

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NO. IPC-E-19-07</b>
<b>OF IDAHO POWER FOR APPROVAL OF AN</b>	)	
<b>ENERGY SALES AGREEMENT WITH</b>	)	
<b>RAVENSCROFT HYDRO FOR ENERGY</b>	)	<b>ORDER NO. 34323</b>
<b>FROM THE MALAD RIVER HYDRO</b>	)	
<b>PROJECT</b>	)	

On February 27, 2019, Idaho Power Company (“Idaho Power” or “Company”) filed an Application seeking approval of an Energy Sales Agreement (“ESA” or “Agreement”) with Ravenscroft Hydro for energy generated by the Malad River Hydro Project (“Facility”). The Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978.

On March 20, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply comment deadlines. Order No. 34282. The Commission now approves the Application.

**BACKGROUND**

PURPA was enacted in 1978 “to lessen the country’s dependence on foreign oil and to encourage the promotion and development of renewable energy technologies as alternatives to fossil fuels.” *FERC v. Mississippi*, 456 U.S. 742, 745-46 (1982). Under PURPA and its implementing regulations, utilities must purchase the power produced by QFs. 16 U.S.C. § 824a-3(b); 18 C.F.R. § 292.303(a). The utility must purchase the power at the avoided cost rate. 18 C.F.R. § 292.304(a). The avoided cost represents “the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source.” 18 C.F.R. § 292.101(b)(6). State utilities commissions have broad discretion to set the avoided cost rates within their respective jurisdictions. *Rosebud Enterprises, Inc. v. Idaho PUC*, 128 Idaho 624, 627, 917 P.2d 781, 784 (1996).

QFs have the option to sell energy either (1) as it becomes available, or (2) pursuant to a legally enforceable obligation. 18 C.F.R. 292.304(d). If a QF opts to sell energy as it becomes available, the QF sells the energy pursuant to a standard tariff for non-firm energy. *See* Order No. 33053. In the case of Idaho Power, that tariff is Schedule 86. If a QF opts to sell energy pursuant to a legally enforceable obligation, the QF sells the energy under terms established by the

Commission. *See e.g.*, Order No. 33357. The Commission must establish published avoided cost rates for all QFs 100 kW and smaller. 18 C.F.R. 292.304(c)(1). The Commission, in its discretion, may also establish published avoided cost rates for QFs above 100 kW. 18 C.F.R. 292.304(c)(2).

The Commission has established published avoided cost rates for non-wind and non-solar QFs up to 10 aMW. Order No. 32697 at 14. Wind and solar QFs up to 100 kW are entitled to published avoided cost rates. *Id.* at 13. Published avoided cost rates are determined by the Surrogate Avoided Resource methodology (“SAR”). The Commission uses a combined-cycle combustion turbine as the proxy resource in calculating published avoided cost rates under the SAR methodology. *Id.* at 17. These published avoided cost rates are updated annually to reflect updated natural gas forecasts. Order No. 32802.

The Commission uses the Integrated Resource Plan (“IRP”) methodology to determine avoided cost rates for QFs that are not entitled to published avoided cost rates. The IRP methodology “assesses the value of each QF project in terms of its capability to deliver resources in relation to the timing and magnitude of the utility’s need of such resources.” Order No. 32697 at 17. The Commission annually updates certain inputs to the IRP methodology such as natural gas forecasts, utility load forecasts, and long-term contract commitments. Order No. 32697 at 22 (timing of filing changed from June 1 to October 15 of each year by Order No. 32802 at 3).

For both SAR-based and IRP-based rates, the Commission has determined that it is in the public interest to compensate QFs separately for the energy they produce and the capacity they contribute to the purchasing utility. *Id.* at 16. QFs selling energy under a SAR-based or an IRP-based contract are not entitled to compensation for capacity until the utility’s first capacity deficit date. Order No. 32697 at 21. The first capacity deficit date is determined through the IRP planning process. Order No. 33357 at 25-26. If a QF renews its contract with the utility, the capacity deficit date is still determined as of the date the original contract was executed. Order No. 33419 at 26. *See also* Order No. 32737 at 5 (clarifying that Staff will tailor SAR-based rates to include capacity for renewal contracts from the outset). Schedule 86 contracts—for QFs that sell energy to Idaho Power as it becomes available—do not have a separate energy and capacity component.

### **THE APPLICATION**

The Facility is a 1.17 MW nameplate capacity hydro facility near Tuttle, Idaho. The Facility has been delivering energy to Idaho Power in accordance with a power sales agreement dated September 2, 1982, which expires April 30, 2019. *Id.* The Facility has a scheduled First

Energy Date under the ESA of May 1, 2019. The Agreement contains published non-levelized avoided cost rates for non-seasonal hydro projects of 10 aMW or less with capacity payments for the entire 20 year term of the Agreement.

### **COMMENTS**

Staff and the Renewable Energy Coalition filed comments in this matter, both recommending Commission approval of the Application. Staff determined the Application complies with the 90/110 performance band, the QF is eligible for capacity payments from the outset of the renewal Agreement, verified the non-seasonal hydro status of the QF, and verified eligibility for published avoided cost rates. The Renewable Energy Coalition comments supported the inclusion of capacity payments from the outset of the renewal Agreement and noted the Agreement contains the 5-Day Ahead monthly generation estimate provision for the 90/110 performance band that was approved by the Commission in Order No. 34263.

### **COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. In addition, 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 may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Application, the ESA, the comments of Commission Staff and the Renewable Energy Coalition. Based on our review, we find the ESA complies with all applicable statutes, regulations, and Commission Orders. Therefore, we find it reasonable to approve the Application.

### **ORDER**

IT IS HEREBY ORDERED that the ESA between Idaho Power and Ravenscroft Hydro is approved, effective on today’s date.

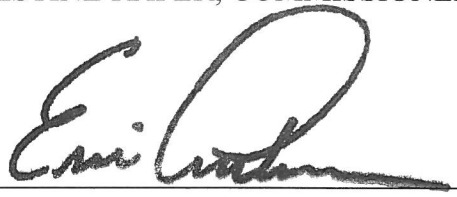
IT IS FURTHER ORDERED that all payments made by Idaho Power for purchases of energy and capacity under the ESA are allowed as prudently incurred expenses for ratemaking purposes.

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 with regard to any matter decided in 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 29<sup>th</sup> day of April 2019.

  
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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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