

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NO. IPC-E-17-14</b>
<b>OF IDAHO POWER TO APPROVE OR</b>	)	
<b>REJECT ITS ENERGY SALES</b>	)	<b>NOTICE OF APPLICATION</b>
<b>AGREEMENT WITH SHOROCK HYDRO,</b>	)	
<b>INC., FOR THE SALE AND PURCHASE OF</b>	)	<b>NOTICE OF</b>
<b>ELECTRIC ENERGY FROM THE ROCK</b>	)	<b>MODIFIED PROCEDURE</b>
<b>CREEK 1 HYDRO PROJECT</b>	)	
	)	<b>ORDER NO. 33912</b>

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On September 28, 2017, Idaho Power Company applied to the Commission to approve or reject its Energy Sales Agreement (“Agreement”) with Shorock Hydro, Inc. (“Shorock”). The Agreement falls under the Public Utility Regulatory Policies Act of 1978 (PURPA), and is a new contract for the sale of electric energy to Idaho Power from Shorock’s Rock Creek 1 Hydro project (“Facility”) near Twin Falls, Idaho. The Agreement replaces an existing PURPA contract executed in 1981. Application at 2-3. Idaho Power asked that its Application be processed by Modified Procedure and requested a final Commission decision before January 15, 2018, when the existing contract expires. *Id.* at 6.

With this Order, the Commission provides notice of the Company’s Application, and notice that the matter will be processed by Modified Procedure, with deadlines to submit comments about the Application as set forth herein.

**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 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” (specifically “non-seasonal hydro”) category. Application at 3-4.

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.

### **NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that Idaho Power and Shorock entered the Agreement on September 25, 2017. Application at 3-4. Under the Agreement, Shorock elected to contract with Idaho Power for a 20-year term using the non-levelized, non-seasonal, hydro published avoided cost rates, as established by the Commission (Order No. 33773) for replacement contracts and energy deliveries of less than 10 aMW. *Id.* at 4.

YOU ARE FURTHER NOTIFIED that the nameplate rating of the Facility is 2,166 kW, and Shorock agrees it will not exceed 10 aMW on a monthly basis. *Id.* at 5. The Facility “is already interconnected and selling energy to Idaho Power” under the existing contract. *Id.* The Agreement specifies a Scheduled First Energy Date and Scheduled Operation Date of January 16, 2018. *Id.* The terms of the Agreement include that “applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to [Shorock].” *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.

YOU ARE FURTHER NOTIFIED that to maintain DNR status under the Agreement, “there must be a power purchase agreement associated with [the Facility’s] transmission service request in order to maintain compliance with Idaho Power’s non-discriminatory administration of its Open Access Transmission Tariff (OATT) and maintain compliance with [Federal Energy Regulatory Commission] requirements.” *Id.* at 6.

YOU ARE FURTHER NOTIFIED that, under its terms, the Agreement will not become effective “until the Commission has approved all of [its] terms and conditions and declared that all payments Idaho Power makes to [Shorock] for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.*

YOU ARE FURTHER NOTIFIED that Shorock objects to the Company’s proposed inclusion in the Agreement of: (1) “90%/110%” provisions (relating to surplus energy); and (2) provisions relating to Operation and Maintenance (O&M) charges in the Generator Interconnection Agreement. *Id.* at 2. However, Shorock and Idaho Power submit that the Agreement is fully executed “with the joint understanding that [Shorock’s] objections to [these] provisions would be raised and argued for the Commission’s determination in Comments from both parties as part of [this case].” *Id.* Shorock and Idaho Power agreed to be bound by the executed Agreement with whatever determination the Commission makes regarding the disputed provisions. *Id.*

YOU ARE FURTHER NOTIFIED that the Application and a copy of the Agreement have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and attachments are also available on the Commission’s Website at [www.puc.idaho.gov](http://www.puc.idaho.gov) under “File Room” and then “Electric Cases.”

### **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 will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201-204. 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 Shorock, and any person desiring to state a position on this Application may file a written comment in support or in opposition with the Commission **no later than October 31, 2017**. 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 may be mailed to the Commission and Idaho Power at the addresses reflected below:

NOTICE OF APPLICATION  
NOTICE OF MODIFIED PROCEDURE  
ORDER NO. 33912

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  
Idaho Power Company  
1221 West Idaho St. (83702)  
PO Box 70

Boise, ID 83707-0070

E-mail: [dwalker@idahopower.com](mailto:dwalker@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)  
[energycontracts@idahopower.com](mailto: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](http://www.puc.idaho.gov). Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the form using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that Staff and Idaho Power may file reply comments **no later than November 21, 2017.**

YOU ARE FURTHER NOTIFIED that Idaho Power may file sur-reply comments **no later than December 5, 2017.**

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.

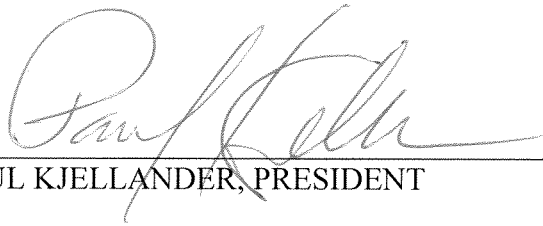
YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* § 61-503. The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (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.*

## ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure, Rules 201-204 (IDAPA 31.01.01.201-.204). Shorock and any interested persons shall have until October 31, 2017 to file written comments, Staff and Idaho Power shall have until November 21, 2017 to file reply comments, and Idaho Power shall have until December 5, 2017 to file a sur-reply, if any.

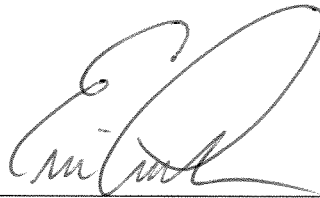
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *12<sup>th</sup>* day of October 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian  
Commission Secretary

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