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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY TO APPROVE OR)	CASE NO. IPC-E-17-08
REJECT ITS ENERGY SALES AGREEMENT)	
WITH SHINGLE CREEK LLC FOR THE SALE)	COMMENTS OF THE
AND PURCHASE OF ELECTRIC ENERGY)	COMMISSION STAFF
FROM THE SHINGLE CREEK HYDRO)	
<u>PROJECT.</u>	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Daphne Huang, Deputy Attorney General, submits the following comments.

BACKGROUND

On May 17, 2017, Idaho Power Company filed an Application asking the Commission to approve or reject its Energy Sales Agreement with Shingle Creek LLC. 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 Shingle Creek's hydro project ("Facility") near Riggins, Idaho.

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 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.

Idaho Power and Shingle Creek first entered into a PURPA agreement in 1982. Application at 2. That contract is set to expire July 31, 2017. *Id.* The Agreement at issue in this matter is a new contract that was entered into by Idaho Power and Shingle Creek on May 8, 2017. *Id.* Under the Agreement’s terms, Shingle Creek elected to contract with Idaho Power for a five-year term using the non-levelized, non-seasonal, hydro published avoided cost rates, as established by the Commission (Order No. 33538) for replacement contracts and energy deliveries of less than 10 aMW. *Id.* at 3-4.

The nameplate rating of the Facility is 222 kilowatts (kW), and Shingle Creek agrees it will not exceed 10 aMW on a monthly basis. *Id.* at 4. The Facility “is already interconnected and selling energy to Idaho Power.” *Id.* Nonetheless, the Agreement specifies its Scheduled First Energy Date and Scheduled Operation Date as August 1, 2017. *Id.* The terms and provisions of the Agreement include that “applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to [Shingle Creek].” *Id.* at 5. 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 under the Agreement, “there must be a power purchase agreement associated with [the Facility’s] transmission service request [that complies] with Idaho Power’s non-discriminatory administration of its Open Access Transmission Tariff (OATT) and . . . with [Federal Energy Regulatory Commission] FERC requirements.” *Id.*

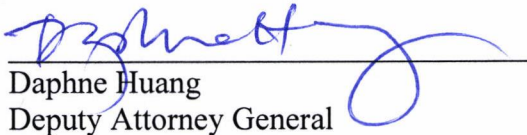
STAFF ANALYSIS

Staff has reviewed the proposed rates and confirms they are correct. All other terms and conditions contained in the proposed Agreement are consistent with prior Commission orders.

RECOMMENDATIONS

Staff recommends that the Commission approve all of the Agreement’s terms and conditions and declare that all payments made by Idaho Power to Shingle Creek for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 22nd day of June 2017.


Daphne Huang
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22nd DAY OF JUNE 2017,
SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN
CASE NO. IPC-E-17-08, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO
THE FOLLOWING:

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