

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 24, 2009**

REGULAR X **CONSENT** _____ **EFFECTIVE DATE** November 30, 2009

DATE: November 19, 2009

TO: Public Utility Commission

FROM: Ed Durrenberger

THROUGH: Lee Sparling, Ed Busch, and Maury Galbraith

SUBJECT: IDAHO POWER COMPANY: (Advice No. 09-12) Proposes revision to Schedule 85 related to avoided cost purchases from qualifying facilities of 10,000 kW or less, in compliance with Order No. 05-584.

STAFF RECOMMENDATION:

I recommend the Commission allow the tariff revisions submitted in Idaho Power Company's (Idaho Power or company) Advice No. 09-12 to become effective November 30, 2009.

DISCUSSION:

Idaho Power submitted Advice No. 09-12 on October 30, 2009, requesting to revise Schedule 85, Cogeneration and Small Power Production Contract Rates. The purpose of the revisions is to update avoided cost rates in accordance with the requirements of OAR 860-029-0080(3) as required in Commission Order No. 05-584.

Background

The company has made this filing as a compliance filing for updating the cogeneration and small power production standard contract rates last updated in November 2007. The rates were determined using a Surrogate Avoided Resource (SAR) methodology in accordance with Order No. 05-584. Under this methodology Idaho Power prepared an annual forecast of on-peak and off-peak avoided costs using a surrogate Combined Cycle Combustion Turbine generator (CCCT) resource that was adjusted for seasonal differentiation. The natural gas fuel price forecasts were derived from forecasts in the draft Sixth Power Plan produced by the Northwest Power and Conservation Council on December 28, 2008. Prices for generation during off-peak hours reflect the variable costs of the surrogate CCCT, while prices for generation during on-peak times reflect capitalized costs plus variable costs. Under the SAR methodology, if a QF cannot

commit to provide firm power, power will be purchased from that QF at a price that reflects only the value of the energy.

With this filing the company is requesting to update capacity and fuel costs in its QF rates. The capacity cost component was updated based on inputs from the company's draft 2009 Integrated Resource Plan (IRP). Although this IRP has not yet been reviewed or acknowledged by the Commission, the pricing factors used were derived from the Northwest Power and Conservation Council's (Council) draft Sixth Power Plan and represent reasonable incremental updates to costs and performance factors. The fuel price forecasts were updated with Idaho Power's forward gas price curves that had been derived from the Council's draft Sixth Power Plan.

Staff has reviewed the filing and finds that Idaho Power's revisions to the Cogeneration and Small Power Production Contract rates have been made using the Commission approved methodologies consistent with previous updates. Staff also finds that the cost components used to calculate capacity and fuel costs are reasonable.

PROPOSED COMMISSION MOTION:

Idaho Power Company's Advice 09-12, revising Schedule 85, Cogeneration and Small Power Production Standard Contract Rates, be approved effective with service on and after November 30, 2009.