JOHN R. HAMMOND, JR.
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0357
IDAHO BAR NO. 5470

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL OR REJECTION OF AN ENERGY SALES AGREEMENT WITH SOUTH FORKS JOINT VENTURE FOR THE SALE AND PURCHASE OF ELECTRIC ENERGY FROM THE LOW LINE CANAL HYDRO PROJECT	)	**CASE NO. IPC-E-19-36** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, submits the following comments regarding the above referenced case.

BACKGROUND

On December 9, 2019, Idaho Power Company ("Idaho Power" or "Company") filed an Application seeking approval or rejection of an Energy Sales Agreement ("ESA") between the Company and South Forks Joint Venture ("South Forks" or "Seller"), for the Low Line Canal hydro project ("Facility"). The Facility is in 8,200 kilowatt ("kW") qualifying facility ("QF") near Gooding, Idaho under the Public Utility Regulatory Policies Act of 1978 ("PURPA").

Under the proposed ESA, South Forks would sell the electric energy generated by the Facility to the Company at published seasonal, non-levelized hydroelectric avoided cost rates as set by Order No. 34350 for a 20-year term.

South Forks has been selling electricity generated by the Facility to the Company under an energy sales agreement executed on June 8, 1984, that expires on April 30, 2020. The proposed ESA is intended to replace the existing energy sales agreement.

STAFF ANALYSIS

Staff recommends approval of the proposed ESA between Idaho Power and South Forks. Staff's justification is based upon its review of the ESA, which was focused on: 1) the 90/110 rule with at least five-day advance notice for adjusting Estimated Net Energy Amounts; 2) eligibility for and the amount of capacity payments; and 3) the avoided cost rates.

<u>90/110 Rule</u>

QF's provide a monthly estimate of the amount of energy they expect to produce. If the QF delivers more than 110 percent of the estimated amount, energy delivered in excess of 110 percent is priced at the lesser of 85 percent of the market price or the contract price. If the QF delivers less than 90 percent of the estimated amount, total energy delivered is priced at the lesser of 85 percent of the market price or the contract price.[1] Order No. 29632. Staff verified that this provision is included in the ESA.

The ESA adopted a five-day advance notice for adjusting Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. The Commission has approved a five-day revision to monthly generation estimates in previous cases, recognizing that Estimated Net Energy Amounts that are closer to the time of delivery can improve the accuracy of input used by the Company for short-term operational planning. See Case Nos. IPC-E-19-01, IPC-E-19-03, IPC-E-19-04, IPC-E-19-07, and IPC-E-19-12. The Facility has been generating energy since 1985, and the Company has a long generation history for the QF. Staff believes a five-day advance notice is sufficient.

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[1] *See* Subsection 7.2 of the proposed ESA which defines the Surplus Energy Price as "the current month's Market Energy Reference Price [defined in subsection 1.27 of the ESA] or the applicable All Hours Energy Price [defined in subsection 7.6 of the ESA), whichever is lower."

Capacity Payment

In Order No. 32697, the Commission stated that, "If a QF project is being paid for capacity at the end of the contract term, and the parties are seeking renewal/extension of the contract, the renewal/extension includes immediate payment of capacity." Although the original contract did not contain a capacity payment, Staff believes the Facility should be granted capacity payment for the full term of the replacement contract, as was granted by the Commission to the Black Canyon #3 project in Case No. IPC-E-19-04.

Similar to the Black Canyon #3 project, the Facility in its original Energy Sales Agreement included avoided cost rates without a capacity payment as determined in Order No. 18190, effective September 1, 1983, because Idaho Power was at that time energy constrained, not capacity constrained. Since about the year 2000, the Company has added significant amounts of capacity such as Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the Company went through those multiple capacity deficiency periods during the Facility's 35-year contract term, Staff is confident that the project has contributed to the Company's need for capacity. Therefore, Staff believes the Facility should be granted capacity payment for the full term of the replacement contract.

Avoided Cost Rates

Staff reviewed the avoided cost rates contained in the ESA. Except for a mistake in a price that falls outside the term of the ESA, Staff confirmed that all other rates within the term of the ESA are correct.

Appendix F in the ESA shows that the Base Energy Light Load Purchase Price for Season 1 in year 2041 is 71.31 Mills/kWh, but Staff believes the correct price is 71.91 Mills/kWh. Because the ESA term lasts from year 2020 to 2040, the prices for 2041 listed in Appendix F of the ESA would not be applicable during its term.

STAFF RECOMMENDATION

Staff recommends the Commission approve the ESA and declare Idaho Power's payments to South Forks for the purchase of energy generated by the Facility under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 3rd day of February 2020.

John R. Hammond, Jr.
Deputy Attorney General

Technical Staff: Yao Yin
Stacey Donohue
Rachelle Farnsworth

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3rd DAY OF FEBRUARY 2020, SERVED THE FOREGOING **COMMENTS OFF THE COMMISSION STAFF,** IN CASE NO. IPC-E-19-36, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

DONOVAN E WALKER
REGULATORY DOCKETS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: dwalker@idahopower.com
dockets@idahopower.com

ENERGY CONTRACTS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: energycontracts@idahopower.com

TOM WICHER
SOUTH FORKS JOINT VENT
LOW LINE CANAL HYDRO
PO BOX 7867
BOISE ID 83707

SECRETARY