

JAN 31 1991

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
APPROVAL OF AN INTERCONNECTION)
TARIFF FOR NON-UTILITY)
GENERATION—SCHEDULE 72)**

CASE NO. IPC-E-90-20**ORDER NO. 23548**

On December 17, 1990, Idaho Power Company (IPCo, Company) filed an Application with the Idaho Public Utilities Commission (Commission) for approval of an Interconnection Tariff for non-utility generation (Tariff Schedule No. 72). The Company requested an effective date of February 1, 1991.

Previously, the terms and conditions for interconnection of a non-utility generation to the Company's transmission/distribution system have been individually negotiated, although the terms and conditions have proved to be substantially similar. The Company contends that now that it has gained experience in this area, the development of a schedule directly addressing such interconnections will simplify the process and will ensure that all non-utility generators are treated similarly under uniform and standard terms and conditions.

As proposed, the Schedule No. 72 Tariff applies to the construction, upgrade, relocation, or removal of transmission and/or distribution lines and equipment necessary to safely interconnect a seller's generation plant (and seller furnished facilities) to the Company's system. The tariff addresses cost (valuation), construction and transfer of interconnection facilities, together with associated payment obligation for such facilities, and related operation and maintenance obligations and expenses. The tariff also addresses vested interest refunds.

The Company has submitted direct testimony and exhibit in support of its Application. The Company contends that it will primarily recover costs and not realize any significant revenues from implementation of its proposed tariff.

The Commission by Notice of Modified Procedure issued December 27, 1990 indicated its intent to process the Company's Application by written submission rather than by hearing. The deadline for filing written comments or protests with respect to the Commission's proposed use of Modified Procedure in Case No. IPC-E-90-20 was Friday, January 18, 1991.

A. W. BROWN PROTEST

On January 17, 1991 A. W. Brown (Brown) filed a timely protest (complaint) in Case No. IPC-E-90-20.

Brown, the developer of Sunshine No. 2, a small power project located in Lemhi County, disputes Idaho Power's contention that the Company will not realize any significant revenues from implementation of its proposed Schedule 72 tariff. Characterizing Idaho Power's practices in this area as predatory and monopolistic, Brown contends that the Company has realized significant profits from charging inflated construction costs for interconnection facilities. By overcharging with impunity and escalating the cost of interconnect facilities, Brown contends that the Company is then able to increase related operation and maintenance charges.

Brown further contends that many of the interconnection and maintenance costs Idaho Power seeks to charge PURPA QFs are (to the extent that such charges would be incurred by IPCo if the Company was to generate the power themselves) impermissible under federal statute and are not "interconnection costs" as defined by FERC in 18 C.F.R. § 292.101(7) and allowed in § 292.306.

To support his position, Brown cites a chronology of events related to his development of Sunshine No. 2 and the frustration that he experienced in dealing with IPCo. In opposing Schedule 72 Brown contends that it makes no sense that IPCo be permitted to control the type and sales prices of standard switch gear. Brown also disputes the reasonableness of basing standard operational and maintenance fees on equipment costs, when there is no proved direct relationship.

Brown requests in its filing that the Commission direct IPCo to pay retribution for the difference between the stated \$19,000 cost of switching equipment installed in its Sunshine No. 2 facility in 1987 and the alleged \$4,500 worth of such equipment plus what it characterizes as subsequent fees charged by the Company for non-existent maintenance plus interest.

The Commission recognizes that Brown has raised what is ostensibly valid criticism regarding aspects of the Company's proposed Schedule 72. The Company is directed to file a written response to such criticism in this docket on or prior to **Thursday, February 28, 1991.**

That portion of Brown's filing, however, which relates to its development of Sunshine No. 2 and interconnection with Idaho Power and the related claim of overcharging and request for refund is more appropriately handled in a separate complaint action. We will therefore copy the filing of A. W. Brown into a separate docket, Case No. IPC-E-91-2, and treat it as a formal complaint, styled as A. W. Brown, Complainant v. Idaho Power Company, Respondent. The Commission Secretary is accordingly directed to issue a Summons in the new case.

IEPI COMMENTS

On January 18, 1991 timely comments in Case No. IPC-E-90-20 were filed by the Independent Energy Producers of Idaho (IEPI).

IEPI while expressing general agreement with the need for and the format of IPCo's proposed Schedule 72, raises specific concerns and recommends the following changes:

1. **Divested interest refund time period (five years) is artificially short.**

IEPI can see no rationale, stated or implied, for establishing a vested interest refund that is shorter than the term of the underlying QF Power Sales Agreement.

2. **The Company's measure of the cost of interconnection facilities is inappropriate.**

IEPI contends that interconnection equipment for purposes of O&M obligation and vested interest refunds should be valued at actual construction cost and not IPCo's determination of "construction costs".

3. **Disposition of interconnection equipment at the termination of the contract.**

IEPI contends that the QF who has paid for the construction, installation, operation and maintenance of interconnection equipment may have an interest in its disposition at the termination of the Power Sales Agreement, an interest which may vary under different post contract termination scenarios and which should be specifically recognized and accommodated for in Schedule 72.

The recommendations of IEPI regarding proposed Schedule 72 are deserving of consideration and response by Idaho Power Company. The Company is directed to file a written response to IEPI's comments in this docket on or prior to **Thursday, February 28, 1991.**

In consideration of the criticism and comments filed by A. W. Brown and IEPI in Case No. IPC-E-90-20, our decision requiring the Company to respond, and because the Commission itself desires additional time to consider and determine the issues presented in this Application, we find it reasonable to

suspend implementation of the proposed Tariff for a period of thirty (30) days plus five (5) months from the proposed effective date of February 1, 1991, or until such earlier time as the Commission may enter its order. Reference *Idaho Code* § 61-623.

The Commission reserves judgment on the appropriateness of processing the Company's Application under Modified Procedure, i.e., by written submission rather than by hearing. Reference IDAPA 31.A.23.4.

O R D E R

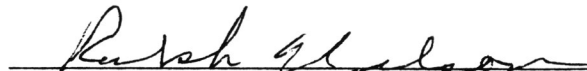
In consideration of the foregoing, IT IS HEREBY ORDERED that the proposed implementation of an interconnection tariff for non-utility generation (Tariff Schedule No. 72) in Case No. IPC-E-90-20 should be, and hereby is, suspended for a period of thirty (30) days plus five (5) months from February 1, 1991, or until such earlier time as the Commission may issue an Order accepting or rejecting or modifying the Application in this matter.

IT IS FURTHER ORDERED that Idaho Power Company respond to the filings of A. W. Brown and Independent Energy Producers of Idaho as more particularly described above on or prior to **THURSDAY, FEBRUARY 28, 1991.**

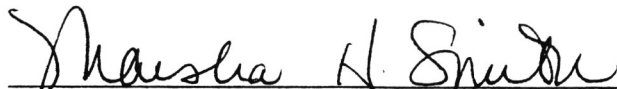
DONE by Order of the Idaho Public Utilities Commission at Boise,
Idaho, this 30th day of January 1991.



DEAN J. MILLER, PRESIDENT

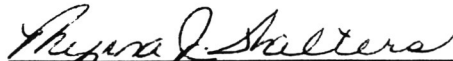


RALPH NELSON, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



MYRNA J. WALTERS, SECRETARY

SW:nh/O-1294

SCHEDULE NO. 72
INTERCONNECTIONS TO
NON-UTILITY GENERATION

AVAILABILITY

Throughout the Company's service area within the State of Idaho.

APPLICABILITY

This schedule applies to the construction, Upgrade, Relocation, or removal of transmission and/or distribution lines and equipment necessary to safely interconnect a Seller's generation plant to the Company's system.

DEFINITIONS

Additional Applicant: A person or entity whose request for electrical connection requires the Company to utilize existing Interconnection Facilities which are subject to a Vested Interest.

Company: The Idaho Power Company.

Construction Cost: The cost, as determined by the Company, of Upgrades, Relocation or construction of Company furnished Interconnection Facilities.

Disconnection Equipment: Any device or combination of devices by which the Company can manually and/or automatically interrupt the flow of energy from the Seller to the Company's system, including enclosures or other equipment as may be required to ensure that only the Company will have access to certain of the devices.

First Energy Date: The date when the Seller begins delivering energy to the Company's system.

Interconnection Facilities: All facilities which are reasonably required by prudent electrical practices and the National Electric Safety Code to interconnect and to allow the delivery of energy from the Seller's generation plant to the Company's system, including, but not limited to, Special Facilities, Disconnection Equipment and Metering Equipment.

IDAHO

Filed - December 14, 1990

Effective

Order No. 23631 Attachment

Issued by IDAHO POWER COMPANY
D. H. Jackson - Vice President, Distribution
1220 Idaho Street, Boise, Idaho

SCHEDULE NO. 72
INTERCONNECTIONS TO
NON-UTILITY GENERATION
(Continued)

Metering Equipment: Equipment required to measure, record or telemeter power flows between the Seller's generation plant and the Company's system.

Relocation: A change in the location of existing Company-owned transmission and/or distribution lines, poles or equipment.

Seller: A non-utility generator who has contracted or will contract with the Company to supply energy.

Seller Furnished Facilities: That portion of the Interconnection Facilities provided by the Seller.

Special Facilities: Additions or alterations of transmission and/or distribution lines and transformers, including, but not limited to, Upgrades and Relocation, to safely interconnect the Seller's generation plant to the Company's system.

Transfer Cost: The cost, as determined by the Company, for acceptance by the Company of Seller Furnished Facilities.

Upgrades: Those improvements to the Company's existing system which are reasonably required by prudent electrical practices and the National Electric Safety Code to safely interconnect the Seller to the Company's system. Such improvements include, but are not limited to, additional or larger conductors, transformers, poles, and related equipment.

Vested Interest: The claim for refund that a Seller or Additional Applicant holds in a specific portion of Company-owned Interconnection Facilities. The Vested Interest expires five years from the date the Company completes construction of its portion of the Interconnection Facilities unless fully refunded earlier.

SCHEDULE NO. 72
INTERCONNECTIONS TO
NON-UTILITY GENERATION
(continued)

COST OF INTERCONNECTION FACILITIES

All Interconnection Facilities provided under this Schedule will be valued at the Company's Construction Cost and/or the Transfer Cost for vesting purposes as well as for operation and maintenance payment obligations.

PAYMENT FOR INTERCONNECTION FACILITIES

Unless specifically agreed otherwise in the Firm Energy Sales Agreement between a Seller and Company, Seller will pay all costs of interconnecting a Facility to the Company's system. Project specific payment provisions will be set out in the Firm Energy Sales Agreement between Seller and Company or the agreement implementing Schedule 86 (Cogeneration and Small Power Production Non-Firm Energy) or its successor schedule(s).

CONSTRUCTION OF INTERCONNECTION FACILITIES

The Company will construct, own, operate and maintain all Disconnection Equipment, Metering Equipment, Upgrades and Relocation. Seller may construct, install, own, operate and maintain all other agreed upon Interconnection Facilities. The Seller may retain ownership of Seller Furnished Facilities or may transfer them to the Company.

TRANSFER OF INTERCONNECTION FACILITIES

(A) Transfer at First Energy Date: If the Seller desires to transfer and Idaho Power desires to accept any Seller Furnished Facilities at the First Energy Date, the following will apply:

(1) Prior to the beginning of construction, Seller shall cause the contractor that is constructing the Seller Furnished Facilities to provide the Company with a certificate naming the Company as an additional insured in the amount of not less than one million dollars under the contractor's general liability policy.

(2) The Company will provide Seller's contractor with construction and material specifications and will have final approval of the design of the Seller Furnished Facilities.

(3) During construction and upon completion, the Company will inspect the Seller Furnished Facilities to be transferred to the Company. The cost of such inspection will be borne by the Seller.

SCHEDULE NO. 72
INTERCONNECTIONS TO
NON-UTILITY GENERATION
(Continued)

(4) If the Seller Furnished Facilities meet the Company's design, material and construction specifications, are free from defects in materials and workmanship, and the Seller has provided the Company with acceptable easements, bills of sale and assurance against labor or materials liens, the Company will accept ownership effective as of the First Energy Date. In the bill of sale, the Seller will warrant to the Company that the Seller Furnished Facilities are free of any liens or encumbrances and will be free from any defects in materials and workmanship for a period of one year from the First Energy Date.

(B) Subsequent Transfer: If, after the First Energy Date, the Seller desires to transfer and Idaho Power desires to accept any Seller Furnished Facilities, the following will apply:

(1) The Company will inspect the facilities proposed for sale to determine if they meet the Company's design, material and construction specifications.

(2) The Company will determine the Transfer Cost of such facilities. The Transfer Cost will be equal to the depreciated Construction Cost the Company would have incurred if it had originally constructed the facilities plus the cost, if any, of bringing the facilities into compliance with the Company's design, material and construction specifications. Depreciation of the facilities proposed for transfer will be determined on the same basis as the Company depreciates its own facilities in accordance with the appropriate FERC account numbers for the type and size of line or equipment involved. The time period used for the calculation of the depreciated transfer cost will extend from the First Energy Date until the agreed upon transfer date. The Transfer Cost will be paid to the Company in cash at the time of transfer. At the same time, the Company will pay the Seller in cash an amount equal to the depreciated Construction Cost.

(3) As a condition of the Company's acceptance, the Seller will provide the Company with acceptable easements, bills of sale and acceptable assurance against labor and material liens. The bill of sale will include a warranty that the transferred facilities are free of all liens and encumbrances and will be free from any defects in materials and workmanship for a period of one year from the date of transfer.

(4) Effective as of the date of the transfer, Company will operate and maintain the transferred facilities.

SCHEDULE NO. 72
INTERCONNECTIONS TO
NON-UTILITY GENERATION
(Continued)

VESTED INTEREST

A Seller's eligibility for a Vested Interest refund will exist for five years after the date the Company completes construction of its portion of the Interconnection Facilities.

1. The Company will provide a refund payment to each Seller holding a Vested Interest in Company-owned Interconnection Facilities when an Additional Applicant shares use of those Interconnection Facilities.

2. The refund payment will be based on the following formula:

$$\text{Refund} = \frac{\text{Linear Footage Ratio}}{\text{Ratio}} \times \frac{\text{Connected Load/Peak Generation Ratio}}{\text{Ratio}} \times \frac{\text{Original Interconnection Cost}}{\text{Cost}}$$

a. The Linear Footage Ratio is the length of jointly used Special Facilities divided by the length of the vested Special Facilities.

b. The Connected Load/Peak Generation Ratio is the Connected Load or Peak Generation of the Additional Applicant divided by the sum of the Connected Load or Peak Generation of the Additional Applicant and all other Connected Loads and/or Peak Generation on the Special Facilities.

c. The Original Interconnection Cost is the sum of the Company's Construction Cost and any Transfer Costs for the Interconnection Facilities to which the Additional Applicant intends to connect and share usage.

3. The Additional Applicant will pay the Company the amount of the Vested Interest refund(s). Additional Applicants making Vested Interest payments are in turn eligible to receive refunds within the 5-year limit described above.

4. Vested Interest refunds will not exceed 100 percent of the refundable portion of any party's cash payment to the Company.

5. Vested Interest refund payments may be waived by notifying the Company in writing.

SCHEDULE NO. 72
INTERCONNECTIONS TO
NON-UTILITY GENERATION
(Continued)

OPERATION AND MAINTENANCE OBLIGATIONS AND EXPENSES

The Company will operate and maintain Company furnished Interconnection Facilities as well as any Seller Furnished Facilities transferred to the Company. In consideration of such operation and maintenance services, Seller will pay the Company a monthly operation and maintenance charge equal to a percentage of the Construction Cost and Transfer Cost paid by the Seller. The percentage is 0.4% for 138 kV and 161 kV facilities and 0.7% on facilities below 138 kV.

The cost upon which an individual Seller's operation and maintenance charge is based will be reduced by subsequent Vested Interest refunds. Additional Applicants who are Sellers will pay the monthly operation and maintenance charge on the amount they paid as an Additional Applicant.

Seller Furnished Facilities not transferred to the Company will be operated and maintained by the Seller at the Seller's sole risk and expense.

IDAHO

Filed - December 14, 1990

Effective

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1220 Idaho Street, Boise, Idaho