

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-11-15
POWER FOR APPROVAL OF A REVISED)	
POWER PURCHASE AGREEMENT)	
BETWEEN PACIFICORP AND LOWER)	ORDER NO. 32323
VALLEY ENERGY, INC.)	

On May 19, 2011, PacifiCorp dba Rocky Mountain Power filed a request with the Commission to amend the power purchase agreement (PPA, Agreement) between PacifiCorp and Lower Valley Energy, Inc. (Lower Valley) dated May 6, 2011. On June 17, 2011, Rocky Mountain Power filed a supplement to its original request. The parties seek to amend the Agreement originally approved by the Commission on July 16, 2009. Order No. 30864.

On June 22, 2011, the Commission issued a Notice of Application and Notice of Modified Procedure setting a July 13, 2011, comment deadline, and July 20, 2011, deadline for reply comments. Staff was the only person or party to file comments. By this Order, the Commission approves the Agreement between PacifiCorp and Lower Valley without change or condition and declares that all payments made by Rocky Mountain Power to Lower Valley be allowed as prudently incurred expenses for ratemaking purposes.

THE APPLICATION

Lower Valley owns, operates and maintains three run-of-river hydroelectric generating facilities in Lincoln County, Wyoming – two are located on Swift Creek and one is located on the existing culinary water system for the town of Afton. The Swift Creek facilities were completed in 2009 and have maximum capacities of 940 kW (the “Upper Facility”) and 535 kW (the “Lower Facility”). The third facility – the “Culinary Facility” – is the subject of Rocky Mountain Power’s request for an amendment.

A. The Agreement

The Culinary Facility was completed in December 2010 and has a maximum capacity of 225 kW. Rocky Mountain Power represents that Lower Valley purchases firm point-to-point transmission from Bonneville Power Administration (BPA) in amounts sufficient to deliver output from all three facilities via a single scheduled delivery to Rocky Mountain Power at Goshen, Idaho.

Rocky Mountain Power requests Commission approval of amendments to the Agreement to: (1) add a provision for the purchase of net output from the new Culinary Facility; (2) extend the term of the Agreement from May 1, 2012, to September 1, 2014; (3) provide that the Culinary Facility receive the published avoided cost rates of Order No. 32234¹; and (4) provide that the “Upper Facility” and “Lower Facility” receive the published avoided cost rates of Order No. 32234 commencing on May 1, 2012, the expiration date of the existing Agreement.

Although each facility is a separate qualifying facility (QF) pursuant to PURPA, Lower Valley intends to operate its Upper Facility, Lower Facility and Culinary Facility as a single generating facility under a single power purchase agreement. Rocky Mountain Power and Lower Valley represent that purchasing and selling power for all three facilities under a single PPA is the most efficient means of effectuating the sale and delivery of net output from these facilities for two reasons: (1) the use of one Agreement reduces cost in generating monthly statements and processing monthly payments for both Rocky Mountain Power and Lower Valley and (2) because Lower Valley delivers net output from the three facilities via a single point-to-point transmission reservation, the three projects arrive at Rocky Mountain Power’s system via a single schedule that is amenable to treatment by Rocky Mountain Power as a single resource. Supplement at 4.

Various requirements have been placed on Lower Valley in order for Rocky Mountain Power to accept energy deliveries from the Culinary Facility. Rocky Mountain Power states that it will monitor Lower Valley’s compliance with these requirements. *Id.* at 5. Lower Valley has selected seven days after Commission approval of the Agreement as its Commercial Operation Date for the Culinary Facility.

By its own terms, the Agreement will not become effective until the Commission has approved all of the terms and conditions and declares that all payments made by Rocky Mountain Power to the Facilities for purchases of energy “are just and reasonable, in the public interest, and that the costs incurred by [Rocky Mountain Power] for purchases of capacity and energy from [Lower Valley] are legitimate expenses, all of which the Commission will allow [Rocky Mountain Power] to recover in rates in Idaho in the event other jurisdictions deny recovery of their proportionate share of said expenses.” Agreement ¶ 2.1.

¹ Order No. 32234 revised Rocky Mountain Power’s published avoided cost rates pursuant to a change in cost of capital triggered by the result of Rocky Mountain Power’s most recent general rate case, PAC-E-10-07.

THE COMMENTS

Staff Comments

The primary purpose of Rocky Mountain Power's request to amend the Agreement is to accommodate the addition of a third generation facility, the "Culinary Facility," under a single power sales agreement. Although each facility is a separate QF pursuant to PURPA, Lower Valley intends to operate its Upper Facility, Lower Facility and Culinary Facility as a single generating facility under a single power purchase agreement. Rocky Mountain Power and Lower Valley represent that purchasing and selling power for all three facilities under a single PPA is the most efficient means of effectuating the sale and delivery of net output from these facilities for two reasons: (1) the use of one Agreement reduces costs in generating monthly statements and processing monthly payments for both Rocky Mountain Power and Lower Valley and (2) because Lower Valley delivers net output from the three facilities via a single point-to-point transmission reservation, the three projects arrive at Rocky Mountain Power's system via a single schedule that is amenable to treatment by Rocky Mountain Power as a single resource. Supplement at 4.

Because all of the terms contained in the Amended Agreement are identical to those in the original Agreement, Staff believes that the avoided cost rates in the Amended Agreement are the only thing that merits scrutiny. Rates for the existing Upper and Lower Facilities remain unchanged from those contained in the original Agreement for the remaining term of the original four-year Agreement. However, the proposed Amendment extends the term of the original Agreement by 28 months, therefore, rates for the Upper and Lower Facilities for the extended term will be in accordance with Order No. 32234, Rocky Mountain Power's most recently approved avoided cost rates. The Culinary Facility is also eligible for Rocky Mountain Power's current published avoided cost rates from Order No. 32234. Staff believes that all of the rates in the Amended Agreement are proper given the difference in time between the online dates of the three generation facilities. The new Culinary Facility will be entitled to new rates, while the Upper and Lower Facilities will still be bound by the old rates until the expiration date of the original Agreement. Consequently, Staff recommended approval of the revised Agreement.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Rocky Mountain Power, an electric utility, and the issues raised in this matter pursuant to the authority and power granted

it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA). 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 (QFs) and to implement FERC rules.

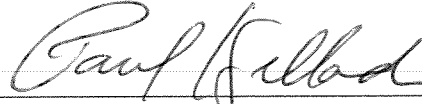
The Commission has reviewed the record in this case, including the Application, the May 6, 2011, Agreement, and the comments and recommendations of Commission Staff. As represented and pursuant to contract, under normal and/or average conditions the Facility will not exceed 10 aMW on a monthly basis. Based on the foregoing, we find that the proposed Agreement submitted in this case contains acceptable contract provisions including the non-levelized published avoided cost rates approved by the Commission in Order No. 31025. We further find it reasonable to allow payments made under the Agreement as prudently incurred expenses for ratemaking purposes.

ORDER

IT IS HEREBY ORDERED that the May 6, 2011, Power Purchase Agreement between PacifiCorp dba Rocky Mountain Power and Lower Valley Energy, Inc., is approved without change or condition.

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.

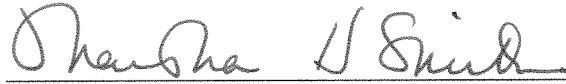
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th
day of August 2011.



PAUL KJELLANDER, PRESIDENT



MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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