

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION TO APPROVE)	CASE NO. IPC-E-17-04
ENERGY SALES AGREEMENT WITH)	
CAFCO REFUSE MANAGEMENT, LLC,)	
IDAHO FOR THE SALE AND PURCHASE)	ORDER NO. 33772
OF ELECTRIC ENERGY)	

On March 22, 2017, Idaho Power Company filed an Application asking the Commission to approve its Energy Sales Agreement with CAFCO Idaho Refuse Management LLC, Idaho ("CAFCO"). The Agreement falls under the Public Utility Regulatory Policies Act of 1978 (PURPA) and is a contract for the sale of electric energy purchased by Idaho Power, and generated by CAFCO's Southern Idaho Regional Solid Waste District Landfill Gas to Energy Project ("Facility") near Burley, Idaho. The Commission issued a Notice of Application and Modified Procedure. Order No. 33738. Commission Staff filed the only comments in the case, and the Company did not reply. The Commission now approves the 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 costs, 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 Facility in this case – 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.* In this case, the Facility is a QF under the "all other resource type" category. Application at 3.

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

Idaho Power and CAFCO entered into their Agreement on March 13, 2017. Application at 3. Under the Agreement’s terms, CAFCO elected to contract with Idaho Power for a 20-year term using the non-levelized “other” published avoided cost rates, as established by the Commission (Order No. 33538) for energy deliveries of less than 10 aMW. *Id.* Although the nameplate rating of the Facility is 5 megawatts (MW), CAFCO agrees not to exceed 10 aMW on a monthly basis. *Id.* at 4. If the Facility does exceed the monthly 10 aMW limit, CAFCO 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.*

CAFCO has agreed to October 1, 2018, as the Scheduled Operation date. *Id.* 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 [CAFCO].” *Id.* Also, PURPA QF generation “must be designated as a network resource (“DNR”) to serve Idaho Power’s retail load on its system.” *Id.* To maintain DNR status, “there must be a power purchase agreement associated with [the project’s] transmission service request that 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 4-5. 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 CAFCO for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.* at 5.

STAFF COMMENTS

Upon its review, 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 CAFCO for the purchase of energy from the Facility 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 Agreement, and the comments and recommendations of Commission Staff. We find that the Southern Idaho Regional Solid Waste District Landfill Gas to Energy 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 March 13, 2017 Energy Sales Agreement between Idaho Power Company and CAFCO for a 20-year term is approved without change or condition. We further declare that all payments made by Idaho Power to CAFCO 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 31st
day of May 2017.


PAUL KJELLANDER, PRESIDENT


KRISTINE RAPER, COMMISSIONER


ERIC ANDERSON, COMMISSIONER

ATTEST:


Diane M. Hanian
Commission Secretary

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