

June 3, 2016

Commissioner Lisa Hardie, Chair
Commissioner John Savage
Commissioner Steve Bloom
Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301

Re: Docket UM 1730 - In the Matter of IDAHO POWER COMPANY, Application to Update
Schedule 85 Qualifying Facility Information

Dear Commissioners:

Idaho Power Company (“Idaho Power” or “Company”) files this letter regarding its avoided cost filings made on April 25, 2016, (“April 25 Post-IRP Filing”) and May 2, 2016 (“May 2 Annual Update”), which will be considered by the Public Utility Commission of Oregon (“Commission”) at the June 7, 2016 Public Meeting. On May 31, 2016, Commission Staff filed a report recommending that the Commission approve the May 2 Annual Update (“Staff Report”). The Company appreciates this recommendation and wishes to acknowledge Staff’s work in reviewing that filing. This letter is filed to address two additional issues raised by the Staff Report, and by the letter filed by the Renewable Energy Coalition (“REC”) on May 31, 2016:

- First, Staff has proposed that the Commission deny the April 25 Post-IRP Filing because it has been rendered “moot” by the May 2 Annual Update, which Staff recommends be approved. The Company believes that a denial would suggest that the Commission disagrees with the substance of the filing. For that reason, the Company recommends that the Commission either approve or acknowledge the April 25 Post-IRP Filing and simply note that it is superseded by the May 2 Annual Update.
- Second, both Staff and REC recommend that the Commission approve the May 2 Annual Update effective June 22, 2016, instead of ordering that the new prices take effect the day after the Public Meeting at which they are considered—which is consistent with past practice. This proposal could cause real harm to Idaho Power’s customers. Instead, the Company asks that the Commission make its order effective immediately, or the day after the Public Meeting.

1. The Commission Should Approve both the April 25 Post-IRP Filing and the May 2 Annual Update.

The Commission has before it two avoided cost filings made by Idaho Power. The first is the April 25 Post-IRP Filing, which was filed 31 days after the approval of its 2015 IRP, consistent with the applicable statute and rules,¹ and takes into account a deficiency period beginning in 2024, updated resource costs from the 2015 IRP, and updated electric market prices. The Company requested an effective date of May 25, 2016 for this filing.

The second filing is the May 2 Annual Update—the annual update required on May 1st of each year.² Consistent with Commission orders, this filing updates avoided cost prices for the new gas prices and forward electricity prices, and also incorporates the post-IRP acknowledgement changes that Idaho Power proposed in the April 25 filing.³ The May 2 Annual Update included a request for an effective date of June 1, 2016.

Staff states that the April 25 Post-IRP Filing was essentially mooted by the May 2 Annual Update and for that reason, recommends that it be denied.⁴ The Company disagrees with this approach. As can be seen from the descriptions of the filings above, a post-IRP acknowledgement filing updates avoided cost components that are not revised in the annual update. Thus a denial might leave the incorrect impression that the Commission disagreed with the substance of those updates. For this reason, the Company proposes that the Commission approve the April 25 Post-IRP Filing, while at the same time noting that it is superseded by the May 2 Annual Update. In the alternative, the Company proposes that the Commission simply acknowledge the April 25 filing.

2. The Commission Should Approve the May 2 Annual Update Effective Immediately.

In UM 1610 the Commission directed utilities to file annual updates to avoided cost prices each year on May 1.⁵ The Commission explained that these annual updates would be presented at a public meeting “with a rate effective date *within* 60 days of the May 1 filing.”⁶ It was therefore appropriate for Idaho Power to designate June 1 as the rate effective date. As

¹ Consistent with ORS 758.515(3)(b) and OAR 860-0040(4)(a), the filing was made on the first business day after the 30th day following the Public Meeting at which the 2015 IRP was approved.

² Re OPUC Investigation into Qualifying Facility Contracting and Pricing, Docket No. UM 1610, Order No. 14-058 at 25-26. The Company filed the annual updated on the first business day following May 1, 2016.

³ Order No. 14-058 at 25-26.

⁴ Staff Report, p. 4.

⁵ Order No. 14-058 at 25-26.

⁶ Order No. 14-058 at 26. (Emphasis added.)

Staff notes, the requested effective date was not feasible due to the time required for review of the inputs and calculations.⁷ However, at this point both Staff and REC have fully reviewed the avoided cost prices proposed by the Company. Staff recommends approval and REC does not object.⁸ For that reason the Commission should approve the Company's filings and order that the May 2 Annual Update take effect immediately.

Staff and REC argue that the Commission should adopt a policy of approving the utilities' May 1 updates effective the day after the *last* Public Meeting preceding the 60th day after May 1. In this case, because the Commission has cancelled the June 21 Public Meeting, Staff argues that the Commission should make Idaho Power's May 2 Update effective ***the day after the date that the last Public Meeting would have occurred if it were not cancelled.*** Staff and REC base their proposals on what they claim the QFs "expect" or "assume." However, there is no legitimate basis for such assumptions or expectations and granting Staff and REC's recommendation could cause real harm to Idaho Power's customers.

First, as noted above, the Commission stated that the avoided cost rates contained in May 1 updates are effective *within* 60 days of filing.⁹ Accordingly, the QFs should be on notice that the avoided cost prices approved in May 1 updates may be made effective at any Public Meeting at which they are considered, and no later than the 60th day after filing. Moreover, contrary to REC's implication, the Commission has never suggested that the rate effective date would be delayed until the day following the *last* Public Meeting held by the Commission prior to the 60th day. The Commission has always made the prices effective on the day following the Public Meeting at which they are considered. The fact that the Commission may on occasions, or even generally, have scheduled May 1 updates for the last Public Meeting before the 60th day is entirely insufficient to overcome the Commission's clear statements or to create a legitimate expectation on the part of the QFs.

Second, delaying the effective date of Idaho Power's updated avoided cost prices could cause serious harm to the Company's customers. Staff estimates that the cost that Idaho Power will avoid by entering in a QF contract is now approximately \$35.00 per megawatt-hour on a levelized basis.¹⁰ The net effect of the April 25 Post-IRP Filing and the May 2 Annual Update is to reduce Idaho Power's avoided cost rates from rates currently in effect by approximately \$16.00 per megawatt-hour on a levelized basis. If the old rates remain in effect until June 22, it is possible that a QF could attempt to gain a legally enforceable obligation to the higher rates. If that attempt were successful Idaho Power's customers would be forced to pay

⁷ Staff Report at 3.

⁸ Staff Report at 4; REC Letter at 1.

⁹ *Id.*

¹⁰ Staff Report at 3.

well above the cost the Company has demonstrated that it will actually avoid—in violation of PURPA's mandate that customers pay no more than actual avoided cost.¹¹

Idaho Power recognizes that it is important that the Commission adopt orderly and predictable processes for its implementation of PURPA contracts. By setting dates and timelines for post-IRP avoided cost filings and annual updates, the Commission has achieved that goal. However, QFs do not have a right to a pre-determined sixty-day delay before May 1 updates are effective, and do not have a right to have avoided cost filings considered at any particular Public Meeting. In this case both Commission Staff and REC had adequate time to review the Company's filing—and indeed Staff has agreed to that the prices are correct, and REC has stated that it does not object. Therefore, due process is satisfied, and the new rates should be approved on the earliest possible date.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lisa Rackner", with a long horizontal flourish extending to the right.

Lisa Rackner

¹¹ Re OPUC Investigation into Qualifying Facility Contracting and Pricing, Docket No. UM 1610, Order No. 05-584 at 6.