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April 24, 2015

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

Re: UM _____ – In the Matter of IDAHO POWER COMPANY Motion for Temporary Stay of its Obligation to Enter into New Power Purchase Agreements with Qualifying Facilities

Attention Filing Center:

Attached for filing is an electronic copy of Idaho Power Company's Motion for Temporary Stay of its Obligation to Enter into New Power Purchase Agreements with Qualifying Facilities. Concurrent with this filing, we are making the following related filings:

1. Application to Lower Standard Contract Eligibility Cap and to Reduce the Standard Contract Term;
2. Application for Approval of Solar Integration Charge; and
3. Application for Change in Resource Sufficiency Determination.

A copy of this filing has been served on all parties to Docket UM 1610 via electronic mail as indicated on the attached certificate of service.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Enclosures

cc: UM 1610 Service List

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document on the service list in Docket UM 1610 the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: April 24 2015



Wendy McIndoo
Office Manager

1 referenced three applications and the accompanying testimony of Randy Allphin, Philip B.
2 Devol, and Michael J. Youngblood filed in support of the Company's Applications and
3 incorporated herein by this reference.

4 Should the Commission deny the Company's request for a stay, Idaho Power
5 requests, in the alternative, that the Commission grant the relief requested in the
6 Company's substantive filings, on an interim basis, pending final resolution of its
7 investigations.

8 The Company requests expedited consideration of this Motion due to the likelihood
9 that the Company may be required to enter into QF contracts prior to the conclusion of the
10 investigations. The Company currently has formal requests for standard contracts
11 pursuant to its Schedule 85, and a stay of the Company's obligation to contract with new
12 QF projects is necessary to prevent those proposed projects from obtaining legally
13 enforceable obligations forcing customers to lock in long term obligations that exceed the
14 Company's avoided cost before the Commission can address the Company's requests for
15 the protection of customers.

16 I. BACKGROUND

17 A. PURPA's Avoided Cost Requirement.

18 Sections 201 and 210 of PURPA require electric utilities to offer to purchase electric
19 energy from qualifying cogeneration and small power production facilities.¹ PURPA also
20 specifies that the purchase prices from QFs be set by state commissions and that those
21 prices may not exceed the incremental cost to the electric utility of alternative electric
22 energy.² PURPA defines incremental cost (avoided cost) as the cost to the electric utility
23 of the electric energy that, but for the purchase from QFs, the utility would generate itself
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25 ¹ 16 U.S.C. § 796 and 16 U.S.C. § 824a-3 , respectively.

26 ² 16 U.S.C. § 824a-3(b).

1 or purchase from another source.³ PURPA requires state commissions to ensure that the
2 avoided cost prices paid by a utility for the purchase of electricity from a QF be just and
3 reasonable to utility customers and in the public interest.⁴ State commissions are
4 prohibited from setting a price for purchases from a QF that is above a utility's avoided
5 cost.⁵

6 **B. QF Development on Idaho Power's System.**

7 As described in more detail in the Company's *Application to Lower Standard*
8 *Contract Eligibility Cap and to Reduce the Standard Contract Term*, the growth in Idaho
9 Power's QF capacity continues at an extraordinary rate. As of April 22, 2015, Idaho Power
10 has a total of 1,161 megawatts ("MW") of PURPA QF projects under contract.⁶ More
11 importantly for the purpose of this filing, the Company currently has 1,326 MW of PURPA
12 solar capacity in the queue actively seeking PURPA energy sales agreements and/or
13 PURPA interconnections.⁷ Of this amount, 245 MW of potential new QF capacity is
14 located in Oregon.⁸ If this proposed generation is ultimately built, the Company will have
15 increased the PURPA generation on its system by more than 100% in one year.
16 Moreover, as further discussed in the applications and testimony cited above, there is no
17 sign that requests for PURPA contracts will be slowing down any time soon. For these
18 reasons, it is essential that the prices paid by Idaho Power's customers for this generation
19 be as close as possible to the Company's actual avoided costs.

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21 ³ 16 U.S.C. § 824a-3(d).

22 ⁴ 16 U.S.C. § 824a-3(b)(1) & (2).

23 ⁵ 18 CFR § 292.304(a)(2).

24 ⁶ Allphin/Exhibit 101, 105.

25 ⁷ Allphin/Exhibit 106.

26 ⁸ *Id.*

1 II. ARGUMENT

2 **A. A Stay Is a Proper Exercise of the Commission's Authority and Consistent with**
3 **Precedent.**

4 The Company has received indications of interest from solar QF developers seeking
5 to build 245 MW of solar capacity in Oregon. Idaho Power has 15 proposed QF solar
6 projects representing approximately 137 MW of additional generation that have applied for
7 interconnection to the Company's system in the state of Oregon with interconnection
8 studies that are underway and pending. Additionally, Idaho Power has been informed by
9 several QF solar developers that they are actively investigating projects in the Company's
10 Oregon service area. Most recently, on April 8, 2015, one developer with 5 proposed solar
11 QF projects totaling 40 MW has made a formal request for standard contracts pursuant to
12 the Company's Oregon Schedule 85. Once a formal request is made, the expedited
13 contracting procedures in Schedule 85 are triggered, requiring an initial response from
14 Idaho Power within 15 days of a completed application. As discussed in the
15 contemporaneously filed Application for Approval of Solar Integration Charge, if the
16 Company must move forward with the standard contract and rates that are currently in
17 place, it would lock-in prices that far exceed the Company's actual avoided cost for the
18 next 15 to 20 years to the direct detriment of Idaho Power customers. Therefore, it is
19 imperative that the Commission temporarily suspend Idaho Power's obligation to enter into
20 these contracts until the Commission has resolved the applications filed concurrently with
21 this motion.

22 A temporary stay is consistent with prior Commission action. In Order No. 87-1154
23 the Commission found that during the pendency of a PURPA investigation, docket UM
24 155, "no new facilities should be undertaken that might harm ratepayers."⁹ The

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26 ⁹ *Re Investigation into Rules for Cogeneration and Small Power Production Facilities*, Docket AR 174, Order No. 87-1154 at 1-2 (Nov. 3, 1987).

1 Commission reasoned that the “best way to assure no adverse impact from new facilities”
2 was to repeal certain administrative rules pending the outcome of its investigation.¹⁰
3 Similarly, in 2012 the Commission temporarily suspended Idaho Power’s obligation to
4 enter into standard PURPA contracts until the Company updated its avoided cost prices
5 through the Integrated Resource Planning (“IRP”) process.¹¹

6 Other state commissions have likewise imposed temporary suspensions,
7 moratoriums, or stays on the PURPA purchase obligation in order to prevent the likelihood
8 of harm to customers while the commissions investigate rates and prescribe solutions.
9 The Colorado Public Service Commission (“Colorado Commission”) imposed a two-month
10 moratorium on purchases from QFs to give the Public Service Company of Colorado time
11 to complete a comprehensive study of its future capacity needs and propose revised
12 avoided costs.¹² The Colorado Commission found that without the moratorium the
13 expected QF development would far exceed the utility’s capacity needs, resulting in rates
14 for purchases that were unjust and unreasonable and additional, unnecessary customer
15 expense approaching \$200 million.¹³

16 Similarly, the California Public Utilities Commission (“California Commission”)
17 approved a temporary moratorium on purchases from new QFs while it reevaluated QF
18 procurement policies and “revisit[ed] the [avoided cost] pricing system [to] accurately and
19 fairly set utility avoided cost prices both under current and expected future market
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23 ¹⁰ *Id.*

24 ¹¹ *Re Idaho Power Company*, Docket UE 244, Order No. 12-042 (Feb. 14, 2012).

25 ¹² *Application of the Pub. Serv. Co. of Colo. for a Moratorium Regarding Indep. Power Prod. Facilities*, Colo. PUC Dec. No. C87-1690 (Dec. 16, 1987).

26 ¹³ *Id.* at 11.

1 conditions"¹⁴ In 1987, the Idaho Public Utilities Commission ("IPUC") suspended the
2 obligation to execute new PURPA contracts for approximately six months while it
3 investigated the reasonableness of the avoided cost methodology in Idaho.¹⁵ The IPUC
4 found that interim relief from the approved avoided cost methodology was in the public
5 interest due to the anticipated rush of new QF applications seeking the current avoided
6 cost rates.¹⁶

7 The Federal Energy Regulatory Commission ("FERC") has also suggested that a
8 state commission can stay a utility's PURPA purchase obligation while it completes its
9 administrative process to establish a QF price methodology that accurately models the
10 utility's avoided cost. In *Southern California Edison Company*, two California utilities
11 asked FERC to declare that the California PUC's approach to calculating PURPA rates
12 violated PURPA by generating QF prices in excess of avoided cost.¹⁷ FERC agreed, and
13 as a result, the California Commission was required to engage in further administrative
14 process to establish a rate methodology. In the meantime, in order to avoid the utilities
15 entrance into QF contracts under the old methodology, FERC suggested to the California
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18 ¹⁴ Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for
19 Generation Procurement and Renewable Resource Dev., Cal. PUC Rulemaking 01-10-024,
20 Decision 03-12-062, 2001 Cal. PUC LEXIS 1276, *77-79 (2003) (initiating moratorium effective
21 December 18, 2003); see Cal. PUC Rulemaking 01-10-024, Decision 04-01-050, 2004 Cal. PUC
LEXIS 28, *201 (2004) (ending moratorium effective January 22, 2004, and noting that "[Decision]
03-12-062 did not allow for any new PURPA contracts with new QFs during the short interim period
between the issuance of that decision and the issuance of this decision.").

22 ¹⁵ Case No. U-150U-1500-170, Order No. 21249 at 5 (1987).

23 ¹⁶ *Id.* at 4 (internal footnotes omitted). Initially, Order No. 21249 applied to all QFs, but the IPUC
24 later exempted some QFs that made a case for grandfathered treatment. In *the Matter of the*
25 *Review of the Idaho Pub. Util. Commn.'s Policies Establishing Avoided Costs under PURPA*, IPUC
Case No. U-1500-170, Order No. 21332, 1 (1987). The IPUC's stay did not apply to energy-only
tariff rates, nor did it bar the utility from voluntarily entering into long-term purchase contracts. *Id.*

26 ¹⁷ 70 FERC ¶ 61,215 (1995).

1 Commission that it stay its requirements that utilities purchase QF output pending the
2 establishment of the new methodology ¹⁸

3 A temporary stay of a utility's obligation to contract under PUPRA, undertaken to give
4 the Commission time to complete its investigation of avoided cost prices, is a proper
5 exercise of the Commission's authority to preserve the status quo, manage its docket, and
6 most importantly to protect customers from harm.

7 **B. The Likelihood of Harm to Idaho Power's Customers Justifies a Stay on New**
8 **PURPA Contracts Pending Resolution of the Company's Application.**

9 If the Commission does not take action prior to final resolution of the Company's
10 proceedings, Idaho Power's customers will bear the costs of long-term contracts at prices
11 far in excess of Idaho Power's actual avoided costs. Idaho Power believes a stay on
12 purchases by Idaho Power of new QF generation is necessary to prevent this likely,
13 imminent, and substantial harm to customers.

14 In its Oregon jurisdiction, the Company currently has six QF solar projects with
15 approximately 60 MW of capacity under contract to come online in 2016. The Company
16 has five QF wind projects for 50 MW under contract also scheduled to come online in
17 2016. Additionally the Company currently has another 26 proposed QF solar projects
18 totaling 245 MW of additional generation that have applied for interconnection and/or are
19 seeking QF energy sales agreements in the state of Oregon. Among these is one
20 developer who has made an official request for standard contracts for 5 QF solar projects
21 with a total of 40 MW of capacity.

22 The potential impact to Idaho Power customers based upon the price differential
23 between current avoided cost rates, and the Company's proposed updates, is between
24 \$327 million to \$466 million. If the Company is required to enter into standard contracts
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26 ¹⁸ *Id.* at 61,677-61,678.

1 with these 26 projects based on the standard avoided costs as currently in place for Idaho
2 Power, the Company's customers would pay approximately \$75/MWh, which is
3 approximately \$744 million over the 20 year term of these standard contracts. On the
4 other hand, if these contracts are entered into using the Company's updated resource
5 sufficiency determination, customers will pay \$720 million (or \$24 million less) over a 20-
6 year term of these standard contracts. Additionally, the avoided cost rate for the most
7 recent negotiated QF solar projects in Idaho is approximately \$46/MWh. If the 245 MW of
8 Oregon contracts are entered into using the negotiated avoided cost rates (for projects
9 over the standard rate eligibility cap) customer would pay \$466 million (or \$278 million
10 less) over the 20 year of the contracts. With regard to solar integration costs, Idaho Power
11 current has 320 MW of QF solar that remains under contract. The associated solar
12 integration charge for penetration levels of 400 MW through 1,500 MW starts at
13 approximately \$3.12/MWh for penetration levels of 401 MW through 500 MW, and
14 escalates to \$18.29 for penetration levels of 1,401 MW through 1500 MW.¹⁹ If solar
15 integration costs of \$3/MWh to \$18/MWh are applied to the 245 MW of Oregon QF solar
16 projects, customers would pay \$49 million to \$188 million less over the 20 year contract
17 term. Furthermore, the potential differential between the contractual obligation of two-year
18 contracts (\$50 million) and 20-year fixed price contracts (\$744 million) is approximately \$
19 694 million for these projects, based only upon current avoided cost rates.

20 Moreover, the above analysis relates to only those requests of which the Company is
21 aware; it is highly probable that additional QFs will seek standard contracts during the
22 pendency of the investigation in order to lock-in higher avoided cost prices. Thus, the
23 harm to customers is potentially much greater if the Motion is denied and the Company is
24 required to enter into long-term contracts at inflated avoided cost prices.

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26 ¹⁹ Idaho Power/200, Youngblood/1-9.

1 **C. If the Commission Does Not Grant a Stay as Requested, Other Interim Relief is**
2 **Warranted.**

3 If the Commission does not stay Idaho Power's requirement to enter into new and
4 additional standard QF contracts during the pendency of this proceeding, other action is
5 urgently needed to prevent the likelihood of substantial harm to customers until the
6 Commission renders its decision on the Company's Applications. The Commission should
7 temporarily grant the Company the relief requested in its three concurrently filed
8 applications pending the outcome of the Commission's investigations. Interim relief of this
9 type has been used by other state commissions to protect customers during an
10 investigation into PURPA implementation. For example, the California PUC has shortened
11 the term of standard offer contracts on several occasions when it needed time to
12 investigate and revise its comprehensive QF pricing and procurement strategy.²⁰ And the
13 IPUC recently shortened the term of Idaho Power's QF contracts to five years pending the
14 outcome of its investigation into the Company's request to shorten the term of QF
15 contracts to two years.²¹

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24 ²⁰ See Application of San Diego & Electric Company (U 902-E) for an Ex Parte Order Approving
25 Modifications to Uniform Standard Offer No. 1 and Standard Offer No. 3, Cal. PUC Application 96-
01-014, Decision 96-10-036, 25-27 (1996).

26 ²¹ *Idaho Power Co.*, Case No. IPC-E-15-01, Order No. 33222 (Feb. 6, 2015)


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III. CONCLUSION

For all of the reasons stated above, Idaho Power requests that the Commission issue an order temporarily staying Idaho Power's obligation to enter into standard PURPA contracts until the Commission has concluded its investigation into the Applications concurrently filed with this motion.

Respectfully submitted this 24th day of April, 2015.

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