Office of the Secretary
Service Date
June 24, 2015

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL REVISION OF QF VARIABLE ENERGY PRICES IN ACCORDANCE WITH TERMS OF THE 1992 AMENDMENTS TO POWER PURCHASE AGREEMENTS BETWEEN IDAHO QFs AND PACIFICORP	)	**CASE NO. PAC-E-15-08**
	)	**ORDER NO. 33328**

On July 1, 2003, PacifiCorp dba Utah Power & Light Company (Company) in Case No. PAC-E-03-10 sent a letter notifying the Idaho Public Utilities Commission (Commission) of a July 1, 2003, revision to the variable energy price for Qualifying Facilities (QFs) holding certain power sales contracts with the Company. Thirteen QFs have PURPA contracts with PacifiCorp that include a Commission-approved 1992 Amendment that outlines a methodology that is to be used for determining the variable energy price component of the avoided-cost rate. As stated in the 1992 contract Amendment:

> Beginning July 1, 2003 and continuing throughout the term of the power purchase agreement, including any extensions, the variable energy rate shall be calculated in accordance with the following methodology:
>
> a) the variable energy rate shall be the sum of the Buyer's (PacifiCorp) fuel cost and the variable O&M cost.
>
> b) Buyer's fuel cost shall be the average cost of fuel consumed in Buyer's Utah Division, specifically the Carbon, Hale, Naughton, Huntington and Hunter generating plants. If any of the specified plants does not operate in any calendar year, such plant shall be excluded from the calculation of the average cost of fuel. The average cost of fuel shall be calculated using the data reported in Buyer's FERC Form 1. For 1990, Buyer's fuel costs are reported at pages 402-403, lines 12 and 21 of the FERC Form 1. In the event that the FERC Form 1 ceases to include the cost of fuel or net generation data, comparable data based upon Buyer's normal accounting practices shall be used.
>
> c) Buyer's variable O&M cost shall be calculated using the methodology adopted by the Idaho Public Utilities Commission in Order No. 23738 for determining the variable avoided O&M cost of the Surrogate Avoidable Resource, excluding the State of Montana generation tax and the line loss adjustment.

Order No. 29316.

The variable energy component is composed of two parts, fuel costs for PacifiCorp Utah thermal plants and variable O&M costs. Commission Order No. 28708 clarified how each of these two parts to the variable energy component is to be calculated:

> For those PacifiCorp contracts with 1992 Addendum language, we note by way of clarification, that the fuel component calculation is to remain unchanged, i.e., "average fuel costs as reported in FERC Form 1 for PacifiCorp Carbon, (Hale-presently out of service), Naughton, Huntington and Hunter plants." The variable O&M under the PacifiCorp QF contracts while presently fixed, is to be tied to Colstrip beginning in 2003. The Commission notes that pursuant to the '92 Addendum language in the PacifiCorp QF contracts, generation taxes and a line loss adjustment are specifically excluded from the calculation of any variable O&M. It is not our intention to change this contract term. The Commission notes, as calculated by Staff, that the exclusion of line loss (5%) and generation tax (20¢/MWh) from the variable Colstrip calculation for affected PacifiCorp contracts (beginning in 2003) results in an adjusted O&M figure of $1.51/MWh.

In Commission Order No. 29316 in Case No. PAC-E-03-10 the Commission authorized and approved a new variable energy rate for PacifiCorp/QF contracts with approved 1992 amendment language and ordered the Company as follows:

> Recognizing the variable rate change we approve today is the first of what will be an annual change in the variable rate for PacifiCorp/QF contracts with 92 Amendment language, IT IS FURTHER ORDERED and the Commission does hereby direct PacifiCorp to make an annual filing with the Commission on or before June 1 of each year showing its computation of the revised variable energy costs for these contracts.

Order No. 29316.

In accordance with Order No. 29316, the adjustable portion of the avoided-cost rate for existing PacifiCorp contracts with year 1992 amendments has been recomputed. Beginning on July 1, 2003, the adjustable portion for these contracts was ordered to be equal to the average cost of fuel for the Carbon, Hale, Naughton, Huntington and Hunter generating plans, including a variable O&M component of $1.51/MWh but exclusive of generation taxes and a line-loss adjustment. The variable energy rate applicable to deliveries commencing July 1, 2015, extending through June 30, 2016, has been computed to be $21.75/MWh, an increase from $20.47 last year.

FINDINGS AND CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, 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 and to implement FERC rules.

The Commission has reviewed and considered the filings of record in Case No. PAC-E-15-08 and the proposed revision of the adjustable portion of the avoided-cost rate for PacifiCorp QF contracts with 1992 amendment language. We have reviewed the Company's supporting workpapers and have also considered the recommendations of Commission Staff. The methodology that this Commission has approved for determining the variable energy cost for these affected PacifiCorp QF contracts is similar to our annual update of the variable avoided-cost rate associated with Colstrip and is a relatively simple arithmetic re-calculation that is based on data contained in PacifiCorp FERC Form 1 filings. We find the annual updated variable energy cost calculation, as computed by PacifiCorp, for existing QF power purchase contracts with the 1992 amendment to be correct. We further find the resulting adjustable rate to be fair, just and reasonable.

ORDER

IT IS HEREBY ORDERED and the Commission does hereby authorize and approve a new variable energy rate of $21.75/MWh for deliveries commencing July 1, 2015, extending through June 30, 2016, for those PacifiCorp/QF contracts with approved 1992 amendment language.

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 24th day of June 2015.

PAUL KJELLANDER, PRESIDENT

Out of the Office this Date
MACK A. REDFORD, COMMISSIONER

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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