

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-19-37
APPROVAL OR REJECTION OF AN)	
ENERGY SALES AGREEMENT WITH BIG)	
WOOD CANAL COMPANY FOR THE SALE)	ORDER NO. 34676
AND PURCHASE OF ELECTRIC ENERGY)	
FROM THE JIM KNIGHT HYDRO)	
PROJECT)	
)	

On December 9, 2019, Idaho Power Company (“Company”) applied for Commission approval or rejection of its Energy Sales Agreement (“ESA”) with Big Wood Canal Company (“Seller”) for the Jim Knight hydro project (“Jim Knight Facility”). The Jim Knight Facility is a qualifying facility (“QF”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

On January 10, 2020, the Commission issued its Notice of Application and Notice of Modified Procedure. Order No. 34528. The Commission Staff (“Staff”) filed written comments on January 31, 2020. Ted Sorenson on behalf of Wood Hydro, LLC (“Wood Hydro”) filed reply comments on February 5, 2020.¹ The Company did not file reply comments.²

Having reviewed the record, the Commission enters this Order approving the Company’s Application.

BACKGROUND

Under PURPA, electric utilities must purchase electric energy from QFs at purchase or "avoided cost" rates approved by the Commission. 16 U.S.C. § 824a-3; *Idaho Power Co. v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013). The Commission has established two methods for calculating avoided costs, depending on the size of the QF project: (1) the surrogate avoided resource (“SAR”) methodology, used to establish "published" avoided cost rates; and (2) the integrated resource plan (“IRP”) methodology, to calculate avoided cost rates for projects exceeding published rate limits. *See* Order No. 32697 at 7-22.

¹ Ted Sorenson represents that he is filing reply comments on behalf of Wood Hydro. Sorenson is listed as a governor of Wood Hydro according to records of the Idaho Secretary of State. He is also listed as an “Authorized Agent” of Big Wood as set forth in the ESA. *See* ESA at p. 1, paragraph 1.2 and p. 33, paragraph 25.2.

² The Company filed comments in Case No. IPC-E-19-38 that address the arguments made by Wood Hydro in its Reply Comments. Wood Hydro’s arguments pertain to the energy sales agreement being reviewed in Case No. IPC-E-19-38 and do not affect the terms and conditions of the ESA being considered in this case.

THE APPLICATION

The Jim Knight Facility is a 475 kilowatt (“kW”) nameplate capacity hydroelectric facility near Gooding, Idaho. *Application* at 2. The Jim Knight Facility currently delivers energy to the Company under a PURPA energy sales agreement executed April 1, 1985. *Id.* at 2. The existing energy sales agreement expires on May 31, 2020. *Id.* The Company and Seller intend the proposed ESA to replace the expiring energy sales agreement. *Id.* The Company states the proposed ESA complies with Commission orders regarding this type of agreement. *Id.* The Company asks the Commission to process the Application before the current energy sales agreement expires. *Id.* at 6.

In the proposed ESA, Seller has contracted for non-levelized, seasonal hydro published avoided cost rates as set by the Commission in Order No. 34350 for a 20-year term. *Id.* at 4. Because this is a replacement ESA, it contains capacity payments for the entire term of the Agreement. *Id.* at 3. The Company requests its Application be processed by Modified Procedure. *Id.* at 6.

COMMENTS

1. Staff Comments.

Staff recommends approval of the proposed ESA between the Company and Seller. Staff’s recommendation is based upon its review of the ESA, which was focused on: (1) the 90/110 rule with a five-day advanced notice for adjusting Estimated Net Energy Amounts; (2) eligibility for and the amount of capacity payments; (3) verification of seasonal hydro status; and (4) adherence to the capacity size threshold to qualify for published rates. *Staff Comments* at 2.

Staff verified that the 90/110 provision is included in the ESA. *Id.* Staff also noted that the ESA adopted a five-day advance notice for adjusting Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. *Id.* Staff also verified that Seller is being paid for capacity at the end of the original contract, and thus the proposed avoided cost rates include capacity payments for the full term of the replacement contract. *Id.* at 2-3.

Staff verified the avoided cost rates contained in the ESA are correct and comply with existing Commission Orders. *Id.* at 3. Staff also confirmed the Jim Knight Facility’s 475 kW nameplate capacity so it is eligible for published avoided cost rates.³ *Id.*

³ In the expiring energy sales agreement, the nameplate capacity of the Facility was 550 kW. That nameplate capacity is reduced in this case by 75 kW to 475 kW.

Based on the foregoing, Staff recommended the Commission approve the ESA. *Id.* Staff also recommends the Commission declare the Company's payments to the Seller for the purchase of energy under the ESA be allowed as prudently incurred expenses for ratemaking purposes. *Id.*

2. Wood Hydro's Reply Comments.

Wood Hydro argued in reply that there should be a netting/offset of the change in nameplate capacity of the Jim Knight Facility and Sagebrush hydro project ("Sagebrush Facility") so that the Sagebrush Facility receives capacity payments for its increased nameplate capacity. *See* Case No. IPC-E-19-38. The proposed energy sales agreement for the Sagebrush Facility provides its nameplate capacity is 575 kW, a 145 kW increase from the nameplate capacity listed in the expiring contract for this facility. Case No. IPC-E-19-38, *Staff Comments* at 3.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission also has authority under PURPA and Federal Energy Regulatory Commission ("FERC") regulations to set avoided cost rates, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Application, the ESA, and the comments of Staff and Wood Hydro. Based on our review, the Commission finds it reasonable to approve the ESA because it contains Commission-approved terms that the Facility is eligible for based on its characteristics such as fuel source, project size, generation output profile, and renewal contract status. The Commission also finds that the Company's payments for purchases of energy and capacity under the ESA are prudently incurred expenses for ratemaking purposes.

Lastly, we acknowledge the reply comments filed by Wood Hydro. However, the Commission finds that the arguments raised do not affect our decision in this case. The arguments are appropriately argued and addressed in Case No. IPC-E-19-38.

ORDER

IT IS HEREBY ORDERED that the ESA between the Company and Seller is approved, effective on the service date of this Order.

IT IS FURTHER ORDERED that all payments made by the Company for purchases of energy and capacity under the ESA are allowed as prudently incurred expenses for ratemaking purposes.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this day of May 2020.



PAUL KJELLANDER, PRESIDENT

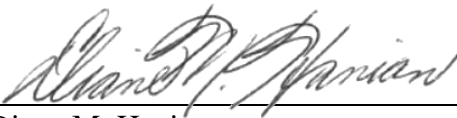


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary