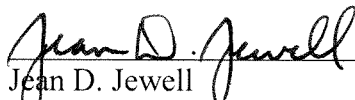


MARSHA SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:IPC-E-15-20_djh2

IDAHO POWER COMPANY AVOIDED COST RATES FOR WIND PROJECTS XXXX, 2015 \$/MWh New Contracts and Replacement Contracts without Full Capacity Payments								
Eligibility for these rates is limited to projects 100 kW or smaller.								
LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2015	2016	2017	2018	2019	2020		
1	33.36	34.06	34.42	35.69	39.37	43.05	2015	33.36
2	33.70	34.23	35.03	37.46	41.14	44.46	2016	34.06
3	33.92	34.68	36.36	39.17	42.63	45.61	2017	34.42
4	34.31	35.72	37.84	40.68	43.86	46.58	2018	35.69
5	35.17	36.96	39.23	41.96	44.90	47.94	2019	39.37
6	36.24	38.19	40.44	43.05	46.22	49.20	2020	43.05
7	37.33	39.30	41.51	44.33	47.44	50.39	2021	46.00
8	38.34	40.30	42.73	45.54	48.61	51.37	2022	48.19
9	39.27	41.44	43.88	46.68	49.58	52.14	2023	49.99
10	40.31	42.52	44.98	47.65	50.36	52.79	2024	54.59
11	41.32	43.55	45.92	48.45	51.04	53.39	2025	57.23
12	42.29	44.45	46.71	49.14	51.66	53.99	2026	59.91
13	43.14	45.22	47.40	49.77	52.27	54.61	2027	60.85
14	43.87	45.89	48.03	50.39	52.88	55.22	2028	61.00
15	44.52	46.50	48.65	51.01	53.49	55.82	2029	61.68
16	45.12	47.10	49.25	51.61	54.09	56.46	2030	62.91
17	45.70	47.70	49.84	52.20	54.70	57.10	2031	64.98
18	46.26	48.27	50.42	52.81	55.33	57.72	2032	67.39
19	46.81	48.83	51.01	53.42	55.93	58.36	2033	69.48
20	47.35	49.39	51.60	54.00	56.55	59.04	2034	71.93
							2035	75.31
							2036	78.62
							2037	80.55
							2038	84.88
							2039	90.07
							2040	95.53

Note These rates will be further adjusted with the applicable integration charge

Note The rates shown in this table have been computed using the U.S. Energy Information Administration (EIA)'s Annual Energy Outlook 2015 released April 14, 2015. See Annual Energy Outlook 2015 Table 3.8 Energy Prices by Sector-Mountain at http://www.eia.gov/forecasts/aec/tables_ref.cfm#supplement/

IDAHO POWER COMPANY AVOIDED COST RATES FOR SOLAR PROJECTS XXXX, 2015 \$/MWh New Contracts and Replacement Contracts without Full Capacity Payments								
Eligibility for these rates is limited to projects 100 kW or smaller.								
LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2015	2016	2017	2018	2019	2020		
1	33.36	34.06	34.42	35.69	39.37	43.05	2015	33.36
2	33.70	34.23	35.03	37.46	41.14	44.46	2016	34.06
3	33.92	34.68	36.36	39.17	42.63	45.61	2017	34.42
4	34.31	35.72	37.84	40.68	43.86	46.58	2018	35.69
5	35.17	36.96	39.23	41.96	44.90	53.12	2019	39.37
6	36.24	38.19	40.44	43.05	50.36	57.89	2020	43.05
7	37.33	39.30	41.51	47.74	54.58	61.62	2021	46.00
8	38.34	40.30	45.58	51.52	58.01	64.52	2022	48.19
9	39.27	43.86	48.97	54.68	60.77	66.82	2023	49.99
10	42.40	46.90	51.87	57.29	63.00	68.71	2024	85.12
11	45.13	49.54	54.30	59.44	64.88	70.35	2025	88.22
12	47.54	51.80	56.34	61.26	68.51	71.83	2026	91.35
13	49.62	53.71	58.09	62.87	68.00	73.20	2027	92.75
14	51.40	55.37	59.65	64.34	69.37	74.47	2028	93.37
15	52.97	56.85	61.07	65.69	70.64	75.66	2029	94.51
16	54.37	58.22	62.39	66.95	71.83	76.81	2030	96.23
17	55.67	59.48	63.61	68.12	72.97	77.93	2031	98.78
18	56.88	60.66	64.76	69.25	74.08	78.96	2032	101.69
19	58.00	61.76	65.85	70.33	75.10	79.99	2033	104.28
20	59.05	62.82	66.91	71.34	76.11	81.02	2034	107.25
							2035	111.14
							2036	114.98
							2037	117.44
							2038	122.31
							2039	128.05
							2040	134.07

Note: These rates will be further adjusted with the applicable integration charge.

Note: The rates shown in this table have been computed using the U.S. Energy Information Administration (EIA)'s Annual Energy Outlook 2015, released April 14, 2015. See Annual Energy Outlook 2015, Table 3.8 Energy Prices by Sector-Mountain at http://www.eia.gov/forecasts/aec/tables_ref.cfm#supplement/

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IDAHO POWER COMPANY AVOIDED COST RATES FOR NON-SEASONAL HYDRO PROJECTS XXXX, 2015 \$/MWh New Contracts and Replacement Contracts without Full Capacity Payments								
Eligibility for these rates is limited to projects smaller than 10 aMW.								
LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2015	2016	2017	2018	2019	2020		
1	33.36	34.06	34.42	35.69	39.37	43.05	2015	33.36
2	33.70	34.23	35.03	37.46	41.14	44.46	2016	34.06
3	33.92	34.68	36.36	39.17	42.63	45.61	2017	34.42
4	34.31	35.72	37.84	40.68	43.86	46.58	2018	35.69
5	35.17	36.96	39.23	41.96	44.90	52.62	2019	39.37
6	36.24	38.19	40.44	43.05	49.96	57.04	2020	43.05
7	37.33	39.30	41.51	47.41	53.89	60.53	2021	46.00
8	38.34	40.30	45.30	50.94	57.10	63.25	2022	48.19
9	39.27	43.63	48.48	53.91	59.69	65.39	2023	49.99
10	42.20	46.47	51.20	56.35	61.78	67.17	2024	82.16
11	44.76	48.96	53.49	58.37	63.54	68.70	2025	85.21
12	47.03	51.08	55.40	60.09	65.07	70.10	2026	88.30
13	48.99	52.88	57.06	61.60	66.47	71.40	2027	89.65
14	50.67	54.45	58.52	62.98	67.77	72.60	2028	90.23
15	52.15	55.85	59.86	64.27	68.97	73.74	2029	91.33
16	53.47	57.14	61.11	65.46	70.11	74.84	2030	92.99
17	54.70	58.34	62.27	66.58	71.20	75.91	2031	95.50
18	55.85	59.46	63.36	67.65	72.26	76.90	2032	98.36
19	56.91	60.51	64.41	68.69	73.24	77.89	2033	100.80
20	57.92	61.52	65.42	69.66	74.21	78.89	2034	103.82
							2035	107.66
							2036	111.45
							2037	113.86
							2038	118.67
							2039	124.37
							2040	130.33

Note: The rates shown in this table have been computed using the U.S. Energy Information Administration (EIA)'s Annual Energy Outlook 2015, released April 14, 2015. See Annual Energy Outlook 2015, Table 3.8 Energy Prices by Sector-Mountain at http://www.eia.gov/forecasts/aao/tables_ref.cfm#supplement/

IDAHO POWER COMPANY AVOIDED COST RATES FOR SEASONAL HYDRO PROJECTS XXXX, 2015 \$/MWh New Contracts and Replacement Contracts without Full Capacity Payments								
Eligibility for these rates is limited to projects smaller than 10 aMW.								
LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2015	2016	2017	2018	2019	2020		
1	33.36	34.06	34.42	35.69	39.37	43.05	2015	33.36
2	33.70	34.23	35.03	37.46	41.14	44.46	2016	34.06
3	33.92	34.68	36.36	39.17	42.63	45.61	2017	34.42
4	34.31	35.72	37.84	40.68	43.86	46.58	2018	35.69
5	35.17	36.96	39.23	41.96	44.90	56.15	2019	39.37
6	36.24	38.19	40.44	43.05	52.78	62.95	2020	43.05
7	37.33	39.30	41.51	49.72	58.74	68.16	2021	46.00
8	38.34	40.30	47.24	55.01	63.50	72.20	2022	48.19
9	39.27	45.28	51.94	59.35	67.30	75.38	2023	49.99
10	43.62	49.45	55.89	62.91	70.38	78.00	2024	102.93
11	47.35	53.04	59.19	65.85	72.95	80.24	2025	106.29
12	50.60	56.08	61.96	68.34	75.18	82.24	2026	109.69
13	53.40	58.66	64.33	70.52	77.17	84.05	2027	111.35
14	55.79	60.90	66.43	72.47	78.99	85.70	2028	112.24
15	57.90	62.89	68.32	74.26	80.64	87.23	2029	113.67
16	59.77	64.70	70.05	75.89	82.18	88.69	2030	115.66
17	61.48	66.36	71.64	77.41	83.63	90.07	2031	118.50
18	63.06	67.89	73.12	78.84	85.01	91.36	2032	121.70
19	64.52	69.31	74.51	80.20	86.29	92.61	2033	124.58
20	65.88	70.65	75.83	81.46	87.53	93.84	2034	127.84
							2035	132.04
							2036	136.19
							2037	138.96
							2038	144.14
							2039	150.21
							2040	156.55

Note: A "seasonal hydro project" is defined as a generation facility which produces at least 55% of its annual generation during the months of June, July, and August. Order 32802

Note: The rates shown in this table have been computed using the U.S. Energy Information Administration (EIA)'s Annual Energy Outlook 2015, released April 14, 2015. See Annual Energy Outlook 2015, Table 3.8 Energy Prices by Sector-Mountain at http://www.eia.gov/forecasts/aeo/tables_ref.cfm#supplement/

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IDAHO POWER COMPANY AVOIDED COST RATES FOR OTHER PROJECTS XXXX, 2015 \$/MWh New Contracts and Replacement Contracts without Full Capacity Payments								
Eligibility for these rates is limited to projects smaller than 10 aMW.								
LEVELIZED							NON-LEVELIZED	
CONTRACT LENGTH (YEARS)	ON-LINE YEAR						CONTRACT YEAR	NON-LEVELIZED RATES
	2015	2016	2017	2018	2019	2020		
1	33.36	34.06	34.42	35.69	39.37	43.05	2015	33.36
2	33.70	34.23	35.03	37.46	41.14	44.46	2016	34.06
3	33.92	34.68	36.36	39.17	42.63	45.61	2017	34.42
4	34.31	35.72	37.84	40.68	43.86	46.58	2018	35.69
5	35.17	36.96	39.23	41.96	44.90	51.25	2019	39.37
6	36.24	38.19	40.44	43.05	48.86	54.75	2020	43.05
7	37.33	39.30	41.51	46.51	52.01	57.57	2021	46.00
8	38.34	40.30	44.55	49.36	54.62	59.78	2022	48.19
9	39.27	42.99	47.14	51.80	56.74	61.52	2023	49.99
10	41.65	45.32	49.39	53.81	58.45	62.97	2024	74.11
11	43.76	47.38	51.28	55.47	59.89	64.24	2025	77.05
12	45.65	49.15	52.87	56.89	61.16	65.40	2026	80.02
13	47.28	50.65	54.24	58.15	62.33	66.50	2027	81.25
14	48.69	51.95	55.46	59.31	63.43	67.53	2028	81.70
15	49.92	53.12	56.59	60.40	64.45	68.51	2029	82.68
16	51.04	54.21	57.65	61.42	65.43	69.47	2030	84.22
17	52.07	55.23	58.65	62.38	66.39	70.42	2031	86.59
18	53.05	56.19	59.59	63.32	67.32	71.30	2032	89.32
19	53.97	57.10	60.50	64.23	68.19	72.19	2033	91.74
20	54.83	57.98	61.39	65.09	69.06	73.09	2034	94.51
							2035	98.22
							2036	101.87
							2037	104.14
							2038	108.81
							2039	114.36
							2040	120.18

Note: "Other projects" refers to projects other than wind, solar, non-seasonal hydro, and seasonal hydro projects. These "Other projects" may include (but are not limited to): cogeneration, biomass, biogas, landfill gas, or geothermal projects.

Note: The rates shown in this table have been computed using the U.S. Energy Information Administration (EIA)'s Annual Energy Outlook 2015, released April 14, 2015. See Annual Energy Outlook 2015, Table 3.8 Energy Prices by Sector-Mountain at http://www.eia.gov/forecasts/aeo/tables_ref.cfm#supplement/

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