

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION )</b> <b>OF IDAHO POWER COMPANY TO )</b> <b>APPROVE ITS ENERGY SALES )</b> <b>AGREEMENT WITH SHOSHONE HYDRO, )</b> <b>L.P. )</b>	<b>CASE NO. IPC-E-16-27</b>  <b>ORDER NO. 33677</b>
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On November 1, 2016, Idaho Power Company filed an Application asking the Commission to accept or reject its Energy Sales Agreement with Shoshone Hydro, L.P. 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 Shoshone Hydro project near Shoshone, Idaho. The Commission issued a Notice of Application and Notice of Modified Procedure. Order No. 33649. Staff timely filed comments. Idaho Power did not file a reply. The Commission now approves Idaho Power's Application.

### BACKGROUND

PURPA was enacted in 1978 "to lessen the country's dependence on foreign oil and to encourage the promotion and development of renewable energy technologies as alternatives to fossil fuels." Order No. 32580 at 3, *citing FERC v. Mississippi*, 456 U.S. 742, 745-46 (1982). PURPA and its implementing regulations require electric utilities to purchase the power produced by qualifying facilities (QFs), such as the Shoshone Hydro project. 16 U.S.C. § 824a-3(b); 18 C.F.R. § 292.303(a). Idaho Power's Agreement with Shoshone Hydro is a PURPA contract, and the Shoshone Hydro project is a QF. Application at 2.

The rate that a QF receives for the sale of its power to a utility, referred to as the "avoided cost" rate, is approved by the Commission, and represents "the 'incremental cost' to the purchasing utility which, but for the purchase of power from the QF, such utility would either generate itself or purchase from another source." Order No. 33419 at 3, *citing Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 627, 917 P.2d 781, 784 (1996); 18 C.F.R. § 292.101(b)(6) (defining "avoided cost").

For QFs such as the Shoshone Hydro project, generating less than 10 average megawatts (aMW) of energy,<sup>1</sup> the Commission calculates and publishes rates with a Surrogate Avoidable Resource (SAR) methodology, using long-term natural gas price forecasts. Order No. 31092 at 3. These published avoided cost rates are periodically updated as new natural gas price forecasts are issued. *Id.* at 9.

In calculating avoided costs, 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 Shoshone Hydro replaces an existing contract that expires February 15, 2017. Application at 4. Under the terms of the Agreement, Shoshone Hydro elected to contract with Idaho Power for a 20-year term using the non-levelized, non-seasonal, hydro published avoided cost rates. *Id.* at 3-4. Idaho Power’s Agreement with Shoshone Hydro 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.<sup>2</sup> Application at 3.

Under the Agreement, the facility’s Scheduled First Energy Date and Scheduled Operation Date is February 16, 2017, “but shall be no later than 120 days after a Commission final, non-appealable order has been issued approving [the] Agreement.” *Id.* at 4. Also, terms and provisions of the Agreement provide that “applicable interconnection charges and monthly operation and maintenance charges under Schedule 72 will be assessed to [Shoshone Hydro].” *Id.* at 5. Further, 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

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<sup>1</sup> The published rate eligibility limit for wind and solar QFs is 100 kilowatts (kW). Order No. 31092 at 3; Order No. 32176 at 11-12 (reducing eligibility cap for small wind and solar QFs to 100 kW); Order No. 32262 (affirming reduced eligibility cap for small wind and solar QFs).

<sup>2</sup> Shoshone Hydro executed its current ESA with Idaho Power in 1981, and has thus been contributing to Idaho Power’s system capacity for many years. *See* Order No. 12746.

to Shoshone Hydro 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 Shoshone Hydro 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.

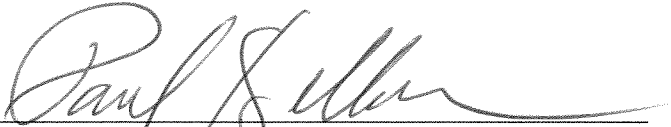
The Commission has reviewed the record in this case, including the Application, the replacement Agreement, and the comments and recommendations of Commission Staff. We find that the Shoshone Hydro project is qualified to receive the non-levelized, non-seasonal hydro published avoided cost rates contained 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 therefore approve the Agreement without change or condition. Finally, we find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

### **ORDER**

IT IS HEREBY ORDERED that Idaho Power’s Application is approved as set forth above.

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 20<sup>th</sup>  
day of December 2016.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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