

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**THE APPLICATION OF IDAHO POWER )  
COMPANY FOR APPROVAL OR ) CASE NO. IPC-E-18-09  
REJECTION OF AN ENERGY SALES )  
AGREEMENT WITH MC6 HYDRO LLC, ) ORDER NO. 34106  
FOR THE SALE AND PURCHASE OF )  
ELECTRIC ENERGY FROM THE MC6 )  
HYDRO PROJECT )  
\_\_\_\_\_ )**

On May 2, 2018, Idaho Power Company applied to the Commission for an order approving or rejecting its Energy Sales Agreement (ESA) with MC6 Hydro LLC (MC6), under which MC6 would sell and Idaho Power would purchase electric energy generated by the MC6 Hydro project (Facility). Application at 1. The MC6 Hydro project is a 2.1 megawatt (MW) “qualifying facility” (QF) under the Public Utility Regulatory Policies Act (PURPA). *Id.* at 4.

The Commission issued a Notice of Application and Notice of Modified Procedure on May 29, 2018. *See* Order No. 34051. Staff filed comments on June 19, 2018. Idaho Power did not file reply comments. The Commission now approves the Application.

**BACKGROUND**

Under PURPA, electric utilities must purchase electric energy from 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 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 in the “other,” non-wind and non-solar category. Application at 3-4.

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. In calculating capacity, the Commission considers “each utility’s capacity deficiency based on load and resource balances found in each utility’s IRP,” as well as “a QF’s ability to contribute to a utility’s need for capacity.” *Id.* at 16, 21.

### **THE NEW ESA**

This request is for the approval or rejection of a new ESA applicable to a new project, is fully executed by both parties, and contains the Commission's standard terms and conditions relating to surplus energy ("90%/110%") and operations and maintenance (“O&M”) fees. However, MC6 has raised objections to the inclusion in this ESA of provisions relating to 90%/110% and provisions of the ESA, Generator Interconnection Agreement ("GIA"), and Schedule 72 relating to the payment of O&M charges. Idaho Power and MC6 agree to move forward with the ESA as submitted and to be bound by the currently approved and existing 90%/110% and O&M provisions of the signed ESA, unless and until the Commission issues a final order in any subsequent proceeding modifying or changing the same, as referenced in the Stipulated Motion from Case No. IPC-E-17-14.

Because the Facility is a new QF, the capacity payments will begin in year 2026. *Id.* at 2. The proposed ESA is a new contract with a 20-year term using the rates calculated by Commission Staff for a QF in the non-seasonal hydro category pursuant to the SAR methodology, as directed by the Commission in its Order No. 33898. *Id.* at 2.

Idaho Power requests that the Commission issue an order accepting or rejecting the ESA and, if accepted, declaring that all payments for purchases of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes. *Id.* at 5.

The Facility’s nameplate rating is 2.1 MW, and MC6 agreed not to exceed 10 aMW per month. *Id.* at 6. The new ESA specifies a Scheduled First Energy Date and Scheduled Operation Date of July 30, 2019. *Id.* at 4. The ESA provides that applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to MC6. *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.

Under the ESA, to maintain DNR status, “there must be a power purchase agreement associated with [the Facility’s] transmission service request in order to maintain compliance with Idaho Power’s nondiscriminatory administration of its Open Access Transmission Tariff and maintain compliance with [Federal Energy Regulatory Commission] requirements.” *Id.* The ESA provides that it will not become effective until the Commission has approved all of the terms and conditions and declared that all payments Idaho Power makes to MC6 for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.” *Id.*

### **STAFF COMMENTS**

Staff reviewed the proposed rates and confirmed they are correct, and that the new ESA is otherwise consistent with prior Commission orders. Staff thus recommended that the Commission approve the new ESA, and declare that Idaho Power’s payments to MC6 for energy from the MC6 Hydro project will 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, including the Application, ESA, and Commission Staff’s comments and recommendations. We find the MC6 Hydro project is qualified to receive the non-levelized, non-seasonal-hydro published avoided cost rates in the ESA. We further find that the ESA 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 ESA as prudently incurred expenses for ratemaking purposes.

### **ORDER**

IT IS HEREBY ORDERED that the ESA between Idaho Power and MC6 for a 20-year term is approved without change or condition. Further, Idaho Power’s payments to MC6 for energy from the MC6 Hydro project 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 12<sup>th</sup> day of July 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane M. Hanian  
Commission Secretary

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