

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>CASE NO. GNR-E-17-02</b>
<b>OF IDAHO POWER COMPANY TO</b>	)	
<b>REVIEW THE SURROGATE AVOIDABLE</b>	)	<b>NOTICE OF APPLICATION</b>
<b>RESOURCE (SAR) METHODOLOGY FOR</b>	)	
<b>CALCULATING PUBLISHED AVOIDED</b>	)	<b>NOTICE OF</b>
<b>COST RATES</b>	)	<b>INTERVENTION DEADLINE</b>
	)	
	)	<b>ORDER NO. 33778</b>

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On May 16, 2017, Commission Staff sent letters advising Idaho’s three electric utilities of Staff’s proposed annual update to published avoided cost rates for contracts entered between utilities and qualifying facility projects under the Public Utility Regulatory Policies Act (PURPA). Staff’s update reflects the updated natural gas price forecast of the U.S. Energy Information Administration (EIA). *See* Case Nos. IPC-E-17-07, PAC-E-17-05, AVU-E-17-02. Each year since 2013, Staff has calculated updated published avoided cost rates per Order No. 32697, using the EIA’s Mountain Region natural gas forecast. *See* Order Nos. 32817, 33041, 33305, 33538. Idaho Power Company filed an objection to Staff’s May 2017 proposal, asserting that the update to published avoided cost rates should instead be calculated using a different forecast – the EIA’s Henry Hub forecast. Idaho Power Objection in Case No. IPC-E-17-07.

Consistent with our prior procedure and Orders, the Commission approved Staff’s proposed published avoided cost rates as reasonable. We also directed the Commission Secretary to accept Idaho Power’s objection as an application to initiate a generic proceeding to consider its proposed change to Staff’s methodology for calculating updated published avoided costs each year. Order No. 33773. The Commission now issues this notice of the Application, and notice of a deadline for petitions to intervene in the matter.

**BACKGROUND**

Under PURPA, electric utilities must purchase electric energy from “qualifying facilities” (QFs) at rates approved by this Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The purchase or “avoided cost” rate shall not exceed the “‘incremental cost’ to the purchasing utility of power which, but for the purchase of power from the QF, such utility would either generate itself or purchase from

another source.” Order No. 32697 at 7, citing *Rosebud Enterprises v. Idaho PUC*, 128 Idaho 624, 917 P.2d 781 (1996); 18 C.F.R. § 292.101(b)(6) (defining “avoided cost”).

The Commission has established two methods of calculating avoided costs, depending on the size of the QF project: (1) the surrogate avoided resource (SAR) methodology, and (2) the integrated resource plan (IRP) methodology. See Order No. 32697 at 7-8. The Commission uses the SAR methodology to establish “published” avoided cost rates. *Id.* Published rates are available for wind and solar QFs with a design capacity of up to 100 kilowatts (kW), and for QFs of all other resource types with a design capacity of up to 10 average megawatts (aMW). *Id.*

### NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Idaho Power objected to Staff’s use of the EIA’s Mountain Region natural gas forecast in calculating updated published avoided cost rates. Idaho Power proposed that the updated published avoided cost rates should have been calculated using the EIA’s Henry Hub natural gas forecast. See Idaho Power Objection (accepted for filing in this case as an Application, per Order No. 33773; hereafter “Application”).

YOU ARE FURTHER NOTIFIED that Idaho Power uses the Henry Hub forecast in the Company’s Integrated Resource Plan (IRP) process, and in arriving at avoided cost rates calculated under the Incremental Cost IRP method (for projects that exceed the published rate eligibility cap). Application at 2.

YOU ARE FURTHER NOTIFIED that the Company asserts that using the Mountain Region forecast (as proposed by Staff and adopted by the Commission in Order No. 33773) to calculate published avoided cost rates results in rates that are over \$8 per megawatt-hour (MWh) more than using the Henry Hub forecast for the same calculation. *Id.*

YOU ARE FURTHER NOTIFIED that, according to the Company, Order No. 32697 does not specify which subset of the EIA’s forecast Staff must use in calculating updates to the Commission’s published avoided cost rates. *Id.* at 3. The Company asserts that the Henry Hub EIA forecast is used by the Public Utility Commission of Oregon to update its published avoided cost pricing. *Id.* at 6. The Company contends, “Customers are harmed by an avoided cost methodology that results in inflated prices based on natural gas forecasts that are not applicable to the utility.” *Id.* at 6. The Company further contends, “[t]he continued use of the Mountain

Region natural gas forecast that does not represent prices that are utilized by Idaho Power, results in an artificially high price that customers should not be required to pay.” *Id.* at 7.

YOU ARE FURTHER NOTIFIED that the Company argues, using the EIA’s Henry Hub forecast “would result in a closer approximation of the Company’s avoided cost pricing, which for published rates is locked in for 20-year term contracts, and results in a substantial cost savings to Idaho Power customers in the mandatory PURPA purchase requirements of potentially hundreds of millions of dollars.” *Id.* at 7-8.

YOU ARE FURTHER NOTIFIED that Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission’s web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the “File Room” tab at the top of the page, scroll down to “Open Electric Cases,” then click on either case number as shown on the front of this document.

#### NOTICE OF DEADLINE TO INTERVENE

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in this matter **must file a Petition to Intervene** with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -.073. **All Petitions to Intervene must be filed no later than 14 days from the service date of this Order.** Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that the following persons are designated as Idaho Power’s representatives in this matter:

Donovan Walker  
Idaho Power Company  
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E-Mail: [mdarrington@idahopower.com](mailto:mdarrington@idahopower.com)


YOU ARE FURTHER NOTIFIED that, once the deadline for intervention has passed, the Commission Secretary shall prepare a Notice of Parties. Staff counsel will then confer with the parties regarding a procedural schedule for this matter and shall report the proposed schedule to the Commission.

**ORDER**

IT IS HEREBY ORDERED that persons desiring to intervene in this matter shall file a Petition to Intervene no later than 14 days from the service date of this Order. Once the deadline for Petitions to Intervene has passed, the Commission Secretary shall prepare and issue a Notice of Parties.

IT IS FURTHER ORDERED that, after the Notice of Parties has issued, Staff counsel shall confer with the parties regarding a procedural schedule for this matter and shall report the proposed schedule to the Commission.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8<sup>th</sup> day of June 2017.

  
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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