



Idaho Public Utilities Commission

P.O. Box 83720, Boise, ID 83720-0074

C.L. Butch Otter, Governor

Paul Kjellander, Commissioner

Mack A. Redford, Commissioner

Kristine Raper, Commissioner

Case No. IPC-E-15-01, AVU-E-15-01, PAC-E-15-03

Order No. 33253

Contact: Gene Fadness (208) 334-0339, 890-2712

www.puc.idaho.gov

Commission begins processing utility PURPA contract requests

BOISE (March 19, 2015) – State regulators will conduct both technical and public hearings in late June to consider requests by three electric utilities to reduce the duration of sales agreements they must enter into with large renewable energy developers.

The Idaho Public Utilities Commission recently granted an Idaho Power Company request to reduce the duration of sales agreements with solar and wind PURPA projects that are larger than 100 kilowatts and other PURPA projects – such as geothermal, industrial cogeneration and hydro – that generate more than 10 average megawatts. Idaho Power originally sought to reduce the contract length from 20 years to two years. The commission approved five-year contract lengths while it further examines the case. Since that decision, Avista Utilities in northern Idaho and PacifiCorp-Rocky Mountain Power in eastern Idaho requested similar treatment, which was granted by the commission.

The federal Public Utility Regulatory Policies Act of 1978 (PURPA) requires regulated utilities to buy energy from qualifying renewable generation projects at rates established by state commissions. The rate to be paid Qualifying Facilities (QFs) is called an “avoided-cost rate,” because it is based on the cost the utility avoids by not having to generate the energy itself or buy it from another source. The commission must ensure the avoided-cost rate is reasonable because the price utilities pay to QF developers is passed on to customer. While PURPA requires utilities to buy from QFs, the law leaves it up to states to determine avoided-cost rates and other contract terms and conditions.

The commission is also considering a Petition for Clarification filed by Clearwater Paper and Simplot asking that the five-year contract limit apply only to intermittent wind and solar projects larger than 100 KW and not other PURPA projects such as industrial cogeneration. They argue the increase in QF projects is limited to solar and wind, thus there is no need to reduce contract lengths for other resource types. Clearwater and Simplot have until March 26 to reply to responses to their request.

Idaho Power claims a glut of solar projects will drive up rates and threaten the utility's ability to reliably deliver energy. The commission recently approved 13 Idaho Power agreements with QF developers for 400 MW of solar energy. Idaho Power claims it has an additional 885 MW of QF solar capacity in its queue actively seeking energy-sale agreements with 2016 on-line dates.

Idaho Power said continued creation of 20-year contracts places undue risk on customers at a time when the utility says it has sufficient resources to meet customer demand.

Within five days of the commission order that reduced the length of Idaho Power's contracts, PacifiCorp (the parent company of Rocky Mountain Power) said it received four pricing requests totaling 130 MW from QF developers situated in Idaho Power's service territory but seeking to wheel their output into Rocky Mountain's territory. PacifiCorp claimed project developers are seeking the agreements "in order to secure a more favorable 20-year contract with PacifiCorp."

PacifiCorp now has projects seeking contracts totaling 275.5 MW in its Idaho territory. PacifiCorp has 189.6 MW of existing Idaho PURPA contracts – for a total of 465 MW of existing and proposed PURPA generation, enough power to supply 108 percent of PacifiCorp's average Idaho retail load.

"Locking in a large and ever-expanding volume of power purchases for decades, at fixed prices, creates significant and unnecessary exposure to long-term price risk, a level of risk the commission would not accept" in contracts with non-QF projects, PacifiCorp said.

When negotiating with other project developers on long-term contracts, PacifiCorp said it undergoes a rigorous review of resource needs and evaluates alternative resources to meet the need and choose the least-cost, least-risk resource. For example, the company claims it is now under contract to buy 38.8 million megawatt-hours of QF power at an average price of \$66.32 per MWh. That compares to a price of \$38.11 per MWh which, the company claims, is the average forward price curve at a major wholesale electric market trading hub over the same 10 years.

While the commission adopted a temporary five-year contract limit while it processes the case, PacifiCorp is asking that the commission enact a permanent three-year limit. The utility recently modified its hedging horizon for natural gas and electric purchase decisions from four years to three. The market becomes more uncertain, PacifiCorp said, as it moves further into the future, making it more difficult to forecast what prices will be with reasonable certainty.

While Avista Utilities does not claim a number of QF projects seeking contracts, the Spokane-based utility expressed concern that "PURPA developers that previously planned to sell the output from their projects to Idaho Power may seek to sell such output to Avista."

The commission has consolidated all three utility dockets into one proceeding that includes an April 23 deadline for direct testimony from the utilities, commission staff and all other intervenors.

The intervenors include the Idaho Conservation League, Intermountain Energy Partners, Micron, JR Simplot Company, Snake River Alliance, Ag Power, Amalgamated Sugar, Canal Companies and Reservoir District, Clearwater Paper, Idaho Irrigation Pumpers Association, Renewable Energy Coalition and the Sierra Club.

Rebuttal from all non-utility parties is due May 14 with utilities submitting their rebuttal by no later than June 11.

A technical hearing will begin on Monday, June 29 at 9:30 a.m. in the commission hearing room at 472 W. Washington St. in Boise. That hearing will continue, if necessary, through July 1.

Customer hearing times and locations will be announced at a later time.

A public comment period for all customers is now open and will continue through the end of all technical and public hearings.

Comments are accepted via e-mail by accessing the commission's Website at www.puc.idaho.gov and clicking on "Case Comment Form," under the "Consumers" heading. Fill in the case number (IPC-E-15-01 for Idaho Power customers, PAC-E-15-03 for PacifiCorp-Rocky Mountain customers and AVU-E-15-01 for Avista customers) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

Customers can also track the case from the commission's Website. The utilities' applications and supporting testimony as well as comments already received from customers can be found on the Website by clicking on "Open Cases" under the "Electric" heading and then selecting any of the three case numbers above.

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