

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION TO APPROVE) CASE NO. IPC-E-16-01
OR REJECT ENERGY SALES AGREEMENT)
WITH J.R. SIMPLOT COMPANY FOR THE)
SALE AND PURCHASE OF ELECTRIC) ORDER NO. 33471
ENERGY)
)

On January 6, 2016, Idaho Power Company filed an Application asking the Commission to accept or reject its Energy Sales Agreement with J.R. Simplot Company. The Agreement falls under the Public Utility Regulatory Policies Act of 1978 (PURPA), and is a contract for the sale and purchase of electric energy generated by the Simplot-Pocatello cogeneration project near Pocatello, Idaho. The Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33451. Staff timely filed comments. Idaho Power did not file a reply. The Commission now approves the Company's Application.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from "qualifying facilities" (QFs) at rates approved by 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 – which applies to the Simplot-Pocatello cogeneration project – to establish "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.*; see also 18 C.F.R. § 292.304(c). The Simplot-Pocatello Project is a QF under the "all other resource type" category. Application at 2.

In calculating avoided cost, the Commission has 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.” Order No. 32697 at 16. In calculating capacity, the Commission considers “each utility’s capacity deficiency based on load and resource balances found in each utility’s [Integrated Resource Plan] IRP,” as well as “a QF’s ability to contribute to a utility’s need for capacity.” *Id.* at 16, 21.

THE AGREEMENT

The Agreement between Idaho Power and Simplot replaces an existing contract that expires March 1, 2016. Application at 2. Under the terms of the Agreement, Simplot elected to contract with Idaho Power for a three-year term using the non-levelized published avoided cost rates. *Id.* at 4. Idaho Power’s Agreement with Simplot uses the “other” published avoided cost rates, for energy deliveries of less than 10 aMW. *Id.*; *see* Order No. 33305. Because the Agreement in this case is a replacement contract, its rates include capacity payments throughout the contract’s term.¹ Application at 3.

Although the nameplate rating of the Simplot-Pocatello Project is 15.9 megawatts (MW), Simplot agrees not to exceed 10 aMW on a monthly basis. *Id.* at 4. If the facility does exceed the monthly 10 aMW limit, Simplot agrees that “Idaho Power will accept the energy (Inadvertent Energy) that does not exceed the Maximum Capacity Amount, but will not purchase or pay for this Inadvertent Energy.” *Id.*

The facility is already interconnected and selling energy to Idaho Power, thus the Agreement specifies a Scheduled First Energy Date and Scheduled Operation date of March 1, 2016,² but no later than 120 days after Commission approval in a final, non-appealable Order. *Id.* at 5. The terms and provisions of the Agreement include that “applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to Simplot.” *Id.* Also, PURPA QF generation “must be designated as a network resource (DNR) to serve Idaho Power’s retail load on its system.” *Id.* at 5-6. To maintain DNR status, “there must be a power purchase agreement associated with [the project’s] transmission service request that

¹ The Simplot-Pocatello cogeneration project has been in operation since at least 1991, and has thus been contributing to Idaho Power’s system capacity for many years. *See* Order Nos. 23552, 25353, 28730, 29577, 30028, 32790, and 33240.

² *See* Appendix B at 38. The Application contains a typographical error, indicating a First Energy and Scheduled Operation Date of March 1, 2015.

maintains compliance with Idaho Power’s non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintains compliance with [Federal Energy Regulatory Commission] FERC requirements.” *Id.* at 6. The Agreement provides that it will not become effective “until the Commission has approved all of [its] terms and conditions and declared that all payments Idaho Power makes to Simplot for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.*

STAFF COMMENTS

Staff confirmed that the proposed rates are correct, and that all other terms and conditions in the proposed Agreement are consistent with prior Commission orders. Staff recommended that the Commission approve the Agreement and find that all payments from Idaho Power to Simplot be allowed as prudently incurred expenses for ratemaking purposes.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Idaho Power, an electric utility, 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 Federal Energy Regulatory Commission (FERC) regulations 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.

The Commission has reviewed the record in this case, including the Application and replacement Agreement, and the comments and recommendations of Commission Staff. We find that the J.R. Simplot project is qualified to receive the non-levelized published avoided cost rates contained in the Agreement. We further find that the proposed Agreement contains acceptable contract provisions consistent with PURPA, FERC regulations, and this Commission’s prior Orders. We find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER


IT IS HEREBY ORDERED that the January 4, 2016 Energy Sales Agreement between Idaho Power Company and J.R. Simplot for a three-year term is approved without change or condition. We further declare that all payments made by Idaho Power to Simplot for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

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.

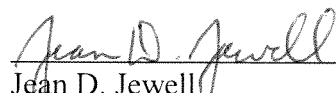
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th day of February 2016.


PAUL KJELLANDER, PRESIDENT


KRISTINE RAPER, COMMISSIONER


ERIC ANDERSON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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