

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-17-12
APPROVAL OF THE CAPACITY)	
DEFICIENCY TO BE UTILIZED FOR)	NOTICE OF APPLICATION
AVOIDED COST CALCULATIONS)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 33738

On July 26, 2017, Idaho Power Company applied to 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). The Company asked that the Application be processed under Modified Procedure. The Commission now issues this Notice of Application and Notice of Modified Procedure setting comment and reply deadlines.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from qualifying facilities (QFs) at rates approved by the applicable state agency—in Idaho, this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 780, 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 are commonly referred to as “published” avoided cost rates. *Id.* Published rates are available for wind and solar QFs¹ with a design capacity of up to 100 kilowatts (kW), and for QFs of other resource types with a design capacity of up to 10

¹ *See* Order No. 33785 (regarding battery storage facilities).

average megawatts (aMW). For QFs with a design capacity above the published rate eligibility caps, avoided cost rates are “individually negotiated by the QF and the utility using the [IRP methodology].” *Id.* at 2; Order No. 32176.

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.” Order No. 32697 at 16. As to the capacity calculation for the SAR methodology, 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.* With respect to the IRP methodology, the Commission similarly stated

[i]n 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 [used for calculating published avoided cost rates].” *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 2015, the Commission confirmed July 2024 as Idaho Power’s capacity deficiency period for the incremental cost IRP methodology and approved the updated SAR model based on that deficiency period and updated SAR-based rates. Order No. 33377.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Idaho Power states that its 2017 IRP, which it filed with the Commission on June 30, 2017 (Case No. IPC-E-17-11), identifies a first peak-hour deficit in July 2026. Application at 2. Idaho Power describes that peak-hour load deficits are determined using 90th percentile water and 95th percentile peak-load conditions. *Id.* at 2-3.

YOU ARE FURTHER NOTIFIED that the Company indicates that under the IRP's preferred portfolio, a first capacity deficiency of approximately 34 MW occurs in July 2026, and a first energy deficit of 143 MW occurs in July 2029. *Id.* at 3.

YOU ARE FURTHER NOTIFIED that the Company requests that the first capacity deficit date of July 2026 be used for avoided cost calculations for both the SAR and IRP methodologies. *Id.*

YOU ARE FURTHER NOTIFIED that the Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, then select "Electric Cases" and click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-502 and 61-503. 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 qualified facilities and to implement FERC rules. The Commission may enter any final Order consistent with its authority under Title 61 and PURPA.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter, and that it will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days of the date of this Order. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing

in their written comments. Written comments concerning this Application shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Donovan E. Walker, Lead Counsel
Michael Darrington, Energy Contracts
Idaho Power Company
1221 West Idaho Street (83702)

P.O. Box 70

Boise, ID 83707-0070

E-Mail: dwalker@idahopower.com
mdarrington@idahopower.com
dockets@idahopower.com
energycontracts@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document.

YOU ARE FURTHER NOTIFIED that the Company shall file reply comments, if necessary, within seven (7) days of the comment deadline.

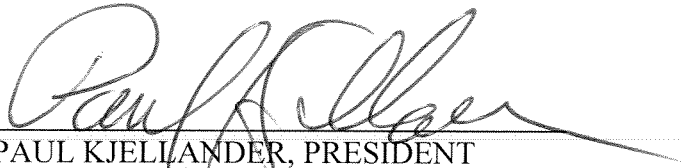
YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

ORDER

IT IS HEREBY ORDERED that the Application of Idaho Power Company be processed by Modified Procedure, Rule 201-204 (IDAPA 31.01.01.201-.204). Persons interested in submitting written comments must do so no later than twenty-one (21) days from the date of this Order.

IT IS FURTHER ORDERED that if the Company wishes to file a reply, it must do so within seven (7) days of the comment deadline.

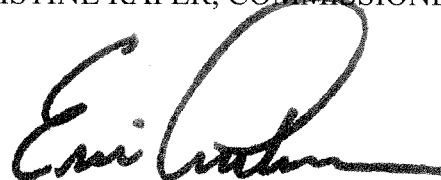
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 16th
day of August 2017.



PAUL KJELLANDER, PRESIDENT




KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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