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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER TO APPROVE OR REJECT ITS)	CASE NO. IPC-E-17-14
ENERGY SALES AGREEMENT WITH)	
SHOROCK HYDRO, INC., FOR THE SALE AND)	COMMENTS OF
PURCHASE OF ELECTRIC ENERGY FROM)	COMMISSION STAFF
THE ROCK CREEK 1 HYDRO PROJECT)	
_____)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Daphne Huang, Deputy Attorney General, and submits the following comments.

BACKGROUND

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.

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.

THE AGREEMENT AND STIPULATION

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.

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.

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.

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.*

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 submitted that the Agreement is fully executed, and they entered a stipulation that Shorock will file a separate case in which it will argue its objections to the Commission. Stipulation at 3. Shorock and Idaho Power stipulated that this Agreement will be subject to and conditioned on the Commission’s eventual determination of the 90%/110% and O&M provisions in that case. *Id.* Shorock and Idaho Power further stipulated they will be bound by the 90%/110% and O&M provisions in the Agreement until the Commission makes such a future determination that may change those provisions. *Id.*

STAFF ANALYSIS

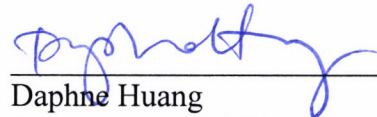
Staff has reviewed the proposed rates and confirms they are correct. All other terms and conditions contained in the proposed Agreement are consistent with prior Commission orders.

RECOMMENDATION

Staff recommends that the Commission approve all of the Agreement’s terms and conditions and declare that all payments made by Idaho Power to Shorock Hydro for purchase of

energy from the Rock Creek 1 Hydro Project will be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 15th day of November 2017.



Daphne Huang
Deputy Attorney General

Technical Staff: Yao Yin

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CERTIFICATE OF SERVICE

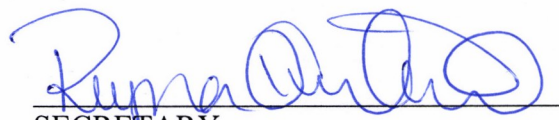
I HEREBY CERTIFY THAT I HAVE THIS 15th DAY OF NOVEMBER 2017, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-17-14, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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