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Attorneys for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF PACIFICORP DBA ROCKY MOUNTAIN )** **CASE NO. PAC-E-14-06**  
**POWER FOR APPROVAL OF A POWER )**  
**PURCHASE AGREEMENT WITH LOWER )**  
**VALLEY ENERGY, INC. )** **COMMENTS OF THE**  
**)** **COMMISSION STAFF**  
**)**

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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and submits the following comments in response to the Notice of Modified Procedure issued on July 30, 2014, Order No. 33085.

**BACKGROUND**

On July 3, 2014, PacifiCorp dba Rocky Mountain Power filed an Application with the Commission requesting that the Commission approve a Power Purchase Agreement between Rocky Mountain Power and Lower Valley Energy, Inc., for the sale and purchase of electric energy produced by the Lower Valley hydroelectric project located in Afton, Wyoming.

Lower Valley owns, operates, and maintains three run of river hydroelectric generating facilities in Lincoln County, Wyoming – two are located on Swift Creek and one is located on the culinary water system located in/near the town of Afton. The Swift Creek facilities were

completed in 2009 and have maximum capacities of 940 kW (the “Upper Facility”) and 535 kW (the “Lower Facility”). The third facility – the “Culinary Facility” – has a nameplate capacity of 225 kW.

On May 22, 2009, PacifiCorp and Lower Valley entered into a Power Purchase Agreement (PPA) regarding the Upper Facility for a three-year term, expiring on May 1, 2012. The Commission approved the PPA in July 2009. Order No. 30864. In February 2010, the Company and Lower Valley executed a Revised and Restated Power Purchase Agreement to include generation from the Lower Facility. The Commission approved the revised agreement on February 25, 2010, by Minute Order. In May 2011, PacifiCorp and Lower Valley sought another revision of the PPA. The parties requested that the Commission add output from the newly constructed Culinary Facility and extend the term of the entire contract through September 1, 2014. The Commission approved the addition of the Culinary Facility and extension of the contract term on August 10, 2011. Order No. 32323.

PacifiCorp and Lower Valley executed an agreement on June 17, 2014, pursuant to the terms and conditions of the various Commission Orders applicable to this PURPA agreement for a hydroelectric resource. Under the terms of the PPA, Lower Valley elected to contract with Rocky Mountain for a two-year term using non-levelized published avoided cost rates established at the time of the PPA under Order No. 32817 for energy deliveries of less than 10 average megawatts (aMW).

The nameplate rating of the facilities as a whole is 1.7 MW. Lower Valley has attested and documented through its generation profile that its facilities will not exceed 10 aMW on a monthly basis. Furthermore, this PURPA agreement includes the 90-110 performance band as required by Commission Order No. 29632.

PURPA QF generation must be designated as a network resource on Rocky Mountain’s system, which requires the Company’s merchant function to submit a Transmission Service Request on behalf of the facilities to PacifiCorp transmission. Submission of this request occurred on May 29, 2014. Upon resolution of any and all required upgrades, if necessary, to acquire network transmission capacity for the facilities’ delivery of energy and upon execution of the PPA, the facilities may then be designated as a network resource.

Lower Valley has also been made aware of and accepted the provisions of the PPA regarding curtailment or disconnection of its facilities should certain operating conditions

develop on the Company's system. Section 6 of the PPA defines the condition for curtailment and obligations of Lower Valley in the event of curtailment.

By its own terms, the Agreement will not become effective until the Commission has approved all of the terms and conditions and declares that all payments made by Rocky Mountain Power to the project for purchases of energy "are just and reasonable, in the public interest, and that the costs incurred by [Rocky Mountain Power] for purchases of capacity and energy from [Lower Valley] are legitimate expenses, all of which the Commission will allow [Rocky Mountain Power] to recover in rates in Idaho in the event other jurisdictions deny recovery of their proportionate share of said expenses." Agreement ¶ 2.1.

### **STAFF ANALYSIS**

As stated earlier, this Agreement is intended to replace an existing agreement that will expire on September 1, 2014. Nearly all of the terms of the new Agreement are identical to those in the expiring agreement. One difference between the old and new agreements, however, is that the rates in the new Agreement have been updated. The Agreement contains the non-levelized published avoided cost rates in accordance with Commission Order No. 32817. Staff believes the rates for the two-year term are based upon the avoided costs calculated at the time the agreement was reached by the parties. Staff confirmed that the monthly on-peak/off-peak multipliers contained in the Agreement are also correct.

The Agreement does not specify ownership arrangements for any Renewable Energy Credits (RECs) associated with the project, but PacifiCorp through email correspondence confirmed with Staff that the RECs for this project will be owned by the QF. This ownership arrangement is consistent with recent Commission orders. (*See* Order Nos. 32697, 32802).

### **STAFF RECOMMENDATION**

Staff recommends that the Commission approve all of the Agreement's terms and conditions and declare that all payments made by PacifiCorp to Lower Valley for purchase of energy will be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 19<sup>TH</sup> day of August 2014.

  
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Kristine A. Sasser  
Deputy Attorney General

Technical Staff: Rick Sterling  
Yao Yin

i:umisc:comments/pace14.6ksrpsy comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19<sup>th</sup> DAY OF AUGUST 2014, SERVED THE FOREGOING **COMMENTS OF THE COMISSION STAFF**, IN CASE NO. PAC-E-14-06, BY E-MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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